



Small Business Commissioner

Monday 18 January 2021

Dear Prompt Payment Code signatory,

You will be aware that last year we consulted on reforming the Prompt Payment Code (the Code) and contacted all signatories to encourage you to submit your views via an online survey.

We would like to thank you for your ongoing support of the Code and for participating in this exercise. There was a great deal of consensus from signatories on the proposed reforms and having now completed our analysis of the survey results, we are writing to let you know what changes we will be making to the Code.

The most important and significant change will be an additional requirement to pay 95% of invoices from businesses with fewer than 50 employees within 30 days. There will be no change to the previous requirement to pay 95% of all invoices within 60 days. This strengthening of the Code will support the smallest businesses to get paid swiftly and show the commitment of signatories to help maintain the cashflow of their smallest suppliers.

We appreciate this new Code requirement to pay small suppliers in 30 days will take time to implement. Signatories will need to identify businesses with fewer than 50 employees at the on-boarding stage, and through encouraging such businesses to declare their employee numbers on invoices.

The majority of survey responses said that it would take between 3 and 6 months to get systems in place and identify small suppliers in the supply chain. So, for existing signatories a transitional period until 1 July, will be allowed to achieve compliance with the new requirement. All other reforms come into immediate effect.

These additional reforms to the Code's administration and how compliance is monitored are as follows:

- The Chief Executive or Finance Director or, in the case of smaller businesses, the company owner, should sign or submit the application to join the Code.
- A logo will be provided to existing and new signatories of the Code in a variety of formats, with clear guidelines about how and where it can be used. (The logo and guidelines are attached separately. The logo can be used from Tuesday 19th January.)
- The Code requirements are restricted to UK invoices, and inter-company transactions are out-of-scope.
- Compliance will be measured using the Payment Practices Reporting (PPR) data, where appropriate. For signatories outside the scope of PPR, an annual declaration that the business has met, is meeting, and will continue to meet the Code requirements will be required. This declaration must come from the Chief

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Executive or Finance Director or, in the case of smaller businesses, the company owner.

- The Code administrators will approach signatories to discuss supplier concerns received directly from a supplier, from a third party, or from intelligence received.

The full text for the new Code principles can be found at Annex A to this letter and the process for dealing with Code non-compliance, suspensions, removals and reinstatements will be published in due course and made available on the PPC website.

We sincerely hope that you will remain a signatory to the Code and will support these changes. However, should you have any questions about these changes, please contact the Office of the Small Business Commissioner at ppc@smallbusinesscommissioner.gov.uk

An announcement of the new Code requirements will be made by the Department for Business, Energy and Industrial Strategy, supported by the Office of the Small Business Commissioner, on 19th January and the new code requirements will be published here: <https://www.smallbusinesscommissioner.gov.uk/ppc/>

Thank you again for your continued support of the Code and your commitments to the prompt payment agenda.

PAUL SCULLY MP

Minister for Small Business, Consumers & Labour Markets
Minister for London

PHILIP KING

Interim Small Business Commissioner

Prompt Payment Code (19 January 2021) Code signatories undertake to:**1. Pay suppliers on time:**

- by paying 95% of invoices within the agreed payment terms and without attempting to change terms retrospectively
- by paying 95% of all invoices within 60 days, and 95% of invoices from businesses with fewer than 50 employees within 30 days
- by acknowledging their right to use late payment legislation to invoice for late payment interest and charges when appropriate

2. Give clear guidance to suppliers:

- by providing clear and easily accessible guidance on payment procedures and invoicing requirements at on-boarding stage and on an ongoing basis
- by ensuring there is a system for dealing with complaints and disputes which is clearly communicated, and providing a contact-point (or online portal) for them to ascertain the status of invoices being processed
- by advising them immediately if there is any reason why an invoice will not be paid to the agreed terms

3. Adopt and encourage good practice:

- by requesting that lead suppliers encourage adoption of the code throughout their own supply chains
- by using the PPC logo to demonstrate commitment to the Code principles and enhance supplier confidence
- by avoiding any practices that adversely affect the supply chain