

“Can’t pay, won’t pay”

Small businesses are not only struggling with recessionary effects but are also facing a massive rise in late payments. This is culminating in thousands of small businesses going to the wall as larger enterprises delay payments in order to cut their own costs.

The government has made every effort in an attempt to reduce late payments by limiting the period taken by public sector organisations to pay bills. It has also amended the Companies Act to force companies to outline their payment policies and say if they were paying bills from suppliers on time.

Commenting, Phil Wood, managing director of chartered accountants and licensed insolvency practitioners, Barringtons said “The rules are simply being ignored as late payment and bad debts are often the major factors behind businesses being forced to close. The amount of money owed to small firms has soared over the past year as big businesses seek to create credit lines for themselves by squeezing their suppliers.”

Undoubtedly the problem has been exacerbated by the credit crunch and economic downturn, as credit from suppliers has increasingly dried up.

“With SMEs waiting an average of 41.5 days beyond agreed payment terms for invoices to be settled, the government must intervene. Thousands of good businesses are under threat as a direct result of larger companies utilising them as a short-term additional line of credit,” added Phil.