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Secretary of State for Business and Trade
Department for Business and Trade,
Old Admiralty Building,
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24th February 2024

Dear Rt Hon Kemi Badenoch MP,

All signatories to this letter welcomed the publication of the Government's Payment and Cashflow Review (PPCR) report in November 2023. The recommendations contained within the report, if implemented, will have a significant impact in tackling poor payment practices.

The approach to prompt payment was strengthened significantly with the Chancellor's Autumn Statement 2023 announcement that firms bidding for Government contracts over £5 million will have to demonstrate they pay their own invoices within an average of 55 days, tightening to 45 days in April 2025, and to 30 days in the coming years.

As the PPCR report highlights, poor payment practices have a devastating impact on many businesses creating cashflow problems, placing businesses in distress or putting them at risk of insolvency.

Evidence shows a rising trend in poor payment practices. For example, Federation of Small Businesses' latest Small Business Index (SBI) in Q4 2023 shows that 66% of small businesses experienced late payments in the previous quarter. This is a new high in a persistently worrying trend as over half of small businesses also experienced late payment throughout 2022. This on top of delayed payment and lengthened payment terms from 60 days to 120 days.

The British Chambers of Commerce 2023 Business Outlook Survey found that three quarters of firms had, at some point, been paid late, with 28% of firms saying that this had an impact on their operations and growth.

The Association of Chartered Certified Accountants' Global Economic Conditions research shows that problems securing prompt payment increased sharply in the second quarter of last year and are high compared to the historical average. Problems securing prompt payment are slightly higher for UK SMEs than for all UK companies.

We welcome progress made so far in implementing the recommendations of the review. For example, bringing forward the statutory instruments for the extension of the Duty to Report scheme beyond April and the announcement in the Autumn Statement 2023.

We know that a number of other recommendations in the Review are more challenging to deliver and some will require primary legislation. But given the impact of this issue on SMEs, we would encourage you to provide these businesses with the certainty they need by setting out a clear timetable that processes recommendations at pace.

All signatories to this letter actively engaged with the Review and would be delighted to continue that engagement to progress all the recommendations. Your commitment to accelerating the proposals in the Prompt Payment and Cash Flow Review would send a strong message and improve payment culture in the UK.

Yours sincerely,

David Raw, Managing Director Commercial Finance, UK Finance

Alex Veitch, Director of Policy & Insights, British Chambers of Commerce

Tina McKenzie, Policy Chair, Federation of Small Businesses

Glenn Collins, Head of Technical & Strategic Engagement, Association of Chartered Certified Accountants

Jack Semple, Alliance Secretary, Engineering & Machinery Alliance

Megan Bulford, Financial Services, Confederation of British Industry

