Shapps launches review into ‘exploitative’ late payments for small companies from larger firms

A review into tackling late payments for small companies from larger, more powerful firms has been launched by the government.

Business Secretary Grant Shapps said delayed payments are a “real barrier” to improved productivity and job creation amid the current challenging **economic situation**.

Large firms such as GlaxoSmithKline have been criticised by the government’s Small Business Commissioner, who is dedicated to addressing late payments.

Last year, rules were tightened under the commissioner’s Prompt Payment Code, which requires large companies to pay 95% of smaller suppliers within 30 days, down from 60 days previously.

However, firms are not legally required to sign up to the code.

Consultations have been held by the government over the past two years into its late payment policies and the role of the commissioner.

Mr Shapps, who recently became the business secretary, is using Small Business Saturday’s 10th anniversary on 3 December to launch a new statutory review of the commissioner’s role.

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He said this will “help to ensure that the UK has the right arrangements in place to best support small businesses”.

Small firms that typically operate with low cash reserves have

more than £23.4bn currently owed in outstanding invoices, the government said.

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The review will look into progress made in tackling late payments in specific sectors and include an in-depth examination of current reporting restrictions and the Prompt Payment Code.



Image:
Business Secretary Grant Shapps
Small and medium-sized enterprises make up 99% of the business population in the UK, and create 16 million jobs, according to the Federation of Small Businesses.

Mr Shapps said: “The UK’s 5.5 million small businesses are an integral part not just of our economy, but of our communities too, and this government is firmly on their side.

“That many small firms are routinely paid late is intolerable and presents a real barrier to productivity, the creation of high-skilled jobs and ultimately economic growth.

“This review will allow us to build on the success we have had

so far in curbing late payment, unshackling small businesses from this exploitative practice and creating a system that is fit for the future.

“While we crack on with this work, I also want to remind big businesses of their duty to ensure their smaller suppliers are paid promptly.”

Labour has said it would legislate to tackle the issue of late payments by requiring big businesses to provide details on their company’s payment practices in their annual reports.