

# Press release: Ending late payments to small businesses

- Proposals include measures to empower trade bodies to highlight best and worst practices in payment behaviour in order to deliver practical improvements
- Part of the modern Industrial Strategy, helping our small businesses deliver growth and jobs

New measures to end the problem of late payments to small businesses by large companies who abuse their position in the market have been unveiled today (4 October 2018) by the Small Business Minister Kelly Tolhurst as she launches a call for evidence.

Nearly a quarter of UK businesses report that late payments are a threat to their survival. Tackling them represents a huge opportunity for economic growth, with research from the Federation of Small Businesses suggesting it could add £2.5 billion to the UK economy and keep an extra 50,000 businesses open each year.

The new proposals, building on action government has already taken to improve access to finance and the appointment of the Small Business Commissioner, include:

- the call for evidence to consider the best way company boards can put in place responsible payment practices throughout their supply chain, for example giving a non-executive director specific responsibilities for the company's prompt payment performance
- promoting innovative technologies, such as the latest accounting software, to help small firms manage their payments processes, and empowering trade bodies to highlight the best and worst practices in payment behaviour

Small Business Minister Kelly Tolhurst said:

Our 5.7 million small businesses are the backbone of our economy, and ensuring we remain one of the best places in Europe to start and grow a small business is a key part of our modern Industrial Strategy.

Over the past 5 years the amount owed to businesses in late payments has halved, but we will go further to make sure all of our small businesses are treated fairly.

Today's new call for evidence will help us identify the most

effective way possible to tackle this issue once and for all and ensure small businesses are on a level playing field with their larger counterparts.

Federation of Small Businesses (FSB) National Chairman Mike Cherry said:

Late payment is the biggest challenge affecting small businesses and it is good to see the government getting serious about this issue, especially when it comes to large firms paying their supply chains promptly.

The voluntary Prompt Payment Code is not working when it allows signatories like Carillion to pay on terms of over 120 days, so we want to see a new tough and transparent compliance regime being proposed.

Involving the Small Business Commissioner Paul Uppal with the Code is also right as it shows a more joined-up approach to this difficult issue. Further, it is a positive step that central government will set an example – paying 90% of undisputed invoices from small and medium-sized businesses within five days.

The publication of the new call for evidence follows an announcement by the Business Secretary Greg Clark earlier this week where he set out other new measures to support small businesses, including:

- the Small Business Commissioner to join the Prompt Payment Code's Compliance Board to support his role in tackling late payment
- the Board to consider all complaints made about compliance as part of regular reviews, and report on all cases of signatories being removed from the Code
- further reform to the Code to be considered including whether the Small Business Commissioner should have a greater role in its administration

Small Business Commissioner Paul Uppal said:

I welcome the opportunity to join the Prompt Payment Code's Compliance Board. I am looking forward to working with the Prompt Payment Code Administration Team and improving current processes to ensure timely payments, which will encourage growth and productivity for SMEs across the UK.

The government has also set the ambition that all its departments commit to paying 90% of undisputed invoices from SMEs within 5 days and ensure all government departments have a dedicated non-executive director responsible

for prompt payment, improving payment practices and exploring how better to use technology to make payment processes more efficient.

Some large businesses use late payments and extended payment terms to exert control over small businesses in their supply chain, and the government will now seek the views of the UK business community on how best to ensure small businesses are given a fair deal.

Cabinet Office Minister for Implementation Oliver Dowden said:

We expect the highest payment standards from both government and big business.

That is why we will commit to central government aiming to pay 90% of undisputed invoices from small and medium sized businesses within five days. Small firms can also report poor payment practices via our Mystery Shopper service, which ensures their voices are heard.

We are listening to businesses and doing more than ever to level the playing field for small businesses to win work in the public sector.

Emma Jones, MBE, founder of Enterprise Nation, said:

We're delighted the government has taken this step to ensure they are setting the right example in paying within five days and further enforcing the prompt payment of invoices for SMEs.

There is absolutely no doubt that late payment, often 60 days and even beyond, has a dramatic and disproportionate effect on smaller firms, which often rely on cashflow to fund trade and avoid unnecessary debt. The continued attention on the issue of late payment should enable UK enterprise to further flourish.

The Call for Evidence launched today forms part of the government's modern [Industrial Strategy](#), which is committed to creating a fair and just business environment and ensuring Britain is one of the best places to start and run a small business.

It will be open until 29 November 2018 and the government is encouraging, businesses, trade associations and other interested parties such as academics to contribute their views to it.

The Call for Evidence will be available from 9:30am on 4 October 2018.

Late payment occurs when a business has been supplied goods or services on credit but fails to pay within the agreed term. Legally, if no explicit payment terms have been agreed, payment is assumed to be due after 30 days for the purposes of charging statutory interest.

Enterprise Nation is a small business support network that represents the views of thousands of UK small businesses.