

## **Use your right to charge interest on late payment**

From November 1st 2000, the right to charge interest on overdue invoices was extended to allow small businesses to claim interest from other small firms.

Before that, small business were only statutorily entitled to claim interest from large companies or the public sector. Very few - if any - small companies exercised this right for fear of alienating their biggest, most valuable customers.

So are they using it now it no longer involves potential battles of David and Goliath proportions? Only 15 per cent of owner/managed businesses have attempted to use the new legislation, according to research conducted for Clearlybusiness.

The Better Payment Practice Group - a consortium of trade bodies including the BCC, CBI, British Bankers Association and Federation of Small Businesses - thinks it time all businesses started exercising their rights.

To this end they have put together a three point plan to highlight how easy it is to claim interest:

- **Be aware of your right to charge interest**  
Obtain a copy of the User's Guide to the Late Payment of Commercial Debts (Interest). Published by the DTI, these easy-to-read guidance notes explain how the Act works and how easy it is to calculate the interest owed. See end of article for details on how to download this guide online.
- **Use it as a deterrent**  
Inform the purchaser that you intend to exercise your right to claim interest on late paid invoices. State clearly on all written communications, credit application forms, order confirmations and invoices: "We understand and will exercise our statutory right to interest if we are not paid according to our credit terms."
- **Claim it**  
State clearly what is now owed, including the interest based on the formula in the User's Guide (8 per cent above the base rate), and quoting the original invoice requesting payment. State to whom payment should be made and the address it should be sent to. State by what method payment should be made (cash, cheque, credit card)

"The act will really start to bite as more businesses use it as part of their standard Credit Management procedures," says Nick Goulding, spokesperson for the FSB and member of the group. "These guidelines show just how easy it is to use the legislation both as a deterrent and to gain compensation for the cost of chasing payment."

To obtain the UK government brochure visit  
<http://www.berr.gov.uk/files/file37581.pdf>