Time to Pay Up: Government unveils toughest crackdown on late payments in over 25 years

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Small businesses to be backed by new, stronger measures to tackle late payments.

- UK is backing small businesses with the toughest laws on late payments in the G7
- Sweeping new powers for the Small Business Commissioner, including multi-million-pound fines to hold big businesses and persistent offenders to account
- Measures will help tackle cost of living for entrepreneurs and SME owners by ensuring they are paid on time and prevent the abuse of retention payments in construction

Small businesses will be paid on time – that's the clear message from government today [24 March] as it cracks down on late payments, with the largest set of reforms in over a generation.

The Small Business Commissioner will be given sweeping new powers to investigate poor payment practices, adjudicate payment disputes, and fine the worst offenders – with fines worth tens of millions for firms that persistently pay late or fail to comply with the new laws.

The measures will tackle a problem costing the UK economy £11 billion every year and ease the cost of living for entrepreneurs and SME owners who are often forced to wait months – or even years – to receive money they have already earned and having to chase endlessly to receive it.

Some 38 businesses shut their doors every single day because they are not paid on time – the equivalent of 266 a week, and well over a thousand in any given month.

Every small business owner, including tradespeople, freelancers, family firms and the self-employed, have to waste time and money chasing unpaid invoices when they could be growing their business.

These measures, which will be the toughest in the G7, build upon and strengthen legislation on late payments, first laid out in the 1998 Late Payment of Commercial Debt Act, over 25 years ago. They go further than any previous government and will boost our economy and give small businesses better cashflow.

The changes will include a new 60-day cap on payment terms on all large firms when paying smaller suppliers. New mandatory interest on late payments will also be introduced, with a requirement for all commercial contracts to include statutory interest set at 8% above the Bank of England base rate.

For example, if a small business is owed £10,000 by one of its customers and is paid 60 days later than the agreed payment date, they will be owed £10,293.15 including mandatory interest (£10,000 plus £193.15 interest plus £100 compensation).

We also propose to ban the withholding of retention payments under the terms of construction contracts, consulting on its implementation. This will prevent small firms losing retentions to insolvency or non-payment.

Business Secretary Peter Kyle said:

> Far too many businesses are forced to shut down because they have not been paid – that

> is simply unacceptable.
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> We are unveiling the strongest, most robust changes to payment laws in over a generation – laws that will transform the fortunes of small businesses for years to come and make their day to day lives much easier.

After working closely with the Federation of Small Businesses, boards or audit committees of persistently late-paying large companies will be required to publish explanations for poor payment performance and the actions they are taking to address it.

FSB Policy Chair Tina McKenzie said:

> Late payments are a blight on our economy, so FSB is pleased to have worked in partnership with the Government to deliver the toughest legislation in the G7. The new laws will finally bring a stop to big businesses using their small suppliers as sources of free credit.
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> For the first time, audit committees and boards will question and challenge poor payment performance, publish it in annual reports for all to see, and put it right. Paying in 60 days is not prompt - but strengthening that as the absolute maximum cap after years of dithering is a good step towards encouraging payments in 30 days across all supply chains. Improving the Small Business Commissioner's powers will also help, mandating CEO's of Britain's poor payers to take the phone call.
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> This is real progress, and we'll keep working with the Government to make sure new laws are brought in as soon as possible.

Minister for Small Business and Economic Transformation, Blair McDougall said:

> I know first-hand how difficult late payments can be, forcing you to decide if you can afford to keep a business running, pay employees or even buy Christmas presents for your children.
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> That is why I'm proud to be leading the charge on tackling a problem that has been left untouched for far too long.
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> These are genuinely game changing measures that will ensure no business, no employer, no family has to endure the immense strain of being left strapped for cash they have already earnt.

Emma Jones CBE, Small Business Commissioner said:

> We are on a mission to make life easier for small firms by getting money moving faster through the economy by tackling late payments.
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> The measures the Government has announced today will strengthen the role of my office in taking on the worst payers alongside ensuring small businesses have a stronger voice on payment terms and late payment interest.

> These reforms will reduce the hours spent chasing debt allowing small businesses to focus on more productive and enjoyable growth.

Right now, some small businesses have more cash in the bank because the Small Business Commissioner recovered three times more overdue invoices in 2025 than in 2024. We will bring this benefit to the whole economy.

Today's measures follow the launch of the Small Business Plan by the Prime Minister last year, which in addition to laying out late payments plans, also launched the Business Growth Service, which is already transforming the government support offer for small firms, and increased access to finance for SMEs and entrepreneurs with a massive £4 billion finance boost.

This is a more interventionist government, backing the British business community with landmark reforms that will also help to control inflation and make our economy more resilient from global shocks.

Debbie Williams, co-founder of John Williams Heating Services, said:

> As a family-run business that has served our community for more than 20 years, we see first-hand the strain that late payments place on small companies. Cashflow pressures don't just affect the balance sheet — they impact our ability to take on apprentices, invest in training and continue providing reliable service to local families.
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> We welcome the Government's focus on tackling late payments, as timely and fair payment practices are essential for the stability and growth of businesses like ours.

NOTES TO EDITORS

Late payments research: Late payments research: impact on the UK economy - GOV.UK

This government is backing small businesses across the board. We are:

- Halving childcare costs for small business owners and employees.
- Putting more money in customers' pockets by taking £150 off energy bills, and freezing rail fares and prescription charges.
- Offering new incentives of £2,000 for SMEs who hire foundation apprentices aged 16-21, on top of a complete NICs exemption for employees under 21 and apprentices under 25.
- Raising the rate when small businesses start to pay national insurance.
- Slashing electricity prices for thousands of manufacturing businesses.
- Making training for under-25 apprenticeships free for small businesses.
- Doubling eligibility for enterprise tax incentives to help fast-growing firms attract investment and talent.
- Slashing red tape to boost our pubs, bars and cultural venues

https://www.gov.uk/government/news/time-to-pay-up-government-unveils-toughest-crackdown-on-late-payments-in-over-25-years