APPENDIX

THE LATE PAYMENT PRESS TIMELINE

2002-2007

Late Payment Legislation – Key Phases

Phase 1- 1st November 1998 to 31st October 2000

Interest on Late Payment could be claimed at 8% over the base rate. However only small businesses could use the legislation to claim against large businesses.

Phase 2 - 1st November 2000 to 6th August 2002

Extended so small businesses could also claim against other small businesses. Large businesses were still not able to use the legislation.

Phase 3 - After 7th August 2002

Revised to bring into line with the EU directive. Interest rates were fixed for six months at a time rather than changing every time base rates change. In addition companies could now demand compensation for the costs of collecting late payments up to a fixed amount.

The following pages show extracts from press coverage from the point of introduction of the Legislation to the present day.

2002

February 2002

SME ISSUES: Breaking the tradition of late payment of bills

http://thescotsman.scotsman.com/business.cfm?id=120072002

In the last year, according to the Institute of Credit Management at Leeds University Business School, big businesses have speeded up their payment by an entire working week and are more aware of their responsibilities to smaller companies. Research published by Dun & Bradstreet in March of last year showed UK companies to be the second fastest payers in Europe. Prior to the legislation, we were fourth in the EU table and had improved most since the previous survey.

March 2002

Fewer using UK prompt payment law

Daily Telegraph

The use of Legislation to enforce prompt payment of invoices or to extract interest was never widespread, but has halved in the last year, according to the Credit Management Research Centre at Leeds University.

August 2002

Penalties for late payment 'may favour big business'

Financial Times:

New measures that for the first time will allow large companies to claim interest from late-paying customers could penalise small businesses, it was claimed yesterday. The legislation - which from today brings the UK into line with a European Union directive - will allow businesses of all sizes and the public sector to claim up to £100 in debt recovery costs for time spent chasing each overdue bill as well as interest.

European late payment act will squeeze SMEs

http://www.manufacturingtalk.com/news/pkf/pkf100.html

A European directive on late payment will place big burdens on UK Small and Medium Sized Enterprises (SMEs) because they will be forced to compete on the same playing field as large corporates, says accountants and business advisors, PKF. The directive, announced ahead of schedule on 7 August, will mean that SMEs in distribution businesses (eg wholesalers and computer, food and manufacturing industries) who buy their goods from blue chips will be chased for payment by large credit groups who will use the full force of the law against them.

August 2002

When will we get our £7 billion

Financial Mail on Sunday

Today, enterprise@financialmail launches a major campaign to tackle the curse of late payment hampering Britain's growing army of entrepeneurs. At any one time, nearly £7 billion is owed to small firms where cash flow is critical.

September 2002

Late payment penalty moves

Financial Times:

The Law Commission is recommending that courts should be able to award compound interest - rather than just interest at simple rates - where money judgments are involved. It points out that if money has been paid late, a claimant has normally had either to borrow to cover the delay or lose an opportunity to invest the money. Under either scenario, the claimant would have been affected by compound rates - so awarding only simple interest fails to reflect the losses suffered. Separately, lawyers at Bristows point out that the Late Payment of Commercial Debts (Interest) Act has just been extended to all suppliers. (It previously applied to small suppliers.) For all contracts entered into after August 7, suppliers will now be able to charge interest of 12 per cent on unpaid debts, unless a lower rate has expressly been agreed.

October 2002

Credit control compared online

Financial Times:

Information on credit management and what industry peers are doing may be easier for smaller businesses to access, thanks to an online initiative by the Credit Management Research Centre at Leeds University business school. Those registering to take part in a short online survey will be able to access free information for a period. The centre has been collecting relevant data for its CreditScorer programme for four years and has decided to publish online in response to demand from companies for the ability to search for up-to-date information in ways most appropriate to them.

November 2002

Take an Interest in Bills

Sunday Express

Firms are failing to take advantage of changes in the law covering late payment. Just 15 per cent of small firms flag up their right to charge interest on unpaid bills in their terms of trade.

2003

January 2003

Campaign on late payers

Financial Times:

Small-business minister Nigel Griffiths has extended his drive against late payments, writes Guy Clapperton. Following the Federation of Small Businesses' publication of its league table of worst payers in the private sector (www.cmrc.co.uk/league tables), the minister has written to the 19 that report they habitually settle after 200 days. "I'm taking the poorest payers, writing to them and asking what the hell they're up to," he says. In fact, the letter is more moderate in tone. "I would welcome your assistance... in particular, to hear how the payment processes within your company could be improved to allow small businesses to receive their payments promptly," it says. The move follows the minister's offer to approach bad payers on behalf of businesses that contact him; he says that although he has no enforcement powers, about half the companies he has contacted so far have improved their payment systems. The minister will invite the worst late payers to a meeting held jointly with the FSB. The federation said last week that fewer companies were reporting on their payment practices, despite government rules that they should. This issue has also been raised with the minister, says Stephen Alambritis of the FSB.

Payment terms under scrutiny

Financial Times:

In spite of legislation and codes of best practice on paying bills on time, evidence that big companies are taking longer to settle up has emerged recently. Research published in the Financial Times on Tuesday showed that the time taken to pay suppliers for goods is being extended, with serious effects on manufacturing and farming. Next Tuesday the Federation of Small Businesses will publish league tables showing the time it takes UK companies to pay up and naming some of the slowest payers. The information was compiled by the Credit Management Research Centre at Leeds University business school and will be posted on the website of the Better Payment Practice Group. The tables are available from Tuesday at www.cmrc.co.uk/leaguetables and www.payontime.co.uk.

Small Business: Late payers cling to their old ways

http://business.timesonline.co.uk/tol/business/article855082.ece

The latest figures from Price Waterhouse Coopers show that as many as 48% of business failures can be attributed to cashflow problems — up by 18% on the year before. The concern is that this figure could keep rising as companies go on tightening their belts. Last week the Federation of Small Businesses published its league table naming and shaming the companies with the worst records for late payment. This is the fourth year the table has been compiled and the fourth year that the average payment time has been 46 days — 16 days over the European recommendation of 30 days. The worst offender — Mortgage Pages — takes 548 days to pay its bills. The conclusion being drawn is that the late-payment legislation designed to tackle this problem is having almost no impact. Philip Mellor, senior analyst at Dun & Bradstreet, says: "There is little evidence to show that small firms are taking up their new right to charge clients interest on late bills or claiming compensation for the cost of recovering debts."

February 2003

Small Business: How to beat those cashflow and late payment blues

www.advfn.com/stocks/addleisure-plc_10071209.html

Over the last decade, thousands of businesses have also decided that factoring is preferable to traditional funding options. Figures published last week by the Factors and Discounters Association (FDA) show the number of small and medium-sized businesses using factoring and invoice discounting grew by 10% last year to a record 33,500. Factoring has not always been so popular, though. It has taken almost a decade to shake off the image of being the last stop before insolvency.

August 2003

Government's late payment drive has failed

http://business.timesonline.co.uk/tol/business/article855851.ece

THE government's initiative to curb the late payment of business invoices has been deemed a failure five years on, a report by Experian, the credit-rating agency, will say tomorrow. The average British business takes 57.9 days to pay its bills — exactly the same length of time that it was taking before the legislation was introduced in August 1998. The regulations, which allow businesses to charge interest to debtors that take longer than 30 days to pay their bills, were designed to stem the number of small firms going bust as a result of cashflow problems. Large companies are the worst at paying their bills on time, according to the report. Their average payment period has increased by almost six days from 72.1 days in 1998 to 77.9 now. Small firms have become marginally faster at paying up, but they still take an average of 56.4 days. Companies in the electricity industry are the worst offenders, taking an average of 73.1 days to pay invoices — double the length of time deemed acceptable by the government’s legislation, and 18 days longer than in 1998. Only six of the 29 industry sectors analysed by the report show any improvement over the past five years. The biggest difference was seen in the gas industry — but the payment period only decreased by 3.6 days to 57.9 days. Phil Cotter, director of Experian’s business information division, said: “Late payment and the ensuing bad debts associated with this continue to pose a real danger to many UK businesses.”

September 2003

Defeating the Perkins principle of late payment

Financial Times:

I have found a name for the pain afflicting many small businesses, and it is Mr Perkins. He is the company accountant who is "talking on another line" when you call about a three-month-old invoice. Alternatively he is "travelling", or "attending a meeting". Mr Perkins is doing none of those things. He is shaking his head at his secretary so she will dishonestly fob you off. This lets him return to his favourite pastime: gazing fondly out of the window at his shiny new Mondeo, paid for with the interest his company earns on balances rightfully belonging to its suppliers. The fictional Mr Perkins is not a bad man. He loves his kids and pays at least some of his taxes. But when you put down the receiver you feel - quite wrongly from a legal viewpoint - that cutting off his Bugs Bunny tie with a big pair of scissors and making him eat it would be entirely justifiable. The European Commission says that one in four business failures across the community results from bad debts. In the UK alone, the net trade debt that big companies owe small ones is estimated at £20bn. Then there is the cost of chasing late payment. Professor Nick Wilson of Leeds University Business School, who has studied the problem, says: "Firefighting late payment ties up a lot of assets and requires a lot of effort which could otherwise be used making sales." In 1998 the government introduced a law allowing small companies to charge big customers interest on overdue money. The overall effect, according to recent research by Experian, the business information group, has been a big fat zero. The period that UK companies take to pay their bills is now 57.9 days, the same as six years ago. Worse, figures compiled by Prof Wilson show the number of days companies with turnover of less than £5m have to wait for payment beyond agreed credit periods has doubled. The figure was in the mid-teens in 1999. Now it is about 30 days, against 11 days for larger companies. The disparity shows that late payment reflects power relationships, not concepts of fairness or access to legal remedies. Stephen Alambritis, president of the Federation of Small Businesses, says: "The fundamental problem is that our members are loath to use their power to charge interest for fear of souring relations with large customers." But experts believe big businesses have begun using their right to charge interest, gained a year ago, with the gusto that smaller peers have so conspicuously lacked. They must meanwhile be fuming at the abandonment of plans for a postal strike which would have given extra vim to the excuse "the cheque's in the post". The terrible reality for small business owners is that to get paid they sometimes have to reclassify Mr Perkins - a man they might normally view with the disfavour accorded a used surgical plaster - as a kind of secondary sales target. Would-be entrepreneurs freshly freed from the shackles of corporate wage slavery learn the hard way that "a sale isn't a sale until you have collected the money and it has registered in your bank account," as John Thorpe, a Lancashire businessman, puts it. Mr Thorpe's company, Arras Services, a project management consultancy and recruitment agency, felt the pinch recently when a client let payment of a £30,000 invoice drift past the three-month mark. That created a cashflow problem for a business with annual turnover of just £300,000. Mr Thorpe says extracting the money came down to understanding his customer's payment process and "getting to know" accounts staff. "There is a disconnect in most organisations between the people you do the work for and back-office people for whom your invoice is just another piece of paper," he says. Clive Lewis, chairman of the Better Payment Practice Group, a campaigning body funded by the Department of Trade and Industry (www.payontime.co.uk), advocates agreeing clear payment terms with customers from the outset. "People are often embarrassed to discuss these. It is a bit like talking about sex," he says.

Small Business: Late payers stunt small firms’ growth

http://business.timesonline.co.uk/tol/business/article1155938.ece

he late-payments legislation introduced by the government in August 2002 has not helped either, the firm says. A year later, it is hard to see what difference it has made. The legislation was the result of a European commission directive which said all companies operating within the union were to be paid by their debtors within 30 days. Those that did not receive payment could charge interest at 9% a year, or

0.02% a day, on outstanding invoices. Other severe penalties, although not defined, were promised. The commission's economic rationale was stark: within the EU area, one out of four company insolvencies is the result of late payment, costing 450,000 jobs every year. An estimated €26 billion is lost in bad debts. Most of these jobs are lost in small and medium-sized enterprises (SMEs). The aim was to use the legislation to protect SMEs, which generally wait twice as long as larger companies to get paid. In Ireland, a small firm waits an average of 51 days to get paid for products or services it provides. The EU average is 53 days, but this is inflated by Greece, Portugal and Italy, where payment takes more than 90 days. In northern European countries, the average is 37 days, with Norway the most prompt at 27 days. Not much has been said about how late payment is affecting the growth and stability of SMEs in Ireland, although the size of this industry here makes late payment a potentially serious problem. Out of 171,000 businesses registered in the state, 90% are SMEs, including every type of company from florists to small food producers. In a recent survey by the Small Firms Association (SFA), 38% of SME owner-managers said late payment was affecting the growth of their business. In Britain, where companies grapple with a 49-day wait for payment, a study showed that small firms are effectively giving their big business counterparts a £20 billion (€28.9 billion) interest-free loan, calculated according to the manner in which debts are balanced between SMEs and big business.

October 2003

Late payment rules bring little joy to minnows

http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2003/08/11/cblate11.xml

Legislation aimed at reducing late payment of bills to help small companies is having no effect because big companies are taking longer to pay their bills, according to industry surveys. Five years after the Government allowed companies to claim interest and a contribution towards costs from debtors, progress towards improving payment practices is almost negligible, according to the data analysed by Experian and Intrum Jusitia. The average time it takes companies to pay bills, at 57.9 days, is unchanged over the five years, said Experian, the credit checking agency, which looked at information from 225,000 companies. Intrum Justitia, the credit management business, says that only 26pc of its clients are making use of the legislation to claim compensation.

2004

January 2004

Companies resort to hard line on late payers

Financial Times:

Two-fifths of small businesses have been forced to take legal proceedings against late or non-payers, according to a survey published yesterday. The results suggest that a government drive to tackle the culture of late payments among businesses has had little effect. It found that the cash flows of two-thirds of small businesses had been disrupted by the problem, which hits one-fifth of them "very frequently". Late payment is a headache for small businesses, which complete work in good faith but may have to wait years while big customers extract cash-flow benefits from withholding money owed. The survey from Bank of Scotland Corporate Banking found half of the 1,000 respondents had waited up to a year for a payment, with a quarter waiting up to two years. Half of businesses had waited about 60 days for the bulk of payments. The government began phasing in laws allowing businesses to levy interest on late payments in 1998, with the aim of reducing their prevalence. However, Eddie Morrison, managing director at BoS Corporate Banking, said the power had been little used because "many owner-managers would view levying a late payment charge on a client as commercial suicide". The survey showed that two-fifths of small businesses had started legal action against non-payers. Mr Morrison said this was "a cost and a distraction which sharply erodes margins". Stephen Alambritis of the Federation of Small Businesses described late payment as "the cancer of the commercial world". He said: "With interest rates low, there is no excuse for any business to improve its cashflow at the expense of suppliers." He called for the establishment of an inter-bank clearing system, through which payments would automatically be transferred between customers and suppliers after agreed credit periods had elapsed. The net trade debt big companies owe small ones is estimated at £20bn, and according to BoS Corporate Banking delayed payment triggers 10,000 business failures in the UK every year. Clive Lewis, of the Better Payment Practice Group, an advisory body funded by the Department of Trade and Industry, said: "There is a limit to what anyone can do to make this more of an issue than the two parties to a contract want it to be. Most businesses rate cash flow a lesser priority than winning orders."

According to the survey, women owner-managers are 25 per cent more likely to get their bills paid on time than male counterparts, apparently confirming popular wisdom that they are better at juggling different demands imposed. Mr Morrison said many entrepreneurs put off credit management duties because they found them boring and unpleasant.

Late payment dents business cashflow

http://www.hbosplc.com/media/pressreleases/articles/bos/2004-01-20-01.asp?section=BOS

Two-fifths of SMEs have taken legal action against a customer for non-payment. Half of businesses wait on average up to 60 days for payment of invoices. Two-thirds of SMEs have suffered restricted cashflow as a result of late payment. Two-thirds (68%) of the UK's Small and Medium-sized Enterprises (SMEs) regularly suffer cashflow problems as a result of delayed payments, despite the Government's drive to tackle this issue.According to new research from Bank of Scotland Corporate Banking, conducted amongst 1,000 SMEs across the UK by the Opinion Research Business, a staggering two-fifths (43%) of owner-managers have also taken legal action against a customer for non-payment. The culture of delayed payments currently accounts for some 10,000 UK business failures each year. This is perhaps not surprising given that a quarter of SMEs (24%) have had to wait over two years and almost half (48%) have waited up to a year for payment.On average, small businesses must wait 40 days before their bills are paid. Nevertheless, a worrying one in eight (13%) SMEs wait, between 61-90 days for payment and a small but alarming 2% wait an average of over 90 days.The sector most affected by late payment appears to be Manufacturing/Engineering where a fifth of businesses (21%) wait on average over 60 days, and 5% over 90 days. Best is Leisure and Tourism where 9% wait over 60 days for payment.Other key findings from the survey are:Over a fifth (21%) of small businesses, 'very frequently' suffer from restricted cashflow as a result of late payment. Women owner-managers are 25% more likely to get their bills paid on time than their male counterparts. Small businesses in Scotland (30%) and Wales (32%) are least likely to suffer from late payment compared with Yorkshire (41%) and Newcastle (39%). Eddie Morrison, Bank of Scotland Corporate Banking Managing Director, said: "The research suggests many small businesses are suffering from the impact of late payments on their business cashflow. Despite legislation to address this issue, many owner-managers would view levying a late payment charge on a client as commercial suicide."

Electronic payment boost for companies

Financial Times:

Most companies that make their suppliers settle bills electronically have found that it has improved payment times, according to research. The Better Payment Practice Group, a collection of business and government bodies trying to cut late payments, found that 82 per cent of companies allow their business customers to pay electronically. In addition, two-thirds of the companies responding to the group's online poll said electronic payment had cut the amount of time taken to get bills paid. Richard Wilson, BPPR chairman and head of business policy at the Institute of Directors, said: "Electronic transfer can be an excellent way of reducing late payment as customer payments are automatically deposited into the supplier's bank account on the agreed date."

February 2004

Legislation 'has failed to curb late payments'

Financial Times:

Legislation to sweep away a culture of late payment in business has been a failure, according to research that shows it has triggered no improvement in the time it takes companies to pay their bills. Experian, the business information group, found that companies waited an average of 58 days, including agreed credit periods, to settle invoices. This compares with 57.5 days in 1998, when the government brought in laws to curb late payment.

Small businesses take swipe at bad payers

Financial Times:

The government has been urged by small companies to crack down on businesses that fail to disclose the average period they take to pay debts.The Federation of Small Businesses said the Department of Trade and Industry should do this by exerting "significant pressure" on Companies House to squeeze the information from secretive companies, allowing potential suppliers to spot late payers and avoid them. Companies have a statutory duty to disclose the figure in their annual accounts. But the number of plcs which do so has fallen to about 3,000 out of 10,000, the FSB said. The FSB, which represents 185,000 small businesses, said: "Companies House is an agency of the DTI and the department should put significant pressure on it to improve compliance. If Companies House does not have the resources, the DTI should provide them." In the UK paying late is sometimes regarded as a sign of corporate virility, showing that a business has the whip hand over its creditors. Would-be entrepreneurs learn by bitter experience that the survival of their business depends as much on chivvying money from customers as on winning orders in the first place. The FSB said greater transparency was the only remedy for the problems of late payment afflicting small companies, which are usually too afraid of losing business to press large customers for prompt settlement. Companies House, however, said: "It is up to the accounting bodies to enforce disclosure. It is nothing to do with us." An official said the agency was willing to request average payment period details from companies in response to public queries. But he said it only had the resources to do it on a case-by-case basis. The DTI said that it had recently contacted the main professional bodies for accountants in the UK through another of its offshoots, the Better Payment Practice Group. An official said: "It is now up to accounting bodies to remind auditors of their duty to disclose payment periods in their annual accounts." Phil Cotter, managing director of the business information division of Experian, said: "Companies should be prepared to disclose their average payment period. It is simply good corporate governance. Businesses which do not do so probably have something to hide." He added: "In Scandinavia and Germany prompt payment is seen as a sign a business is well-run." In Britain it is typically small companies, whose intermittent cashflows make them vulnerable to collapse, who are paid latest, with some reporting that up to six months' turnover is tied up in debts owed them. According to Bank of Scotland half of small businesses have had to wait up to a year for at least one debt to be settled, with a quarter waiting for up to two years. The problem is fostered by company structures that discourage contact between buyers and finance departments eager to win a cashflow advantage by paying suppliers late. Similarly, salesmen at suppliers often concentrate on winning new business and do not make payment terms a significant part of their negotiations. Long-suffering credit control managers are left to badger slow-paying customers who, they complain, try to fob them off with lame excuses about cheques which have been lost in the post. The BPPG advocates a series of measures to speed up payment. These include offering discounts to customers who agree to pay by direct debit and turning up unannounced at customers' premises to ask for outstanding debts. Some businesses prefer to hire debt collectors, typically men burly enough to discourage arguments, to collect money personally from clients. Seasoned private entrepreneurs tend to avoid becoming dependent on a single big customer, which allows them to "fire" customers who persistently pay them late.

March 2004

Bibby Financial Services Slams Late Payment Legislation

http://www.onrec.com/content2/news.asp?ID=3796

Bibby Financial Services today slammed the Government’s track record on late payment. The leading business finance provider criticised the raft of legislation intended to free UK firms from the problems associated with the culture of late payment.Phases one and two of the Late Payment of Commercial Debts Act gave small businesses the right to charge interest on late payments from large and small organisations. However, in reality, few firms have proved willing to jeopardise existing and future contracts in this way. Commenting on the legislation, David Robertson, Chief Executive of Bibby Financial Services said, “It was obvious from the start that small businesses just would not want to upset the apple cart and risk damaging relationships with key customers by exercising their rights to charge interest on late payers. In fact, a tactic employed by larger firms was to extend their terms of trade, so where they would normally have paid in 30 days they extended their terms to 60/90 days to avoid being caught out under the new legislation. As early as two years ago, business support organisations were warning that up to 85 per cent* of small firms would not comply with the legislation.”

April 2004

Law on late payment disclosure flouted

Financial Times:

Most companies are flouting a legal requirement to disclose how late they pay their bills, according to research by the Federation of Small Businesses. The finding adds to evidence that government attempts to combat the UK's culture of late payment have largely failed. Recent surveys by Bank of Scotland and Experian, the credit checking company, have indicated that there has been no improvement in payment periods since 1998, when new laws were introduced to tackle the problem. These reforms were preceded in 1997 by a requirement for public limited companies to report the average time it took them to settle bills in annual results filings to Companies House. However, only 2,706 of around 10,000 PLCs covered by the legislation reported the indicator in 2003, according to today's FSB survey. This compares with 3,243 in 2002 and 4,100 in 2001. Stephen Alambritis of the FSB said the fall in disclosure had helped businesses "to improve their cashflow on the back of their suppliers". The law "imposed no penalty for non- compliance", he added. More than half of FTSE 100 companies, including Associated British Foods, BP and Boots, reported no average payment period, the survey said. But those contacted by the FT said they had no creditors because they were holding companies, or that they had reported other measures of payment performance. Nick Wilson of the University of Leeds, which compiled the survey, said the approach of companies to the rules was "riddled with inconsistencies". He said the legislation should be changed to make businesses adopt a single standard of reporting. The survey shows that the average length of time it takes a PLC to pay a supplier has stuck stubbornly at 4 6 days for the past four years, with the gap between prompt and tardy payers widening. An estimated £20bn is tied up in debts that have dragged on beyond agreed credit periods.

May 2004

Small Business: How to make your customers pay up

http://business.timesonline.co.uk/tol/business/article418954.ece

IF money makes the business world go round, then late payment can bring it to a swift halt. Even the mighty Goodman International was brought to its knees in the 1990s when the outbreak of the Gulf war meant it could not collect from its Iraqi customers. That was just one of its problems, as the subsequent beef tribunal revealed, but its size meant the banks were willing to bail out the exporter, helping with a significant portion of its debts, which amounted to about €380m. Life is different for small firms struggling to manage cash flow. Few have big friendly banks on their side in their hour of need. Calling to account tardy payers is not popular either, even though legislation was introduced two years ago. That's why David Nestor, who runs Nestor Freight Services, a forwarding firm, takes the "softly, softly" approach. "It is wrong to make somebody beg for what is rightfully theirs," he says. Nestor's firm deals with about 120 self-employed lorry drivers, some of whom work solely for his business. All are paid on time, he says. For Nestor, having a "positive credit system" means he can call up a driver at short notice if he's stuck, secure in the knowledge that one will make himself available. Set up seven years ago, his company has doubled its turnover each year since inception and is on course to turn €5.5m next year. For him, getting paid on time is par for the course. "When you are a growing company, cash flow is crucial. If turnover is tied up by people not paying you, it restricts your growth." To prevent this happening, he has cultivated a strategy: the provision of service above and beyond what his client might expect. "You have to become so invaluable to your customer that they come to depend on you," he says. "You have to educate people that it is in their interests to pay you on time." Having a coherent policy has meant that late payment is not a problem for him. When all avenues fail, however, he will terminate the relationship if necessary. "Anybody who finds they are spending a disproportionate amount of time chasing payment has to ask themselves if they would be better off without that business," he says. Nestor is not alone in the belief that doggedly chasing late payers is counterproductive. "The companies I work for employ me on the basis that I will deliver on time, yet too often they fail to deliver on their side of the bargain in terms of payment," says one training consultant, who asked not to be named. "Having to beg for your money is demeaning and is not a smart move. People will not go the extra mile for you under such circumstances. It simply makes for bad blood. "Goodwill is a hidden asset but a very valuable one. It stands to reason that you will get a better performance from people if you accord them due respect." Late payment legislation has done nothing to help small firms get paid, says Jim Curran of ISME, the small business lobby group. “It has patently failed to deliver for the vast majority of small businesses.”

Late payment legislation has failed, say business owners

http://findarticles.com/p/articles/mi_hb5243/is_200405/ai_n19955205

Late payment legislation has failed, say business owners; Only 43 per cent of UK's owner managers are aware of late payment legislation; Only 3 per cent have used the legislation to tackle debtors.

July 2004

Late payments cost business £20bn a year

Financial Times:

The cost to British business of late payments stands at £20bn a year, according to a survey of 9,000 companies in 22 European Union nations commissioned by Intrum Justitia, a credit management services group. Only 53 per cent of invoices in the UK are paid on time and 87 per cent of those asked expect the payment risks to remain the same or get worse, according to the research. And although 89 per cent of those asked said they had suffered from late payments, only 54 per cent had put in place a written credit policy. A key reason for late payment is companies deliberately withholding payment as a source of free finance, although there are also problems caused by companies unable to pay because of their own financial difficulties. The result is damage to cash flow and the availability of working capital. Variations in the EU, where companies in many of the UK's largest trading partners cause even worse payment problems than their British competitors, is also cause for concern. On average, a British company can expect to wait 14 days more for a French customer to pay than one in the home market. Professor Nick Wilson, director of the Credit Management Research Centre at the University of Leeds, which conducted the research for Intrum Justitia, said: "Late payment is one of the biggest barriers to international trade for UK companies." He added that the UK situation had not improved since 1998, when laws were passed giving companies a statutory right to claim interest on late payments. In the survey, 63 per cent of those asked said enforcement proceedings for late payments took too long and 48 per cent claimed the costs of following the law were too high. Anne Caulfield, who recently set up her own credit management agency in Glasgow after 25 years in the industry, said: "Companies don't want to spend money on employing a credit controller. "The task often falls on the cashier or, in a small business, the proprietor himself. This is a double-edged sword because the proprietor is also trying to nurture customers and to keep them on side." The Intrum Justitia survey found that the UK was neither the best nor the worst for late payments in the EU. The Nordic countries, where statutory interest charges for late payment have been the norm for several decades, are the most prompt payers while the Czech Republic and Portugal are among the slowest at settling their bills. Since 1997, several countries, including Finland and the Netherlands, have shortened their payment delays. Others, such as companies in Germany and France, now make their creditors wait longer. The average UK delay is 18 days, unchanged in seven years. However, this is two days slower than the EU average. The survey paints an overly gloomy picture, according to Richard Wilson, who chairs the Better Payment Practices Group, a government-backed forum for businesses that seeks to improve payment practices. He admitted that late payment of bills was a cultural issue that fluctuated between companies and countries, in the same way that levels of investment and training change.But he claimed that the introduction of new laws in the UK had encouraged more British companies to improve their credit management techniques, even if this had not yet shown up in the late payment statistics. "We are trying to encourage a change in the business culture," Mr Wilson said. "Although the payment times seem to be disappointing, there seems to be some improvement in companies adopting better credit management techniques." He added that Nordic countries changed their ways only after late payment legislation was introduced in the 1970s. "It may be that their late payment record is infinitely superior to the rest of Europe because they were so ahead of the game. It is too soon to write off legislation in the UK."

Legislation fails to curb late payment problems

Financial Times:

The amount of time companies take to settle bills has risen to its highest level since 1998, when legislation was introduced to curb the problem. The average payment period for UK companies increased to 59.5 days in the six months to May, compared with 58.4 days in the previous half-year period, according to Experian, the information services business.

October 2004

One in 10 companies happy to pay bills late

Financial Times:

More than one in 10 businesses would pay their customers late even if their own bills were settled promptly, according to a survey by the Better Payment Practice Group. The BPPG, a forum of business people and government representatives that seeks to improve the payments culture, found the great majority of the 615 respondents to its online poll said they would pay their customers promptly. However, almost 11 per cent said they would not pay on time even if their creditors had settled accounts promptly, showing a worrying number of companies that believe late payments are acceptable. The figure concurs with a BPPG poll last year, in which 10 per cent of companies said that being paid on time would not influence them to pay their bills promptly. Stephen Lewis, a representative of the Credit Services Association on the BPPG, said: "Deliberate late payment is never acceptable and firms should do all they can to safeguard their cashflow." Companies that research their customer's credit record can take preventative measures, such as asking for payment in advance, to reduce exposure to the risk of late payments, Mr Lewis added. Credit information can be obtained from a variety of sources that include trade references, the Insolvency Service, company accounts, bank references and the register of county court judgments. Mr Lewis explained: "Our survey should act as a reminder that it pays to undertake some research into new customers before issuing credit." Professor Nick Wilson, director of the credit management research centre at Leeds University, said late payment was likely to continue to be exploited by companies as a form of short-term finance. His department's latest quarterly survey found about half of all invoices were paid after the due date - on average, 18 days late. Trade creditors usually suffer first when companies are struggling to pay their bills, said Prof Wilson. It was always difficult for companies, especially the smaller ones, to manage their cashflow, he added. Late payment is often a more convenient solution than extending an overdraft or taking on additional debt. Prof Wilson said: "If you have an excuse for not paying on time, it is probably money better spent in your bank account." Companies from other EU nations are even worse at paying creditors promptly than their British counterparts, according to research this year by Intrum Justitia, a credit management services group.

November 2004

More Businesses see Late Payment Legislation as a Deterrent

http://www.icc-credit.co.uk/cgi-bin/item.cgi?id=1199&d=26&h=27&f=28

Research conducted by the Better Payment Practice Group (BPPG) has found that more than three quarters of businesses now believe that the Late Payment Legislation should primarily be used as a deterrent. The poll, which was conducted on the BPPG website, www.payontime.co.uk, during October, asked businesses whether the most important and effective application of the late payment legislation was applying for and getting compensation for late payment, or using it as a deterrent on invoices and reminders. A resounding 77% of the 512 respondents said that the legislation's most valuable role is to discourage late payment. This is a marked rise on last year's survey, when only 68% of respondents felt that the legislation was best used as a deterrent. Clive Lewis, Head of SME Issues at Institute of Chartered Accountants in England and Wales and member of the Better Payment Practice Group commented: “The legislation was designed to be used as a deterrent against late payment, rather than as a last resort when faced with unpaid debts, so it is reassuring to see that an increasing number of businesses are seeing it as a way to avoid overdue invoices.”He continued: “We would encourage businesses to include their right to claim interest and compensation as part of their standard terms of trade and on their invoices. This sends a clear message to their customers that they take the matter of prompt payment seriously.”

2005

May 2005

Having a 'better late than never' attitude is bad for British business

http://business.timesonline.co.uk/tol/business/article521408.ece

BRITISH businesses are taking longer to pay their bills and small companies are worst affected by the problem. If payment is just one week late, 10 per cent of companies are unable to pay their workforce, while 38 per cent that are paid late struggle to settle their own bills on time. An estimated 10,000 UK businesses fail every year because they are paid late, despite legislation that was intended to tackle the problem. Figures from Experian, the credit reference agency, show that companies now take 60.8 days to settle debts, up from 57.5 days in 1998 when the Late Payment of Commercial Debts (Interest) Act was introduced. The act allows companies to claim interest for late payment. Big companies are the worst offenders, taking 80.3 days, while small firms take 59.6 days. Experian says that late payment contributed to the rise in corporate insolvencies in the final quarter of last year, the first increase for two years. Phil Cotter, managing director of Experian's business information division, says: "While the agreed payment period must also be taken into account when looking at how long companies take to pay, there is no escaping the fact that companies are taking longer. "This could be the result of larger companies imposing longer payment terms on their suppliers, who are often not in a position to refuse. But this has a knock-on effect, with companies lower down the chain experiencing cashflow problems as companies up the chain wait for payment before they pay their suppliers." Richard Wilson, chairman of the Better Payment Practice Group, which campaigns for a better payment culture, says that suppliers should indicate that late payment will incur interest charges, offer discounts for early settlement, use a bank to hold funds until both parties are satisfied with the transaction, and conduct credit checks. Although small suppliers may hesitate to impose interest charges on big clients for fear of losing a contract, many realise that the problem harms their businesses more. Even before MG Rover went into administration last month, several small suppliers cancelled their contracts because of payment concerns. David Bishop, of the Federation of Small Businesses, which publishes tables of the payment records of listed companies, says small firms should use the legislation, but concedes that it is not always a deterrent.

He says: "Under the Companies Act 1985, all plcs must state in their annual reports the average length of time it takes them to pay their bills. Of 10,000 public companies, only about 3,500 bother with the note in their reports."

Mr Bishop adds that Companies House sent 13,000 letters to public companies earlier this year reminding them to report their payment practices.

June 2005

Late payment culture creates domino effect

http://www.computing.co.uk/accountancyage/news/2139274/late-payment-culture-creates

Last week, two AIM companies, Avionic Services and Interior Serv-ices Group, warn-ed the market that payment and contract delays would hurt their financial position. Interior Services told shareholders that it had not been paid for two projects carried out last year and had been forced to resort to adjudication to receive payment. Avionic, meanwhile, said its financial position had deteriorated 'significantly' because certain contracts and prospective orders had 'slipped' into the next financial year. These were not the types of announcements that would make front-page headlines, but served as a reminder of the damage that late payment can do to a business. News of the problems encountered by these companies emerged as credit manager Intrum Justitia warned that small companies faced the greatest risks from the UK's late payment culture, where 1.6% of income was lost because of late payment. In its European Payment Index report, Intrum Justitia found that average payment in the UK was 17.4 days late. The credit manager said such delays caused a 'vicious circle', as companies awaiting payment did not have the cash flows available to pay their suppliers. It also said margin squeeze and inadequate bank financing were the other causes of late payment. 'The vicious circle of payment delay is continuing its negative effect on UK businesses. It is companies at the end of the supply chain that suffer the most,' said Shaun Purrington, commercial business unit director at Intrum Justitia UK. 'There is a distinction between companies that go out of business because they are badly run and those that close shop when they run out of cash because of late payment.'The report said that, despite the risks posed by late payment, business support for creating a 'punctual payer' benchmark was tepid. Only 26% of the companies surveyed across Europe supported such a yardstick, with the rest either not interested or indifferent.

More businesses tackling late payments

Financial Times:

Businesses are getting better at tackling late payments, with a majority now operating formal credit management procedures, according to a survey by the Credit Management Research Centre at the University of Leeds. The research, commissioned by the Better Payment Practice Group, a forum of business and government bodies, found that 52 per cent of companies have a written credit policy, compared with 35 per cent a decade ago.

Significant fall in late payment risk

Financial Times:

The risk of late payment to businesses has fallen significantly in the UK and improved relative to the rest of Europe, according to research by Intrum Justitia, a credit management group. Using an index of eight payment risk measures, such as the average payment losses, the UK moved from 11th to seventh most prompt payer in Europe, leapfrogging Switzerland, the Netherlands and Austria.

November 2005

Late payments lead to 10,000 late companies

http://business.timesonline.co.uk/tol/business/enterprise/article595255.ece

Despite helping to set up the Better Payment Practice Group (BPPG) to encourage businesses to pay each other promptly, even the Government itself has a patchy record when it comes to paying on time. The issue has caused concern in the BPPG, where it is understood that an internal complaint has been lodged against the Department for Environment, Food and Rural Affairs (Defra), a member of the group, in the wake of its handling of payments after foot and mouth disease swept the country in 2001. Defra was taken to court last year by one contractor that was owed £13 million by the department for its work during the outbreak. The court ordered Defra to pay in full, with interest, as well as to pay legal costs. The Forum of Private Business says that the ruling could cost taxpayers up to £40 million as Defra is forced to settle with other contractors still waiting to be paid for disposing of millions of livestock. The BPPG said that it could neither confirm nor deny that a complaint had been lodged against Defra. If a complaint is upheld against an organisation, it could be forced to stop using the BPPG code and logo. A recent survey showed that the Department of Trade and Industry paid more than one in ten of its bills late.

Yet the number of businesses finding that late payment is causing them a problem has risen recently. Nearly half of all small and medium-sized enterprises (SMEs) say that cashflow is a big concern, according to a report by Tenon, the accountancy firm, which polled 500 directors of SMEs. More than 60 per cent of agricultural firms said that cashflow was a problem, and more than half of those in the manufacturing and construction sectors said that their business had been affected by late payments. The Liberal Democrats are calling for the Government to go further to support small businesses suffering from late payments. Norman Lamb, the Liberal Democrat spokesman on trade and industry, said: “We don’t necessarily want more regulation, but there is a very strong case for naming the worst offenders in private and public sectors. Exposing them to public scrutiny and shame could be a good option.” The temptation to hang on to all cash as long as possible is inviting. However, Paul Bevan, associate director of Tenon Corporate Finance, said: “Companies which don’t pay on time only end up damaging each other.”

2006

January 2006

Late reminders lead to late payments

Financial Times:

Many companies are far too slow at sending out payment reminders after due dates, compounding the problem of late payments, according to research published this week.Intrum Justitia, the credit management services company, found that 44 per cent of UK companies wait at least a fortnight after the due date before sending out payment reminders, while 13 per cent leave it longer than a month.

February 2006

Big firms fail to report payment times

http://business.timesonline.co.uk/tol/business/article733768.ece

THE Federation of Small Businesses (FSB) has attacked large companies that fail to report how long it takes them to pay their suppliers. Four supermarket chains, three banks and several high street department stores are among the publicly listed companies that failed to register their payment times last year, according to an FSB report. Under legislation introduced in 1997, companies are required to include actual payment times in their annual reports filed at Companies House. More than 2,000 companies failed to do so, according to the 2006 Private Sector Payment Performance League Tables, produced by the FSB and the Credit Management Research Centre at Leeds University's Business School and published on paymentscorer.com. Matthew Knowles, of the FSB, said: "We feel that not reporting payment times is almost as bad as paying late. It keeps crucial information out of the public domain and prevents small businesses from taking a sound decision on whether to trade with such companies." Companies House can force a company to revise its accounts if it receives a complaint that the firm has not complied with the Companies Act. It investigated 50 companies in 2005, but all were found to be compliant. Formulations, a pharmaceutical and property company, is the worst payer, according to the league table. The company reported an averge payment time of 675 days. The typical contractual payment time is 28 days. At least 100 companies reported payment times of more than 100 days. Mark Prisk, the Shadow Small Business Minister, said: "Where a large company deliberately makes payment terms unduly onerous, it is actually using a small firm's cashflow. That is wrong."

Agricultural firms are the slowest to pay, with an average time of 64 days, while financial services firms are the promptest payers, taking an average of 28 days to settle their bills. Firms can charge interest on late payments, and even take late-payers to court, but the FSB says that this is often not an option for SMEs, which would risk losing the client.

Businesses attacked over slow payment

Financial Times:

Some of the UK's largest companies have been criticised for failing to disclose the average number of days they take to pay invoices in their annual reports, in spite of a legal requirement for them todo so. The Federation ofSmall Businesses, which has helped develop an online league table of company payment times, said more than 2,200 companies contravened the reporting regulations by not reporting average payment times.

May 2006

Late NHS payments shut down agencies

Financial Times:

Employment agencies that supply staff to the National Health Service are going bust because NHS trusts have put off paying them in their attempts to deal with big overspends in the health service. At the same time, suppliers of equipment and tests to the NHS say they are owed tens of millions of pounds, the result of hospitals putting off paying bills from the last financial year to this.

July 2006

Late payment legislation has failed to deliver for small business

http://www.village.ie/index2.php?option=com_content&do_pdf=1&id=4379.

ISME, the Independent Business Organisation, has expressed concern at the increase in late payments, which is 'crucifying' many small firms, denying them the cash flow required to properly manage and run their businesses. This

situation has occurred despite legislation being in place for five years, supposedly to alleviate the situation.

Research conducted by the Association confirms:

· 32% of small companies are waiting longer for payment than the corresponding period last year.

· Only one in five (22%) companies is being paid within 30 days.

· 23% experiencing delays of 90 days, with 2% waiting over 120 days.

· Actual average payment period in Ireland for SMEs is 61 days.

· Connaught companies are collecting faster than the rest of the country at 54 days.

· Ulster’s three counties are the slowest at 69 days.

· Businesses in Ulster and Leinster are finding it more difficult to collect money than last year.

· Unsurprisingly the Connaught debtors have shown the greatest improvement.

· SMEs are on average owed twice as much trade credit as they themselves owe to larger businesses.

Commenting on the survey results ISME, Chief Executive Mark Fielding stated, The results confirm that legislation introduced to address the issue has patently failed to deliver for small business. This legislation, which applies to all commercial transactions, requires companies to pay their suppliers within 30 days, in the absence of a contract

outlining otherwise. Failure to pay within the 30 day designated period should attract an interest rate penalty, currently at 10.5% per annum. However almost all small businesses avoid this route for fear that it will jeopardise long standing business relationships.

The evidence also suggests that small companies are still being forced by accountancy led big businesses to accept credit terms longer than those outlined in the legislation for purchases from SMEs. State bodies are also abusing their position in demanding the reissuing of invoices, months late, to cover their failure to pay on time and avoid reporting requirements on late payment. These same large companies and state organisations insist on adhering to the 30 day rule for their own sales and services, which creates a double bind for small companies who are only in a position to make payment once they themselves have been paid. SMEs are on average owed twice as much as they themselves owe to larger businesses this amounts to an;interest free loan’ which SMEs grant or are forced to grant to larger businesses. 84% of member companies surveyed outlined that they would be in favour of the introduction of a universal mandatory 30 day payment terms as the only solution capable of addressing this significant threat to small businesses. Cash flow is the lifeblood of any small business and it is imperative to have a realistic and adequate cash flow for the dayto-

day running of the firm. If small business has to pay within 30 days but is forced to give 60 and in some cases 90 days credit to the financially more powerful big business and state organisations, then this acts not just as a constraint on growth but as a threat to the very existence of many small businesses.

August 2006

Uncertainty on late payment charges

Financial Times:

Most of those running very small businesses are not sure how to calculate the interest they can charge customers for late payment, according to an online poll by the Better Payment Practice Group. Under existing legislation, a minimum late payment interest rate is set twice a year by adding 8 per cent to the Bank of England base rate on June 30 and December 31.

Small suppliers hit by retailers' 'shocking' late payment record

http://www.accountancyage.com/accountancyage/news/2163244/small-suppliers-hit-retailers

Retailers are continuing to fail to pay small suppliers on time, Accountancy Age can today reveal. Despite widespread criticism of retailers treating their small suppliers with disdain, analysis of 4,500 invoices submitted to UK retailers under £5,000 for the first six months of 2006 show that retailers are continuing to pay late. The National Farmers' Union (NFU) branded the results 'shocking' this week, as retailers sought to defend themselves against the charges. The research carried out by Accountancy Age, in conjunction with credit specialists Graydon, showed that Tesco had paid dramatically fewer small invoices to suppliers on time compared to last year. Last year the UK's biggest retailer paid 87% of its invoices below the value of £5,000 within terms, falling to 67% this year. Along with Tesco, Somerfield and Morrisons both paid suppliers later in 2006 than last year. Tesco professed surprise at the findings: 'We are very surprised at these findings, as our suppliers tell us they are happy with our record on payment. In our 2006 Viewpoint survey - which is the largest anonymous supplier survey of its kind – 95% of invoices paid within terms of our suppliers said that Tesco was reliable at paying them on time,' a spokeswoman said. Morrisons said that the well publicised problems with its IT systems last year had led to some delays in payment. 'During the integration of the Safeway and Morrisons systems, there were inevitably some small delays,' said in a statement. Somerfield paid 42% of invoices under £5,000 within terms. Somerfield are now paying 7% fewer invoices within terms compared to last year. The figure for Boots was 46%, a slight improvement on last year when 41% were paid on time.

October 2006

UK Late Payment Legislation - No Hard Evidence Of Improvement

http://www.caithness-business.co.uk/article.php?id=357

Late payment still higher than seven years ago despite Government pledge The latest Credit Professional Index (October) from the Institute of Credit Management (ICM) shows that Late Payment by UK companies is still higher than seven years ago - despite a range of Government measures including the introduction of the Late Payment of Commercial Debts (Interest) Act in November 1998. The latest research, undertaken for The ICM by the Credit Management Research Centre (CMRC) at Leeds University Business School, is based on company activity in Quarter 2 of 2006 (April-June) and shows that the number of days overdue stands at 17 days on average. The lowest point of 16 days overdue, recorded in April-June 1999, has not been reached during the last seven years. The Act - along with various Government interventions - was specifically introduced to tackle the domestic late payment culture in the UK. Further findings show that the overdue time for UK firms being paid from customers' overseas has significantly risen during the same period from a low of 13 days in late 1999 to 21 days in mid 2006. This is despite further amended European Late Payment Legislation introduced in 2002 aimed at improving the payment culture among the wider European community. In terms of recent trends, The ICM's key Credit Professional Indicator on late payment shows a fall in levels of confidence among the UK business community in recent quarters. The Late Payment indicator now stands at 40, a fall of two percentage points since the same time last year.The findings are taken from the CMRC's October Credit Management Quarterly Review, a regular programme to monitor the impact of the Legislation. Commenting on the results, Philip King, Director General of the ICM said: "Legislation is but one weapon in the credit manager's armoury and it isn't being widely used. Good credit management is not universally applied, but where it is, and the best-practice advocated by the Institute is enforced, the results speak for themselves.

November 2006

Do you chase up late payment?

http://www.newbusiness.co.uk/article/21/11/2006/Mamut_accounting_survey.html

The majority of companies with fewer than 20 employees face problems with regular late payers, with almost a third of these owed more than 10% of their turnover on any given day, according to research conducted by market research company Vanson Bourne. The survey, undertaken on behalf of Mamut, suggests that the small a company is the more likely they are to face a potentially crippling cash crisis due to non-payment of debt by customers. It revealed that 56% of firms with fewer than 20 staff were owed money by late payers, compared to just 29% of companies with between 20 and 50 employees, suggesting the main problems lies in the methods, or lack of them, used to collect monies owed. “It seems the smaller the company, the greater the chance they will have defaulting debtors,” said Alan

Moody, managing director at Mamut. “This makes small companies particularly vulnerable, and indeed it is companies with less than 20 employees that form the majority of the 750 businesses going bust in the UK daily.

Dramatic increase in late payments

Financial Times:

Problems with late payments have increased dramatically in the last 12 months, according to a survey by BACS, the electronic payments specialist, which calculated that £16bn is owed in late payments to small and medium-sized enterprises. The survey of 500 senior executives of SMEs found that 59 per cent had experienced problems with delayed customer or supplier payments, almost twice as many as in a similar survey in 2004.

Business groups call for end to late payment culture

http://business.takelegaladvice.com/news-and-information/latest-news/articles/Business-groups-call-for-end-to-late -payment-culture/

Labour ministers have failed to resolve the issue of late payments, threatening the survival of many small businesses, according to two influential business groups. Despite the introduction of measures such as being able to charge interest on overdue payments, 60 per cent of small enterprises have suffered from late payments in 2006 - double the number in 2004, according to a survey of its members by the Forum of Private Businesses (FPB). Meanwhile, the Institute of Directors (IoD) is calling for a government investigation into the extent of late payment in the economy, its consequences and possible solutions. With around 286 million man hours per year spent chasing overdue payments, late payment culture is a significant part of the “glass ceiling” which the IoD claims is obstructing small businesses. Large corporations may not be solely to blame for this, as almost 40 per cent of businesses surveyed by the Forum of Private Businesses reported that public sector bodies also failed to meet payment deadlines. The problem is one which the FPB believes must be addressed soon by the Office of Fair Trading (OFT) as the problem is particularly acute for smaller companies. Owen James of the credit management company Intrum Justitia said: “while larger organisations can carry a certain amount of bad debt, the negative impact on cash-flow can be critical for smaller firms. The longer the debts go unpaid, the less likely that these companies will be able to recover their losses."

Late payment gets even later

http://www.tiscali.co.uk/business/newsfeatures/late-payment_2006/2

The slowest paying industry overall is the Electricity industry, which takes an average of 69.8 days to pay its bills, a small increase on 2004 caused by medium-sized companies in the sector taking five days longer. Next comes the Property sector at 69.4 days, with its medium-sized companies adding 10 days to their payment time over the last 12 months. Large Property companies added eight days and even small companies in the sector have added four days in the last year, making them easily the slowest payers among all small companies. The Property sector also boasted the highest overall deterioration in payment times. Among medium-sized companies, those in the Financial Services sector extended their payment times more than any other sector – 13 days – although the fact that small companies make up such a high proportion of companies in the sector, and improved by two days, means that, overall, Financial Services companies actually improved their payment time by 1.3 days. At the other extreme, medium-sized Water companies excelled themselves by speeding up payment by 16 days.The Agriculture, Fishery & Forestry industry has yet again shown itself to be the most prompt at paying its bills, taking on average 53.9 days over all sectors. However, while this was slower than in 2004, many other sectors which take longer to pay their bills have seen an improvement over the year. Among the better performers were Oils (3.5 days faster), Water companies (5.7 days faster), Food Retailers (5.0 days faster) and Construction (3.0 days faster). Richard Lloyd concludes: “"Of course, many companies, whether they are large, medium or small, are very diligent about paying their invoices within the terms agreed with their suppliers but, as the figures show, there are still many that are not. One trend we have seen since the Late Payment legislation was introduced is that many companies have forced extended payment terms on their suppliers. Many suppliers are not in a position to argue, so, while, these companies can technically say that they are paying no more beyond agreed terms than they have in the past, they are actually enjoying considerably longer credit terms.“Experian has been collating payment data from the sales ledgers of thousands of businesses for more than ten years and this information has proved to be invaluable in enabling companies to take a preventative approach, forward plan for those customers who normally pay beyond terms but are good customers, and to target those customers with strong financials and a good track record for paying on time."

Late Payment Problems

http://www.stokesaccountants.co.uk/whatsnew.asp?id=18

Late payment by customers is a serious issue for any business. According to research by BACS Payment Schemes Limited (BPSL) there has been a significant rise in the number of small businesses experiencing late payment problems. In 2005, 59% of small businesses experienced problems with late payments - almost double the percentage for the previous year

2007

March 2007

Late payments put SME resellers at risk of collapse

http://www.businessgreen.com/crn/news/2184702/late-payments-put-sme-vars-risk

SME resellers are facing financial meltdown in 2007 as outstanding payment days for smaller IT firms more than doubled in 2006. Research exclusively revealed to CRN by Siemens Financial Services last week, found that IT firms with less than 50 employees waited an average of 152 days for their customers to pay up, compared with 70 days in 2005. Peter Austin, general manager for flow business at Siemens, told CRN: "We had to check the findings twice. If this figure increases any more the channel will see a lot of insolvencies. It simply isn't sustainable." In comparison, mid-sized firms – those with 50 to 249 employees – saw debtor days increase from 48 in 2005 to 51 in 2006. "This shows that the larger firms are able to keep a tighter rein on getting money in," Austin added. "The majority of small firms wouldn't have a credit-control division and they don't have the resources to chase outstanding payments." Austin said that VARs could use receivables finance, where finance is raised against the reseller's outstanding invoices to unlock immediate funds, to ease cash-flow.

Mark Ancell, head of intelligence at credit reference agency Graydon, said: "If debtor days are drifting this much, then it is the distribution channel that will lose out because they are the ones that extend credit for VARs. Late payment is a growing problem and it's not going to go away easily." Sam McMaster, managing director of VAR Questmark, told CRN: "We have 22 staff so we're a small firm, but our debtor days are between 30 and 40. Outstanding payments of 152 days would send us out of business." John Carter, managing director of E-business Credit Manager (e-bcm), said: "What a lot of people don't realise is that outstanding debts can be retrieved up to six years later. E-bcm offers a no-win-no-fee debt collection service for resellers. This is not complicated."

May 2007

Rise in companies at risk from late bill payments

Financial Times:

The number of businesses that face severe solvency issues because of customers failing to settle their bills on time has risen sharply, according to research by Intrum Justitia, a credit management company. In a survey of 1,000 companies in England and Wales, 30 per cent said they were facing a liquidity squeeze because of late payments, up from 23 per cent three years earlier. Another 15 per cent said late payments were putting the future of their companies at risk, up from 11 per cent during the same period. The rise in complaints comes despite the implementation of European Union legislation in August 2002, which enables businesses to charge customers interest when bills are not paid on time. Owen James, a director of Intrum Justitia, said the problem was that few companies used the power to fine because they were afraid of upsetting customers. Small businesses and new enterprises were particularly hard hit because these companies had lower credit limits than their larger counterparts and fewer resources to chase outstanding payments, said Mr James. "This creates a vicious cycle of payment problems that can threaten the viability of many businesses, " he said. The research formed part of a wider study, covering 6,500 companies in 25 countries. This found that the UK performed badly against many of its European peers in the time taken to get customers to pay. Companies in the UK gave customers an average of 30 days to pay bills although the average time that customers actually took to pay was 51 days. In Germany, companies on average asked their customers to pay within 31 days, but managed to get them to pay on average in 46.5 days. Companies in Norway, believed to have some of the best late payment controls, on average got their money in 26.4 days.UK companies also faced a slightly higher risk of losing payments altogether than other European nations. Companies in England and Wales wrote off on average 1.9 per cent of debts compared with the European average of 1.8 per cent.

Reluctance to use late-payment law

Financial Times:

About a third of UK businesses believe that late payment is the biggest threat to their organisation, according to a survey by Prompt Payer, which operates a register of trustworthy businesses. The quarterly poll found that 80 per cent of companies had heard of the Late Payment Act that gives legal rights to businesses whose customers do not pay on time but only 21 per cent have used the legislation's penalties. Prompt Payer believes that the reason many do not use the right to fine is because there is a lack of pressure across the industry to enforce the legislation.

Mark Flower, Prompt Payer's managing director, said: "Late payment affects every company large and small, harming reputation and damaging business relationships."

June 2007

Brown warned to tackle payments disputes

Financial Times:

Gordon Brown, the prime minister in waiting, must implement long-delayed plans to tackle the endemic problem of construction disputes, or risk derailing work on the 2012 London Olympics, the Tories said yesterday. Mark Prisk, shadow small business minister, called on the government to pledge that a new law to address late payments in the construction sector would be included in the Queen's Speech setting the legislative programme for the next parliament.

Hall of shame over payments

Financial Times:

Over a third of small businesses have been asked to share the financial pain of the large corporations they supply during the past year, according to research by Graydon, a credit reference agency. The survey of 503 companies found that 57 per cent had been forced to change credit or payment terms with trade customers.

Stella brewer slammed over late payment

http://www.accountingweb.co.uk/cgibin/item.cgi?id=169614&d=1025&h=1020&f=1026&dateformat=%25o%20%25B%20%25Y

InBev, the brewer of beers including Stella Artois and Beck's, has been "named and shamed" for extending the time it takes to pay suppliers. The Forum of Private Business (FPB), which has been campaigning against such tactics by large companies for several years, said InBev is the latest company to join its "Hall of

Shame". Dan Martin reports. According to an FPB member, the Bedfordshire-based brewer switched its payment terms from 30 days from the end of the month of an invoice to 60 days giving less than a month's notice. "Many suppliers of the firm will find it difficult to adapt and will have problems with their cash flow." Len Collinson, FPBIn a letter sent to suppliers, InBev wrote: "We rely on strong working relationships with our suppliers...and...we thank you for your efforts so far in helping us towards this vision." But FPB executive chairman Len Collinson said he doubted that suppliers will have similar sentiments towards the company saying it was "an abuse of buying power". "Many suppliers of the firm will find it difficult to adapt and will have problems with their cash flow," he said. "Suppliers are unlikely to stand up against such unilateral action on payment terms for fear of losing InBev's custom completely. They will have no choice but to accept these changes and the consequences for their firms." According to the FPB, InBev has claimed that its action is part of a "harmonisation of payment terms across Europe" which will allow it to "place maximum efforts in connecting and investing" in consumers and developing its "ability to offer the potential of long-term sustainable business growth with...suppliers". "It may take time for some of the suppliers to get used to the new system but we will do what we can to help them over the coming months." InBev UK spokespersonHowever, Collinson added: "This is nothing short of making suppliers pay for savings at InBev. To try and pass it off as in the best interest of suppliers in the long term is particularly galling." But in a statement given to AccountingWEB, an InBev UK spokesperson said: "We can confirm that we have changed our payment terms for reasons of consistency and standardisation across our whole business in the west of Europe. Sixty day payment agreements are not unusual across some parts of Europe. "We value greatly the suppliers that we work with and we've had positive conversations about this with the majority of them. It may take time for some of the suppliers to get used to the new system but we will do what we can to help them over the coming months." Some 22 large companies are currently listed on the FPB's "Hall of Shame". As well as InBev, it features Woolworths, Tesco, B&Q and Robert Dyas.

July 2007

SME's burying heads in sand over bad debt

http://business.timesonline.co.uk/tol/business/enterprise/start-ups/article2022585.ece

An alarming amount of the UK's 4.3 million small and medium-sized businesses have no contingency plans for coping with late payments and bad debt, according to recently published research. A survey by Bibby Financial Services reveals that 56 per cent of owners rely solely on their own bank overdraft facilities and personal savings to cope with late payers. The survey also revealed that only 8 per cent use any form of bad debt insurance and 42 per cent rely purely on the threat of legal action to make customers pay on time. The chief executive of Bibby Financial Services, David Robertson, believes making provisions for dealing with bad debt and late payment could be the difference between success and failure for a lot of businesses.

Late payment culture hampering growth

http://www.startups.co.uk/6678842910810275494/late-payment-culture-hampering-growth.html

Small businesses are resorting to expensive overdrafts and credit cards to fund growth as late-paying customers restrict their cashflow, it has been claimed. The latest research by the Small Enterprise Research Team (SERTeam) at the Open University Business School found more than half of small firms are owed more money than they are in debt to suppliers for – crippling cashflow. In contrast, just 17% owe more money to their suppliers, making it much more difficult to set aside resources for growth. For these reasons, small businesses are funding growth through overdrafts and credit cards rather than trade credit, the SERTeam said. The report argued that a late payment culture is being created by those who yield the greatest market power and that small firms are 'financing' big business. Recent research from Experian found that large businesses take an average of 20 days longer to settle an invoice than their smaller counterparts. The issue is compounded by the fact that small businesses are reluctant to use the measures that are available to them to counter this problem, such as charging interest on late payments, although they have the legal right to do so. Professor Colin Gray, chairman of SERTeam, said: “It won’t be long before smaller firms really feel the pain of having to fund growth in such costly ways. When this comes, any potential for employment and investment, especially by the more entrepreneurial firms, will be lost. “We must somehow encourage the smaller firm ‘Davids’ to persuade ‘Goliaths’ that it is in everyone’s interests that they pay in full and on time.” Businesses with a turnover of under £50,000 are being hit the hardest, the study found. These businesses reported tough trading conditions and described themselves as 'less entrepreneurial'.

August 2007

OUR BUSINESS: Little interest in late payments

Financial Times:

Companies are not exercising their statutory right to charge interest on late payments, because of concerns about extra administrative work rather than about losing or upsetting customers. Of 500 credit managers surveyed by commercial credit agency Graydon, only 4 per cent said they always charged interest on outstanding trade invoices, while 52 per cent said they never added interest. Among this majority not taking advantage of the late payment legislation, just 16 per cent said this was out of fear of losing or upsetting customers. One in four said they never charged interest because it created more administration, while most said it was not "company policy" or was not "customary in their industry". It appears that many companies are just ignoring legislation against slow payments, says Graydon. Managing director Martin Williams says: "The late payment culture in this country . . . won't go away in the foreseeable future, but there is an awful lot that smaller companies can do to protect their cash flow. "Doing credit checks, chasing payments by telephone rather than by letter and ensuring that the client has received the right service prior to a due payment date are all useful tips. But ensuring that your payment terms and conditions include your right to charge interest on late payments, and that these terms are agreed upfront by clients, will empower you still further."

'£128bn owed' in late payments

Financial Times:

Late payment now affects two-thirds of British businesses, each of which is owed an average of almost £29,000, a study suggests. The survey of 506 companies by Creditsafe, the credit information provider, found that 39 per cent thought profitability had been hit by customers' failure to settle bills on time, while 30 per cent said the problem had prevented them from paying their own suppliers promptly. Ten per cent said they had struggled to meet tax commitments because cash owed had failed to arrive. The average amount outstanding is £28,844. This rises to £53,295 for businesses in London. Creditsafe calculates that, in total, £128bn is owed in late payments, based on the 4.5m businesses operating in the UK. Simon Camilleri, managing director, said: "The growth of the British economy and success of millions of businesses is being jeopardised." Simon Briault, of the Federation of Small Businesses, said the late payment culture was now an epidemic in the UK. Although the law now gave companies the right to demand timely payments and charge interest on late money, many small outfits feared larger customers' reaction and so did nothing.

Is Your Business Being Damaged by Late Payment?

http://www.bizhelp24.com/news/aug-07-late-payment-damage-196.php

If late payment is affecting your business, then you are certainly in the majority according to new research by UK Business Forums. 32% of respondents to their poll said that late payment was the most frustrating problem they have to deal with. Dan Martin, chairman of UK Business Forums, said: “Despite achieving much success, it is clear from our research that the UK’s entrepreneurs face a host of problems with running their small business. “Getting payment on time is particularly vital to small firms operating on a tight budget and although efforts have been made to tighten late payment legislation, entrepreneurs are still suffering.

Late payment law 'is a failure'

http://www.freelanceuk.com/news/2439.shtml

Late payment legislation brought in almost a decade ago to help firms claw back monies owed with interest has failed, a credit expert has declared. Speaking to The Financial Times, Martin Williams, managing director of Graydon, said small companies are no better off than they were when late payment laws took effect in 1998. He told the paper: “It hasn’t got any better in the last 10 years – if anything it’s got worse.” The problem referred to hurts the micro companies the most, as sole traders or incorporated firms need payment for services to be on time, so they can avoid cash flow problems. But according to a poll by Graydon of 600 small to mid-sized firms, more than half have never used the legislation, which allows them to claim interest on commercial debts. About a fifth said using the law would upset a client or lose them altogether, while a quarter felt it would create more administrative work. The most popular response of ‘it’s not our company policy’ beat off a significant number saying late payment legislation, which applies UK-wide, is 'not customary in our industry.' The results of the survey are timely: a small business lobbyist yesterday identified the "priority issues" for the government, and put late payment at the top of the agenda. Miles Templeman, director-general of the Institute of Directors, believes the core issue of late payment illustrates the "gaps" in the government's policy approach to small and medium-sized enterprises. He said: "Late payment was highlighted as the factor causing the most significant negative impact on smaller companies, yet government have withdrawn support and reduced funding on the very initiatives aimed at tackling this growing problem." More concern about tardy payers, typically large companies, has come from The Forum of Private Business: three quarters of firms it polled said late payment was a "considerable threat to my business's viability." Despite the legislation to tackle late payment, a league table 'naming and shaming' late payers, and plain English explanations as to how to use the legislation, Britain remains notorious for late payment. In another league table compiled earlier this year by credit management firm Intrum Justitia, Britain reportedly ranks as one of the worst countries in Europe for delays in commercial fees.

It takes an average of more than 40 days for a small company to get paid in the UK compared with just 22 days in Norway, says the table, which ranks Britain 18th out of 22 nations. Excuses given for not paying on time include a firm insisting that their accountant's false teeth had fallen out his mouth, and then of the window, while he was writing the cheque, so he had to make for the nearest dentist. If late payment is an issue facing your business that you think the government should tackle, then you can get in touch with Mark Prisk, shadow small business minister. The Tory MP suspects the government is wasting the £2.6bn it spends every year on small and mid-sized firms, and says the self-employed should have a say how it should be spent. To air your views to the minister, about late payment or another issue facing your small-business, contact him through the 'free enterprise' tab on his website.

December 2007

No Respite From Late Payment Woes For SMEs

http://www.smallbizpod.co.uk/news/2007/no-respite-from-late-payment-woes-for-smes/

The latest quarterly survey of small businesses in Britain from the Small Enterprise Research Trust (SERT) at the Open University Business School reveals that 56% of small businesses say they are owed more money by customers than they owe to suppliers. On average larger firms take 20 days longer to pay bills than smaller ones, according to Experian, and this continues to cause knock-on cash flow difficulties for SMEs across the UK. Micro-businesses with a turnover under £50,000 per annum suffer most with many funding late payment generated shortfalls with expensive overdrafts and credit cards. A 'double-whammy' as the SERT points out. The survey also highlighted some positive trends. Just under half (48%) of firms increased sales over the last 12 month and the proportion saying they had recruited extra staff grew from 16% last year to 21% this.

How to stop late payment

http://www.smallbusiness.co.uk/5.3/small-business-finance/guides/29927/how-to-stop-late-payment.thtml

Late payment is costing UK small businesses an estimated 286 million man hours and nearly £3.6 billion per year. Over 2.5 million small businesses are affected by it, says a survey by BizHelp24.com.The survey of 300 small businesses has found that 64.6 per cent face one or more late payments every month, and 42.9 per cent at least two every month. These figures show that the majority of small businesses in the UK are significantly under-vetting their credit customers.

Large companies accused of destroying smaller business by paying late

http://www.accountingweb.co.uk/cgibin/item.cgi?id=171899&d=1025&h=1020&f=1026&dateformat=%25o%20%25B%20%25Y

The Institute of Directors (IoD) has blasted large companies for late payments to their smaller suppliers, and stepped up its campaign for government intervention to tackle the problem. The IoD's latest survey, published on Monday, shows late payment to be the biggest concern of small and medium enterprises (SMEs), and cites large corporate buyers' lengthening credit periods as the main concern. Its arrival coincided with a Forum of Private Business (FPB) survey showing 75% of respondents citing late payment as a "considerable threat" to their viability, and over 60% wanting the right to make anonymous complaints about large customers to competition regulators. IoD director-general Miles Templeman accuses the government of sending the "wrong signals" to big business through the mid-year downsizing of its SME service, which included the disbandment of a task force that had been working on late payment issues. IoD and FPB are both members of the

Better Payment Practice Group, ten years old this year, which maintains a searchable database of prompt payers at its Pay On Time website and has been signing up companies of all sizesd to its Better Payment Practice Code. But the Institute's presentation of late payment as a "growing problem", with big companies' days payable outstanding (DPO) drifting upwards, is contested by some regular observers of the situation. "Our most recent study of performance in this area shows that the UK's largest organisations have improved the speed at which they pay their suppliers, of all sizes," says REL Consultancy president Stephen Payne. "In fact payable days has reduced by 6% over the past two years." While agreeing that big customers sometimes exploit their indispensability to smaller suppliers, by overrunning their agreed payment dates, he argues that many SMEs could do more to tackle the problem themselves – especially by getting accurate invoices in on time, complaining promptly if a deadline is missed, and making sure there is no service lapse that gives the client a reason to delay.

Automotive Industry improves poor late payment record

http://www.autoindustry.co.uk/press_releases/25-07-07_1

As the number of days UK businesses take to pay their bills reaches its highest point on record, the automotive industry reveals a more positive picture. The average number of days it takes for all motor traders to pay their bills has finally come into line with the national average, according to Experian, the global information solutions company. The latest report has revealed that on average, UK businesses take 61.1 days to pay their bills, while motor traders, who had previously always exceeded the national average significantly, are now taking the same length of time. Kirk Fletcher, the Managing Director of Experian's Automotive division, said: "This is the first time that the average number of days taken to pay bills by motor traders has come into line with the national average. Overall, the time it has taken for dealers to pay their bills has been improving since November 2004, when it had reached its highest point (64.4 days – 3.6 days higher than the national average). "In 1998, motor traders were amongst the three slowest industries when it came to paying their bills, but the sector has managed to maintain a fairly steady level compared to other industries." In addition, the latest late payment report, which also classifies companies further by size, has revealed that the time it takes for larger motor dealers to pay their bills has fallen to its lowest point since 1998, when legislation to combat late payment was introduced. Larger dealers are now taking an average of 76 days to pay their bills – 5.5 days less than the national picture for large companies and seven days less than they took to pay their bills six months ago. In previous years, larger motor dealers were among the slowest of the larger companies in all UK industries when it came to late payment. Small and medium sized motor dealers take less time to pay their invoices (59 and 60 days respectively) than the average number of days taken by small and medium sized companies in all industries (60.2 and 61.3 days). However, both small and medium sized dealers saw an increase of one day compared to six months ago. Kirk said: "Companies that take their time to pay their invoices may be viewed as having financial problems by companies awaiting payment and in this environment they are more cautious about trading with companies that have a poor payment performance record. This can affect motor dealers' business-to-business transactions, as most suppliers are aware that late payment plays a major role in the failure of some companies, so may be reluctant to deal with them. Regardless of whether or not dealers are operating in a struggling market, having a good payment record is a positive business attribute and will only benefit them in the future." Experian's findings are based on the payment patterns of more than 435,000 companies in the UK.