

Your Legal Questions

Paul Addison
Partner & Solicitor



Q I run a small business and have encountered difficulties with a customer who regularly delays paying my invoices for at least a month although he eventually pays. I have checked my terms and conditions of business but unfortunately there is no term covering interest. Can I still claim interest?

A If there is no contractual provision between you and your customer dealing with interest due on your outstanding invoices then you will have a statutory right to claim interest from your customer for the late payment of commercial debts.

The UK was one of the first countries in the EU to introduce late payment legislation to help promote a culture of prompt payment when the Late Payment of Commercial Debts (Interest) Act 1998 was introduced. This legislation provides you with the option to claim interest if your invoice is not paid on time. Interest can be claimed from the last day of any agreed credit period between you and your customer, but if there has been no credit period agreed then the legislation sets a default period of 30 days after which interest can be claimed. The 30 day period will run from the date of delivery of the goods or performance of the service by you or alternatively the day on which your customer has notice of the amount of the debt, whichever is the latter.

The rate of interest is fixed every six months, on the 1st January and 1st July each year, at 8% above the Bank of England base rate as at that date. The current rate is therefore 8 ½%. Interest will continue to run until the principal debt is paid.

You will also be entitled to claim from your customer your reasonable debt collecting costs of between £40-£100, depending upon the size of the debt.

Paul Addison is a Partner and Solicitor in the Civil Disputes & Litigation Department.

Direct dial 01934 637906 / addison@powellslaw.com