

Late Payment Legislation

Late Payment of Commercial Debts Act (1998) Explained.

On 7th August 2002, the Late Payment of Commercial Debts (Interest) Act 1998 came into full force. For contracts made after that date all businesses may claim interest at the rate of 8% above the Bank of England base rate in addition to compensation for "reasonable debt recovery costs" at fixed scale rates between £40 & £100 per debt.

The compensation scale rates:

Unpaid Debt	Amount Allowed
Less than £1000	£40.00
£1000 - £9999.99	£70.00
£10,000+	£100.00

Understanding the legislation.

The Late Payment of Commercial Debts (Interest) Act was introduced on 1st November 1998 to encourage a better payment culture in Britain. The Government is seeking to deter businesses from paying late by giving businesses the right to claim for interest and compensation.

The final part of the legislation, 'The Late Payment of Commercial Debts Regulations 2002' came into force on 7th August 2002. This gives all businesses and the public sector a statutory right to claim interest from all businesses and the public sector on debts incurred under contracts agreed after 7th August 2002. Claims can be made for late payment interest and reasonable debt recovery costs, once a payment is deemed overdue. If no credit period has been agreed, then the Act sets a default period of 30 days after which interest can run.

Depending on your current terms, 'The Late Payment Act' allows the claimant to apply for interest at 8% above the Bank of England base rate. In addition claims can be made for 'reasonable debt recovery costs' of between £40 and £100 depending on the size of the outstanding debt. One important point to note, is that if your contracts terms & conditions include a rate of interest to be charged for late payment, then this will take precedence over the Late Payment legislation. You may consider reviewing your terms and conditions, if the interest rate stated is less than that allowed by the Late Payment legislation.



Summary

For your convenience we have shortlisted the URL links for each trading style

Ltd

www.companieshouse.gov.uk/info

Plc

www.companieshouse.gov.uk/info

Sole Trader

www.start.biz/business_names/

Partnership

www.start.biz/business_names/

Solicitors

www.lawsociety.org.uk

Charities

www.charitycommision.gov.uk/registeredcharitiesnumber.asp

All Trading Styles

www.google.com

www.yahoo.com