



Small Business
Commissioner

Small Business Commissioner's Report on Bombardier Transportation UK Ltd

February 2020

The Small Business Commissioner's report on payment practices at Bombardier Transportation UK Ltd

Summary of Complaint

Alistair Hugo Catering and Events (complainant) a small business contacted the Office of the Small Business Commissioner on 10 December 2019 regarding 4 outstanding payments for catering services provided to Bombardier Transportation UK Ltd



Philip King, Small Business Commissioner

The complainant submitted 4 invoices totalling £5,600.24 with terms for each invoice to be paid 15 days from the end of the month however, Bombardier Transportation UK Ltd understood payment terms to be 60 days.

Notwithstanding the confusion in payment terms, payments were made significantly late. Even based on 60-day payment terms, the oldest invoice submitted was paid 223 days late. The amounts invoiced were not disputed and no complaints were made about the service provided.

When the complainant chased payment, Bombardier Transportation UK Ltd requested internal Purchase Order numbers to investigate, but the complainant was never provided with these details throughout the order process.

The complainant attempted to resolve the outstanding invoices totalling £5,600.24 numerous times over a 6-month period without success, following this they contacted the Office of the Small Business Commissioner on 10 December 2019.

The Office of the Small Business Commissioner contacted Bombardier Transportation UK Ltd on 13 December 2019, to discuss the complaint and establish reasons for the delays in making payment. On 18 December 2019, the Office of the Small Business Commissioner received correspondence from the Head of Accounting and Reporting at Bombardier Transportation UK Ltd, that the complaint was being considered and later the same day, sent confirmation that full payment for all 4 outstanding invoices had been made. Bombardier Transportation UK Ltd failed to provide any reason for the late payments.

On 19 December 2019, the Office of the Small Business Commissioner contacted the Head of Accounting and Reporting at Bombardier Transportation UK Ltd, to clarify why payments were late but they could not offer an adequate explanation.

The complainant received payment in full on 20 December 2019, but all four payments were significantly late, with the oldest outstanding invoice being paid 223 days late.

The Commissioner upheld the late payment complaint made by Alistair Hugo Catering and Events, advising Bombardier Transportation UK Ltd of the decision in a determination letter sent on 13 January 2020. Bombardier Transportation UK Ltd were presented with a further opportunity to provide the Commissioner with representations by 27 January 2020.

Bombardier Transportation UK Ltd accepted payments were late but did not agree with the complainants understanding that payment terms were 15 days from the end of the month, although this was stated on each invoice submitted by the complainant. Bombardier Transportation UK Ltd advised payment terms were 60 days in accordance with their standard Purchase Order terms and conditions which were specified each time an order was made with the complainant.

Bombardier Transportation UK Ltd did not provide evidence showing Purchase Order numbers were provided for the invoices in question or that terms and conditions were conveyed at the time orders were placed.

The complainant had a single point of contact who dealt with their invoices but had since left the company. Bombardier Transportation UK Ltd could not internally identify if relevant Purchase Order numbers existed, new Purchase Orders were required or how to ensure these issues were resolved and payments made.

Bombardier Transportation UK Ltd accepted the delay in payment was a result of being unable to reconcile invoices against relevant Purchase Orders, citing that their procurement governance process required Purchase Orders to be raised internally prior to any orders being placed with external suppliers.

Bombardier Transportation UK Ltd provided evidence of this process being followed for an unrelated order placed with the complainant. However, the complainant provided two unrelated separate orders placed by Bombardier Transportation UK Ltd, one had a Purchase Order number and the second did not. This revealed Bombardier Transportation UK Ltd did not continually follow their own procurement governance process.

In this instance Bombardier Transportation UK Ltd could not provide an audit trail for the relevant Purchase Order numbers raised for the outstanding invoices, or evidence they were ever provided. Payment was made by Bombardier Transportation UK Ltd finance circumventing their usual payment system.

Outcome

Having considered the circumstances of the complaint including representations made by both the complainant and Bombardier Transportation UK Ltd, the Small Business Commissioner upheld this late payment complaint made by Alistair Hugo Catering and Events.

- Payment for all 4 invoices totalling £5,600.24 was made significantly late with the oldest outstanding invoices being paid 223 days late;
- Alistair Hugo Catering and Events made numerous efforts to resolve the complaint themselves without success;
- Payment was only made upon intervention of the Small Business Commissioner;
- Bombardier Transportation UK Ltd internal systems and processes broke down and proved to be reliant on individuals;
- Bombardier Transportation UK Ltd were unable to reconcile invoices against Purchase Orders or identify relevant individuals responsible to ensure payments were made;
- The late payments had a disproportionate and detrimental effect on Alistair Hugo Catering and Events.

Recommendations

The Small Business Commissioner would recommend the following:

1. Bombardier Transportation UK Ltd pay statutory interest on all late payments;
2. Bombardier Transportation UK Ltd review their payment practices to ensure they are robust and provide audit trails to ensure payments are made promptly and within agreed payment terms;
3. Standard payment terms for small businesses to be 30 days, not 60 days;
4. Payment processes to be clear, consistent and transferable across all staff within procurement teams;
5. Contingencies should be in place for staff absence to prevent breakdown of communication in payment process;
6. Purchase Order numbers should be provided in advance to suppliers by designated staff who are clearly identifiable;
7. Escalation processes are implemented;
8. Small businesses should be provided with a constant, specific point of contact for payment queries.

Philip King said:

"This complaint eventually resulted in a positive outcome for the small business however, this was only possible due to the intervention of my office. Although there is no evidence to suggest a deliberate attempt to pay late by Bombardier Transportation UK Ltd, it does demonstrate a clear lack of consideration for the complainant's financial and mental wellbeing.

"Bombardier Transportation UK Ltd claim to have robust procurement and payment systems in place, but those systems proved to be ineffective on this occasion.

"Bombardier Transportation UK Ltd mandatory payment practice reporting indicates that they pay 61% of their suppliers outside of payment term, with an average time of 116 days to settle an invoice. This data highlights Bombardier need to take accountability and make significant changes to their internal processes to ensure their small business supply chain is paid on time.

"Bombardier Transportation UK Ltd have agreed to review their payment practices and will report back to me within 60 days."

A spokesperson from Bombardier said:

"After an internal review, Bombardier accepts the findings of the Small Business Commissioner regarding the late payment in 2019 of invoices totalling £5,600.24 to Alistair Hugo Catering and Events. We agree that in this case our usually robust internal systems have not worked as they should, but we believe that the events in question were unusual.

"Bombardier takes its obligations towards its suppliers very seriously and we are committed to continually improving our payment practices. We will carefully review our purchase order and invoice processes in the light of the Commissioner's recommendations and take all necessary steps to ensure this case remains a one-off."

The Commissioner would like to hear from any other small businesses who supply Bombardier Transportation UK Ltd to find out about their experiences of payment, whether positive or negative. This can be anonymous if suppliers are concerned about their future business relationships.

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

Complaint Timeline

12/03/2019	Alistair Hugo Catering and Events submit invoice number 50887 to Bombardier Transportation UK Ltd. Payment of £1,184.58 due on 15 April 2019 as per invoice
01/04/2019	Alistair Hugo Catering and Events submit invoice number 52028 to Bombardier Transportation UK Ltd. Payment of £1,660.16 due 15 May 2019 as per invoice
04/04/2019	Alistair Hugo Catering and Events submit invoice number 51119. Payment of £1,356.72 due on 15 May 2019 as per invoice
02/05/2019	Alistair Hugo Catering and Events submit invoice number 51339. Payment of £1,398.78 due on 15 June 2019 as per invoice
31/05/2019 - 10/12/2019	Alistair Hugo Catering and Events engage with Bombardier Transportation UK Ltd in an attempt to resolve outstanding invoices without success
10/12/2019	Alistair Hugo Catering and Events contact the Office of the Small Business Commissioner for support in resolving outstanding payments
13/12/2019	The Office of the Small Business Commissioner contact Bombardier Transportation UK Ltd regarding 4 outstanding invoices to establish reason for delays in payment
18/12/2019	The Office of the Small Business Commissioner receive confirmation of payment in full for outstanding invoices from Bombardier Transportation UK Ltd
19/12/2019	The Office of the Small Business Commissioner contact Bombardier Transportation UK Ltd confirming payment of outstanding invoices and request explanation for delay in payment.
20/12/2019	Alistair Hugo Catering and Events receive payment in full for all outstanding invoices
27/01/2020	Bombardier Transportation UK Ltd provide formal representations to Commissioner regarding late payment complaint

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)

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](#).

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](#).

Bombardier Transport UK Ltd respond to the Commissioner's report.

Bombardier Transport UK Ltd responded to the Commissioner's report on 29 April 2020 and have adopted all of the recommendations highlighted by the Commissioner. The Commissioner is encouraged with the response and engagement displayed by Bombardier and their commitment to improve the experience of their small business suppliers.

Read Bombardier Transport UK Ltd.'s response [here](#).

The Office of the Small Business Commissioner

This document can be downloaded from
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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