

Prompt Payment Code

administered by the Chartered Institute of Credit Management on behalf of BEIS



Department for
Business, Energy
& Industrial Strategy

Margot James MP

Minister for Small Business, Consumers
and Corporate Responsibility

1 Victoria Street
London
SW1H 0ET

T +44 (0) 20 7215 5000

E enquiries@beis.gov.uk

www.gov.uk/beis

www.promptpaymentcode.org.uk

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Dear Prompt Payment Code signatory,

Thank you for your continued support of the Prompt Payment Code.

Since we last wrote to you, we have been working to make sure that the changes to the Code are consistent with other measures aimed at encouraging positive business relationships in the UK.

There has been significant progress in the drive to tackle late payment:

- Government is leading by example. Central Government Departments have repeated their commitment to the target of paying 80 per cent of undisputed invoices within 5 days, and the remainder within 30 days. Departments are publishing their performance against these targets quarterly.
- 25% of PPC signatories have responded to the request to provide further information. This helps suppliers understand what to expect from the signatory, and what information they need to provide to ensure they are paid.
- Legislation is in place to cascade 30 day terms down the supply chain for all public sector work.
- Challenges against Code signatories have proved very successful in getting invoices settled quickly, creating dialogue between parties, improving contract terms, and providing assistance welcomed by suppliers and signatories.
- For public sector contracts, businesses can make use of the Mystery Shopper service. This is a free service where suppliers can report poor procurement practice and late payment, including late payment through the supply chain.

- The Government is creating a Small Business Commissioner, who will provide help and advice to businesses, including on payment disputes.

Duty to Report

You will also be aware of the statutory duty for large businesses to report on payment practices, introduced by the Small Business, Enterprise and Employment Act 2015. This is due to come in to force from 6 April 2017 for financial years starting after this date. In the spirit of the Code, we would encourage you to lead the way by voluntarily providing information as soon as the website goes live. More detail on this will be available in the autumn as we confirm the metrics that will be required. We will provide guidance to accompany secondary legislation.

Exceptional Circumstances

The Prompt Payment Code continues to be recognised as the gold standard in prompt payment, and will be included as a metric in the duty to report on payment practices. We have been listening to your feedback on the changes to the Code. Some of you have requested further clarification, particularly about the enhanced payment targets which were introduced.

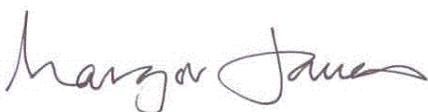
We confirm that we believe Code signatories should pay within 30 days, and that this should increasingly be the norm. But the Code Compliance Board will not be enforcing compliance with this. Paying invoices within 60 days is a requirement, unless there are exceptional circumstances. We have been giving careful thought to what 'exceptional circumstances' may be.

We do not consider it appropriate to set prescriptive criteria for 'exceptional circumstances', as the Board will need to consider each particular case. We prefer for the Board to set the standard through examples of 'good practice' which will emerge, and enable them to develop their approach as they review cases.

We believe this flexibility will recognise different practices in different sectors, ensuring signatories continue to define and identify their smaller suppliers for preferential treatment, and allowing new signatories to join.

An example of 'exceptional circumstances' might include instances where a company is able to demonstrate that they apply different terms to the benefit of their smaller suppliers (e.g. that they pay all of their small suppliers in a shorter period). However, it should be stressed that 60 days terms should be the maximum in the vast majority of cases.

Prompt Payment Code signatories lead the way in setting good practice, and we value your support in driving the change of culture that we need to see. We look forward to working together to ensure that Code membership really is a badge of honour, inspiring confidence, enhancing reputation, and demonstrating a strong relationship with your suppliers.



MARGOT JAMES
Minister for Small Business, Consumers
and Corporate Responsibility



PHILIP KING
Chief Executive
Chartered Institute of Credit Management