

# Late commercial payments: charging interest and debt recovery

## 1. When a payment becomes late

You can claim interest and debt recovery costs if another business is late paying for goods or a service.

If you agree a payment date, it must usually be within 30 days for public authorities or 60 days for business transactions.

You can agree a longer period than 60 days for business transactions - but it must be fair to both businesses.

If you do not agree a payment date, the law says the payment is late 30 days after either:

- the customer gets the invoice
- you deliver the goods or provide the service (if this is later)

## 2. Interest on late commercial payments

The interest you can charge if another business is late paying for goods or a service is 'statutory interest' - this is 8% plus the Bank of England base rate for business to business transactions. You cannot claim statutory interest if there's a different rate of interest in a contract.

**You cannot use a lower interest rate if you have a contract with public authorities.**

Check the [current Bank of England base rate and previous rates](#).

### Example

If your business were owed £1,000 and the Bank of England base rate were 0.5%:

- the annual statutory interest on this would be £85 ( $1,000 \times 0.085 = £85$ )
- divide £85 by 365 to get the daily interest: 23p a day ( $85 / 365 = 0.23$ )
- after 50 days this would be £11.50 ( $50 \times 0.23 = 11.50$ )

Send a new invoice if you decide to add interest to the money you're owed.

### 3. Claim debt recovery costs on late payments

You can also charge a business a fixed sum for the cost of recovering a late commercial payment on top of claiming interest from it.

The amount you're allowed to charge depends on the amount of debt. You can only charge the business once for each payment.

Amount of debt	What you can charge
Up to £999.99	£40
£1,000 to £9,999.99	£70
£10,000 or more	£100

These amounts are set by late payment legislation.

If you're a supplier, you can also claim for reasonable costs each time you try to recover the debt.

Read more on [recovering debt \(https://www.gov.uk/government/publications/late-payment-directive-user-guide-to-the-recast-directive\)](https://www.gov.uk/government/publications/late-payment-directive-user-guide-to-the-recast-directive).

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