



ARTICLE: **Are you owed money?**

KEYWORDS: The Late Payment of Commercial Debts (Interest) Act 1998,

The Late Payment of Commercial Debts (Interest) Act 1998 has been fully in force since August 2002. Despite this it is not used on a regular basis.

The purpose of the Act was to encourage prompt payment of invoices by penalising those who deliberately paid late. The Act allows the creditor to claim interest at a higher rate and also a compensation payment. The Act applies to all invoices for goods and services supplied after the 7th August 2002. However the Act only applies to commercial business debts.

The interest that can be claimed is **8% over The Bank of England Base Rate** at either the previous 31st December or 30th June. Interest is calculated from the date the invoice should have been settled until payment is received.

Compensation can also be claimed for every invoice that is not paid within the credit period. The amount of compensation that can be claimed is set out in the Act and for invoices up to a value of £999.99 the amount is £40 per invoice rising to £100 unpaid debts over £10,000.00.

The sting in the tail is that you have six years to claim both interest and compensation even though that debt has been paid so if you have been late paying an invoice you could receive another bill. Equally, if another business has delayed paying your invoice why don't you send them another bill?

In order to claim interest under the Act it is necessary to advise customers that you will be claiming interest and compensation on late payments under the provisions of that Act. You are **not** able to claim interest under the Act if your terms and conditions provide for payment of interest. Therefore please check that your terms of business include the statement that you will be claiming interest and compensation pursuant to the Act failing which you should consider updating your terms as soon as possible.

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