

## Tired of chasing up invoices? Here's how to get paid on time\*...

\*This article relates to non-disputed invoices. If the invoice is disputed, please seek advice.

By Rashmi Dubé, Solicitor and Managing Director for Legatus Law

Over time, the UK has allowed a culture of late payment to develop. Sadly, this is a regular occurrence for many businesses, with no industry, company or sole trader immune from it. What happens when payment of your latest invoice is delayed; how do you feel about chasing it up? Late payment can have a huge impact on cashflow, as well as being detrimental to your business, and the economy.

The Government has recognised this, committing back in 2015 with the **Prompt Payment Code (“PPC”)** to ensure all major government suppliers sign up to the PPC.

The PPC sets standards for best payment practice, and encourages:

1. On-time payment of suppliers
2. Giving clear guidance to suppliers, including payment and complaints procedures
3. Good business practice in general – i.e. encouraging their supply chain to follow suit.

Does this work, though? According to the list of Strategic Suppliers signed up to the PPC in June 2017, Carillion was included. It's been well-documented that Carillion was paying its suppliers between 90 and 120 days, in contrast to standard terms of 30 to 60 days. So, the answer is a resounding ‘No’! It lacks teeth and doesn’t help businesses and SMEs.

The consequences of late, or no, payment, are left with the supplier, who is likely, at this stage, to already be out of pocket. To rub salt in the wound, they then must spend further time chasing payment, or spend money to issue court proceedings.

The House of Commons Library Commons Briefing papers by Tim Edmonds on 4 July 2017 stated that Governments in the 1990s looked at ways to assist SMEs with this growing issue, introducing “*legislation – the Late Payment of Commercial Debts (Interest) ACT 1998 - to give companies legal remedies beyond those of the normal commercial courts...*” The briefing went on to say “*...It is difficult to prove how effective the Act and subsequent amendments to it have been. SMEs continue to suffer from late payment the levels of which appear to be linked to the overall economic climate.*”

It seems as though the Government is at a loss – and regionally, we need to combat this.

According to R3 research, the Business Distress Index: Wave 16 (June 2015), 49% of UK businesses suffered late payment. Astoundingly, according to the same statistics, businesses in Greater London rarely need to chase up an invoice, with an average of only 7% of those submitted being paid late. In other regions, the figure was more like 19.9%. My question, therefore, is this: why are businesses in areas like Yorkshire perceived to be, or are, less bullish when it comes to getting their money— and how do we change this?

There is a beacon of light. According to BACS (July 2017) “*...new figures showing that UK small to medium size enterprises (SMEs) are owed £14.2 billion in contrast with five years ago when the total was double that, at £30.2 billion.*”

[What can you do to ensure invoices are paid on time? Here Are My Top Tips to Ensure a Healthier Cashflow](#)

#### **1. Agreement/Terms and Conditions**

- a. Who are the parties to agreement? Ensure you are dealing with the right entity.
- b. Terms and Conditions should include:
  - detailed timescales for approval of the goods/services by the customer
  - payment days from date of invoice
  - late payment penalties

#### **2. The Invoice**

It is good practice to:

- a. re-iterate the payment due date
- b. ensure your account details or accepted payment methods are clearly labelled on the invoice.

#### **3. Take Action Quickly**

Your invoices have not been paid; act swiftly to protect your business and cashflow. Call them and arrange an immediate payment date. If they fail to meet that date, take action.

#### **4. Taking Action for Non-payment**

In most cases, once a firm of solicitors are involved in pursuing an overdue debt, the debtor tends to make payment faster to avoid court proceedings. This serves to emphasise to your debtors that your business will not tolerate abuse of your payment terms. At Legatus Law, we often see this in practice.

#### **5. Cashflow Forecasting and Debtor Review**

Even if your finances are healthy, it's important to keep on top of this; you never know when a big client may be struggling themselves.

NEVER be afraid to ask for your money; send a reminder a week before. Make sure you get paid – and get paid on time! Avoid the late payment culture and change the norm. Always seek advice if you find late payers continue to affect your business – as no one has the time or money to chase repeat offenders! Protect your business at every step.