Press release

Late payments: 30 days to pay a bill

Smaller companies all too often endure severe financial problems due to the late payment of bills. For over a year the European Parliament has pushed to secure stricter and clear-cut rules on payment periods, including a general 30-day deadline. On Tuesday, the Internal Market Committee voted to endorse the deal struck with Council on 13 September.

The deal, presented to the committee as a "consolidated amendment" to the report by rapporteur Barbara Weiler (S&D, DE) received broad backing from all political groups and was unanimously endorsed with 30 votes in favour and no abstentions.

"This legislation will bring about a new ethics of payment in Europe. The new rules will provide better solvency and allow small and medium-sized companies the opportunity to promote more innovation and jobs", Mrs. Weiler said before the vote, adding that "this is a compromise. Without the Council there would have been no exemptions and the rules would have been much more stringent. But we were negotiating with 27 Member States and some of them thought we were going too far".

Major concessions for Parliament

As a general rule, the deadline for both public and private sectors to pay a bill for goods or services will now be 30 days. The new rules aim to ensure transparency, avoid loop-holes and create a level playing field.

Parliament's negotiators secured important concessions on capping of payment periods by public authorities, the verification period and the interest rate payable if payments are made late.

The new rules

- **Business-to-business** - 30-day general deadline unless nothing else is stated in the contract. If both parties agree, it is possible to go up to 60 days. The payment period may be extended beyond 60 days only if "expressly agreed" by the creditor and the debtor in the contract and provided that it this not "grossly unfair to the creditor".

- **Public-to-business:** - 30-day general deadline. Parliament fought hard to ensure that payment can never be delayed beyond 60 days and that a special justification is necessary for any extension of the payment period (it needs to be "expressly agreed" and "objectively justified").

- **Exemption for public entities providing health care** - Member states may choose a deadline up to 60 days. This is because of the special nature of bodies such as public hospitals, which are largely funded through reimbursements under social security systems.

- **Interest rate and compensation**-Parliament pushed Council to accept a statutory interest rate of the reference rate plus at least 8%. The creditor is entitled to obtain from the debtor, as a minimum, a fixed sum of €40, as compensation for recovery costs.

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Verification period -The verification period for ascertaining that the goods or services comply with the contract terms is set at 30 days. This period may be extended in the case of particularly complex contracts, but only if expressly agreed and provided it is not grossly unfair to the creditor. Parliament secured an undertaking that verification periods may not be used as a loophole to delay payment unnecessarily.

Background

This new legislation updates the existing EU Late Payments Directive of 2000. As late payment is still a general problem within the EU and given its severe negative impact, especially on small and medium-sized companies, changes to reduce payment periods and reinforce the incentives to pay up on time were essential.

Next steps

The agreement with Council now needs to be approved by the full Parliament and is scheduled for a vote at the October II Plenary.

The new directive enters into force 20 days after its publication in the EU Official Journal. Member States will then have two years to implement the new measures.

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