

Calculating Late Payment Charges

Interest, Compensation & Reasonable Costs



The Late Payment of Commercial Debts Act

The Late Payment of Commercial Debts Act was introduced by the UK Government in 1998 to give businesses a statutory right to claim interest from other businesses for late commercial payment.

In 2002 changes were made to the legislation so that all businesses could also claim reasonable costs for commercial debt recovery.

The latest amendments to The Late Payment of Commercial Debts Act came in 2013 offering more protection to businesses against late payment.

The Late Payment of Commercial Debts Act Regulations 2013

The 2013 changes to the legislation mean that if no payment date has been agreed then a payment is legally deemed as late 30 days after:

- The customer receives the invoice

Or

- The goods or service is provided, if this is later than when the invoice is received by the customer.

How is late commercial payment interest calculated?

The statutory interest that you can charge another business for late commercial payment is 8% plus the Bank of England base rate for business to business transactions which currently sits at 5.25%. Therefore, the **late payment interest you can charge would be 13.25%.**

However, it is important to note that you cannot claim statutory interest if there is a different interest rate in the contract agreed between you and your customer.

Here is an example, a £5,000 invoice overdue by 50 days:

If your business is owed £5,000 then the annual statutory interest would be £662.50.

Divide £662.50 by 365 to get the daily interest, which would be £1.81506849.

£1.81506849 daily interest multiplied by 50 days gives £90.75.

£90.75 would be the statutory interest that could be added to a £5,000 invoice overdue by 50 days.

How to charge interest on unpaid invoices

Once you have calculated your interest you will need to send a new invoice to your customer with the interest added on.

The interest you calculate and add is charged on the gross amount including VAT although the interest does not include VAT.

Claiming compensation and reasonable costs

The Late Payment of Commercial Debts Act means businesses can also claim compensation as well as interest on late commercial payment.

The compensation that can be claimed is broken down as follows:

- £40.00 on debts under £1,000.00
- £70.00 on debts under £10,000.00
- £100.00 on debts £10,000.00 and over

As each individual invoice is classed as a debt the compensation can be claimed on each invoice.

Additional reasonable costs can be claimed if the costs of debt recovery are not met by the compensation.

How Darcey Quigley & Co can help you

Here at Darcey Quigley & Co our team are experts in pre-litigation debt collection and we have been recovering overdue commercial invoices for over a decade.

When we are instructed to recover unpaid invoices we always strive to also collect interest and compensation you are entitled to, as well as reasonable costs for debt recovery from your client.

Our free tool will calculate exactly how much interest, compensation and reasonable costs you are entitled to. If you are happy with the quote given you can instruct us to recover your debt and even upload your invoice, making our process even simpler.



Our Process



Discuss Your Unpaid Invoice With The Team

Send Case Documentation



Case Actioned Within 1 Hour

Debt Recovery Begins



Payment Received

Find out exactly how much interest and compensation you can claim here:

FREE QUOTE

