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Information about late payment penalties applicable in the UK.

This sheet explains how late payment penalties apply in the UK. It is not intended to be formal legal advice so if you have any concerns, please consult your own legal advisers.

What are late payment penalties?

When you buy something from us you are entering in to a contract with us. We have to supply the goods or services agreed and you have to pay us. The contract includes the time frame in which you have to pay. If you don't pay within that time then you are breaking the contract.

In the UK and the rest of Europe, the law dictates that there are penalties which you must pay if you do not pay for goods or services on time. This applies to **all commercial contracts**.

How much are the penalties?

The standard penalties are a fixed fee of **£40, £70, or £100** depending on the size of the debt, plus interest at **8%** over base rate. There is no minimum on the size of debt to get a £40 fine.

Is it fair?

It is not *fair* to break your contract by paying late. You may not think it fair, but it is the law. It probably does not cover the staff costs involved in chasing debts, so it is probably too low to be fair.

Nobody else charges these?

A number of companies enforce late payment penalties. BT would charge us penalties if we paid late. We pay all of our suppliers on time. What is important to realize is that you have a debt to each of your suppliers for every late payment even if they don't chase you for it now. That debt is real and could be pursued any time up to 6 years later. If any supplier went bust then the liquidator would be chasing late payment penalties dating back as far as possible, and you would have no defence.

Do we have to charge them?

The law has been carefully worded to stop large customers bullying smaller suppliers in to making contracts that exclude penalties. We could not excuse your liability for such penalties even if we wanted to, and neither can any other supplier. We do have a policy of issuing a credit for the first penalty charge for a new customer although that credit is technically not enforceable.

Why is the law like this?

One of the main causes of failed companies is cash flow problems caused by late payment of commercial contracts. For years it has been considered *normal* to pay people as late as possible and companies have to employ people to chase payments which should have been made as a matter of course. Many people pay late because they are paid late and this makes matters worse. By making penalties the law, it can encourage everyone to stick to contracts and pay on time which is better for everyone and the economy as a whole. Paying on time should be normal, just as sticking to any other aspect of the contract. We hope you agree.

Late Payment of Commercial Debts (Interest) Act 1998

Late Payment of Commercial Debts Regulations 2002 (SI 2002 No 1674)

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