

Late payments consultation: tackling poor payment practices

A [public consultation](#) issued by the Department for Business and Trade (DBT).

Comments from ACCA to the DBT

23 October 2025

REF: TECH-CDR-2275

About ACCA:

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over 257,900 members and 530,100 future members in 180 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

Find out more at: www.accaglobal.com

For further enquiries please contact:

Glenn Collins
Head of Technical and Strategic Engagement
Glenn.Collins@accaglobal.com

Joe Fitzsimons
Regional Lead Policy and Insights – EEMA & UK
Joe.Fitzsimons@accaglobal.com

Gemma Gathercole
Strategic Engagement Lead
Antonis.Diolas@accaglobal.com

Lisa O'Sullivan
Senior Manager Policy and Insights – EEMA & UK
Lisa.Osullivan@accaglobal.com

GENERAL COMMENTS

ACCA welcomes the opportunity to respond to the Department for Business and Trade (“DBT”) on *Late payments consultation: tackling poor payment practices*.

ACCA has a significant interest in the business ecosystem with our network of members working in either public sector, financial services, business or in practices supporting SME clients. Adequate cashflow is a fundamental feature of a healthy business ecosystem and is key for growth. We are acutely aware of the challenges faced by businesses in this area and welcome the opportunity to share insights from our members.

Following consideration of the relevant questions we would note the following observations:

- ACCA support the government's proposal to increase transparency of large companies' payment practices at audit committee level creating collective responsibility. Where an audit committee does not exist delegating reporting on late payment practices to a Responsible Individual (RI) (a well-recognised designation) could be an appropriate and feasible alternative.
- While we support proposals to introduce a maximum payment term of 60 days for UK businesses, we strongly recommend implementing this on an 'comply or explain' basis. This is a more pragmatic approach as exceptions will be inevitable. Such an approach will help mitigate against any negative perceptions of the business environment that may be created if no allowances were made for those inevitable exceptions while still ensuring business suppliers are fully informed before entering contracts.
- ACCA also support the proposal to limit a dispute window to 30 days however clarity is needed as to when the 30-day window commences. We also recommend this reform is implemented on a 'comply or explain basis'.
- ACCA continue to be fully supportive of increasing the powers of the Small Business Commissioner (“SBC”) as it is clear change is needed to tackle the late payment issue. However, we would caution that any additional powers must be matched with adequate resourcing. In anticipation of resourcing needed adopting the “Pollute Pays Principle” (“PPP”), where persistent late payers bear the costs of any investigative work of the SBC, could be of benefit.
- While we understand the proposal for implementing mandatory statutory interest we do not support the implementation of the proposal at this time. We believe the other reforms, including additional powers for the SBC should first be implemented and a

post implementation review completed. Any such a reform being the next step if adequate progress has not been made.

- We believe retention clauses in construction contracts have a valid purpose allowing for mitigation against issues with construction work however to be effective clauses must be fair and proportionate. We suggest the government leads by example in this regard.
- Finally, our global quarterly survey of economic conditions, completed in partnership with the Institute of Management Accountants, with data gathered between 2-16 September 2025. The UK SME sample from Q3 2025 show a staggering 35.6% of UK SMEs reported problems with securing prompt payment. The results also indicated worsening economic conditions, with falls in key measures including confidence, capital expenditure and employment. Undoubtedly the impact of late payments is a key factor in the results reported stifling cashflow and growth.
- We believe that business confidence would be improved by the commitment to review and simplification, with the creation of a framework for the systematic review and phased implementation of changes to the tax system. This is critical to creating a business environment that nurtures growth, and to prevent any further compounding of unintended consequences of tax policy, into the future.

SPECIFIC COMMENTS

Q1. Name

Gemma Gathercole, Glenn Collins

Q2. Email (if you agree to be contacted about your responses)

gemma.gathercole@accaglobal.com, glenn.collins@accaglobal.com

Q3. Capacity (business, trade representative, other organisation, individual)

- A business (including sole traders, partnerships and companies with or without employees)
- A representative body
- An organisation
- An individual
- Other: Professional body

Q4. If you are responding on behalf of a representative body, make it clear who the organisation represents and, where applicable, how the members' views were assembled

ACCA has a significant interest in the business ecosystem with our network of members working in either business or in practices supporting SME clients. An adequate cashflow and trade credit environment is a fundamental feature of a healthy business ecosystem. It supports business survival and growth and is underpinned by appropriate payment practices in business supply chains. Given the importance of this topic we regularly engage with our members in various ways to understand the current landscape and challenges faced via regular surveys, webinars and roundtables (some with successive Small Business Commissioners).

We welcome the opportunity to share those valuable insights and are acutely aware of the challenges faced by businesses in this area.

Q5. Size of business (if applicable)

N/A

Q6. Name of business, organisation or representative body

ACCA (the Association of Chartered Certified Accountants)

Q7. Region

London

Q8. Sector

Professional, scientific and technical activities

Measure 1 – audit committees and board-level scrutiny of large company payment practices

Q9a. To what extent do you agree that Audit Committees, where companies have them, should provide commentary and make recommendations to company directors before data is submitted to government and included in directors reports?

Strongly agree

Somewhat agree

Neither

Somewhat disagree

Strongly disagree

[No text box for additional comments on survey site]

Q9b. To what extent do you agree that the Small Business Commissioner should write to audit committees and company board, where companies have them, when undertaking payment performance reporting assurance and when investigating any other matter relating to a companies' payment practices?

Strongly agree

Somewhat agree

Neither

Somewhat disagree

Strongly disagree

[No text box for additional comments on survey site]

Q9c. Are there any potential unintended consequences or considerations that could happen if this measure was introduced?

Yes

No

[No text box for additional comments on survey site]

Q9d. Explain the reasons for your answer to question 9c.

Response:

Additional comments question 9a:

The role of the Audit Committee is not prescribed in law however oversight of payment practices in supply chains by Audit Committees, is considered appropriate due its importance not only for the business itself but also for the wider business ecosystem. Helpfully software developments and Artificial Intelligence make information needed readily available to businesses so increased scrutiny of this important and available data should be encouraged in all companies.

ACCA therefore support the government's proposal to increase scrutiny of large companies' payment practices at audit committee level creating collective responsibility. However, not all companies have audit committees, which could limit the potential impact that this proposal could have on the assessment of payment practices. Where an audit committee does not exist, or where the government may not wish to place the requirement on a group, we believe delegating reporting on late payment practices to a Responsible Individual (RI), who would then report into either the audit committee or management board (depending on the companies governance structure), could be an appropriate and feasible alternative.

Responsible individuals (RI), (also known as Responsible Officers) exist in many areas, and this is a formal designation across multiple UK regulatory domains.

Below are some of those that exist, including data protection with each of these roles carrying legal accountability and central to governance, risk, and compliance:

Area	Title / Role	Key Responsibilities	Regulatory Body/ Framework
Audit	Responsible Individual (RI)	Sign statutory audit reports; maintain competence and CPD; uphold audit quality	Audit Regulations
AML Compliance	MLRO / AML RI	Oversee Anti-Money Laundering policies; report suspicious activity; ensure compliance	HMRC, FCA, MLRs 2017 & 2019
Financial Regulation	Compliance Officer / RI	Ensure firm complies with FCA rules; oversee conduct risk and regulatory submissions	FCA, PRA
Data Protection	Data Protection Officer (DPO)	Ensure GDPR compliance; manage data subject rights; liaise with ICO	ICO, GDPR
Exam Oversight	Exam Responsible Individual	Ensure integrity of professional exams; uphold standards and candidate fairness	Professional bodies and others

Additionally, ACCA are of the view that it is fundamentally important for the Small Business Commissioner to have the authority to ask any relevant business/audit committee and/or any responsible individual to furnish information in relation to late payments and to also have the power to publish the request and response. We believe this could make a significant difference.

Measure 2 – maximum payment terms

Q10a. To what extent do you agree that limiting UK payment terms to 60 days at a maximum will be effective in addressing the stated problem of long payment times?

Strongly agree

Somewhat agree

Neither

Somewhat disagree

Strongly disagree

[No text box for additional comments on survey site]

Q10b. Explain the reasons for your answer to question 10a.

Response:

ACCA supports the proposal to set a benchmark limiting UK payment terms to a maximum of 60 days, which should be kept under periodic review. While this measure is important and creates a parameter the Small Business Commissioner can scrutinise against, in isolation it will not be sufficient to solve the long-standing issues with prompt payment in the UK. Additionally, based on feedback, business suppliers face many challenges with getting invoices accepted by business customers, an issue outside the scope of this measure.

Importantly, the treatment of instances of non-compliance, including valid non-compliance, require consideration as those instances will be inevitable. Where no allowance is made for these exceptions, there may be a negative impact on the UK business environment and investment. One way to approach these exceptions is to consider the longstanding remedy which states 'comply or explain'. This concept was first introduced after the recommendations of the [Cadbury Report](#) of 1992. This is a hallmark of UK corporate governance and reporting. It's designed to offer flexibility while encouraging transparency and accountability. One example of its current application is in relation to disclosures required under the Companies Act 2006. While largely prescriptive, certain strategic report disclosures (e.g. gender diversity, human rights) allow for explanation if not complied with.

As legislating for all possible exceptions would be extremely challenging proceeding on a 'comply or explain' basis would offer a pragmatic approach. Under this approach companies exceeding the maximum UK payment terms would need to explain why and publish those reasons. Suppliers would have access to the information before entering a contract allowing them to make informed decisions and plan accordingly. This approach offers simplicity and certainty for businesses, removing the burden of compliance by allowing a business that cannot meet the payment terms to explain and publish the reason why. At the same time reducing any perception of a negative impact on the business environment.

Q10c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes

No

[No text box for additional comments on survey site]

Q10d. Explain the reasons for your answer to question 10c.

Response:

The proposal may have unintended consequences for previously compliant businesses if the purchasing business does not have matching cashflow sources or operates under common sector practices (contractual arrangements). One good example of this is in the retail sector where consignment inventory arrangements are often in place. Under these arrangements a supplier, retains ownership of the stock until it is sold and the retailer is only required to pay for the items once purchased by its customers. While these arrangements may cause a business to fall fowl of the maximum 60-day payment term proposed the arrangement is an industry standard between two willing parties. We would reiterate that these types of exceptions can be dealt with under a pragmatic 'comply or explain' approach as outlined in our response to question 10 b.

We believe that 60 days should be an adequate window to allow for completion of anti-fraud checks undertaken by businesses under procurement policies and procedures.

We note the consultation document alluded to a possible further reduction in the payment window to 45 days in the future (subject to consultation). We would however initially caution against the implementation of a shorter window, such as 45 days, as it reduces the window for identifying and preventing fraud during due diligence procedures.

Q10e. What exemptions, if any, do you think should apply and why – for example, in specific sectors or in particular circumstances?

Response:

As noted in our response to question 10 b legislating for all possible exceptions would be extremely challenging and we believe proceeding on a 'comply or explain' basis would offer a pragmatic approach. This approach offers simplicity and certainty for businesses, removing the burden of compliance by allowing a business that cannot meet the payment terms to explain why and publish the reason. At the same time this approach will offer

transparency for suppliers while addressing any perceived negative impact on the business environment that may arise if the amended rules are too rigid i.e. would not discourage investment in UK businesses.

Measure 3 – a deadline for disputing invoices

Q11a. To what extent do you agree that introducing a 30-day time limit on the ability for businesses to dispute invoices will be effective in addressing the stated problem of the deliberate disputing of invoices to extend payment times?

Strongly agree

Somewhat agree

Neither

Somewhat disagree

Strongly disagree

[No text box for additional comments on survey site]

Q11b. Explain the reasons for your answer to 11a.

Response:

In any business transaction customers need to have the opportunity to dispute invoices as there may be errors, often inadvertent, such as human error in calculating the amount due. However, ACCA believe that there is a need to balance this requirement with the cashflow needs of businesses. ACCA strongly agree that introducing a 30-day time limit on the ability for businesses to dispute invoices will be effective in addressing the deliberate spurious disputing of invoices to intentionally extend payment times however any unintended consequences need to be considered.

We note proposals state that “businesses who wish to raise a dispute will need to do so within 30 days of receiving an invoice...”. Clarity will be needed as to when the 30 days commence i.e. what is meant by received. Many businesses operate procurement systems and are bound by operational procurement procedures requiring the invoice to be added to the system and then approved or deemed received or good to pay. The date the invoice was received, electronically or otherwise, may be different from the date the invoice is deemed received.

We also believe any disputes in relation to invoices should be limited to one submission to prevent a situation where poor practice attempts to circumvent payment terms by raising disputes in a piecemeal fashion.

Compliance with this benchmark could also be required on a 'comply or explain basis' with businesses required to provide transparency around the percentage of times a business submits a dispute within 30 days or explaining why not.

Q11c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes

No

[No text box for additional comments on survey site]

Q11d. Explain the reasons for your answer to question 11c.

Response:

Amending the "Late Payment of Commercial Debts (Interest) Act 1998", by introducing a 30-day invoice verification period is helpful to prevent intentional late payment without cause. However, we would stress the importance of clarity around when the 30-day period commences as noted in our response to question 11 b.

Where the 30-day period runs from date of acceptance of an invoice this could extend the duration and exacerbate late payment issues. It may also present a new loophole business customers may exploit by delaying acceptance of an invoice until they can afford to pay. At the same time, it would align more closely to procurement procedures. Where the 30-day period runs from date an invoice is issued this will place an onus on business customers to process the invoices in a timely manner to ensure they can raise any disputes.

We would also consider it may be helpful if guidance is issued to support approach in terms of:

- acceptable proof of the invoice being issued on time e.g. would electronic delivery of invoices time stamped be sufficient?
- examples of acceptable claims for non-delivery of invoices e.g. is the onus on the customer to ensure contact details are kept up to date?

Q11e. Are there more effective ways the government could prevent frivolous disputing of invoices?

Response:

ACCA believe standardisation of data required on invoices and in payment/ procurement systems is key. It will reduce the administrative burden for business by reducing the number of systems needed. It would also bring clarity on invoice content hence eliminating both the unnecessary back and forth due to requests to update invoice details and the related delays in payment, intentional or otherwise.

Measure 4 – mandatory statutory interest

Q12a. To what extent do you agree that all qualifying contracts being subject to mandatory statutory interest on their late payments without exception will address the stated problem and help incentivise paying on time?

Strongly agree

Somewhat agree

Neither

Somewhat disagree

Strongly disagree

[No text box for additional comments on survey site]

Q12b. Explain the reasons for your answer to question 12a.

Response:

ACCA do not believe legislating for mandatory interest at a fixed point contemplates differing business models or practices that exist in certain sectors for example consignment inventory arrangements in the retail sector as discussed in our response to question 10d. The introduction of this measure would not align to our view that a 'comply or explain' approach is more appropriate i.e. some flexibility is needed.

ACCA are of the view that the first step to tackling the issue of late payment is to implement reforms proposed (amended based on consultation responses) including expanding the powers of the Small Business Commissioner. Any amendments to the regulations should support the business environment and not discourage investment in UK businesses at a time when business stability and growth is key. A post implementation review should then be

undertaken, within a stated timeframe, to consider whether the approach has the impact required.

We believe that any move to mandatory statutory interest should only be explored if the implemented measures including the expansion of powers of the Small Business Commissioner do not have the desired impact.

A statutory instrument legislating for mandatory statutory interest could be issued noting it would be subject to a commencement order. It could then be either revoked or implemented depending upon the outcome of the post implementation review described above.

Q12c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes

No

[No text box for additional comments on survey site]

Q12d. Explain the reasons for your answer to question 12c.

Response:

As noted above it will be important that any amendments to the regulations do not have a negative impact on investment in business in the UK at a time when business stability and growth must be supported.

Measure 5 – additional reporting on statutory interest

Q13a. To what extent do you agree that requiring businesses that report under the Reporting on Payment Practices and Performance Regulations 2017 to report how much interest they owe and pay to their suppliers as a result of late payments will help incentivise reporting businesses to improve their payment practices?

Strongly agree

Somewhat agree

Neither

Somewhat disagree

Strongly disagree

[No text box for additional comments on survey site]

Q13b. Explain the reasons for your answer to question 13a.

Response:

ACCA are of the view that any additional reporting requirements placed on businesses should have a clear purpose to minimise unnecessary regulatory burden for businesses.

ACCA would note that interest is currently chargeable under the existing legislation however we would question whether introducing a mandatory reporting requirement would be impactful at this time.

Additionally, as noted in our response to question 12b ACCA do not support the implementation of the proposal to introduce mandatory statutory interest at this time and therefore any related reporting would not be relevant in our view.

Q13c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes

No

[No text box for additional comments on survey site]

Q13d. Explain the reasons for your answer to question 13c.

N/A

Measure 6 – financial penalties for persistent late payers

Q14a. To what extent do you agree that introducing financial penalties for large businesses persistently paying their suppliers late will address the stated issue and incentivise reporting businesses to pay on time?

Strongly agree

Somewhat agree

Neither

Somewhat disagree

Strongly disagree

[No text box for additional comments on survey site]

Q14b. Explain the reasons for your answer to question 14a.

Response:

ACCA agree the Small Business Commissioner (“SBC”) should have powers to fine businesses, where arising from investigative activities, the office of the SBC find a business to be a persistent late payer. We would welcome further discussion on the implementation of this area.

Q14c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes

No

[No text box for additional comments on survey site]

Q14d. Explain the reasons for your answer to question 14c.

N/A

Q14e. To what extent do you agree that linking financial penalties for consistently late-paying businesses to their unpaid statutory interest liabilities is a proportionate and effective approach?

Strongly agree

Somewhat agree

Neither

Somewhat disagree

Strongly disagree

[No text box for additional comments on survey site]

Q14f. Explain the reasons for your answer to question 14e.

Response:

As noted in our response to question 12b ACCA do not support the implementation of the proposal to introduce mandatory statutory interest at this time and therefore linking financial penalties to unpaid statutory interest is not relevant in our view.

Measure 7 – additional powers for the Small Business Commissioner, including assurance of payment reporting data

Q15a. To what extent do you agree that the introduction of the new powers for the Small Business Commissioner will be effective in improving compliance and enforcement of new and existing regulations around payments?

Strongly agree

Somewhat agree

Neither

Somewhat disagree

Strongly disagree

[No text box for additional comments on survey site]

Q15b. Explain the reasons for your answer to question 15a.

Response:

ACCA are fully supportive of additional powers and resources for the Small Business Commissioner. Late payments continue to be an issue evidencing the current process and regulations are not sufficient and have a detrimental impact on growth and investment.

Q15c. To what extent do you agree that the introduction of the new powers for the Small Business Commissioner will enhance its ability to support small businesses to resolve payment disputes?

Strongly agree

Somewhat agree

Neither

Somewhat disagree

Strongly disagree

[No text box for additional comments on survey site]

Q15d. Explain the reasons for your answer to question 15c.

Response:

ACCA support regulation with a clear purpose. While the impact of these changes remains to be seen we are of the view that it is highly likely increasing powers of the Small Business Commissioner will have a positive impact on late payments and hence the business environment in terms of both cashflow and growth.

As noted in question 12b a post implementation review should be undertaken, within a stated timeframe, to consider whether the various measures have had the desired impact.

Q15e. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?

Yes

No

[No text box for additional comments on survey site]

Q15f. Explain the reasons for your answer to question Q15e.

Response:

The success of increasing the powers of the Small Business Commissioner ("SBC") will be limited by the resources allocated to the office of the SBC for investigative efforts. In anticipation of this constraint the SBC could be given authority to recover costs of any investigation from non-compliant businesses operating in a similar manner to "the polluter pays principle" ("PPP")

Other changes to payment performance reporting

Q16a. To what extent do you agree that the requirement for businesses to report under the Payment Practices and Performance Reporting Regulations should be changed from twice a year to once a year?

Strongly agree

Somewhat agree

Neither

Somewhat disagree

Strongly disagree

[No text box for additional comments on survey site]

Q16b. Explain the reasons for your answer to question 16a.

Response:

ACCA are in favour of the broadest possible transparency around payment practices however, this must be balanced against the ease of implementation. While we do not consider the requirement to report bi-annually as overly burdensome, as it can be supported by technology, aligning the timing of reporting with other annual reporting requirements will offer operational benefits and aide enforcement.

The critical factor will be to ensure that small businesses can access data in a consistent, accessible way. We believe this reporting continues to be important to support the normalisation of proper payment practices.

ACCA believes there are seven characteristics of good corporate reporting:

- relevance and materiality,
- completeness,
- reliability,
- comparability,
- verifiability;
- timeliness;
- understandability.

We are keen to explore how we maximise the ability of small businesses to scrutinise the payment performance of potential customers through the availability of consistent, accessible information. We believe this could be achieved through requirements in annual reporting.

We also know that Companies House data on registered entities is a key source of information, so ensuring payment performance reporting can be accessed there would further support small business scrutiny.

Measure 8 – use of retention clauses in construction contracts

This section is relevant only to those who are party to a construction contract.

Prohibiting the use of retention clauses in construction contracts

Q17a. To what extent do you agree that prohibiting the use of retention clauses in construction contracts would be effective in addressing the stated problems associated with retention?

Response:

We disagree with prohibiting the use of retention clauses in construction contracts.

Q17b. Explain the reasons for your answer to question 17a.

Response:

We believe retention clauses in construction contracts are of continuing importance as a mitigant against the risk of failures on behalf of construction companies. However, we also recognise that effective retention clauses are fair and proportionate in the context of the activity being undertaken. Where funds retained are excessive this is unfair on the construction businesses. Conversely where funds retained do not cover the costs of completion of the work these clauses are less effective as poor practice could mean construction companies may fail to complete work to avoid additional financial cost. We would suggest that governments procurement processes are updated to ensure retention clauses are fair and proportionate and the government could lead by example in this area.

Miscellaneous

Q28. Do you have any further comments on any elements of the proposals that might aid the consultation process as a whole?

Response:

Ahead of the ACCA budget submission, ACCA asked members working in, and advising, businesses across the UK for feedback on the current business environment in the UK. From survey work conducted with our members in late summer, a picture of fragile confidence in the economy emerges:

- Almost two-thirds (64%) feel the outlook is negative for the UK. Only 6% report a positive outlook. This contrasts with 43% who had a negative outlook a year ago.

- Unsurprisingly, the largest group (30%) cite business confidence/uncertainty ('the general state of the economy') as the biggest challenge facing firms, closely followed by the impact of business costs (25%).
- The top priority of accountants to boost the economy is to reduce costs on business (30%).

There is a need to boost business confidence, introducing measures as early as possible.

Our global quarterly survey of economic conditions, completed in partnership with the Institute of Management Accountants, will be published in late October, with data gathered between 2-16 September 2025.

The UK SME sample from Q3 2025 show a staggering 35.6% of UK SMEs reported problems with securing prompt payment. The results also indicated worsening economic conditions, with falls in key measures including confidence, capital expenditure and employment. The employment index fell to its lowest ever score and the confidence index fell to its second lowest. For both indices the two lowest scores have been in the last 12 months, from Q4 2024 and this quarter. These indicators are all significantly below the historical averages, these averages track sentiment quarterly from Q4 2011 to the present.



