



"The voice of crafts and SMEs in Europe"

EC proposal to fight payment delays can be further improved, say SMEs

Brussels, 8 April 2009 – The new proposal to tackle late payments unveiled by the European Commission today is to be welcomed but will not fully protect small businesses, according to UEAPME, the European craft and SME employers' organisation. UEAPME appreciated the Commission's efforts to shorten payment periods for public authorities, although no maximum time limit was set for those exceeding 30 days. It also reacted positively to the introduction of compensation rights for recovery costs and to the proposal to allow creditors to charge interests for late payments, even if an obligation to do so would have been a better alternative. The organisation regretted, however, the decision to exclude business-to-consumer transactions from the scope of the proposal. This will leave small businesses undefended against late or missing payments from private customers, stressed UEAPME.

"Despite the good intentions and the laudable efforts made by Commissioner Verheugen, today's proposal is less than ideal for small businesses", said Secretary General **Andrea Benassi**. *"In spite of our repeated warnings, Commissioners decided to go ahead and exclude business to consumer transactions from the scope of the text. This questionable choice will leave SMEs on their own against late payments from private customers, which are a growing concern in the present economic downturn. Small businesses were definitely expecting more from this long overdue proposal",* he explained.

Positive news came from the new rules on compensation for recovery costs as well as from the Commission's decision to introduce the principle of payment within 30 days from public authorities. This is very helpful for SMEs, since on average payment delays from local, regional and national administrations are longer compared to business-to-business transactions. However, public authorities will still be allowed to extend payment terms "when objectively justifiable", which gives them complete freedom to indulge in their malpractice, stressed UEAPME, all the more so since the EC chose not to set a maximum time limit for those paying after more than 30 days, as it is already the case in Member States such as France.

Also on the negative side, the right to charge interests on late payments was not transformed into an obligation as requested by UEAPME. *"The decision on whether to apply an interest in case of late payments is left to the company. Small businesses will find it hard to apply this rule to contracts with larger enterprises, which will pick and choose suppliers and contractors on the basis of their readiness to forego this clause. Introducing an obligation would have relieved small businesses from this pressure. It would have also ensured a level playing field between small businesses, with a real competition based on the quality of their products and services rather than on payment terms",* continued Mr Benassi.

"It is now up to the European Parliament and to the Council to redress the current shortcomings and better adapt the directive to SMEs' needs. The final text should cover business-to-consumer transactions, introduce an obligation to charge interests in case of late payments and set a maximum time limit for delays over 30 days in payments from public authorities to private businesses. Anything less would be clearly a disappointment for us", he concluded.

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EDITORS' NOTES: UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 83 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

FOR FURTHER INFORMATION PLEASE CONTACT:

Luc Hendrickx, Director for Enterprise Policy, Tel. +32 (0)496 521 466, Email: l.hendrickx@ueapme.com
Francesco Longu, Press and Communications Officer, Tel. +32 (0)496 520 329, Email: pressoffice@ueapme.com