

PROMPT PAYMENT CODE FACTSHEET

This guide is to help you to understand the scope and background of the Prompt Payment Code and how it is implemented.

Government is committed to create a supportive environment in which striving business can prosper. Recognising this, Government has identified late payment as a key issue for business, especially smaller businesses as it can adversely affect their cash flow and jeopardises their ability to trade.

The Government recognises that the public sector should set an example by paying promptly. It introduced the policy on prompt payment for central government, which sets out new reporting requirements on prompt payment that took effect from 1 April 2015.¹



1. WHAT IS PROMPT PAYMENT CODE?

The Prompt Payment Code (PPC) sets a standard for payment practices across all commerce and is administered by the Chartered Institute of Credit Management.

It is voluntary and self-policing in that compliance with the principles of the Code is monitored and enforced by the Prompt Payment Code Compliance Board. Ultimately the sanction for non-compliance is to be struck from the register of signatories to the Code, i.e. reputational risk/ 'name and shame'. This means that unfortunately, it has little by way of meaningful impact.

2. SCOPE

It is estimated that more than half of all UK business transactions take place with no pre agreed payment terms and the scope of the Prompt Payment Code is to combat this.

The key role is to promote commitment to fair and transparent practices, where signatories are obliged to pay their suppliers within an agreed time frame. According to the code the business reporting needs to confirm if it is a signatory of a payment code and if it is – the name of the code should be reported.²

Central government policy on PP remains unchanged as organisations pay 80% of all undisputed invoices within 5 days, with the remaining undisputed invoices being paid with 30 days or else, under law, interest becomes liable as set out in the Late Payment legislation.³ This is obviously difficult to apply to commercial construction contracts where invoicing often occurs after payment.

¹ Access to the government page about PP can be found here: [Prompt Payment Code](#)

² Latest available Prompt Payment data can be accessed here: [PP Data 2016/17](#)

³ This refers to the Late Payments of Commercial Debts (Interest) Act 1998, the Late Payment of Commercial Debts Regulations 2002 and the Late Payment of Commercial Debts Regulations 2013

3. CODE REQUIREMENTS

Code signatories undertake to do no more than:

1) PAY SUPPLIERS ON TIME

- › within the terms agreed at the outset of the contract
- › without attempting to change payment terms retrospectively
- › without changing practice on length of payment for smaller companies on unreasonable grounds

2) GIVE CLEAR GUIDANCE TO SUPPLIERS

- › providing suppliers with clear and easily accessible guidance on payment procedures
- › ensuring there is a system for dealing with complaints and disputes which is communicated to suppliers
- › advising them promptly if there is any reason why an invoice will not be paid to the agreed terms

3) ENCOURAGE GOOD PRACTICE

- › by requesting that lead suppliers encourage adoption of the code throughout their own supply chains

Additionally, signatories undertake to pay suppliers within a maximum of 60 days (in line with late payment legislation requirements), to work towards adopting 30 days as the norm, and to avoid any practices that adversely affect the supply chain.⁴

To sign in and complete the form please follow this link: [Prompt Payment Code form](#)

This guidance should be read in conjunction with the following guidance notes:

- › Construction Act
- › Construction Supply Chain Payment Charter
- › Late payments legislation
- › Mystery Shopper
- › Payment performance reporting requirements
- › Public Contracts Regulations

⁴ Access to signatories can be found here: [Prompt Payment Code signatories](#)