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R3

Yorkshire business insolvency expert welcomes MPs' late payments crackdown call

Recommendations from a cross-party committee of MPs for toughening up the UK's late payment regime have been welcomed by a Yorkshire business insolvency expert.

Eleanor Temple, chair of R3 in Yorkshire and a barrister at Kings Chambers in Leeds, was speaking after the Business, Energy and Industrial Strategy Select Committee issued a report criticising "disgracefully" bad payment practices, especially within larger companies, and called for all medium and large companies to be forced to sign the Prompt Payment Code.

Research carried out by R3 earlier this year found that late payment of invoices was the most common sign of business distress among companies in Yorkshire and Humberside, with 23% of companies being owed payment on invoices that are over 30 days past due.

A 2016 R3 survey of the insolvency profession also found that late payment for goods or services had been a primary or major cause of 23% of insolvencies in the preceding twelve months.

Rachel Reeves MP, chair of the Business, Energy and Industrial Strategy Select Committee, said: "Many SMEs are placed in a stranglehold by larger companies deliberately paying late and ruthlessly taking advantage of their suppliers, causing these firms financial instability.

"Unless the Government levels the playing field and acts to bring in a tougher regime for poor payment practices, then we choke off the opportunity for SMEs to invest and grow in the future."

Eleanor Temple said: "Despite significant efforts in recent years to improve business practice around paying suppliers on time, there has been only limited progress and our members in Yorkshire say that late payment remains a key contributory factor in many business insolvencies on which they work.

"With technology making it easier than ever to keep up with payments to suppliers, there is no legitimate reason why straightforward invoices can't be paid within the allotted time period, if not immediately on receipt, but it appears that it appears that this is still not happening in many cases.

"When a company is not paid in advance for goods or services, it essentially acts as a lender for its clients, but it does not have the protection that a secured lender receives, and can set itself up for cashflow problems if payments fail to materialise as expected.

"This puts unnecessary strain on the finances of businesses, and can stop them investing in new services, taking on new commercial opportunities, or even having enough cash in the bank to cover their day-to-day costs, which can threaten their viability."

The Prompt Payment Code commits signatories to paying suppliers within the agreed terms of their contracts, providing them with clear guidance on payment procedures, and encouraging them to adopt the code throughout their own supply chains.

Eleanor Temple continued: "The Federation of Small Businesses and other business bodies have long called for greater adherence to the Prompt Payment Code, which would in turn help to promote a virtuous circle of businesses behaving in an ethical way towards each other.

"This sort of progress could only benefit both the participating businesses and the wider economy, and we hope that the Select Committee's report acts as a catalyst towards further progress in this crucial area.

"Business owners need to ensure they are on top of their invoice ledger and are tackling late payment issues as soon as they start to become apparent, as the 'domino effect' of the failure of one firm impacting on its suppliers is very well documented.

"If problems linked to late payment or any other cashflow issue arise, then the sooner that owner/managers look for expert advice on what they can do to resolve them, the more options they will have for finding the best possible outcome."

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