



Small Business  
Commissioner

# Small Business Commissioner's Report on Bupa Insurance Services Ltd

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August 2019

# The Small Business Commissioner's report on payment practices at Bupa Insurance Services Ltd

## Summary of Complaint

Small business, Blacklight Advisory Services Ltd approached the Small Business Commissioner on 28 January 2019 regarding the late payment of consultancy fees owed by Bupa Insurance Services Ltd. They submitted an invoice for £29,403.76 on 2 November 2018 based on 45-day end of month payment terms, however payment was not received on the due date of 15 January 2019 despite chasing on numerous occasions.



*Paul Uppal, the Small Business Commissioner*

## Outcome

Bupa Insurance Services Ltd responded positively to the Commissioner's investigation, immediately approving and releasing the overdue payment which was made 15 days outside of the contracted terms. Bupa Insurance Services Ltd acknowledged the late payment by offering a claim for late payment interest at 2% above the Bank of England base rate for the value of the invoice. The reason provided for the delay was an unspecified error in the invoice approval process and staffing inefficiencies, amongst blaming the complainant for not following the recommended invoice submission process. However, the complainant submitted their invoice based on procedural instructions provided by the relevant Directorate whilst being reassured on several occasions that the invoice had been received and authorised. Bupa Insurance Services Ltd recognised that they did not meet their agreed contractual payment terms.

The Late Payment of Commercial Debts (Interest) Act 1998 sets a statutory value of 8% above the Bank of England Base Rate for interest that is chargeable on late paid debts. In addition, the Act allows compensation to be charged at statutory defined levels dependent on the value of the debt. The Act also allows the remedy for late paid debts to be varied or ousted from the statutory defined values as an agreed contractual remedy. Determining what is fair and reasonable in ousting the levels of interest may include the benefits of commercial certainty. Additionally, the bargaining position of both parties including whether the term was imposed on one party to the detriment of the other, or if the supplier received an inducement to agree to the term should be considered. Bupa Insurance Services Ltd is a large organisation and the standard framework terms are not a negotiated agreement. The standard framework contract agreed by both parties varied the compensation payable for late payment at 2% above the Bank of England base rate. The Commissioner did not consider the variation to 6% below the value defined in the Late Payment of Commercial Debts (Interest) Act 1998 a considerable remedy or deterrent for late payment.

Bupa Insurance Services Ltd stated that they offer preferential 30-day payment terms to small businesses however, this policy was implemented after commencement of the complainant's contract. The complainant requested a variation in payment terms to 30 days, but this was rejected and Blacklight Advisory Services Ltd were held to their original agreement.

## Recommendations

The Commissioner made the following recommendations:

1. Bupa Insurance Services Ltd review the agreed remedy set out in their standard framework contracts;
2. The value of the remedy should be agreed after considering the bargaining position of the small business, effect of late payment on the small business, commercial certainty and benefits of being a supplier;
3. Bupa Insurance Services Ltd should increase transparency by promoting their preferential payment terms to its small business supply chain;
4. Small businesses are offered 30 days payment terms as standard.

### Paul Uppal commented:

"I am witnessing variations from the statutory defined value of late payment more frequently in contractual agreements. It seems that small businesses are being pressured into accepting these terms if they wish to supply large businesses as part of standard framework agreements.

"A substantial remedy for late payment should be substantial. It should adequately compensate the small business for impacted cashflow, and any additional resources required to chase outstanding invoices.

"The remedy should also act as an incentive to ensure payment is made on time. I do not consider a contractually agreed variation of late payment charges at 2% above the Bank of England Base rate from a global company sufficient."

### General recommendations for medium and large businesses

- Medium and large businesses should regularly review their payment and procurement processes;
- Small businesses should be provided with a single point of contact for late payment queries, which would allow for a speedier resolution.

### General recommendations small businesses

- Read, review and understand agreed contractual terms;
- Consider contractual agreed compensation or charges for late payment.

Support and guidance are available on the Small Business Commissioners website.  
[www.smallbusinesscommissioner.gov.uk](http://www.smallbusinesscommissioner.gov.uk)

## Complaint Timeline

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**30/12/2017** Consultancy Framework agreement signed

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**02/11/2018** Invoice 0187 submitted for £29,403.00 due 15/1/2019

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**21/12/2018** Complainant contacted Bupa Insurance Services Ltd to chase up invoice. The complainant had requested 30-day payment terms on their invoice. As the framework agreement stipulated 45 days end of month payment was not late at this point

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**21/12/2018** Bupa Insurance Services Ltd respond to complainant to state invoice received and authorised

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**11/01/2019** Complaint emailed Bupa Insurance Services Ltd to state payment not received

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**11/01/2019** Bupa Insurance Services Ltd reply they will chase payment

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**15/01/2019** Complainant emailed Bupa Insurance Services Ltd to state payment not received

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**16/01/2019** Bupa Insurance Services Ltd responded by email to state that the 3 outstanding invoices have been approved and will be paid as lump sum (two of the invoices were not late and do not form part of the complaint)

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**23/01/2019** Complainant contacted Bupa Insurance Services Ltd to state payment still not received

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**23/01/2019** Bupa Insurance Services Ltd respond and state that additional approval required which will be complete and sent to the accounts team to pay all the invoices that day

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**23/01/2019** A Bupa Insurance Services Ltd, Director contacted the complainant to apologise for issues with the accounts and finance system

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**28/01/2019** Complainant contacted the Small Business Commissioner as payment still not received

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**29/01/2019** Small Business Commissioner contacted Bupa Insurance Services Ltd Director

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<b>30/01/2019</b>	Bupa Insurance Services Ltd respond to the commissioner and to confirm they have made payment on for invoice 0187. The two other invoices submitted will be paid on their due dates. Bupa Insurance Services Ltd acknowledge the payment had been made outside the payment terms and invite a claim for interest
<b>01/02/2019</b>	The complainant confirms that payment for 0187 has been received
<b>01/02/2019</b>	Bupa Insurance Services Ltd state they offer preferential terms for small business
<b>04/02/2019</b>	The complainant stated they were not made aware of an option to vary payment terms
<b>31/05/2019</b>	Commissioner's Initial determination of complaint and request for representations from Bupa Insurance Services Ltd issued
<b>13/06/2019</b>	Bupa Insurance Services Ltd supply representations regarding the complaint
<b>04/07/2019</b>	Commissioner considered the complainants representations and determined to publish the complaint

## Glossary

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### **Complaints Handling Scheme**

Small businesses can complain to the [Small Business Commissioner](#) about payment problems they are encountering concerning their larger business customers, making non-binding recommendations on how the parties should resolve their disputes.

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### **Larger Business (Medium or Large Business)**

Larger business means a business that is not a small business. A larger business will therefore have more than 50 employees and will encompass both medium and large businesses as defined by the [Companies Act 2006](#).

The full definition of a larger business in relation to the Small Business Commissioner complaints handling service can be found in [The Enterprise Act 2016](#).

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### **Small Business**

For the purpose of determining who is in scope of the Small Business Commissioner complaints handling scheme, a small business is a business which has fewer than 50 employees.

The full definition of a small business in relation to those in scope of the Small Business Commissioner complaints handling service can be found in [The Small Business Commissioner \(Scope and Scheme\) Regulations 2017](#).

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## **The Office of the Small Business Commissioner**

This document can be downloaded from [www.smallbusinesscommissioner.gov.uk](http://www.smallbusinesscommissioner.gov.uk)

If you require this information in an alternative format or have general enquiries about The Office of the Small Business Commissioner and its work, contact:

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