

Press release: Broad new measures to ensure small businesses get paid on time

For the first time large businesses could be fined for failing to pay smaller suppliers on time as part of a robust package of measures unveiled today by Small Business Minister Kelly Tolhurst (Wednesday 19 June).



- Proposed new powers for Small Business Commissioner to tackle late payments through fines and binding payment plans
- company boards to be held accountable for supply chain payment practices for first time
- new fund to encourage businesses to use technology to simplify invoicing, payment and credit management
- amount owed in late payments halved over the last 5 years

Company boards will now be held accountable for payment practices to small businesses within their companies in a drive to increase transparency and accountability on late payments. Measures will force Audit Committees to report payment practices in company annual reports.

The government will consult on strengthening the powers of the Small Business Commissioner to hold to account the minority of larger businesses who fail to make payments on time. New powers could include compelling information and disclosure of payment terms and practices, imposing financial penalties or binding payment plans on large businesses found to have unfair payment practices.

Responsibility of the voluntary code of best practice – the Prompt Payment Code – will be moved to the Small Business Commissioner. This will put tools to tackle late payment under one organisation, ensuring the Commissioner has the powers to affect culture change in unfair payment practices.

Small Business Minister Kelly Tolhurst said:

The vast majority of businesses pay their bills on time, with the amount owed in late payments halved over the last five years. But as a former small business owner, I know the huge impact a late payment can have on the ability of a small business to plan, invest and grow.

Small businesses are the backbone of our economy and through our modern Industrial Strategy we want to ensure the UK is the best place to start and grow a business. These measures will ensure that small businesses are given the support they need and ensure that they get paid quickly – ending the unacceptable culture of late payment.

Other proposals include:

A tough new approach to large companies which do not comply with the Payment Practices Reporting Duty – an existing mandatory requirement on large businesses to report payment practice to a national database twice a year. The legislation allows for the prosecution of those which do not comply, and fines may be imposed. The government will consult on giving these powers to the Small Business Commissioner.

A [Business Basics Fund](#) competition of up to £1 million in funding to encourage businesses to use technology to simplify invoicing, payment and credit management to ensure they work as effectively as possible.

Mike Cherry, National Chairman of the Federation of Small Businesses, said:

Small businesses will be delighted with today's announcement. FSB has worked very hard with government to create a whole-board approach to late payment within the UK's large companies, and empower Audit Committees to look after the supply chain. Together with measures to strengthen the Small Business Commissioner's powers and reform the Prompt Payment Code, the measures today could finally see an end to poor payment practice. Changing our business culture will boost the small business community, productivity and growth.

Small Business Commissioner Paul Uppal said:

During the first 16 months of my post I have been struck by the trepidation felt by small businesses when talking about late payment with their large suppliers.

The government has a range of measures in place to tackle late

payment and this consultation is a further step in the right direction to protect and support small businesses.

I welcome any additional provisions which will strengthen the influence my Office has in tackling poor payment practice and levelling the existing playing field.

Philip King, Chief Executive of the Chartered Institute of Credit Management said:

We welcome this announcement and in particular the proposal to bring the Prompt Payment Code under the auspices of the Small Business Commissioner in a managed transition.

We will continue to work closely with the Commissioner and the government in supporting small businesses and driving cultural change and look forward to engaging with existing signatories and wider stakeholders in shaping the best practice principles of the future.

This ambitious package of measures will level the playing field for the UK's 5.7 million small businesses, delivering on the modern Industrial Strategy's ambition to make Britain the best place to start and grow a business. Ending the culture of late payments will pave the way to boost SME productivity, remove barriers to growth and improve cash flow.

The [Small Business Commissioner's Office](#) was set up by government in 2017 to tackle the issue of late payments. It has already recovered over £3.8 million and more powers will enable it to tackle this unacceptable culture and do more to champion businesses across the UK.

Notes to editors

- Read the [response to the consultation](#) – Creating a responsible payment culture: a call for evidence on tackling late payment.
- The Office of the Small Business Commissioner was launched in December 2017 to ensure fair payment practices for Britain's small businesses and support them in resolving their payment disputes with larger businesses and bring about culture change. For more information, visit the [website](#)
- The Prompt Payment Code sets standards for payment practices and best practice in payment culture. It is currently administered by the Chartered Institute of Credit Management on behalf of the Department for Business, Energy and Industrial Strategy. The Code has more than 2,000 voluntary signatories. Compliance with the principles of the Code is monitored and enforced by the Prompt Payment Code Compliance Board. The Code covers prompt payment, as well as wider payment procedures.