Payment periods in commercial transactions. Commission recommendation

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The ECON adopted the report by Mr Lyndon Harrison on the Commission recommendation on payment periods in commercial transactions. Payment periods refer to delays after the payment date set in the contract. These delays upset smooth trading by forcing the creditor to grant the debtor credit, thereby jeopardizing the financial viability of numerous SMEs. In the United Kingdom alone, some 20 billion pounds are permanently locked up due to late payment. It is estimated that nearly 50% of all basic loans by SMEs are to finance commercial credit. At a hearing in January (cf. Info Memo no. 15), experts highlighted the increase in payment periods and deliberate delays (over a third of the total). Two main demands were tabled: the introduction of the right to charge interest on late payments which was sufficiently high to act as a deterrent and the implementation of a directive, which was more binding than a simple recommendation. Whilst the ECON supported the objectives of transparency and simplification set out in the recommendation with a view to solving the problem of payment delays, it doubted that it would suffice to guarantee reasonable payment periods and therefore proposed: - that the Commission consider converting its recommendation into a proposal for a directive; - statutory recognition of an automatic right to charge interest on late payments; - statutory compensation for recovery costs; - a minimum of harmonization of legal provisions relating to simple and effective judicial and extrajudicial procedures; - provision of credit information and measures to train SMEs in credit management; - deferment of VAT payments until invoices are settled; - provision for licensing of debt collectors who should fulfil certain requirements (financial guarantees, probity, solvency etc.).