



Department for  
Business & Trade

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Dear CEO / CFO,

### **Ensuring your payment practices comply with upcoming payment reforms**

Late payments cost the UK economy £11 billion each year and lead to the closure of 38 UK businesses every day.

Across the UK, businesses currently spend a staggering 133 million hours per year chasing late payments – hurting their cash flow, preventing their growth, and endangering their survival.

This is not right. It damages the economy and is unfair to small businesses and the self-employed, who are forced to expend time and resource which they do not have to chase payment that they are legally owed.

We are going to fix this problem. It's time for the UK's small businesses to be paid on time.

That is why today, we published our [late payments consultation response](#).

I am grateful for the exceptional levels of engagement, with over 850 responses – more than ever before from consultations on this topic – from businesses of every size, sector, region and nation in the UK. Thank you to all respondents for helping make sure we get this right. Thank you also to the Federation of Small Businesses for their fierce and tireless advocacy on this problem, and their partnership and support in developing these reforms.

We intend to:

- Give stronger powers to the Small Business Commissioner, including the power to investigate businesses suspected of poor payment practices, adjudicate payment disputes outside of the court process, and levy significant financial penalties on businesses that persistently pay their suppliers late.
- Impose maximum payment terms of 60 days, with strictly limited exemptions.
- Require payment of interest on all late payments at 8% above the Bank of England base rate.
- Introduce time limits for raising disputes on invoices.
- Require the boards or audit committees of any persistently late-paying large company to publish commentary on why payment performance is poor and what actions they are taking to fix this.

- We also propose to prohibit the deduction of retentions in construction contracts, consulting on its implementation.

Once these measures are in force, every day that an invoice goes unsettled will be a costly one for the business refusing to pay up – not for the business which is owed.

Every business we spoke to in our consultation agreed with the importance of paying small businesses quickly and on time. Many of you are already making great efforts to do so. But we also heard the importance of balancing this against unintended consequences for large businesses. We are committed to an active partnership with business to deliver economic growth and a thriving private sector.

We have listened carefully and worked hard to mitigate concerns without weakening the force of these measures. We intend to allow strictly limited exemptions from maximum payment terms when both parties are large companies, when the purchaser is the smaller party, or when the goods or services are being either imported or exported. We will also consult again before any future reduction to maximum payment terms below 60 days.

I want you to be ready for these changes by taking action now. You should ensure that:

- Your payment terms with suppliers are a maximum of 60 days, unless using the strictly limited exemptions above.
- You are paying all suppliers on time, and your payment systems are ready to track and pay interest on all late payments.
- You are [reporting twice yearly on your payment performance](#) (as legally required for large companies under the Reporting on Payment Practices and Performance Regulations 2017).
- You are [including payment performance headlines in your annual report](#) (as legally required for large companies from January 2026).

For businesses that are already reporting as required, and who already pay suppliers quickly and on time, our reforms will not significantly increase regulatory burden or costs.

To those businesses – and there are many of you – who are already committed to good payment practices, we want to celebrate and support what you do. I urge you to consider applying to the [Fair Payment Code](#), delivered by the [Small Business Commissioner](#), which already has over 550 awardees including British Telecoms, Aviva, AstraZeneca, BAE Systems, Heathrow Airport, Barclays, Lloyds Banking, HSBC and NatWest. I look forward to welcoming many more businesses onto the Code in the months ahead.

Working in partnership with business, we will end the scourge of late payments. Together, we can ensure that you and your suppliers are paid on time, every time.

Yours sincerely,



**BLAIR McDOUGALL MP**

Minister for Small Business and Economic Transformation