

Payment Culture

Consultation response

January 2014

Payment Culture consultation

Do you agree that failure to issue purchase orders for public contracts in a timely fashion is a problem and has caused delays in payment? What measures could Government introduce to ensure that this does not happen? How could this be achieved simply and effectively?

Agreed.

The lack of authorisation of purchase orders in the public sector causes delay in payment and the lack of authorisation itself is frequently a reason as to why payment is not made, despite a signed agreement being in existence.

There is a perceived lack of communication, or blurring of lines of accountability between departments within client authorities leading to a delay in internal authorisation. The pressure on public sector staff to initiate projects can often be at odds with the internal standing order requirements and authorisation processes which leads to instructions given to professional services without the necessary internal authorisations in place.

Invoices are not registered until Purchase Orders are authorised and therefore the delay is not recorded until the point of registration, although the invoice itself may be long overdue.

By insisting that a Purchase Order is a pre-requisite to payment, risks exacerbating the problem unless a simple internal process is put in place to ensure prompt authorisation. Variations are often instructed without necessary internal authority in place and delays occur in the seeking of retrospective authorisation via infrequent committee processes.

Suggested improvements.

In seeking to measure payment terms it is suggested that Government should measure the time of payment from the date of contract award and instruction to proceed (the issue of instructions to proceed not being best practice, but in reality often precede the formal contract signature) and then measure a second period leading to the date of signature of the Purchase Order. This would give a true picture of the periods of delay relating to

payment and enable Government to identify where the delay periods stem from.

Use of Standard Forms including reasonable payment terms should be encouraged to prevent unnecessary negotiation and delay.

Interestingly the experience of large Consultant firms differs from that of small to medium firms i.e. the delays are less exaggerated. Indeed there is a very real concern from SME suppliers that there is a significant risk of unofficial blacklisting if concerns or complaints are raised with regard to late payment. All suppliers should be treated equally regardless of size or status.

Examples

One response from a medium sized member and endorsed by another firm with similar experience contained the following feedback:

“We have never received payment an undisputed invoice within 5 days.

By way of example three long-standing projects were picked at random in which we have billed a local authority. This billing is monthly and, in these three cases, has lasted for between one and two years.

In the best performing project from this sample, a couple of invoices were paid just within 30 days, but the majority between 30 and 35 days. However, This project is known to our accounts team because this performance is exceptional and this local authority is considered a very good payer.

In the second best project, the local authority paid the majority of undisputed invoices between two and five months from issue and in one case seven months from issue. This is the payment behaviour we have learnt to expect from local authorities.

In the worst project from this sample several undisputed invoices were paid eight months after issue but this is far from our worst experience. Within the last two years we have had payment for an undisputed invoice four years after its issue, and only after sending a letter before action direct to the Chief Executive (though even then it still took several months).

In order to confirm that this is not merely a historic problem I have looked at the most recent project we have started for a local authority. Our first invoice was issued in November. 53 days later it has not been disputed, but remains unpaid. “

Do you think any specific change is needed to make suppliers feel better able to complain or charge interest in instances when they are paid late on public sector contracts? What measures could Government introduce to encourage this?

Yes

Suppliers do not feel able to complain about the organisations who delay payment, although they have plenty of examples to demonstrate poor payment performance.

The perceived high risk of not getting any more work remains a real barrier to complaining.

The actual experience of the reaction from the payee to any request for redress from supplier (in particular SME's) which provokes negative/hostile behaviour is difficult to analyse because it is unusual for the supplier to stake the necessary claim.

Suggestions

The Mystery Shopper process and associated activities could be enhanced to enable anonymity of reporting and identify clear follow up of actions with regard to reported matters.

More frequent use of project bank accounts and extension to all tiers within the supply chain including consultants is a necessity and should assist in unblocking delays to payments.

Provision of a clear statement of what to expect from Tier 1 payees on publicly funded work including 30 day payment terms should be mandated as a reflection of business best practice which is at the heart of the relevant EU Directive.

A clear statement that the project under consideration is sufficiently funded to start from a particular date and complete by another date should be provided at the outset, so that suppliers are not expected to work on the basis of letters of intent that turn out to have been over optimistic. Such actions can leave the supplier to carry the credit risk, which ultimately increases their costs of operation and delivery at a time of fiscal constraint.

Consideration should be given to a potential default position that interest becomes payable on breach of payment terms which would have to be reclaimed by the payee if not found to be due. This would drive behavioural change including a focus on internal processes to ensure payment on time. Although there is legislation in place to enable a claim for interest in the event of a default there is a clear behavioural reliance on the fact that the supplier will not wish to challenge the relationship by claiming interest charges, particularly the smaller organisations.

Potential for a named statutory officer within the authority who has an independent status (possibly the Monitoring Officer) to receive and investigate complaints would also be a positive step. With the possibility of further escalation to the District Auditor within a pre-determined timed long-stop date. There are already examples of officers within authorities taking independent roles to review specific matters without issues of conflict and this would add some independence to the matter removing the emotive element from the request.

The above suggestions may bypass the need for unnecessary legal intervention in the majority of cases by simple application of the existing rights available to suppliers leaving only matters of actual and clear dispute to legal review.

Such disputes can have significant costs attached for both the supplier and the client, which in the long run reduce all parties economic effectiveness.

Do you agree that more disclosure of company performance on supplier payment would be useful? If so, do you agree that a voluntary framework would be an effective, proportionate response, or should alternative mandatory options be introduced?

Yes it is necessary to have this information disclosed.

Good payment performance should become a necessity for being granted work on publicly funded projects of any type and ultimately on private projects too.

Experience of Members is that the publication of accounts is currently infrequent and out of date with interpretation of current statistics felt not to actually represent the experience for the majority of suppliers.

A voluntary approach has been tried in the construction industry at least twice and the subject of effective payment has been discussed for decades, however, the problem unfortunately still remains. This suggests that the only avenue left to improve market performance and efficiency, is to build on the experiences learnt as part of the voluntary schemes and undertake a mandatory set of payment requirements.

Again, it is felt that the spirit behind the Late Payment of Commercial Debts Directive has not been caught effectively by the UK.

[Supporting statements](#)

The mandatory response is a proportionate response. The culture in the construction industry remains adversarial and quick to blame. This is not what is needed to support the Construction Strategy, the introduction of BIM and the lowering of costs by 20% on projects which currently form the £375Bn of infrastructure investment outlined in the NIP.

Elsewhere in the economy large industries with big players have demonstrated the need for a certain minimum of regulatory action intended to prevent abuse of power having detrimental impacts on the general welfare of the community. Payment performance has become an Achilles heel of the economy that has contributed to loss of jobs in what might otherwise be strong parts of the supply chain while less effective businesses higher up the chain survive by holding back payments. Companies in all sectors should be expected to pay their suppliers in line with good commercial practice (30 days), subject to necessary and reasonable and agreed verification processes.

Cash flow is the main issue impacted by such behaviour, with the resultant holding of funds higher up in the chain causing significant problems. Conditions on overdraft accounts have remained tight following the recession; this

alongside later payment terms creates a real issue for SMEs as the cost they incur for normal day to day operations have increased.

For example, the use of overdrafts is down by one-fifth in 2005-2008 (42.5%) compared to 2001-2004 (52.9%). Rejection rates for SME overdrafts have also increased over time with the figure rising to 10.9% between 2005-2008 compared to 4.2% in the 2001-2004 period. When looking at the distribution of bank loan rejections in 2005-8 it is found that 73.5% of all overdraft rejections in that period took place in 2007-2008.

Whilst the funds remaining higher up the chain will have a benefit for the client (in terms of interest etc) the effect down the chain is much more significant. Were such funds to be paid on time each tier of the supply chain would be spending this money on employees and services which all have multiplier effects in the real economy. The only caution that may need be exercised in mandating this approach is to the extent that introduction of further regulation may serve to increase the additional burden for smaller companies. These companies view themselves as victims of the current practices rather than the perpetrators, and as such an increase in administrative burden (no matter how small) without actual improvements in payment times would be seen as a significant issue.

Another possibility is to extend the use of already available credit reports that track payment performance and behaviours. Client authorities should include a credit check process within their procurement/tender evaluation procedures, with an agreed benchmark for achievement against payment terms to ensure that awards to 1st Tier Level are made to those with acceptable payment practices.

Currently the financial checks tend to be limited to P&L and balance sheet high level scrutiny and do not include a review of payment performance. An equivalent requirement should then be mandated through the contract with 1st Tier suppliers to the subsequent supply chain. Such credit checks also serve to inform suppliers own risk assessments as part of the determination of fee levels/contract price.

This would also seek to address a concern expressed by some within the supply chain that a number of 1st and 2nd Tier suppliers may be close to operating beyond the boundaries of “going concern” status i.e. Directors should be reminded of their duties in this regard. Statements from Directors signing off on contractual terms which express ability to pay within the agreed terms would help to focus behaviours.

A further step could be to extend the annual reporting requirements (for appropriately sized businesses) to include the need for disclosure and reporting of relevant credit data broken down into undisputed and disputed amounts (and ultimately a move towards more frequent reporting) that can be accessed by those seeking to ensure good behaviours demonstrated by those to whom contracts are awarded.

If the Prompt Payment Code is to continue to be promoted then every signatory to the Code must be able to demonstrate adherence to such mandatory requirements.

Do you agree that if a new framework were brought in (whether voluntary or otherwise) it should include the elements described on page 18? Should further elements be included?

Charters and codes have proved to be ineffective in changing behaviours. Voluntary frameworks will not work alone. The last five years have proved this to be the case in the construction sector. It is important to remember that whilst competitive markets should be encouraged, efficient legal boundaries and regulations are important to ensuring that competition provides the greatest benefit to government and society. The behaviours experienced within the area of payment terms is more representative of a market where monopoly power can be exerted, rather than one of competition where money is able to flow efficiently between parties.

The emphasis of the prompt payment code does not address the underlying issue. Prompt payment can be achieved at 120 days but this is a clear breach of the spirit of the Code and other regulation which sought to ensure a payment within reasonable timescales as opposed to the extension of the payment terms with prompt payment at the end of the extended period.

At the moment larger businesses have an undisputed incentive to carry on their current practices and a voluntary code will not change that.

Are there any other measures related to transparency or disclosure that would incentivise companies to ensure that their supplier payments are managed fairly and efficiently?

The existing levels of transparency and disclosure are already burdensome and do not impact behaviour, payment terms are simply extended, recorded and reported. The onus still comes back to the supplier to challenge, which it is very unlikely to undertake due to concerns about on-going relationships with the client.

Director Duties to accurately report ability to make payments as invoices fall due already exist and should be targeted, emphasised and pursued. The Client should confirm as part of its contract award process that it can make payment within the agreed terms.

Voluntary disclosures enable comparative analysis to be performed by trade associations for the benefit of their members.

How can the Prompt Payment Code better raise awareness of good practice? Would case studies of how companies manage different stages of the payment cycle be helpful in demonstrating how the Code principles can be applied in practice?

The Prompt Payment Code alone cannot raise awareness – it needs to be tied into a programme of behavioural and regulatory change.

Directors mind-set around the areas concerning payment of suppliers need to be refocused with greater emphasis on the issue of prompt payment. If the consequences of not adequately addressing the issue are sufficient for action the payment problem will be addressed.

Case studies are always a helpful tool and help to raise awareness, unfortunately though the Code as it stands is entirely without teeth. Although there are approximately 1.5k businesses registered as signatories to the PPC (including those who have subsequently instigated schemes promoting 120 payment terms). Members are aware of Companies with excessive payment terms of up to 90 days and beyond who are currently signatories to the PPC. Payment takes place at the extended payment term date, suggesting that the

payment is “prompt” but this fails to meet the spirit and intention of the PPC and are demonstrable breaches of the Code i.e. the Supplier is still incurring a cost of credit.

Consideration should be given as to how are signatories to the Code audited against performance and what are the ramifications for those signatories found to be breaching the requirements?

Are there any steps that could be taken to encourage more businesses to identify breaches of the Code by signatories?

Members reported the following feedback:

“No one will notice the code unless it is pointed out to them. We have clients who are in the code who are not paying to it who we will not report. I can think of nothing that would incentivise us to damage our client.”

“The process of challenge by the Supplier in the first instance encourages dialogue with the signatory and failing this the intervention of the ICM. The concern is that the ICM can only tell the “poor payer” that the Supplier has complained and for the parties to resolve the situation. Anonymity is breached (and if anonymity is requested even less action is likely to be taken) and this has the potential to make a bad situation worse with little prospect of payment.”

It is not therefore surprising that only 53 challenges have been made as Members experience is of a regular flouting of the Code, but no real mechanism to challenge the behaviour.

If a reporting regime can be introduced it should cross reference to contact details within the Prompt Payment Code.

SME's require comfort that challenge will improve the position. A method to address this is to strengthen the repercussions of failure to adhere to the Code perhaps by the issue of “warnings” which it would seem the ICM is not mandated to do. Could this policing role sit better with BIS? The inclusion of a warnings system may deter signatories in the first instance, however, this only serves to show that a number of signatories have potentially signed up for the related PR benefits as opposed to a declaration of behavioural intent.

Publication of breaches may be another possibility, or inclusion of signature to the Code incorporated as a contract term which could be considered a breach of a material term if not adhered to.

Could the existing Mystery Shopper regime be extended to incorporate a Whistle blowing facility?

When Parent Companies sign to the code there should be a requirement to ensure that the signature extends to cover the whole of the Group.

Another Member commented as follows:

“The introduction of several new supply chain arrangements over the last year is seen to be a direct flouting of the prompt payment principles i.e. an invoice is approved, banks call on the cash for the value of the invoice at a later point in time i.e. 60 days and the supplier has to pay a small charge to the bank to get the invoice paid on time. This is a charge to the Supplier for obtaining what if rightfully theirs i.e. the supplier has to pay to get paid.”

What further measures would you like to see as either a signatory, or a supplier of a signatory, to give you confidence in the Code as a marker of good practice? In particular, would it be useful to ask for publication of the maximum payment terms offered by signatories?

Although publication of maximum payment terms by number and value may be of assistance it is preferable to require companies to pay in line with good business practice – 30 days in accordance with the findings that underwrote the EU Directive on the subject.

It is difficult to have confidence in the Code without follow up actions being pursued for failure to adhere.

Should a new ‘upper tier’ be introduced to the Prompt Payment Code for signatories prepared to agree to more stringent rules?

Although this may have the potential for a positive impact in the sense of forcing behaviours i.e. to adopt fair payment practices in order to gain entry to the “top tier” it also has the potential to cause a differential between public companies registered on the stock market who will be sensitive to the Code and adherence to it against private companies and subsidiaries of overseas companies who may be less sensitive, i.e. the opportunity for those who do not wish to change

behaviours to simply opt out. Ultimately the best way to influence behaviours across a wide set of sectors is to all be aiming for the same goal.

It is also likely to be more cumbersome to operate.

Should businesses be offered incentives to sign up to an ‘upper tier’ if introduced? What would be an appropriate and effective incentive?

Signing up should be based on an “ethical” stance and not incentives which are likely to exacerbate the wrong behaviours and may over-complicate an already misunderstood system.

What are the barriers to claiming interest on late payment? What could be done to encourage more businesses to claim interest and late payment charges where appropriate and create an environment in which this is considered the norm?

1. The main barrier to claiming interest on late payments is the fear of damaging existing commercial relationships and the associated cost and effort needed to find replacement clients.
2. lack of a substantial penalty that all SMEs feel is going to have an effect and be worth fighting for
3. Contract terms that reduce the interest penalty so that it is not an incentive although it is mutually “agreed” to be so.
4. Larger firms have a greater commercial position and may utilise Debt Recovery Agents but this is not cost effective for SME’s.

Suggested Remedies:

Interest to be added automatically on a standard scale based on the amount owed and an associated fine when paying late to overcome the problem of not wishing to claim – i.e. the Code or other mechanism makes it clear that this is the norm and comes with a standard wording for follow up for use by those needing to remind the signatory of the position. This also overcomes the issue that the amount is too small to justify the claim if it resides with the Supplier.

Do you believe that further penalties payable to creditors would be a useful means of discouraging late payment? If so, how do you think that they could be implemented given suppliers’ inevitable concern not to damage future commercial relationships? Do you have views as to how

any such additional penalties should be framed or the level at which they should be set?

Yes this would be a useful deterrent and should be simple to administrate.

In construction the penalty interest level is usually reduced by the payee (by commercial pressure) even though the contracts say this is supposed to represent a substantial penalty and as a result it does not deter late payment.

Introducing a standard scale of fine that is applicable regardless of interest levels agreed could be the intended substantial penalty and would have an impact.

Rather than have the supplier claim interest the payee should be expected to take responsibility for it in his payments and simply include it. Again suggested standard wording would help to deliver a common message that would help to drive behaviours.

Do you see advantages in a third party (which could be Government or another body, such as trade associations) playing a more direct role in the collection of penalties for late payment? If so, how could such a system be implemented effectively given the challenges discussed above?

No, the administration of late penalties and interest through a third party would be very costly and inefficient.

The suggested remedy simply overlays another level of bureaucracy that shields the payee from the direct repercussions of non-payment. Such repercussions must exceed the benefit of hanging on to invoices.

Should businesses remain able to agree payment terms that are over 60 days? What impact would a hard limit on payment terms have? How would this affect different sectors?

Perhaps a distinction can be drawn between larger and smaller suppliers in response. Some larger organisations indicate that they should be able to agree payment terms in excess of 60 days and others with technical commercial advantage indicate that ultimately freedom to negotiate whatever terms considered acceptable to their own business should remain.

However, SME members have returned the following observations:

60 day terms should only arise if verification procedures really justify payment after 30 days and it is reasonable to extend beyond 30 days. Fair payment practice is to pay within 30 days.

A hard limit on payment would have the following impacts in the construction industry

1. Main contractors would find cash flow inadequate unless payment terms for them were improved to allow them to pay in 30 days, for example, or project banks accounts were used by clients.
2. There are good reasons why all clients dealing with lead contractors should use project bank accounts to limit their exposure to insolvency risk. Many contractors are cash poor and rely on supplier credit. In the event of the insolvency of the main contractor clients could lose material on site and the supply chain. With such a process the client can secure materials on site, find another contractor and has a knowledgeable supply chain ready to go.
3. Main contractors should be included as potential recipients of the supply chain finance initiative. The Construction Strategy identified their lack of funds and pointed out that they utilise supplier credit more than equivalent organisations in other parts of the economy. Tier 1 supplier balance sheets appear to be able to support supply chain financing (with the help that is being provided by Government) so they should be using the facility rather than passing costs down the supply chain. The directors of the Tier 1 businesses have the responsibility to finance the work they take on including seeking to have their clients pay in reasonable time. .
4. Supply chain members would be able to allocate finance for growth without having to borrow as much capital. New jobs would start to be created as businesses look for opportunity to grow with the funds that could be released to them simply through being paid in line with good business practice.

Under what circumstances do you think that a payment period should be considered to be 'grossly unfair' to the supplier? How could this be

defined more clearly? Would it be possible to agree one set of principles for all transactions or would differentiated approaches be more appropriate, for instance on a sectoral basis?

Yes, this is such an important point, one set of sound principles should be all that is needed to help improve economic efficiency.

The EU directive has set out what is seen as generally good business practice for payments and that is within 30 days. Acknowledgement is given within it that there is the possibility that some work may require complex verification and that up to another 30 days should be permitted to the extent that that is reasonable. This appears to be a reasonable approach to payments in all industries in the UK. Care should be taken to avoid a default 60 days becoming the norm. The default should be 30 days unless it is evidently reasonable to agree something longer for good reasons.

As an example of the law of unintended consequences the complexity of construction industry payment practice is costing a lot of money and is providing reasons for people to delay payment. Suppliers do not need any due day other than when the invoice arrives, and no final date for payment other than 30 days from when it was sent out. As such, the construction industry needs no special terms. It should operate in the same way as any other part of the economy to the standards of good commercial practice.

If businesses remain able to agree payment terms over 60 days, should they have to consult with suppliers and state publicly that they are doing so, or publish reasons explaining why? Should this apply to all businesses or only large companies? How would this help or hinder your business?

The risk is that businesses would quickly develop boiler plate reasons for setting terms over 60 days.

Businesses who seek these long payment terms are the ones that have the most opportunity to raise finance.

Are there simple steps that might be taken to make the construction adjudication process quicker, cheaper or both?

Member expressed the following views:

The intention of the adjudication process was to settle matters fast as the contract progressed however the legal costs associated with such claims have increased to the extent that some members are reluctant to use adjudication, preferring the courts, for example one member sites that “ for a £66k payment dispute I am faced with both sides spending £60k on legal fees”

Companies should not be allowed to deduct payments because of claims or disputes as these should be proven before being used as a reason for non-payment. Adjudication is not preventing payees making spurious claims, using this to deduct payments and settling (if there is a problem) 10% to 20% of the claim value.

This suggests that the contracting terms that allow for claims to be addressed at the end of the project with an independent engineer who settles most disputes during the course of the contract is more favourable than the adjudication methods.

What role, if any, could industry or sector bodies play in identifying and promulgating good contractual practices within their sectors and adjudicating on disagreements? Do you see particular sectors as priorities for action? How might Government facilitate this?

Industry bodies such as ACE continue to promote good procurement and payment practices and seeks to work across sectors to ensure that the concerns of all parties to the supply chain are considered to find effective strategies for the benefit of the sector and ultimately UK PLC. Initiatives such as NIPSEF co-chaired by ACE's CEO and Danny Alexander MP is an example of this approach.

The construction sector is a priority area. No other sector appears to have been working for 30 years to address its payment culture with on-going issues and concerns. The Construction Act while seeking to address the issues has become overly complex and in some cases is used as a tool for delaying rather than speeding payment.

The proposed Charter currently under review by the CLC DG is another example of a voluntary statement that has no teeth.

Companies should be required to demonstrate compliance with the terms proposed for fair payment in the EU Directive – that is 30 days unless it is reasonable to take a bit longer for necessary complex verification of the work done and in no case longer than 60 days.

Reporting of payment performance should be transparent and ability to audit should be allocated to appropriate bodies such as BIS to review and follow up.

The late payment issue in the construction industry is a severe problem and a voluntary code or culture will not have the impact needed to overcome it. The rules need to be changed so that those in control of companies have the incentive to promote fair payment practice throughout the economy in the wider interests of the UK economy, the SMEs who can create jobs, and the clients who use the industry. It will be extremely difficult to achieve a widespread collaborative approach, adoption of BIM or SME participation if the preoccupation remains in prolonging payment disputes in order to hold on to cash. Making directors focus on their responsibility to pay suppliers in line with good commercial practice and to report their progress on this will change the culture.

Do you think that more information on whether companies have a history of late payment would help suppliers negotiate better terms when doing business?

The provision of information on a companies history of late payment may help the supplier to determine the risks associated with engaging with that company, but will not necessarily make the payee change behaviours to offer better terms unless there are repercussions to the late payment performance.

Unfortunately in the construction industry a long wait for payment is well established bad practice.

Negotiation practices on payment are take it or leave it on the whole where there is a differential in bargaining position. If better terms are achieved it often makes little difference because such terms are ignored in payment practice during the life of a contract.

Payment performance of companies needs to be monitored with requirements for companies to disclose in their annual reports (1) the trade creditor days total

and (2) the amount of supplier invoices (in days) that they are holding up payment for due to acknowledged and agreed disputes that are being sorted out, and (3) other disputes that are not being sorted out.

What can businesses, data hosting platforms and Government do to facilitate greater transparency?

Standardise the criteria/format of late payment information on public/credit rating websites and make access to the late payment information free.

For example, if the information is posted at Companies House the data on creditor performance could be seen electronically at will via free search.

The communication of the Governments BIM and Soft Landings Initiatives and the underlying collaborative behaviours required to achieve success would be a good template.

What prevents small businesses from using technology services to help them with financial management and payment? What could be done to encourage greater take up?

SME's may benefit from education and training in the available financial, management and payment systems available perhaps through industry bodies.

Some members report that although they use electronic processes, once mobilised the process does not help to get paid any faster. It may therefore be that a few days in invoicing and delivery are completely overshadowed by the 120 plus delay that some suppliers experience.

Do small businesses have adequate access to the information and support they need to understand the external financing options available to them? What would help raise awareness of these options?

Members are aware what is available for external for external financing options but this does not address the late payment issue.

It excludes invoice discounting due to working in the construction industry and the adverse payment climate and culture that exists. If the industry's payment culture is set to 30 days fair payment in line with good commercial practice by regulating then the banks might start to be willing to offer SMEs invoice discounting in the construction industry.

How could working capital options be made cheaper and more accessible to small business?

The supply chain finance initiative is good if it were used as it was intended to move people from 30 or 40 days to 7 or 8 day payment terms.

In construction it has been used as a way of extending payment to 120 days and then offering fairer terms but all at the expense of the SME rather than the Tier 1 supplier

Prompt payment will reduce the debtor element in the SME's balance sheet. In an environment where all get paid within 30 days for example the risk of insolvency of the SME reduces and the banks are likely to become more accommodating.

Would removing contractual barriers to selling invoices (e.g. as a result of a ban on assignment) be helpful to small businesses by increasing their access to services such as factoring and invoice finance?

[Members report as follows:](#)

“We have been told that because we work in the construction industry and payments practice is poor we are not eligible to receive factoring or invoice discounting services. The only exception is secondment work where a company effectively acts as a manpower agency.”

“The issue is not about supplier access to finance. It is the lack of finance for our large company clients. They are unable to pay their invoices within a generally acceptable good practice guideline period of 30 days. Our capital base would be fine if were not for the practices of our clients. They are taking our capital and using it without our permission. This situation is affecting our growth as an SME and we are not happy about it. We do not intend to further finance our way into growth, rather we are putting a lot more effort in to getting paid and to assist in seeing something sensible being done about payment terms and practices in the industry. “