



The headache of late payments

Late payments can be a major headache for many small businesses. Recent research by Market Finance discovered that typically businesses agree 45 day payment terms. Although this may seem like a sufficient length of time in order to receive payment, 39 per cent in the study of over 100,000 invoices were paid late. It also identified that invoices with a larger value contributed to the majority of the ones paid late.

In January Philip King took over as Interim Small Business Commissioner after the departure of Paul Uppal. According to Kelly Tollhurst, the small business minister:

"In Philip, small businesses will have a real champion with a proven track record of tackling late payments."

Beforehand he was the chief executive of the Chartered Institute of Credit Management and was responsible for running the prompt payment code. He has stated that:

"Recognising the needs of all businesses both small and large is an essential part of resolving potential conflict and preventing issues from occurring in the first instance. Poor payment behaviour should be identified and called out and I will actively encourage small businesses to engage with the Commissioner's office at the earliest opportunity if there is a problem. It is also important that we highlight examples of best-practice to which others should aspire."

While it is hoped that the renewed focus on this issue will help to turn around the UK's late payment culture, small businesses need to be proactive too. It is very easy to get caught up in the day to day running of the business, but very few can survive by waiting months for payment. Small business owners need to think about when they start sending invoices, when do they start chasing for payment and is the customer fully aware of the credit terms?

It's vital to set up a robust invoicing and credit control system and chase up unpaid invoices as soon as possible to see where the problem lies. It may be as simple as the customer hasn't received the invoice or the goods didn't arrive. A copy of the invoice can then be easily forwarded or proof of delivery found to speed up payment. Disputes are inevitable, but the sooner the business is aware of them, the sooner the issue can be resolved and payment received.

Ultimately small businesses need to stay in control of their credit. They might not want to lose business but a customer who does not pay is not a customer. If customers are happy with the product or service they should be happy to pay for it.

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