



Small Business
Commissioner

A Guide to Payment Rights for Small Businesses





Small Business
Commissioner

This document has been prepared to provide general guidance only. Users of this guidance should seek their own legal advice where appropriate.

The Office of the Small Business Commissioner (OSBC) is an independent public body established by Government under the Enterprise Act 2016 to tackle late payments and unfair payment practices. It supports small businesses to get paid quickly and on time, influences large businesses to improve payment times to suppliers and works with all business to improve the culture of payment practices.



<https://www.smallbusinesscommissioner.gov.uk/>

| Table of Contents

04	—	Understanding Your Legal Rights Payment Terms and Deadlines
05	—	Statutory Right to Interest on Late Payments Fixed Compensation for Recovery Costs
06	—	Protecting Your Rights Practical Steps to Get Paid
07	—	Sources

Understanding Your Legal Rights

As a small business in the UK, you have legal protections when it comes to getting paid on time, and are entitled to claim compensation for late payments. This guide outlines your key payment rights under UK law.



Payment Terms and Deadlines

Payment terms specify when businesses must pay for goods or services, usually after receiving an invoice. If payment is overdue, suppliers may charge interest and claim legal compensation.

Standard payment terms: For business-to-business transactions, payment periods should generally be limited to 60 calendar days as a maximum. Payment terms beyond 60 days are considered unacceptable unless both parties expressly agree and it's not grossly unfair to the supplier [1].

When payment is due: If you've agreed a specific payment date with your customer, that's when payment is due. If no specific terms are agreed, payment should be made within 30 days [1].

Public sector contracts: When dealing with public authorities, the government aims to pay 90% of invoices from SMEs within 5 days, and 100% of all undisputed and valid invoices within 30 days [2].

Statutory Right to Interest on Late Payments

Under the Late Payment of Commercial Debts (Interest) Act 1998, you have an automatic statutory right to charge interest on late payments for commercial transactions. This right cannot be excluded unless there is a substantial alternative contractual remedy [3].

The interest rate is set at 8% per annum over the Bank of England base rate [4].

The interest you can charge if another business is late paying for goods or a service is 'statutory interest' - this is 8% plus the Bank of England base rate for business-to-business transactions. You cannot claim statutory interest if there's a different rate of interest in a contract.

This interest starts running the day after the payment was due [5].

You can calculate the amount of interest you could be entitled to, using the Office of the Small Business Commissioner's Interest Calculator. The link to this on our website can be found here: [Interest Calculator - Small Business Commissioner](#)



Fixed Compensation for Recovery Costs

In addition to interest, you're entitled to claim fixed compensation for the costs of recovering late payments [6]. The amounts are:

- £40 for debts under £1,000
- £70 for debts between £1,000 and £9,999.99
- £100 for debts of £10,000 or more

Protecting Your Rights

Be careful what you sign: Always review any contract thoroughly before signing to ensure you fully understand all terms, conditions, and obligations. Signing without careful consideration can restrict your legal rights and remedies later. Pay close attention to payment clauses, deadlines, and dispute resolution provisions, as these details often determine your ability to enforce timely payments

You can find additional guidance on the role of contracts in avoiding late payments on our website, the link to which can be found here: [Contract Guide - Small Business Commissioner](#)



Practical Steps to Get Paid

You can find help on what to do if you have an unpaid invoice, guidance on e-invoicing, and getting invoices right on our website here: [All advice - Small Business Commissioner](#)

If you have any questions, you can contact the Office of the Small Business Commissioner, and a dedicated member of our team will help. Details of how to contact us can be found here: [Contact us - Small Business Commissioner](#)

Sources

1. <https://www.gov.uk/late-commercial-payments-interest-debt-recovery>
2. <https://www.gov.uk/guidance/prompt-payment-policy>
3. <https://www.legislation.gov.uk/ukpga/1998/20/2016-04-18>
4. <https://www.legislation.gov.uk/uksi/2002/1675/made/data.xht>
5. <https://www.legislation.gov.uk/eudr/2011/7/introduction>
6. <https://www.gov.uk/late-commercial-payments-interest-debt-recovery/claim-debt-recovery-costs>





Small Business Commissioner



<https://www.smallbusinesscommissioner.gov.uk/>