

Payment Terms

The Prompt Payment Code (PPC) sets standards for payment practices and best practice and is administered by the Chartered Institute of Credit Management (CICM). Compliance with the principles of the Code is monitored and enforced by the Prompt Payment Code Compliance Board. The Code covers prompt payment, as well as wider payment procedures. The Prompt Payment Code is administered by the CICM on behalf of the Department for Business, Energy and Industrial Strategy (BEIS). It currently has more than 1,800 signatories, with each signatory committing to best practice in the fair and equal treatment of suppliers, many of whom are smaller businesses. The Chartered Institute of Credit Management (CICM) is Europe's largest credit management organisation.

Signatories to the Prompt Payment Code agrees to:

- Pay suppliers on time
- Give clear guidance to suppliers
- Encourage good practice
- Undertake to pay suppliers within a maximum of 60 days (in line with late payment legislation requirements), to work towards adopting 30 days as the norm, and to avoid any practices that adversely affect the supply chain

New measures to support the Prompt Payment Code (PPC) and drive a culture of better payment practice have been confirmed in a letter to PPC signatories from Margot James, Minister for Small Business and Philip King, Chief Executive of the Chartered Institute of Credit Management (CICM).

The letter highlights the significant success of the Code to date, and in particular highlighting the challenges against Code signatories that it says have been 'hugely successful in achieving fast settlement of invoices, creating dialogue between parties, improving contract terms, and providing

constructive assistance welcomed by suppliers and signatories alike'.

The correspondence also confirms the future appointment of a Small Business Commissioner to provide help and advice to business, including on achieving prompt payment, and the Statutory Duty to Report for large businesses to report on payment practices that comes into force from 6 April 2017. Further strengthening of the Code will follow the implementation of the Duty to Report measures.

The authors of the letter confirm that signatories should be paying within 30 days where possible and that this should increasingly be the norm. The Code Compliance Board will not be enforcing 30 day terms but states that paying invoices within 60 days will be a requirement unless there are exceptional circumstances that will be considered on a case by case basis. An example of 'exceptional circumstances' might be where a company is able to demonstrate that it applies different terms to the benefit of their smaller suppliers.

The Minister says that: “Prompt payment can make all the difference to small businesses, boosting their cashflow and allowing them to invest in growth for the future. Although we have seen some progress, there are still too many business owners across the country who have not been paid on time by their customers.

“We need a culture change to stamp this out and the Prompt Payment Code continues to play an important role in bringing this about, alongside a package of measures taken forward by government and industry. The businesses signed up to

the Code commit to demonstrating the gold standard of payment practices and it’s great to see so many of Britain’s leading household names on the list.”

To apply to become a signatory to the Prompt Payment Code complete the form at www.ppc.promptpaymentcode.org.uk and provide references. Referees will be contacted to confirm their payment experience and, subject to confirmation that you pay promptly, your organisation will become an approved signatory to the Prompt Payment Code.

Construction Supply Chain Payment Charter

The aim of the Payment Charter is to reach 30 days standard payment terms for the construction industry and to liquidate retentions by the 2025.

It promotes the fair and transparent payment process and collaborative work culture. The Payment Charter applies to all parties to construction contracts and by becoming its signature parties agree to apply the fair payment commitments across the supply chain, to be assessed for the compliance with the set of key performance indicators (KPIs) and to consider the performance of its supply chain against KPIs. To become the signatory to Construction Supply Chain Payment Charter it is necessary to be a signatory to the Prompt Payment Code.



Some of commitments include, amongst others:

- obligation to make correct full payment when due for work carried out in accordance with the contract
- payment in electronic form
- obligation to not deliberately withhold or delay payment
- ensure that payments are made within 45 days from the end of the month when work was carried out (from January 2018 within 30 days)
- resign from retentions by 2025
- obligation to issue pay late notice as soon as possible, no later than 7 days before payment deadline
- obligation to process variations as soon as possible and fairly
- transparent and collaborative approach for dispute resolution

For more information visit

www.promptpaymentcode.org.uk/cscpc.htm

Source: www.promptpaymentcode.org