



Small Business
Commissioner

Small Business Commissioner's Report on Incentive FM Ltd

April 2020

The Small Business Commissioner's report on payment practices at Incentive FM Ltd

Summary of Complaint

A small business contacted the Small Business Commissioner on 13 January 2020 regarding the non-payment of 6 invoices totalling £697.24. The work was undertaken for a large business, ITE Group, and invoices were raised between 22 July 2019 - 29 July 2019, and on 21 August 2019. ITE Group and Hyve Group are clients of Incentive FM Ltd. Incentive FM Ltd invoice their clients for budgeted work every month and variable or extra work on an adhoc basis after instruction from their client. The work performed by the small business was additional adhoc work.



Philip King, Interim Small Business Commissioner

Payment terms for services provided were agreed at 28 days from the date of the invoice, with the earliest payment being due on 19 August 2019. The small business submitted invoices to ITE Group as instructed.

Outstanding payments and payment due dates

Invoice	Amount	Date of invoice	Payment due date
51994	£60.24	22 July 2019	19 August 2019
52017	£65.76	24 July 2019	21 August 2019
52052	£10.00	24 July 2019	21 August 2019
52053	£374.52	25 July 2019	22 August 2019
52050	£62.76	29 July 2019	26 August 2019
52164	£123.96	21 August 2019	18 September 2019

The invoices were outstanding past the due date, so the small business resubmitted the original invoices for payment to Hyve Group on 25 September 2019 as directed by their client. The invoices remained unpaid and following further contact with Hyve Group on 17 October 2019, the small business was eventually instructed to resubmit all invoices to Incentive FM Ltd for payment. Following these instructions, the invoices remained unpaid despite several emails and phone calls chasing payment. After exhausting all options, the small business contacted the Small Business Commissioner for assistance.

Outcome

The Small Business Commissioner contacted the Finance Director at Incentive FM Ltd on 14 January 2020 to discuss the reason for non-payment. The Finance Director provided reassurance that payment of £697.24 would be added to a payment run on 15 January 2020 and the small business would receive payment by 16 January 2020. The reason for the delay was not given.

Payment was not received on 16 January 2020 as promised. The Small Business Commissioner once again contacted the Finance Director at Incentive FM Ltd on 22 January 2020. He apologised for the further delay and explained that the initial delay in payment was caused by a change of management and inaccurate record keeping. He also stated that the

Purchase Order numbers provided by the site office to the accounts department were incomplete on the invoice and referral. The Finance Director stated that the accounts payable system rejected invoices that did not incorporate the letters 'FM' at the beginning of the Purchase Order numbers.

The small business confirmed that no Purchase Order number was provided by Incentive FM Ltd. Moreover, this process was never communicated by the site office representative when the initial order was placed or when chasing payment. This process was only highlighted when the Incentive FM Ltd accounts payable team raised the matter internally with the site office.

The delay in payment was caused by a failure to follow the procurement processes put in place by Incentive FM Ltd, and this inevitably resulted in invoices being rejected. There had been a clear breakdown of communication between the site office procuring the service and the accounts payable team responsible for making payment.

Payment was eventually received by the small business for all of the unpaid invoices on 22 January 2020. The longest payment being 156 days late.

The Small Business Commissioner recommends the following:

Recommendations

1. Late payment interest and compensation is paid on late paid invoices;
2. A full review of internal audit and payment systems is carried out to guarantee payments are made on time;
3. The site office follows approved processes in securing services and issuing of Purchase Order numbers;
4. Staff undergo training to learn approved procurement procedures to ensure efficient audit and payment processes.
5. The invoice approval and payment process is communicated to suppliers when an order is placed.

Philip King, Interim Small Business Commissioner said:

"Incentive FM Ltd has shown little consideration for its small business supplier regarding the non-payment of this debt and failed to resolve this dispute until my intervention. Although the debt is small, the delay in payment and the effort required to chase outstanding invoices placed a disproportionate burden on the small business owner which impacted their cash flow and wellbeing.

["Mandatory Government Reporting Data"](#) highlights that 66% of invoices at Incentive FM Ltd are paid late, indicating a real culture of poor payment practice. I recommend they urgently review and strengthen their payment processes to ensure payments are made promptly and within the agreed terms.

"I understand the reluctance small businesses face when reporting poor payment practice and I am working hard to turn the tide by tackling the imbalance of power between small and large business. I encourage any small business experiencing payment difficulties to contact my office, where we can resolve disputes amicably without damaging business relationships. We provide a free service, can handle complaints anonymously and my team has successfully supported small businesses access £6.9 million owed to them in unpaid invoices.

"I will continue to report on poor payment practice where I find it, and I urge all businesses to review their procurement practices to ensure they are robust in paying to terms."

Support and guidance can be found on the Small Business Commissioners website:
www.smallbusinesscommissioner.gov.uk

Complaint Timeline

22 July 2019	Small business submits first invoices on 22 July 2019 - 21 August 2019
25 September 2019	Small business resubmits invoices chasing payment to Incentive FM Ltd
17 October 2019	Small business resubmits previously submitted invoices to Incentive FM Ltd Incentive FM Ltd acknowledges receipt of email regarding invoices and notifies small business invoices have been forwarded to accounts team
12 November 2019	Small business contacts Incentive FM Ltd to enquire if payment of 6 invoices has been processed
18 November 2019	Incentive FM Ltd contacts small business to enquire if payment has been received Small business confirms no payment received and requests payment remittance number to assist No response received
17 December 2019	Small business formally chases payment with Incentive FM Ltd
18 December 2019	Incentive FM Ltd acknowledges receipt of email chasing payment from small business dated 17 December 2019, and confirms invoices being chased with accounts department. No further response received from Incentive FM Ltd
13 January 2020	Complaint received at the Office of the Small Business Commissioner regarding non-payment of 6 invoices totalling £694.24
14 January 2020	The Office of the Small Business Commissioner contacts Incentive FM Ltd requesting the reason for non-payment of invoices and with request for issue to be resolved

	<p>Financial Director at Incentive FM Ltd states payment of £697.24 will be placed in payment run on 15 January 2020 with payment to be received by 16 January 2020</p> <p>No explanation provided for delay in non-payment of invoices and Small Business Commissioner considers upholding complaint</p>
20 January 2020	<p>Small business informs Office of the Small Business Commissioner that, despite reassurances provided by Incentive FM Ltd, no payment was received on 16 January 2020</p>
22 January 2020	<p>Small business sends email confirming payment for full amount of £697.24 has been received</p> <p>A response received from Incentive FM Ltd stating that clear instructions given by Financial Director to accounts team on 15 January 2020 were not actioned immediately</p>
22 January 2020	<p>Incentive FM Ltd, Financial Director confirms reasons for late payment of 6 invoices and offers apology</p>
6 February 2020	<p>The Small Business Commissioner writes to Incentive FM Ltd to inform them of the intention to uphold the late payment complaint and publish a report</p> <p>The Small Business Commissioner seeks formal representations from Incentive FM Ltd regarding the proposed publication of the report</p>
19 February 2020	<p>Incentive FM Ltd provides formal representations to Commissioner</p>
25 March 2020	<p>The Small Business Commissioner considers the circumstances of the case including the representations provided by Incentive FM Ltd and the small business and issues a final determination letter to uphold the late payment complaint.</p> <p>The Small Business Commissioner confirms that a report will be published</p>

Glossary

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.
Larger Business (Medium or Large Business)	<p>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.</p> <p>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.</p>
Small Business	<p>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.</p> <p>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.</p>

The Office of the Small Business Commissioner

This document can be downloaded from
www.smallbusinesscommissioner.gov.uk

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