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Press Release

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Pursuing the suggested Late Payment Regulation by the European Commission to combat late payments in Europe and to secure sound cash flow for businesses and the economy at large within the EU, a vote was taken by the European Parliament on Tuesday, 23rd April 2024 with 459 votes in favour, 96 votes against and 54 abstentions.

Following the original draft of The Late Payment Regulation by the European Commission, various European stakeholders, constituted bodies and interested parties, including MACM[1], reacted to the proposed Regulation and made their position public.

The vote taken by the European Parliament suggests that:

a. In Government-to-Business Transactions the maximum credit terms allowed shall be strictly 30 days. This should help private companies to get paid promptly when dealing with government authorities and should enhance cash flow within the economy.
b. In Business-to-Business Transactions the maximum credit terms are stipulated at 60 days given that both parties mutually agree. If the two parties do not enter into an agreement, 30 days credit terms shall apply.
c. For slow moving goods, seasonal products and services, and products that have long business life cycles, credit terms up to a maximum of 120 days shall be allowed upon mutual agreement between the two parties[2].
d. In public procurement, sub-contractors in the supply chain should also be paid on time by the contractors.

[1] MACM published its Position Paper on 23rd January 2024

[2] The Commission shall introduce guidelines as to which goods and services fall under this category.

e. In case of late payment, the creditor cannot waive the interest rate of 8% plus ECB rate[3].
f. A minimum late payment penalty fee of €50 shall also be charged to the debtor failing to pay on time.
g. The creditor should not be prohibited to use factoring or other third-party services in the management of cash flow and collection of dues.
h. Every member state should have an enforcement authority to ensure that payment deadlines are strictly adhered to.

MACM is pleased to note that the European Commission is suggesting other proactive initiatives to combat late payment such as training in cash flow management and credit management. Trained employees would lead to good credit management practices in the market which would help to secure sound cash flow within the business community.

MACM is also pleased to note that the original draconian 'one size fits all' regulation has been adjusted albeit a number of concerns remain:

i. Freedom of contract concept still being curtailed,
ii. The industries that would be able to extend up to 120 days are still to be identified,
iii. Very often SMEs[4] are themselves buyers and the Regulation would apply to them equally,
iv. Businesses, especially SMEs, may need to find alternative financing which may be more expensive and cumbersome on the operation of the business,
v. It may impact negatively on the existing long standing business relationships,
vi. Businesses in temporary financial strains would not find adequate assistance from suppliers,
vii. Buyers may well find alternative suppliers from outside the EU market.

It is to be noted that the books sector is excluded from this Regulation.

[3] The current interest rate is 12.5%

[4] Following the vote taken by the European Parliament, a Press Conference was held and it was stated that this Regulation should help SMEs to get paid from their debtors on time. 98% of companies registered in the EU, amounting to around 24 million companies, are by definition SMEs. The primary concerns of SMEs across the EU market are bureaucracy and late payment which hinder them to grow, invest in their respective business and which in some cases lead to insolvency and bankruptcies.