

Tackling Late Payment: Prevention Over Regulation

The UK has long had a culture of late payment, and it's getting worse. Recent research shows businesses now spend an average of 86 hours a year chasing overdue invoices. That's around seven hours every month that could be spent on activities that actually grow the business.

When customers pay late, you're faced with uncomfortable decisions about covering payroll and supplier invoices, often turning to overdrafts or delaying your own payments, which damages relationships and adds costs that shouldn't exist.

The government announced significant proposals in the summer to tackle late payment, which is welcome. However, the regulations will primarily affect large businesses by government definition. For most small businesses, the customers causing problems are other SMEs, which means the solution lies in what you do yourself.

Taking proactive steps improves how quickly you get paid, and the fundamentals remain consistent whatever your business size.

Do your homework before you take on new customers. Check they can and will pay you. A customer who can't pay is worse than no customer at all.

Start with a clear contract that sets the foundation for your working relationship. Vague or missing terms create misunderstandings that cost you time and money later. Clear Terms & Conditions prevent disputes about scope, deliverables, and payment expectations before they happen.

Build consistent onboarding processes that confirm how and when customers will pay. Find out how their payment system works, who approves invoices, when payment runs happen, and what documentation they need. This prevents surprises and delays down the line.

Follow up systematically rather than sporadically. Send friendly reminders before invoices are due, not just after they're late. Be consistent - do what you said you'd do when you said you'd do it and respond promptly to what's actually happening with each customer.

When you chase sporadically, you train customers that your payment terms are flexible. When you're consistent, they learn your deadlines are exactly that!

Finally, make it easy for customers to pay you. Clear invoices, multiple payment options, and straightforward processes remove friction.

These steps won't eliminate late payment, but they will reduce how often it happens, how late invoices get, and how much time you spend chasing.

At Confident Cashflow, we help businesses implement best practice approaches that work for their situation. Whether reviewing processes, training teams, or taking credit control off your plate, the goal is getting the money flowing so you can focus on what you built the business to do.

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