

Fair

Payment

Code -

Guidance



Fair
Payment
Code

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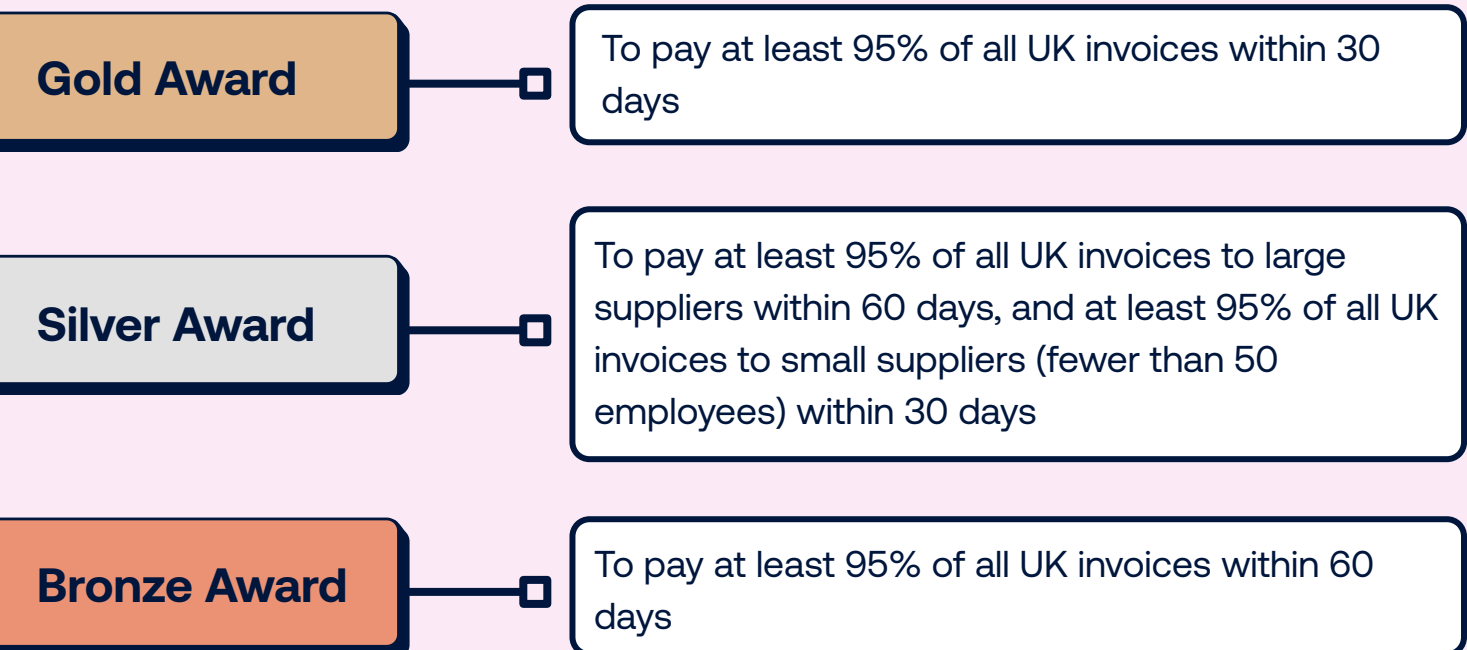
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What is the Code?

The Fair Payment Code is a free and voluntary scheme that rewards businesses that adopt fair payment practices with their suppliers, including small suppliers in particular. The Code is ambitious in setting high standards including an exemplar 'Gold' Award for those businesses paying suppliers within 30 days. The Code is also aspirational and aims to support businesses to improve payment practices and encourages their transition to Gold over time.

There are three Award categories: Gold, Silver, and Bronze. The categories sit alongside a set of fair payment principles that every applicant business is required to sign up to. To ensure the Code is credible, there is a rigorous but relatively light touch application process, a two-year limit on Awards and a more robust approach to enforcement. The Fair Payment Code is administered by the Office of the Small Business Commissioner (OSBC) on behalf of the Department for Business and Trade (DBT).

The Fair Payment Code has a tiered system of Awards which is aimed at rewarding best practice and driving improvements in payment performance. The three Award tiers businesses can apply for are:



Businesses can apply for any level of Award so long as they can provide evidence that they meet the Award criteria. Where applicants do not meet the criteria, they will automatically be considered for a lower category and can be provided with an Action Plan to support them to attain their desired level.

How Do I Join?

- 1 Email fpc@smallbusinesscommissioner.gov.uk to express your interest
- 2 Collate your evidence using the guidance and evidence checklist
- 3 Submit your completed application form and evidence
- 4 You will either receive a notification of receipt, or a request for further evidence/information

On receipt of the application, we aim to review and provide Awards within ten working days. However, this is subject to satisfactory receipt of **all required evidence including responses from all references** and may be longer if further information is required or the evidence submitted is insufficient.

How Will Joining Help My Business?

Joining the hundreds of businesses across the UK in becoming a Fair Payment Code Awardee adds value to your business beyond creating a healthy and resilient supply chain:



Add Commercial Value

- Attract investment
- Pay lower costs long term
- Gain improved supplier performance



Manage your Businesses Reputation

- Build and maintain positive supplier relationships
- Retain and attract new talent
- Show positive differentiation against competition



Manage Risks and Regulations

- Demonstrate proactive compliance with the UK Government's Late Payments Bill
- Defend the business against accusations of unfair payment

How Long do the Awards Last?

The Fair Payment Code Awards are for **two calendar years**, and every business will need to reapply for their Award at the end of each two-year period. The main application window is open from September to December each year and applications processed during this time are awarded for the following two calendar years. Applications outside of the Sept-Dec application window are welcome, but Award length may shorten and only be awarded for a maximum of two calendar years, including the year of application. For example, all Awards given in 2026 outside of the Sept-Dec application window, will be valid until the end of 2027. The Awards and logos will be dated to indicate the validity period of the Award status and colour coded to indicate Award level. Guidelines on use of the Awards logo will be provided once your Award has been granted.

Who is Eligible to Join?

The Fair Payment Code Awards are **open to businesses** and organisations of any size as long as they can provide evidence that they are meeting the Code's requirements and complying with its principles. Businesses that apply will need to have a UK registered office or address.

Public Sector bodies (including Government, Local Authorities and NHS Trusts) are not eligible to apply to the Fair Payment Code. They are governed by statutory legislation under The Procurement Act 2024, section 68 to adhere to 30-day payment terms for all undisputed invoices and are under the judgement of the Cabinet Office.

Private entities established to support public bodies with supplier payments and joint public / private partnership entities are eligible to join the Code. However, to meet the Code's principles, they must adhere to the principles of the Procurement Act 2024 in relation to payment times from the public body to their suppliers.

Where required in a contract – Some organisations require their suppliers to be a Fair Payment Code Awardee. However, the application process for the Fair Payment Code is independent of any contract and the Awards are made strictly on the basis that businesses meet the criteria and abide by the Code's principles.

In addition to businesses, other organisations that are eligible to apply include Universities, Community Interest Companies, Charities, Business Representative Organisations and Co-operatives. If you are unsure whether your organisation is eligible to apply, please contact the Fair Payment Team: fpc@smallbusinesscommissioner.gov.uk.

Filling out your Form

Responsible person: It is important that the named applicant for the business has the authority to commit the organisation to follow the Code's principles. This includes a director, CEO, CFO or owner, and you will be required to specify your job title.

Company name: This should reflect the correct registered name for the entity that you are making the application on behalf of. There are a range of different structures under which businesses operate, and you need to be clear which type of entity you are applying on behalf of.

- Stand-alone businesses – You should apply with the registered name.
- Group structures – Groups can apply for FPC Awards given they meet the requirements. However, the Award will be for the group and any individual entities within the group that also meet the Award criteria. Individual entities within a group will not be eligible to use the Awards logo where they do not meet the criteria.
- Individual entities within a group structure – Where individual entities within a group meet the criteria, they may apply under the entity name only. Other entities within the group or the group itself will not be eligible to use the Awards logo where they do not meet the criteria

Company registration: This includes the Companies House registration number if applicable. It is not a requirement to be registered with Companies House, but this supports due diligence checks and may help speed up the application process. Organisations applying to the Code need to be registered with HMRC.

Company address: This can be where the company is registered or the Headquarters but must be an official address within the UK.

Industry: We use standard Companies House categorisation for industries, please select the industry that most closely represents your business or the majority of your business activity.

Number of employees: This determines the size of your business and whether your business is micro (fewer than 10 employees), small (with fewer than 50 employees), medium (with between 50-249) or large (250 or more employees). This can include the number of employees at the time of your last filing or the most up to date number you have.

Evidence Requirements

All applicants are required to provide evidence to support their application. The type and extent of the evidence required depends on the type of business you are, and which Award you are applying for.

Award Level	Evidence Requirements
Bronze	• Proof of payment performance clearly displaying that at least 95% of invoices to all UK suppliers are paid within 60 days from receipt of invoice • Proof of payment performance must include at least 6 months of data • At least 2 references from supply chain, ensuring a minimum of 1 reference is from a supplier with less than 50 employees
Silver	• Proof of payment performance clearly displaying that at least 95% of invoices to all UK suppliers with over 50 employees are paid within 60 days from receipt of invoice • Proof of payment performance clearly displaying that at least 95% of invoices to all UK suppliers with less than 50 employees are paid within 30 days from receipt of invoice • Proof of payment performance must include at least 6 months of data • At least 2 references from supply chain, ensuring a minimum of 1 reference is from a supplier with less than 50 employees
Gold	• Proof of payment performance clearly displaying that at least 95% of invoices to all UK suppliers are paid within 30 days from receipt of invoice • Proof of payment performance must include at least 6 months of data • An example of your standard contract stating when you intend to pay suppliers. Please note that this must also stipulate that interest on late payments, (payments made after 30 days) will be paid at 8% above the Bank of England Base Rate in line with the Late Payment and Commercial Debts Act of 1998. • At least 2 references from supply chain, ensuring a minimum of 1 reference is from a supplier with less than 50 employees

Payment terms set out when the invoice for goods and services must be settled. The payment term begins at the point that the invoice has been received or whereby specific payment schedules are set out in the contract as set out in [The Reporting on Payment Practices and Performance Regulations 2017](#).

Please note: **Receipt of invoice** is when the business receives the invoice, whether by email, post or other means. This is not the date on which the invoice is entered on to the business' software system, unless this process happens on the same day as the invoice is received. For the purposes of calculating 30 days and 60 days, day one is the first day after the day the invoice was received by the customer business.

If payment is not received on the agreed date, or before that date, the payment is late. In that case late payment charges can be applied (see the OSBC's [Interest Calculator - calculate interest on an unpaid invoice - Small Business Commissioner](#)). An exception only applies to disputed invoices as outlined above.

Direct Debits: If the inclusion of direct debits is impacting your payment performance, you may choose to exclude these from your summary. Please note, if you choose this option all direct debits must be excluded from your summary calculations, not just transactions taken after 30 or 60 days.

References: You are required to provide at least two references to confirm the information you have provided is correct. Please ensure a minimum of one reference is from a small supplier (less than 50 employees). We are able to accept an email chain (attached to your submission) from your references confirming:

- The number of employees within their business
- How many days on average they are paid by you after submission of their invoice

This can be either an email from the business to you confirming this information, or a letter head in an email chain. However, we must see the correspondence and the details must match the reference information listed on your application form. Alternatively, please notify your references that we will be contacting them directly to request this information.

Contractual terms: These are the terms you set out as standard in your supplier contracts and can include a template or a copy of an example contract. Your proof of standard contractual terms **must be the contract you send to your suppliers** and must:

- Specify exactly when you intend to pay suppliers (within 30 days from receipt of invoice)
- Stipulate that interest on late payments, (payments made after 30 days) will be paid at 8% above the Bank of England Base Rate in line with the Late Payment and Commercial Debts Act of 1998



Further guidance on creating a contract can be found in our [Contract Guide](#)

Proof of Payment Performance

This can be any **one** of the following:

- Payment Practices Reporting Data (If you are currently reporting)
- Data from a reputable digital accounting software system or invoicing system
- A statement of confirmation providing evidence of payment terms from the person listed as the responsible person on the application form (director, CEO, CFO or owner) or an external accountant

We will **not** accept:

- A summary for individual suppliers
- A list of invoices and the date these are paid



To calculate the percentage of the number of invoices paid within 30 or 60 days, use the following calculation as appropriate and select the % button in Excel:

=COUNTIF(SELECT DATA,"<=30")/COUNT(SELECT DATA)
=COUNTIF(SELECT DATA,"<=60")/COUNT(SELECT DATA)

This should all be pasted in one line with no spaces. Make sure you delete 'Select Data' and replace this with the cell range you want to count

Further evidence may be requested during the application stage to support applications on a case-by-case basis or if a business is selected for a compliance spot-check (see compliance below).

Payment Practice Reporting Data (PPR)

Businesses with two of the three qualifying criteria are required to report payment practices through the PPR:

- £54 million annual turnover
- £27 million balance sheet total
- 250 or more employees

This is a requirement of the Reporting on Payment Practices and Performance Regulations 2017. Businesses applying for any Award can submit PPR data as evidence of their payment performance as long as it is data published on the Payment Reporting Portal.

Businesses that are required to report Payment Practices Reporting Data, but are failing to do so, are breaking the law and will not be eligible for any Awards.

Payment Practices Reporting Data will only be accepted as evidence for applications relating to that reporting entity. However, entities within group structures that are applying for an Award can provide other evidence to support their applications.

Fair Payment Code Principles

To be eligible for an Award, all applicants for a Fair Payment Code Award are required to abide by the Fair Payment Code principles, in addition to meeting the payment time requirements for each Award.

The Fair Payment Code principles are:

Be Clear

- Establish clear and fair payment terms, ensuring their suppliers understand the payment terms laid out in their contracts.
- Agree payment terms with suppliers and put them in writing, before work begins, in clear plain English contracts.
- Ensure they communicate promptly with suppliers where payment may be delayed or outside of agreed terms.

Be Fair

- Always endeavour to pay suppliers a) within the terms of the Code and b) in a reasonable, mutually negotiated and agreed timeframe, avoiding delays wherever possible.
- Where delayed payment of invoices causes damage to a supplier's business, signatories will accept consequences such as automatically applied late payment interest and compensation as detailed in The Late Payment of Commercial Debts Act 1998.
- Aim to avoid disputes and where these can't be avoided pay undisputed portions of invoices within terms and resolve the disputed portions within the agreed timeframe.

Be Collaborative

- Proactively work to avoid conflict and to facilitate early resolution of potential disputes.
- Recognise the importance of embedding conflict avoidance mechanisms in contract management and projects.
- Work to share best practice, encourage, and promote fair payment across your industry or more generally.

Compliance

Improvement Plans

For businesses that do not qualify for the Award levels they have applied for, they will be offered the opportunity to be placed on an improvement plan setting out the requirements to meet the criteria for the Award level sought. Even where a lower level is awarded initially, improvement plans to achieve the higher Award level may remain in place and continue to progress after the Award is issued.

The FPC Team aims to provide all businesses on improvement plans with the support and guidance needed to help improve payment practices and reporting to meet the desired Award's criteria.

Dips in performance

Where businesses suffer a dip in payment performance, they are encouraged to proactively report this to the FPC Team. When performance dips below the Award criteria for one reporting quarter, the FPC Team will constructively engage with the business and implement an action plan to support moving back to compliance.

Businesses will need to provide evidence that they are working positively towards reaching the appropriate Award level and this will be reviewed on a case-by-case basis.

Where there are two straight quarters of non-compliance, and there is failure to engage the FPC Team action plan process, applicants are likely to be moved down to a lower Award category or removed from the Code completely.

Fair Payment Code branding

Every successful applicant will be provided with a trade marked Award logo and user guide. This can be used by successful applicants on their website, letterheads and signatures to show that they are an Award holder. The Award logo will be time limited for their Award period.

Only the named businesses will be able to use the Code's Award logo. It is not permitted to use the logo outside of the named business, including for other entities in the group.

Any business removed from the Code will no longer be eligible to use the Award logo. Continued use of the Fair Payment Code logo after removal could result in legal enforcement to stop its use.

Complaints

Suppliers or third parties that feel Award holders are not meeting the requirements of the category of their Award or not following the principles of the Code will be encouraged to report this to the FPC Team. This evidence will be assessed and if applicable, the spot-checking process to assess whether businesses are meeting their obligations will commence.

By signing up to the Code principles, businesses are committing to engaging with the FPC Team to address any complaints raised. Failure to engage with the FPC Team over a complaint, or evidence of bullying or harassing businesses that do make a complaint, will lead to being removed from the Code or applications rejected until evidence is provided that their payment practices have changed.

Complainants should be aware that the requirements of the Code are that 95% of ALL invoices are paid within a particular timeframe. Failure to pay an invoice within the timeframe is therefore not evidence alone that a business is failing in its Code's obligations. All evidence will be investigated but that may not always result in action taken.

Complaints can be made by contacting the FPC Team:

fpc@smallbusinesscommissioner.gov.uk



If you have any questions about your application please don't hesitate to reach out to the FPC Team:
fpc@smallbusinesscommissioner.gov.uk