

Your Legal Questions

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Q I run a small business and one of my customers is regularly late in making payment of my invoices. I do not want to have to take them to Court if I can avoid it but would like to claim interest from them. Can I do this?

A If your terms and conditions of business provide for interest to be paid on overdue invoices then you should invoke that clause. If they do not then you will be entitled to both late payment interest and compensation under the Late Payment of Commercial Debts (Interest) Act 1998 provided that:-

- You supply goods and services
- Your buyer bought for business purposes (and not as a consumer)
- The contract is not a consumer credit agreement
- The contract between you and your customer does not contain provision for interest on overdue invoices (or any other substantial remedy for non payment)

If you are entitled to late payment interest then you can claim interest at 8% over the Bank of England base rate (as at the previous 31st December or 30th June) and the interest will start to run on your invoices once the credit period expires. The credit period will be whatever credit period you have agreed with your customer, or if there is no agreed credit period then it will be 30 days.

The compensation that you can claim, for each invoice not paid within the credit period, will depend upon the amount of the invoice and varies between £40 (for invoices of less than £1,000) up to £100 (for invoices over £10,000).

You don't have to tell your customer that you will claim late payment interest or compensation if they fail to pay on time but you may wish to warn them in advance, perhaps in your invoices, that you will be doing so.

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