

The EU Late Payments Directive Revision 2000/35/EC

Costs of the Directive - £600m to the public sector ([Local Government Association](#))

Summary Talking Points

Financial

The NHS Confederation fears that even if it was to comply with its own Better Payment Practice Code, it would still face fines of £50m a year. ([NHS Confederation Consultation Document](#))

Social

Consultations by the NHS Confederation fear it will create a non-level playing field between the NHS and private healthcare providers, the hammer of regulation falling on the former and not the latter. ([NHS Confederation Consultation Document](#))

Briefing notes

What is it

The Directive aims to penalise late payment of bills by both private and public sector bodies. Public Sector payments in the EU still remain, on average, very high. Some of the worst offenders include¹:

- Greece – 157 days
- Spain – 144 days
- Italy – 135 days
- France – 71 days

The amended directive aims to increase penalties for late payments except where business to business transactions have agreed a set time longer than 30 days. For the public sector, waivers are granted when delay is justified.

Proposed changes include²:

- 5% late payment fee on the amount due for the public sector only
- Automatic fixed rates of compensation for recovery costs (including 1% fee on the amount for which interest is due on contracts over €10,000)
- An interest rate penalty of the Bank of England Base rate of interest plus 7 base points. Current UK interpretation of the regulations provides the current Bank of England rate plus 8 base points.

Third Party Opinions

“There is already a system of penalties in place for late payments, and to extend and increase it... will place additional and unnecessary costs on the health service at a time when budgets are already under pressure.” ([Elisabetta Zanon](#), director of the NHS Confederation’s European Office)

“When a company can fine a public sector organisation, even if it has its details wrong on the invoice, it gives it a licence to draw up badly-written bills to get more money out of the taxpayer. The EU seems to be sleepwalking into an unfair and grossly-disproportionate system that hits key public services.” ([David Parsons](#), Chair of the Local Government Association Improvement Board)

¹ LGA Impact Assessment <http://www.lga.gov.uk/lga/aio/2856942>

² NHS Confederation Presentation

<http://www.nhsconfed.org/Documents/25%20June%20LP%20presentation.pdf>