



**Federation of Small Businesses**  
*The UK's Leading Business Organisation*

# The FSB Prompt Payment Code Campaign

## The problem

Research commissioned by the Banker's Automated Clearing Services (Bacs) showed a massive £18.6 billion is owed in outstanding payments to Britain's SMEs - a leap of £2.6 billion in the last year.<sup>1</sup>

The Bacs' annual business omnibus also revealed that the average amount owed to an SME at any one time is £30,000 - an alarming figure considering almost a third (29%) of those surveyed claimed they could go bust if faced with overdue invoices of up to just £20,000. The research also showed that almost a fifth of SMEs (19%) now employ a dedicated person to chase in late payments - losing an average of 17 working days a year to this task.

Late payments are also causing a ripple effect on over half the businesses in the UK, according to research carried out by Bibby Financial Services.<sup>2</sup> For 1.35 million UK businesses, just one late customer payment can have a large impact on payments to all subsequent suppliers. And, worryingly, for half a million businesses one late payment can affect everyone they do business with. Late payment is shown to have far reaching consequences. For more than two in five businesses the single main outcome of late payment this year is an inability to pay suppliers. For a third it means a recruitment freeze and for 30 per cent it means a staff salary freeze.

Our latest Snap Poll Survey (June 2009) of over 800 small businesses in the South East revealed that 34 per cent had seen an increase in payment times from invoicing to full payment within the private sector. When asked to specify by how many days it took for their bills to be paid 28 per cent stated that payment terms had increased to 21-30 days, 26 per cent were being paid between 31-40 days and 15 per cent had to wait more than 40 days for payment.

## The solution

The FSB are working with the Department for Business Innovation and Skills (BIS) on a campaign to highlight the damaging implications for small businesses arising from late payment. To combat the effect of late payment we are calling on public and private sector organisations to sign up to the Prompt Payment Code.<sup>3</sup> Signing up to the code gives a clear message to small businesses that they will be paid within clearly defined terms, and that there is proper process for dealing with any payments that are in dispute.

## Campaign Plan

- Lobby Regional Economic Forums to ensure prompt payment remains a priority and that pressure is put on all NHS, Regional Development Agencies and Local Authorities to sign up to the code;
- Challenge public bodies to ensure their key suppliers are signed up to the code and that they are meeting their contractual terms to pay their sub-contractors on time;
- Ensure big employers are signed up to the code and that they are not extending payment times to SMEs;
- Promote the Prompt Payment Code and Managing Cash Flow Guides<sup>4</sup> to small businesses.

## Contact

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<sup>1</sup> <http://www.bacs.co.uk/Bacs/Press/PressReleases/2008/Pages/SMEsNowFacing%C2%A3186BillionLatePaymentProblem08012008.aspx>

<sup>2</sup> [http://www.bytestart.co.uk/content/finance/43\\_1/late-payment-ripple.shtml](http://www.bytestart.co.uk/content/finance/43_1/late-payment-ripple.shtml)

<sup>3</sup> <http://www.promptpaymentcode.org.uk/>

<sup>4</sup> <http://www.creditmanagement.org.uk/berrguides.htm>