



Forum of Private Business (FPB) Late Payment Survey – August 2008

Introduction

The Forum of Private Business (FPB) is a business support organisation that represents 25,000 small and medium-sized businesses across the UK. Since it was established in 1977, late payment has always caused problems for its members and continues to do so today, despite the FPB's efforts – and subsequent success – in lobbying for the introduction of late payment legislation.

Unfortunately, the introduction of the Late Payment of Commercial Debts (Interest) Act in 1998 has not provided a solution to the problems faced by small firms. The UK Government, as well as the European Commission, have recognised the significant effects late payment has on small and medium-sized businesses, and are beginning to investigate solutions to the problem.

The FPB has conducted research with its members to determine their experiences regarding late payment, the severity of the problem and their suggested solutions to the problem.

Summary of findings

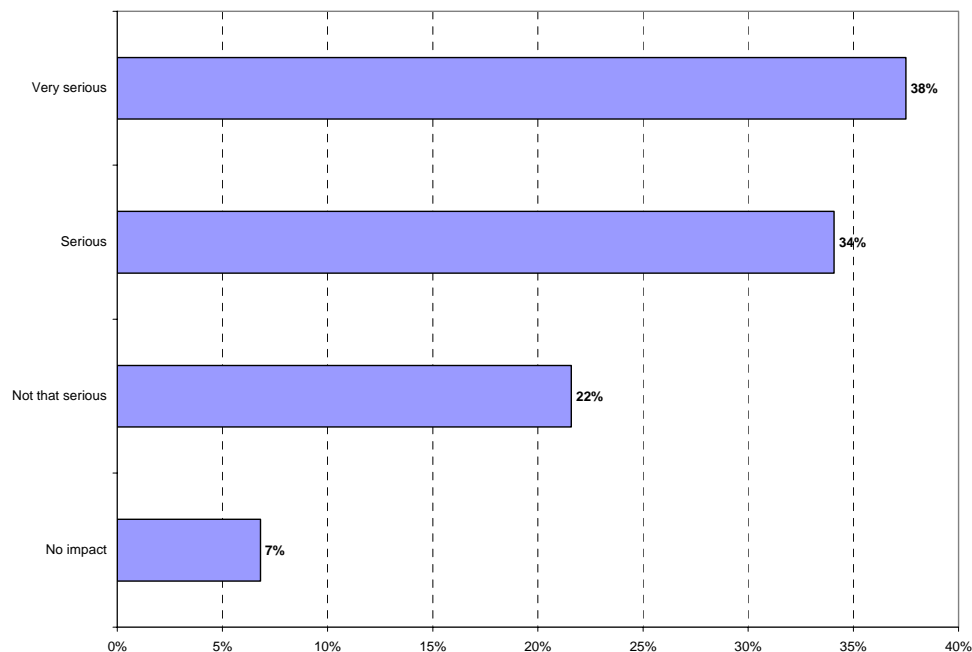
72% of respondents consider late payment to have a 'serious' or 'very serious' impact on their businesses.

56% of businesses state that, over the past year, the scale of late payment has grown worse.

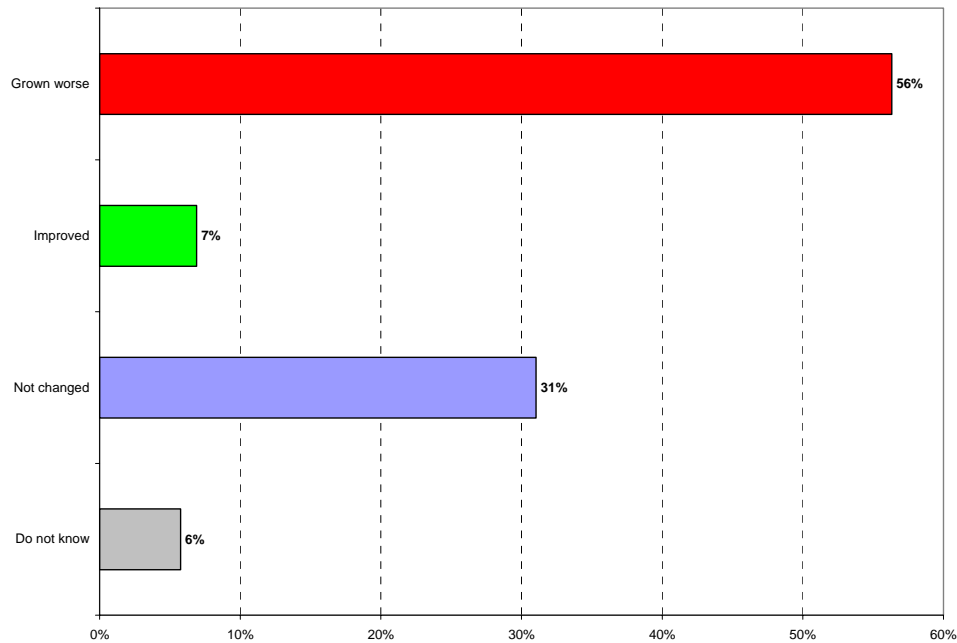
78% of respondents predict that late payment will get worse over the coming year if no government action is taken.

Current impact of late payment

How serious for your business is the impact of late payment?



Over the last year, has the scale of late payment grown worse, improved or stayed the same?



Businesses have stated that the main reasons for late payment growing worse are:

- More clients paying late (88%)
- Previous late-payers paying even later (67%)
- Larger contracts being paid late (27%)
- Clients changing contract terms (12%)
- Clients refusing to pay (10%)
- Clients wanting early-payment discounts even when they pay on time (8%).

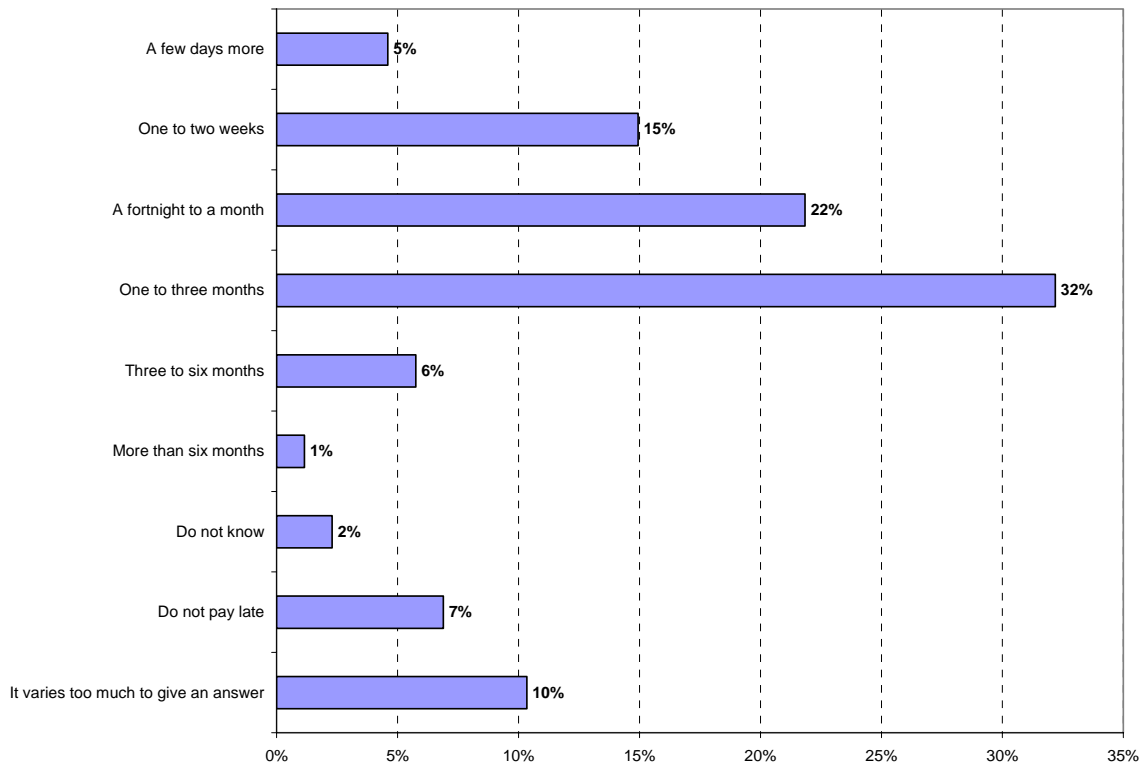
78% of respondents predict that late payment will get worse over the coming year if no government action is taken. 13% think that the situation will stay the same, 8% don't know what will happen and nobody (0%) thinks that the situation will improve.

State of play and the cost of late payment

The majority of businesses (72%) state that the standard payment terms set in their contracts is 30 days. Only 9% have 60-day payment terms and 8% have 14-day payment terms.

We wanted to know how late our members receive payments. The responses we received indicate a growing problem.

On average, how much longer does it take your customers to pay?

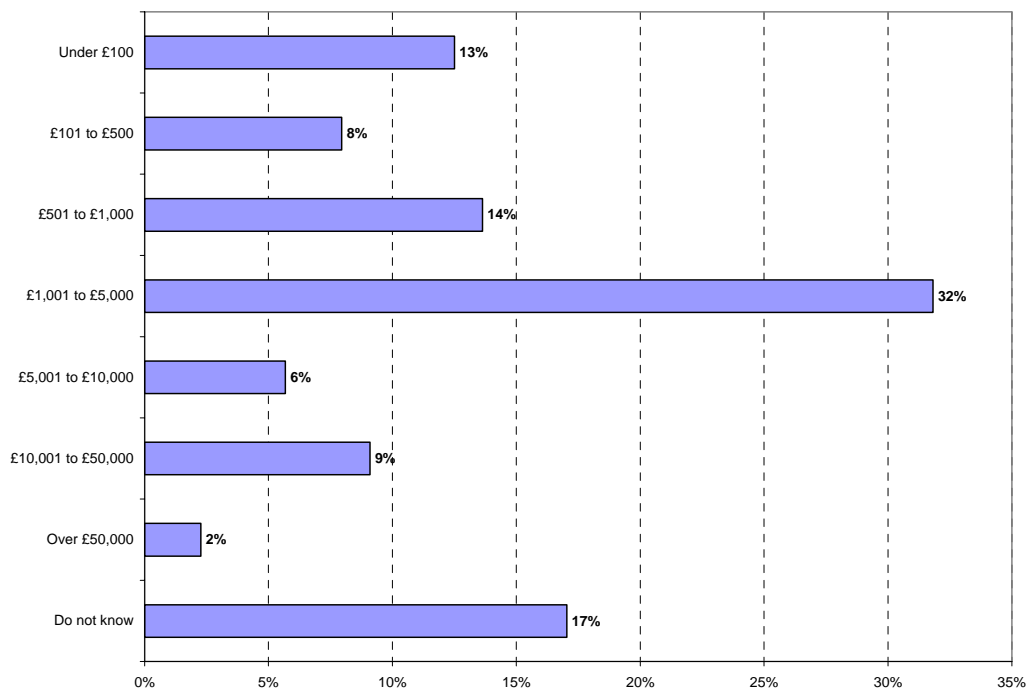


This means that, on average, small businesses are receiving payments between two and six months after work has been undertaken.

This not only leads to reduced flexibility for businesses, but they in turn struggle to pay their suppliers on time and the cycle continues.

41% of respondents have to pay their own suppliers late for cash-flow reasons.

Approximately how much does late payment cost your company in total each year?

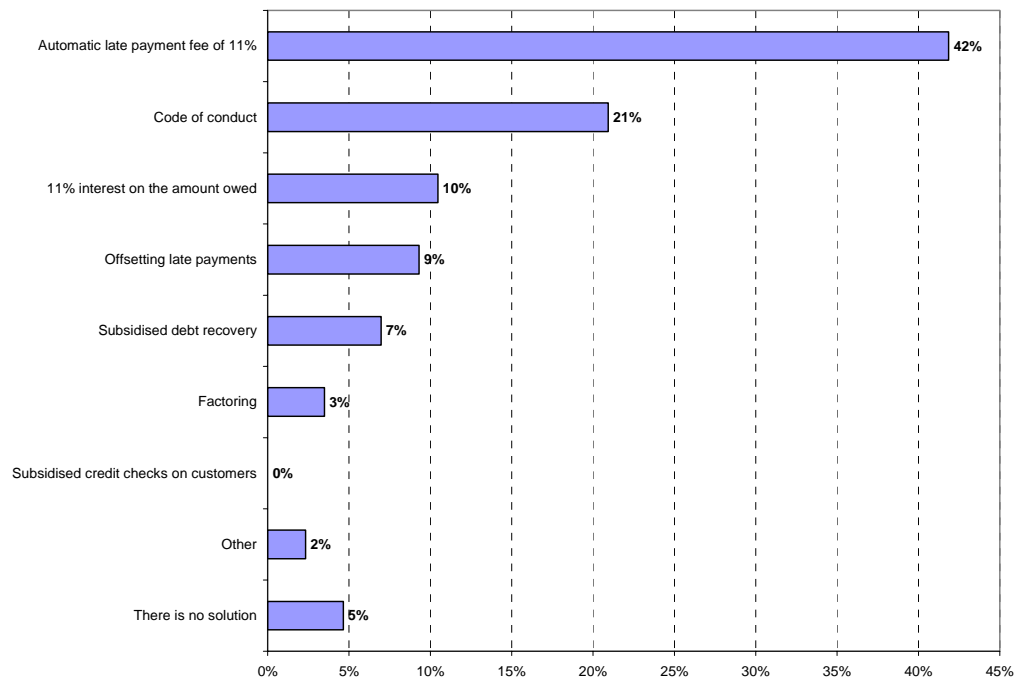


Solutions to late payment

We provided our members with a list of possible solutions to resolve the problem of late payment:

- Factoring
- Offsetting any late payments against amounts owed to HMRC
- A code of conduct for government and larger companies
- Subsidised credit checks on potential clients
- 11% interest on the amount owed
- An automatic late payment fee of 11% of the amount owed.

Which one of the above solutions do you think would be most effective?



95% of respondents said that the Government should set an example by paying suppliers on time.

Conclusion

This survey has revealed that the problem of late payment is even more serious than had been suspected. The late-payment situation for smaller firms has been deteriorating over the past 12 months and businesses predict that it will only get worse over the coming year.

The FPB will be working with the Government and other interested organisations to take action to combat what we regard as an unfair business practice and an abuse of large companies' power.

We would like the Government to consider the following as non-legislative options aimed at resolving the problem for many small businesses:

- Government leading by example and committing to pay its suppliers on time.
- A code of conduct for government and large companies.
- Labelling systematic late payment as an unfair business practice.

We understand that there are considerations to be made relating to each of these suggestions and we would urge careful investigation of all of the options before any measures are implemented. We do not want any further burdens for small firms and are against the creation of costly government-funded organisations.