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# Information about late payment penalties applicable in the UK.

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

**Late Payment of Commercial Debts (Interest) Act 1998**  
**Late Payment of Commercial Debts Regulations 2002 (SI 2002 No1674)**

## What are late payment penalties?

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

When you request us to perform a service you are entering into a contract with us. We supply the service requested and you have to pay us according to our Conditions of Trading, which you were made aware of before we agreed to perform the service.

## How much are the penalties?

The statutory 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.

## We've not agreed to this!

These penalties are statutory rather than contractual so no agreement is needed.

## We don't agree with your payment terms!

By accepting a quote that was given subject to our Conditions of Trading you have accepted our payment terms. The late payment legislation also specifies that if no payment terms are agreed then late payment penalties and interest are payable from 30 days after the invoice date.

## Is it fair?

It is not **fair** to break your contract by paying late. You may not think these penalties are 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!

An increasing number of companies enforce late payment penalties. Every company has the legal right to enforce them whether agreed contractually or not. We pay all of our suppliers on time but some of them would charge late payment penalties if we paid late. What is important to realise 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 you have to charge penalties?

The law has been carefully worded to stop large customers bullying smaller suppliers into 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.

## 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.