

Department for Business and Trade – Late payments consultation: tackling poor payment practices

Consultation questions

Q1. Daniel Woolf

Q2. Danielw@enterprisenation.com

Q3. Head of Policy and Government Relations

Q4. I am responding on behalf of Enterprise Nation, a small business membership body and support platform. This submission draws on Enterprise Nation's Small Business Barometer, evidence from our Late Payment Focus Group (30 September 2025), and qualitative insight from our Help to Grow: Mentoring and Tech Hub programmes. It also references the government's Late Payments Consultation, and the operation of the Payment Practices and Performance Reporting Regulations 2017.

Q5. N/A

Q6. Enterprise Nation

Q7. Registered office: TOR, Saint-Cloud Way, Maidenhead, Berkshire, SL6 8BN

Q8. Trade association, membership body

Note on scope of response

Enterprise Nation has focused its responses on the consultation measures most relevant to the small businesses we represent. We have not answered every question, as some proposals fall outside our members' direct experience or into areas better informed by larger corporates, auditors, or sector-specific regulators.

Our priority has been to provide practical, evidence-based insight on the measures that would make the greatest difference to small firms' cash flow, confidence, and ability to plan – notably board accountability, predictable payment terms, dispute resolution, statutory interest, reporting, and enforcement.

Measure 1 – audit committees and board-level scrutiny

Q9a. To what extent do you agree that Audit Committees, where companies have them, should provide commentary and make recommendations to company directors before data is submitted to government and included in directors reports?

We strongly agree. Boards (or audit committees where they exist) should add a short commentary and recommendations to statutory payment data. Board-level ownership is what shifts behaviour beyond “file and forget”.

We argued for directors’ report inclusion and board sign-off in our response to the *Payment and Cash Flow Review*, to drive culture change rather than tick-box compliance¹.

Our members want visible accountability, not just numbers. Several asked for tools that let suppliers “see who the repeat offenders are” and for a positive badge for fast/fair payers. They also warned that transparency can be blunted by workarounds if governance isn’t clear².

That strengthens the case for a concise, standardised board commentary tied to consistent definitions of “days to pay”.

Q9b. To what extent do you agree that the Small Business Commissioner should write to audit committees and company board, where companies have them, when undertaking payment performance reporting assurance and when investigating any other matter relating to a companies’ payment practices?

We somewhat agree. Targeted correspondence from the Small Business Commissioner (SBC) to audit committees or boards can sharpen focus and support assurance, provided it is proportionate and time-bound. It would also complement founders’ calls for visible enforcement behind reporting rather than data without consequence³.

However, guardrails matter. The SBC should publish when and why it writes (for example, to flag anomalies or run spot checks) to avoid duplication and burden, especially for firms without formal audit committees.

Q9c. Are there any potential unintended consequences or considerations that could happen if this measure was introduced?

Yes.

Q9d. Reasons.

Risks include:

1. A tick-box exercise: commentary added at board level without actual change in behaviour, raising cost without benefit.
2. Uneven coverage: firms without audit committees might struggle to comply or be overlooked.
3. Governance attention that still fails to link procurement promises with accounts-payable realities, resulting in misleading “days to pay” claims.

To mitigate these risks we propose:

- A templated one-page board narrative to reduce burden and focus on key issues.
- Requirement to apply the same board-level commentary where there is no audit committee.

¹ Enterprise Nation Submission to Department for Business and Trade Payment and Cash Flow Review, Apr 2023

² Enterprise Nation Focus Group, Sep 2025

³ Enterprise Nation Focus Group, Sep 2025

- Alignment of “days to pay” definitions across reporting to reduce gaming, a step our members explicitly asked for when they sought usable information on payment behaviour.

Measure 2 – maximum payment terms

Q10a. To what extent do you agree that limiting UK payment terms to 60 days at a maximum will be effective in addressing the stated problem of long payment times?

We somewhat agree. A statutory 60-day cap prevents the worst abuses where large buyers impose very long terms on small suppliers. However, our members stress that certainty is as important as speed⁴. In seasonal sectors, a 90-day term that is reliably met is often preferable to an unpredictable 30-day one.

Q10b. Reasons.

Our evidence shows two key points:

1. The current *Late Payment of Commercial Debts (Interest) Act 1998* allows terms beyond 60 days if not “grossly unfair”, but small suppliers rarely challenge them because they lack bargaining power.
2. Predictability matters most. A cap without anti-regression guidance could make 60 days the default for firms that now pay sooner.

We therefore support a 60-day limit accompanied by monitoring and clear guidance to prevent backsliding, and would support the planned 45-day cap after five years if transitions are monitored.

Q10c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes, unintended consequences are likely.

Q10d. Reasons.

Potential unintended consequences include:

1. Some buyers may simply adopt the 60-day term as their default, even if they currently pay faster (i.e., regression).
2. In industries where longer terms are traded as part of business models (for example, price-for-90-day terms), a cap could disrupt existing arrangements and maybe push risk back onto suppliers.
3. For exporters or firms supplying overseas buyers, the change might produce friction if counterparties are outside the UK and not subject to the same limit, several of our members flagged this.
 - a. To mitigate these, we support coupling the cap with clear anti-regression guidance, monitoring of behaviour, and sector-adjusted transitional arrangements.

⁴ Enterprise Nation Focus Group, Sep 2025

Q10e. What exemptions, if any, do you think should apply and why – for example, in specific sectors or in particular circumstances?

If exemptions are required they should be narrow, criteria-based and subject to a fixed sunset. For example: documented seasonal sectors, or project-finance chains where payment is escrow-backed. Any exemption use should be disclosed in the directors' report and reviewed after e.g. three years. Our contributors recognised sector-pushback is likely; careful framing is essential to avoid reopening loopholes.

Measure 3 – 30-day deadline for disputing invoices

Q11a. To what extent do you agree that introducing a 30-day time limit on the ability for businesses to dispute invoices will be effective in addressing the stated problem of the deliberate disputing of invoices to extend payment times?

We strongly agree. A clear 30-day limit directly targets the tactic of raising spurious disputes just before payment falls due. It will enforce discipline and reduce cash-flow strain⁵.

Q11b. Reasons.

Founders described chasing payments and handling late-raised disputes as deeply corrosive to cash flow and morale⁶. A fixed 30-day window restores procedural discipline. The focus group welcomed a design where, if the 30-day period has elapsed, payment must proceed and any dispute is handled via alternative dispute resolution (ADR), an approach that we believe delivers faster resolution and keeps relationships intact.

Q11c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes, there are risks.

Q11d. Reasons.

Firstly, genuine quality or compliance issues may emerge after 30 days, especially in long or complex supply chains or with overseas customers whose audit/acceptance processes differ. If the dispute deadline is too rigid, the supplier may be forced to pay before valid issues are resolved.

Secondly, firms may respond defensively by shortening acceptance periods or rejecting more claims, which could shift cost/back-risk onto suppliers. To mitigate, the policy should include a “pay-now, claim-later” route via ADR for post-30-day matters, and ensure the definition of dispute is clear and fair.

Q11e. Are there more effective ways the government could prevent frivolous disputing of invoices?

⁵ Enterprise Nation Focus Group, Sep 2025

⁶ Enterprise Nation Focus Group, Sep 2025

Yes. We recommend mandating standardised “dispute reason” codes in e-invoice systems; requiring purchase orders (POs), delivery confirmations and acceptance dates before a dispute can be formally lodged; and embedding digital prompts to flag verification issues earlier.

Founders emphasised automation as the simplest fix and, drawing on our wider digital-adoption work, we also see value in tools that support PO matching, acceptance tracking and automated reminders to prevent disputes before they start⁷.

Measure 4 – mandatory statutory interest

Q12a. To what extent do you agree that all qualifying contracts being subject to mandatory statutory interest on their late payments without exception will address the stated problem and help incentivise paying on time?

We somewhat agree. Making the statutory interest rate mandatory under all qualifying contracts strengthens the financial incentive to pay on time. But we note many small suppliers may still choose *not* to claim interest so as not to damage relationships with buyers⁸.

Q12b. Reasons.

Requiring interest at the statutory rate (base rate + 8 %) removes “work-arounds” where buyers negotiate lower rates⁹. To make this effective in practice, interest should be auto-calculated and clearly shown on supplier statements, with an option for suppliers to waive the charge once payment is made, an approach our founders favour, as it preserves relationships while enforcing discipline.

Q12c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes, potential side effects.

Q12d. Reasons.

Possible unintended consequences include:

- Buyers may pass the additional cost (or risk) down the supply chain or increase contract prices in anticipation of interest charges.
- Some buyers may slow their internal approvals to avoid triggering interest payments, which shifts the burden back onto suppliers.

To mitigate this, we recommend pairing mandatory interest with transparent reporting of interest owed vs paid (see Measure 5) and proportionate penalties for persistent late payment (see Measure 6) so that incentives align properly.

⁷ Enterprise Nation Focus Group, Sep 2025

⁸ Enterprise Nation Focus Group, Sep 2025

⁹ <https://www.traverssmith.com/knowledge/knowledge-container/uk-gets-tough-on-late-payment/>

Measure 5 – reporting on statutory interest

Q13a. To what extent do you agree that requiring businesses that report under the Reporting on Payment Practices and Performance Regulations 2017 to report how much interest they owe and pay to their suppliers as a result of late payments will help incentivise reporting businesses to improve their payment practices?

We strongly agree. Requiring firms to publish the total amount of statutory interest they owe, and the portion they actually pay, adds a layer of transparency that boards and procurement teams cannot ignore. Far from being a minor extra obligation, this measure gives small-suppliers real data to compare and choose customers.

Q13b. Reasons.

Our contributors noted that seeing the “interest owed vs interest paid” line gives a clear signal of a company’s payment behaviour, who pays on time, who drags out payments, and who incurs cost for their delays¹⁰.

Our focus-group [feedback](#) called explicitly for “how good/bad/ugly” consumers of supplier terms are as payers. By integrating this metric into the PPR regime it shifts reporting from process (how many invoices past due) to financial consequence (interest liability).

Q13c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes, risks exist.

Q13d. Reasons.

Potential issues include:

- Inconsistent calculation: if firms apply different methodologies for what counts as “days late” or which invoices qualify, the numbers become non-comparable.
 - Gaming the system: firms may delay recognising liabilities, or avoid bookings to minimise the “owed” figure, reducing the value of the reporting.
- To guard against this we recommend: enforce clear, audit-ready definitions of “statutory interest owed” and “statutory interest paid”; enable the Small Business Commissioner (SBC) to perform assurance spot-checks on the reported numbers; require board-level commentary as to how the interest exposure is being managed.

Measure 6 – financial penalties for persistent late payers

Q14a. To what extent do you agree that introducing financial penalties for large businesses persistently paying their suppliers late will address the stated issue and incentivise reporting businesses to pay on time?

We somewhat agree. Financial penalties can work as a deterrent if they are based on reliable data and linked to meaningful thresholds, but there is a risk businesses may simply treat a fine as “cost of doing business” unless the penalty regime is sharply designed and backed by remediation requirements.

¹⁰ Contributions to Enterprise Nation on Late Payment Consultation call for evidence

Q14b. Reasons.

Adding penalties puts genuine cost behind repeated late payment behaviour. The consultation proposes that the Small Business Commissioner (SBC) use data from the Reporting on Payment Practices and Performance Regulations 2017 to identify companies that consistently pay late, and link penalties to the unpaid statutory interest liability. This aligns penalty with harm and gives boards of larger companies a clear financial reason to fix processes rather than merely report.

However, our members emphasise that to drive real change, penalties must be paired with published decisions, public disclosure, time-bound improvement plans and verification of system fixes (for example PO matching or payment-run cadence) so that the focus shifts from paying fines to changing behaviour.

Q14c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes, there may be several unintended consequences

Q14d. Reasons.

Potential side-effects include:

- The possibility of cost being passed down to smaller suppliers, who bear higher cost when their larger customer reacts to penalties by raising prices or shortening terms.
- Cliff-edge triggers: a firm mid-transformation might hit a penalty point just as it is investing to reform payment systems, which could destabilise it.
- Sectoral payment cycles distort metrics: in sectors with long standard pay terms (e.g., construction) a simple late-payment threshold may unfairly penalise firms that are operating under accepted norms but nonetheless flagged as “late payers”.
 - To mitigate, we suggest the legislation incorporate tiered triggers (e.g., sliding scale depending on size and sector), review of past performance (not only last reporting period), and a mechanism allowing adjusted thresholds during verified system overhaul.

Q14e. To what extent do you agree that linking financial penalties for consistently late-paying businesses to their unpaid statutory interest liabilities is a proportionate and effective approach?

We somewhat agree with linking penalties to unpaid statutory interest.

Q14f. Reasons.

Linking the penalty size to unpaid interest aligns the cost to the harm caused, this is proportionate in theory. But using a simple fixed multiplier (e.g., twice the unpaid interest) risks predictability without behaviour change unless it varies by severity or repeats and is accompanied by other consequences (e.g., procurement exclusions, board-level reporting).

Therefore, we support linking to unpaid interest and layering in public notice, procurement disqualification for repeat offenders, and mandatory time-bound improvement plans, as our members favoured¹¹.

¹¹ Contributions to Enterprise Nation on Late Payment Consultation call for evidence

Measure 7 – additional powers for the Small Business Commissioner (SBC)

Q15a. To what extent do you agree that the introduction of the new powers for the Small Business Commissioner will be effective in improving compliance and enforcement of new and existing regulations around payments?

We strongly agree. Granting the SBC proactive powers, such as the ability to compel information, conduct sector-wide investigations, and verify payment data, addresses a long-standing enforcement gap. Without these powers, reporting often lacks consequences and firms view late payment as a low-cost risk.

Q15b. Reasons.

Our engagement shows that many small firms hesitate to complain about late payments because outcomes are weak and there is fear of retaliation¹². New SBC powers combined with transparent publication of actions could shift this dynamic.

Granting the SBC powers to compel information from large companies, verify payment-practice data, and initiate sector-wide investigations will address the main enforcement weakness identified since the office was created in 2017 – that it relies on voluntary disclosures and individual complaints. The Commissioner’s current remit is largely advisory; converting it into a regulated investigatory role would shift the regime from reactive to preventive enforcement.

Q15c. To what extent do you agree that the introduction of the new powers for the Small Business Commissioner will enhance its ability to support small businesses to resolve payment disputes?

We strongly agree. If the SBC is empowered to require evidence, initiate investigations and deliver binding decisions (or require remediation plans), small firms will gain a credible, less confrontational route than court action. This aligns with members’ calls for an accessible, proportionate dispute mechanism.

Q15d. Reasons.

Members emphasised they want resolution and clarity, not just awareness-raising¹³. An enhanced SBC role helps shift the burden away from small suppliers having to chase large buyers alone. And with publicly disclosed enforcement data, boards and procurement teams at larger companies will know they’re under scrutiny.

Q15e. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes, some risks must be managed.

Q15f. Reasons.

Risks include:

- Overlap with other adjudicators (industry ombudsmen, regulators) which could confuse suppliers and raise cost.

¹² Contributions to Enterprise Nation on Late Payment Consultation call for evidence

¹³ Enterprise Nation Focus Group, Sep 2025

- Small firms may remain reluctant to engage if confidentiality and anti-retaliation safeguards are weak.
- The SBC's new powers may prompt large buyers to withdraw or restructure contracts rather than engage, shifting risk and cost to smaller suppliers.

To mitigate these: publish case-handling standards and data about when and why the SBC acts; establish memoranda of understanding (MOUs) with other relevant regulators/ombudsmen to avoid duplication; ensure clear confidentiality protections and non-retaliation support for suppliers.

Q16a. To what extent do you agree that the requirement for businesses to report under the Payment Practices and Performance Reporting Regulations should be changed from twice a year to once a year?

We somewhat disagree with reducing the reporting frequency to a single annual submission. While an annual report may reduce administrative cost, it would also weaken the timeliness and transparency that suppliers rely upon to assess large buyer behaviour. Our members believe that frequent, up-to-date reporting drives stronger accountability.

Q16b. Reasons.

The current regime requires large companies and LLPs to publish payment-practices reports twice yearly.

Switching to annual only would reduce the cadence of public data, limiting small suppliers' ability to evaluate counterparties promptly. A compromise could be kept: a solo full statutory annual report plus a lighter mid-year "snapshot" to preserve timely visibility whilst reducing burden for reporting companies.

Miscellaneous

Q28. Do you have any further comments on any elements of the proposals that might aid the consultation process as a whole?

These proposals will work best if implemented through five cross-cutting priorities drawn from our evidence and member insight:

1. **Predictability over speed.** Founders said predictable cycles matter most. A 60-day cap will help, but anti-regression guidance is needed to prevent faster payers sliding back¹⁴.
2. **Meaningful transparency.** Report statutory interest owed and paid, keep at least one mid-year public data point, require short board narratives, and publish SBC outcomes so small businesses can assess counterparties.
3. **Targeted enforcement.** Proportionate, data-led penalties tied to improvement plans and procurement consequences for repeat offenders are what members believe will change behaviour.
4. **Practical dispute rules.** A 30-day verification window with a "pay-now, claim-later" model for late disputes curbs bad-faith delays while protecting genuine quality claims¹⁵.
5. **Digital essentials for small firms.** Our Barometer shows late payments hit contract-heavy B2B sectors and lower-income founders hardest. Micro firms often rely on

¹⁴ Enterprise Nation Focus Group, Sep 2025

¹⁵ Enterprise Nation Focus Group, Sep 2025

spreadsheets or paper systems, leaving them exposed. Founders highlighted automation as the key digital fix. Building on wider Enterprise Nation research, tools that enable PO matching, acceptance-date tracking, automated reminders and auto-interest calculation can further cut disputes and chasing time.