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Businesses may face late payment fines

Businesses which fail to pay their suppliers on time could face fines under plans being reviewed by the Business Secretary, Vince Cable.

A late payment levy is among options being investigated by the Business Department as it considers taking a tougher stance on monies owed to small businesses in outstanding debts. The plan would see companies which pay bills late receiving financial penalties through a scheme modelled on a similar system used in Sweden.

The Government wants to tackle the unfair culture of late payment among some sectors and businesses, often with large companies being the worst offenders, and is therefore considering tougher measures.

The Business Minister, Michael Fallon, said he was “going to war” on the issue last year after hearing complaints from small businesses on the impact that late payment of bills was having on cash-flow.

However, a threat to “name and shame” FTSE 350 companies which refused to sign up to the prompt payment code (PPC), a voluntary commitment to pay suppliers within agreed terms, had little impact. It is reported that less than half of Britain’s biggest listed businesses have signed the PPC. The Government has admitted that legislation which allows suppliers to charge interest on late payments has failed as they are usually fearful of losing customers.

Business Department officials are now looking at various options, including a late payment levy, in an effort to encourage firms to pay within 30 days. Suppliers to many large companies have contractual terms of as long as 90 days, but companies complain that even these are not adhered to and often leave some waiting as long as six months for payment.

In difficult financial times late payment can have a devastating impact on small businesses and any Government initiative to assist will be seen as positive support by them.

Please note that should your clients require any confidential advice regarding this or any other insolvency matter they are welcome to contact one of our partners. Initial advice is provided free of charge and without obligation. Also, if you or any of your colleagues require any clarification regarding insolvency law or procedures please do not hesitate to contact us.

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