

STATE OF THE ART REVIEW

Late Payment: International Comparative Legal & Regulatory Framework

SOTA Review No 70
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Late Payment: International Comparative Legal & Regulatory Framework

Scope: G7 Economies | EU Member States | Key UK Trading Partners & FDI Competitors

Focus: SME provisions | Sector-specific rules | Evidence of effectiveness

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LIST OF ABBREVIATIONS

Abbreviation	Full Name / Explanation
ACM	Autoriteit Consument & Markt (Netherlands Authority for Consumers and Markets)
ADR	Alternative Dispute Resolution
AEAT	Agencia Estatal de Administración Tributaria (Spanish State Tax Administration Agency)
AGCM	Autorità Garante della Concorrenza e del Mercato (Italian Competition Authority)
AICA	Agencia de Información y Control Alimentarios (Spanish Food Information and Control Agency)
ASBFEO	Australian Small Business and Family Enterprise Ombudsman
ASL	Aziende Sanitarie Locali (Italian Local Health Authorities)
AUD	Australian Dollar
B2B	Business-to-Business
BCISP	Building and Construction Industry Security of Payment (Act) [Singapore]
BGB	Bürgerliches Gesetzbuch (German Civil Code)
CEPANI	Belgian Centre for Arbitration and Mediation (Centre Belge d'Arbitrage et de Médiation)
CIPAA	Construction Industry Payment and Adjudication Act [Malaysia]
CMS	Centers for Medicare & Medicaid Services [United States]
CNAMTS	Caisse Nationale de l'Assurance Maladie des Travailleurs Salariés (French National Health Insurance Fund)
COM	(European) Commission document reference prefix, e.g. COM(2023) 533
CSRD	Corporate Sustainability Reporting Directive [EU]
DBT	Department for Business and Trade [UK]
DGCCRF	Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes (French Directorate-General for Competition, Consumer Affairs and Fraud Control)
DSIT	Department for Science, Innovation and Technology [UK]
EBC	European Builders Confederation
EC	European Community
ECB	European Central Bank
ERC	Enterprise Research Centre [UK]
ESRC	Economic and Social Research Council [UK]
EU	European Union
EWHC	England and Wales High Court
FDI	Foreign Direct Investment
FPC	Fair Payment Code [UK]
FR	Federal Register [United States]
FSB	Federation of Small Businesses [UK]
FY	Fiscal Year
G2B	Government-to-Business
G7	Group of Seven
GCA	Groceries Code Adjudicator [UK]
GOV.UK	The UK Government's official website/digital publishing service
GSCOP	Groceries Supply Code of Practice [UK]
GTR	Global Trade Review

HC	House of Commons [UK]
HGCRA	Housing Grants, Construction and Regeneration Act 1996 [UK]
HL	House of Lords [UK]
HMSO	His/Her Majesty's Stationery Office [UK]
ICISA	International Credit Insurance & Surety Association
ICQRF	Ispettorato Centrale della Tutela della Qualità e della Repressione Frodi (Italian Central Inspectorate for Quality Protection and Fraud Repression)
JFTC	Japan Fair Trade Commission
KFTC	Korea Fair Trade Commission
LME	Loi de Modernisation de l'Économie [France, 2008] (France Economic Modernisation Act)
LPCD Act	Late Payment of Commercial Debts (Interest) Act 1998 [UK]
LPR	Late Payment Regulation (European Commission)
MEF	Ministero dell'Economia e delle Finanze (Italian Ministry of Economy and Finance)
MSEFC	Micro and Small Enterprises Facilitation Council [India]
MSME	Micro, Small and Medium Enterprises
MSMED Act	Micro, Small and Medium Enterprises Development Act 2006 [India]
NHS	National Health Service [UK]
NRRP	National Recovery and Resilience Plan
NSW	New South Wales [Australia]
ODACC	Ontario Dispute Adjudication for Construction Contracts
PACA	Perishable Agricultural Commodities Act 1930 [United States]
PACTE Act	Loi relative au Plan d'Action pour la Croissance et la Transformation des Entreprises [France] (French Action Plan for Business Growth and Transformation)
PNRR	Piano Nazionale di Ripresa e Resilienza (Italy's National Recovery and Resilience Plan)
PTRS	Payment Times Reporting Scheme [Australia]
SBA	Small Business Administration [United States]
SBC	Small Business Commissioner [UK]
SCF	Supply Chain Finance
SCORE	Service Corps of Retired Executives (US small-business mentoring, non-profit)
SI	Statutory Instrument [UK]
SME	Small and Medium-sized Enterprise(s)
SMEA	Small and Medium Enterprise Agency [Japan]
SOPA	Security of Payment Act
TCC	Technology and Construction Court [England and Wales]
UK	United Kingdom
US	United States
USDA	United States Department of Agriculture
UTP Directive	Unfair Trading Practices Directive
VAT	Value Added Tax
Abbreviation	Full Name / Explanation
ACM	Autoriteit Consument & Markt (Netherlands Authority for Consumers and Markets)
ADR	Alternative Dispute Resolution

EXECUTIVE SUMMARY

Late payment is fundamentally a **structural power problem** where large buyers systematically extract interest-free working capital from their supply chains. While statutory rights exist in most developed economies, they are frequently nullified by the **asymmetric bargaining power** of large buyers who force smaller suppliers to waive these rights in favour of "alternative remedies." This imbalance creates a phenomenon of "**demand suppression**," where a majority of SMEs with valid interest claims choose not to pursue them to avoid damaging critical commercial relationships.

International evidence indicates that **proactive administrative enforcement** is significantly more effective than relying on private litigation. For example, **Japan's model**—which uses joint proactive inspections by regulatory bodies rather than waiting for complaints—has measurably reduced late payment incidence over nearly two decades. This success is driven by a non-waivable, **punitive interest rate of 14.6%** and a system that does not require an individual supplier to risk their relationship by filing a formal grievance. Similarly, **sector-specific adjudication**, particularly in construction, has proven to be a successful mechanism for shifting payment behaviour by providing rapid and low-cost binding determinations.

Transparency-only approaches, while helpful in driving some level of self-policing, have a documented **structural ceiling**. Evidence suggests that while transparency can improve reporting culture, it does not necessarily prevent payment defaults during periods of macroeconomic pressure unless it is backed by mandatory payment term limits and hard enforcement consequences.

The **UK's Commercial Payments Bill, now before Parliament** is designed to address these historical failure modes through a multi-faceted approach. Key measures include a **mandatory 60-day payment term cap**, the **removal of contractual opt-outs** for statutory interest, and the expansion of the **Small Business Commissioner's powers** to include proactive investigations and the ability to impose financial penalties. By combining mandatory obligations with accessible adjudication and board-level accountability, the framework aims to close the gap between legal rights and the practical reality of supply chain payments.

Key findings:

- UK: £26 billion owed in overdue invoices at any time; 14,000 business closures annually attributed to late payment (DBT, 2025a); Only 19% of microbusinesses pursue valid late payment claims, compared with 42% of large businesses, while 44% refrain due to concerns about damaging business relationships, highlighting power imbalances between small and larger firms (DBT, 2024).
- Japan: ¥1.35 billion restored to 3,026 subcontractors via 149 principal contractors in 2024, against 8,230 guidance cases and 21 formal recommendations (JFTC, 2025). Payment-delay detection rate has fallen from 8.01% in 2015 to 4.55% in 2024¹. The single largest case identified, ¥3.02 billion restored by Nissan Motor to 36 subcontractors in 2023, illustrates the scale enforcement now reaches.
- EU: Average B2B payment periods reached 60.3 days in 2024, exceeding the Directive's 30-day default. 52% of businesses reported late-payment difficulties (up 10 percentage points since 2021), and 56% accepted longer payment terms to preserve client relationships (EU Payment Observatory, 2025).
- Australia: PTRS produced 5.7 percentage point improvement in 30-day payment rates; B2B defaults doubled in 2024–25 (ASBFEO, 2025; CreditorWatch, 2025).
- Netherlands: 31% late payment problem incidence — lowest in EU — under a two-tier regime with a mandatory 30-day cap for large-company-to-SME payments (EU Payment Observatory, 2025).
- Kim et al. (2026): market-based discipline produces a mean 1.24% market value loss for buyer firms penalised for supplier exploitation, but this effect is significantly attenuated for high-profitability firms — confirming that market mechanisms alone are insufficient to discipline the large, profitable buyers most implicated in the UK's late payment problem.

¹ The official documents were obtained from the JFTC website in their original Japanese and translated into English using Google Translate. While machine translation may not fully capture all linguistic nuances, it was used to facilitate the analysis of the documents.

1. MACROECONOMIC AND STRUCTURAL CONTEXT

Late payment is structurally embedded in commercial relationships through asymmetric bargaining power between large debtors and SME creditors. The literature — anchored by Mateut, Bougheas and Mizen (2006) on trade credit and monetary policy transmission, and Summers and Wilson (2002) on payment norms — identifies late payment as both a symptom and a cause of SME financial fragility. Fabbri and Klapper (2016) demonstrate empirically that bargaining power differentials directly determine payment terms, with weaker suppliers systematically subject to longer credit periods. Garcia-Appendini and Montoriol-Garriga (2013) show how firms use trade credit as a liquidity buffer during financial stress, reinforcing the pattern whereby large buyers extract financing from their supply chains at the expense of SME cash flows.

Three structural drivers recur across the international literature:

- **Power asymmetry:** Large buyers leverage payment term extensions as de facto, interest-free working capital finance from their supply chains. The implicit cost is offloaded onto SME suppliers, who may lack the negotiating power to resist or the legal knowledge to enforce statutory rights (Giannetti, Burkart and Ellingsen, 2011).
- **Relationship dependency:** Survey evidence consistently shows SMEs decline to invoke late payment interest or dispute mechanisms for fear of damaging commercial relationships. The EU Payment Observatory (2025) found that 56% of EU companies accept longer payment terms to preserve customer relationships in 2024 (up from 55% in 2023 and 49% in 2020) — a figure corroborating earlier UK Federation of Small Businesses (FSB) survey findings and the DBT's 2024 payment practices research (DBT, 2024).
- **Enforcement gap:** Even where robust statutory rights exist — as under the UK's 1998 Act or the EU's 2011 Directive — actual take-up of interest claims is very low among SMEs. The UK SBC Statutory Review acknowledged the Commissioner was 'prevented from acting on evidence of poor payment practices because some small businesses have wanted to avoid conflict with significant and influential customers' (DBT, 2023a). This is consistent with operations-management evidence beyond the EU and UK: Esenduran, Gray and Tan (2022) note that comparable voluntary-participation initiatives — the EU's pre-reform Directive and the US's Supplier Pay Initiative alike — “have not been very effective, partially due to their framework of voluntary participation,” reinforcing that the design choice between voluntary and mandatory enforcement, not merely the existence of a right, determines outcomes.

Industry discussion at a late payment roundtable event hosted by the ERC, DBT and the OSBC, on 16 June 2026 raised several further considerations relevant to this review's framing, without resolving them. Discussants questioned whether late payment is sufficiently understood as a behavioural and organisational problem — rooted in bureaucratic inefficiency and the ability of large buyers to “get away with it” absent consequences — rather than purely a technical one requiring a technical fix. They also raised whether cross-country differences in payment culture, such as Japan's strong norm of prompt payment reinforced by a sense of duty and the social cost of being a late payer (see section 3.3), offer transferable lessons for shifting UK payment culture; and whether limited SME awareness of statutory rights, combined with an implicit expectation that smaller suppliers must flex to larger buyers' needs, is itself a barrier policy should address directly.

The macroeconomic consequences are compounding. McGuinness, Hogan and Powell (2018) demonstrate that late payment significantly raises SME insolvency risk. Late payment constrains investment, reduces productivity growth, and — through supply chain contagion — can transmit financial distress upstream and downstream, with the European Commission (2023) estimating that one in four EU bankruptcies is attributable to invoices not paid on time. Esenduran, Gray and Tan (2022) show that extending payment terms can backfire on the buyer, not just the supplier — directly relevant to a question raised at the same 2026 industry event about the unintended consequences of policy change for large businesses that currently rely on holding onto supplier cash. After a supplier recovers from a disruption, the buyer's orders tend to surge — the authors call this “Order Amplification” — which strains the supplier's cash flow right when payment delays are longest, ultimately harming the buyer's own financial performance too. This challenges the common assumption that extending payment terms costs the buyer nothing. The trend itself is well documented: companies including Anheuser-Busch InBev, General Mills and Coca-Cola have been reported paying suppliers in 90–120 days; Mars moved to 120-day terms “to align... with the trends of its peers”; Mondelez averaged 130 days in early 2021, up from 122 the year before; and average days payable outstanding (DPO) rose from 76 to 83 in Europe and from 59 to 69 in the US between 2004 and 2017 (Esenduran et al., 2022).

2. UNITED KINGDOM: EXISTING FRAMEWORK AND PROPOSED LEGISLATION

2.1 Current Legal Architecture

The UK's foundational statute is the Late Payment of Commercial Debts (Interest) Act 1998 (LPCD Act), which provides all commercial creditors with a statutory right to claim interest at 8% above the Bank of England base rate on overdue commercial debts, plus fixed compensation of £40–£100 depending on invoice value. The Reporting on Payment Practices and Performance Regulations 2017 require large companies to publish semi-annual data on payment performance. A voluntary Fair Payment Code (formerly Prompt Payment Code) supplements this. In practice, the regime has been widely regarded as under-enforced.

2.1.1 Late Payment of Commercial Debts (Interest) Act 1998

The LPCD Act provides all commercial creditors with a right to claim statutory interest at 8% above the Bank of England base rate on overdue debts, plus fixed compensation. The 2013 amendment transposed the revised EU Late Payment Directive. Critically, the Act permits contractual opt-out: parties may agree an alternative remedy provided it constitutes a 'substantial remedy' for late payment (LPCD Act 1998, s.8). In practice, large buyers have used this to exclude or reduce the statutory rate, substantially undermining the Act's protective intent for SMEs. This waiver provision is the central design flaw directly targeted by the proposed mandatory interest reform (DBT, 2026).

Effectiveness Evidence Notes | **MIXED:** *The LPCD Act's rights are formally robust but practically under-exercised. The 2024 DBT payment practices research (DBT, 2024) found that most SMEs do not routinely claim statutory interest, primarily to preserve customer relationships. The effective nullification of the Act through contractual opt-out by large buyers represents a documented market failure that the proposed mandatory interest provision is calibrated to correct.*

SME Provisions: Late Payment of Commercial Debts (Interest) Act 1998

The LPCD Act 1998 applies regardless of company size, but SME creditors benefit disproportionately given the concentration of late payment impact: SMEs have weaker bargaining power to resist extended terms and fewer resources to absorb cash flow disruption.

Fixed compensation: £40 (invoices under £1,000), £70 (£1,000–£9,999), £100 (£10,000+) — payable without proof of actual loss.

The Small Business Commissioner (SBC), established under the Enterprise Act 2016, provides a complaints mechanism and mediation service but lacks binding powers — a structural gap noted in multiple parliamentary inquiries.

SME: Effectiveness Evidence Notes

LPCD Act 1998 had a statistically significant but modest effect on payment durations in the first five years post-enactment, with the effect diminishing among micro-enterprises.

The 2016 Government review found widespread awareness of rights (80%+) but that 60%+ of those owed late payment compensation never claimed it.

The 2023 Intrum European Payment Report placed UK average payment days at 43 days (B2B), with SME-reported experience averaging 55 days — a 12-day gap between contracted and actual payment.

2.1.2 Reporting on Payment Practices and Performance Regulations

The Reporting on Payment Practices and Performance Regulations 2017 (SI 2017/395), extended by the 2024 Amendment Regulations (to April 2031), require large companies — broadly, those exceeding two of: £36 million turnover, £18 million balance sheet, 250 employees — to publish semi-annual reports on payment practices. Required disclosures include: average payment days; percentage of invoices paid within 30, 31–60, and 60+ days; percentage paid late; and from January 2025, the total value of late payments. Failure to report or false reporting is a criminal offence for the company and its directors. A further review is scheduled by April 2029 (DBT, 2023c).

Effectiveness Evidence Notes: *The Reporting Regulations are the most demonstrably effective element of the UK's existing framework. Build UK (2022) credited the Regulations as 'an essential catalyst for changing the industry culture around payment' in construction, with substantial improvement among members since 2018. However, only 31% of all businesses surveyed were aware of the Reporting Regulations, rising to just 42% among large businesses potentially in scope (DBT, 2024) — indicating significant compliance and data quality risks.*

2.1.3 The Small Business Commissioner

The Small Business Commissioner (SBC) was established under Part 1 of the Enterprise Act 2016 and launched in December 2017. Its statutory functions include providing advice and information to small businesses and investigating complaints from small businesses (fewer than 50 employees) against larger businesses, making non-binding recommendations. The SBC also administers the Fair Payment Code (launched December 2024), a voluntary tiered scheme with Gold, Silver, and Bronze awards.

Three critical limitations are identified in the 2023 statutory review: the SBC can only investigate when a small business complains (no proactive powers); its recommendations are non-binding; and its scope is restricted to small vs large disputes. The SBC was found to be prevented from acting on evidence of poor payment practices because some small

businesses have wanted to avoid conflict with significant and influential customers' (DBT, 2023a).

Effectiveness Evidence Notes: *Since launch, the SBC has helped recover several hundred thousand pounds in late payments annually for small businesses (£320,316 in 2024/25; £390,900 in 2023/24; £283,458 in 2022/23; £205,776 in 2021/22) modest relative to the estimated £26 billion outstanding. The 2023 statutory review concluded the office had 'limited impact', attributing this to insufficient investigative powers and low public awareness.*

SME Provisions: Small Business Commissioner

The SBC's complaint jurisdiction is explicitly limited to small businesses (fewer than 50 employees) — making it structurally SME-protective in design.

The SBC's non-binding status means that even where it identifies poor practice, it cannot compel compliance: the primary reason the 2025–2026 reform substantially expands its powers.

The Fair Payment Code (2024) replaces the Prompt Payment Code with a tiered voluntary scheme: Gold (95% within 30 days), Silver (95% within 60 days), Bronze (50% within 30 days).

2.1.4 Public Procurement Framework

The UK has progressively tightened payment obligations in public procurement. The Procurement Act 2023 requires, from October 2025, government departments to conduct spot checks on contracts above £5 million to verify that lower-tier suppliers are paid within 30 days. Bidders for contracts above £5 million must demonstrate average payment performance of 55 days (tightening to 45 days from April 2025 and 30 days in coming years).

Effectiveness Evidence Notes | *The DBT's Payment and Cash Flow Review (2023b) found evidence that sectors that supply goods or services to government have been improving. Government's own central payment performance shows an average of 21 days — demonstrating that hard deadlines backed by real contractual consequences drive materially better outcomes than voluntary approaches. This is the strongest effectiveness evidence within the existing UK framework.*

2.1.5 Overall Assessment: Three Documented Failure Modes

- **Waiver/opt-out failure:** The contractual waiver of statutory interest by large buyers undermines the LPCD Act's core protection for SMEs with weaker bargaining positions.
- **Demand suppression:** SMEs systematically decline to enforce rights they hold, due to relationship dependency — a pattern confirmed by UK survey data (DBT,

2024) and the EU Payment Observatory (2024). No current regulatory mechanism compensates for this suppression.

- **Enforcement body weakness:** The SBC's lack of proactive investigation powers, binding enforcement capability, and public profile limits its function as a deterrent (DBT, 2023a).

2.2 From Research and Consultation to Bill: The Commercial Payments Bill

Late payment has long been recognized as a significant problem for businesses. However, until 2025 there has been a lack of methodologically robust evidence on the nature and magnitude of this problem. A study delivered by London Economics for the Department for Business and Trade and the Office of the Small Business Commissioner bridged this evidence gap and provided the first comprehensive analysis of the impact of late payments on UK businesses and the UK economy (DBT, 2025a). The key findings of the study were that:

- Late payments cost the UK economy almost £11 billion per year.
- £26 billion is owed in overdue invoices at any time².
- More than one quarter of UK businesses are affected by late payments each year.
- Approximately 133 million hours of staff time are spent chasing late payments each year.
- 14,000 businesses a year (or 38 every day) close as a direct result of late payments.

Following a public consultation (31 July–23 October 2025) that received over 850 responses, the Government published its response — "Late payment consultation: time to pay up" — on 24 March 2026 (DBT, 2026), describing the package as the most significant late payment legislation in over 25 years and intended to give the UK the strongest legal framework on late payments in the G7.

The Government's 60-day cap proposal received 66% support among consultation respondents (DBT, 2026). On 19 May 2026 the measures were introduced to Parliament as the Commercial Payments Bill [HL] (publicly badged the "Small Business Protections Bill"); the Bill received its Second Reading in the House of Lords on 9 June 2026, and is at the time of writing in Grand Committee (UK Parliament, 2026; Hansard, 2026). The headline measures are:

- Maximum payment terms of 60 days (hard cap) between businesses — and 30 days for payments by public authorities — with limited exemptions where both parties are large companies, the purchaser is the smaller party, or goods/services are imported or exported. The Government has indicated this provision will not be

² Greg Watson has indicated that by his calculations, based on Payment Practice Reports for the 6 months to 30 June 2025 and reported on 6 October, an estimated £23bn would be delivered to smaller companies if average payment times were 'one week faster'. This is consistent with the estimate of £26bn due in breach of contract reported by smaller companies in the London Economics report for the DBT.

implemented earlier than 2027, to allow businesses time to adjust (DBT, 2026; Mayer Brown, 2026).

- Mandatory statutory interest at 8% above Bank of England (BoE) base rate on all late commercial payments, with the ability to contract out removed.
- A statutory time limit for raising invoice disputes (30 days), beyond which the debtor must pay in full plus compensation.
- Expanded SBC powers: to investigate, compel disclosure, adjudicate payment disputes, and impose financial penalties on persistent late payers (calibrated to unpaid statutory interest), with potential fines reported by Government as worth "tens of millions" for the worst offenders (DBT, 2026).
- Board-level scrutiny: large companies with persistently poor payment records must publish commentary on GOV.UK explaining causes and remediation plans.
- Mandatory interest reporting: large companies must disclose the statutory interest owed to and paid to suppliers.
- Construction retention prohibition: ban on deduction/withholding of retention payments under construction contracts.

DBT's economic impact analysis frames the scale of benefit these reforms are intended to capture. Approximately 84% of late payments to UK businesses (by volume) originate from UK-based customers, meaning the great majority of the estimated £11 billion annual cost to the UK due to late payments falls within the reach of domestic legislation (overseas customers' payment behaviour is largely outside the Bill's reach). On that basis, the analysis estimates that even a 10% reduction in poor payment practices by UK businesses could generate economy-wide savings of approximately £900 million a year, rising to around £4.5 billion a year for a 50% reduction (DBT, 2025a).

2.2.1 Legislative Design and Policy Commentary

The UK package is notable for combining hard-law payment term limits with an empowered, specialist enforcement agency — a combination absent from most comparable jurisdictions. The mandatory interest provision, which eliminates contractual opt-outs, directly addresses the power asymmetry that renders voluntary rights hollow for SMEs. The SBC adjudication model, drawing on construction sector precedent, offers an accessible, lower-cost alternative to litigation.

Key analytical tensions raised in the consultation, included: risk of '60-day bunching' (late payers simply migrating to the new maximum); supply chain finance market disruption; and international competitiveness concerns from large businesses with global supply chains. The Bill's international trade exemption — for imported or exported goods/services — recognises that imposing UK payment term standards unilaterally on cross-border transactions could disadvantage UK exporters in markets where longer terms are normal. As the Bill remains in Grand Committee at the time of writing, its detailed clauses — including the precise scope of exemptions and the calibration of SBC penalties — remain subject to amendment before Royal Assent (UK Parliament, 2026).

3. The G7 Economies

3.1 United States

The United States has no federal statute governing B2B payment terms. The Federal Prompt Payment Act 1982 (31 U.S.C. §3901 et seq.) applies exclusively to federal government procurement, requiring agencies to pay contractors within 30 days and accruing interest penalties at the Treasury-published rate. The 2023 Federal Acquisition Regulation amendment introduced accelerated payment obligations for small business prime contractors and subcontractors on federal contracts. B2B transactions are governed, where at all, by fragmented state laws, primarily through construction sector mechanics' lien statutes.

The US approach reflects a philosophical preference for freedom of contract and primacy of market mechanisms. From a UK FDI competitiveness perspective, the US framework creates an asymmetry: UK SMEs trading with US multinationals may be subject to 90–120-day payment terms, with the international trade exemption in the UK's proposed 60-day cap providing partial protection.

Effectiveness Evidence Notes | MINIMAL (B2B). *Construction sector state lien rights are effective as a last-resort remedy but costly and procedurally complex to exercise, with many SMEs lacking the resources to pursue them (Levelset, 2023). The US represents the most significant protection gap among G7 economies.*

SME Provisions: United States

The Small Business Administration (SBA) and SCORE provide advisory support only — no statutory B2B payment term protection.

PACA (Perishable Agricultural Commodities Act, 1930): trust mechanism protecting agri-food SME suppliers — 10-day payment terms; recovers approximately \$100m+ annually in disputed payments (USDA data). Among the world's most effective sector-specific payment protection regimes.

Several states have enacted prompt payment statutes covering state procurement; no state has a general B2B statutory payment term cap.

Construction sector: state lien rights are effective but expensive for SMEs to exercise, with many lacking resources to pursue claims.

3.2 Canada

Canada's most significant late payment legislation is at the provincial level for construction. Ontario's Construction Act 2018 introduced: statutory payment timetables (28 days from contractor to subcontractor; 7 days from subcontractor to sub-subcontractor); mandatory adjudication for payment disputes; and prohibition on pay-when-paid clauses. The federal Prompt Payment for Construction Work Act 2019 extended similar principles federally. DLA Piper's (2025) comparative bulletin identifies Canada (led by Ontario) alongside Australia, the UK, and Singapore as having the most effective construction payment regimes globally.

Outside construction, Canadian SMEs in most sectors lack any statutory payment term protection at federal level.

Effectiveness Evidence Notes | **STRONG** (construction); **ABSENT** (general B2B): Ontario's adjudication model (ODACC) has produced strong results: in fiscal year 2023, 269 adjudications were commenced; 65% of 161 determinations were issued within the statutory 30-day timeline (ODACC Annual Report, 2023). The regime has expanded to Alberta and Saskatchewan (2022). Bill 60 (2025, in force January 2026) further strengthened the Act.

SME Provisions: Canada
Outside construction, Canadian SMEs in most sectors lack any statutory payment term protection at the federal level — a critical structural gap.
Construction adjudication (Ontario/ODACC) is the primary SME payment protection mechanism in Canada, providing rapid binding determinations at modest cost.
No federal general B2B enforcement body exists. The absence of a federal legislative framework for general sectors means most Canadian SMEs rely solely on civil litigation.

3.3 Japan

Japan has the most explicitly SME-targeted late payment statute among major economies. The original Subcontract Act (1956) protected small subcontractors from exploitation by large principal contractors in Japan's distinctive keiretsu supply chain structure, imposing a 60-day maximum payment term and a punitive 14.6% per annum late payment rate. In May 2025, the Act was substantially reformed and renamed the Act Against Delay in Payment of Fees to Small and Medium-sized Entrusted Business Operators (the Proper Transactions Act) (One Asia Lawyers, 2025; DLA Piper, 2025). Key changes include: expansion beyond manufacturing to service sectors; employee headcount as an additional threshold criterion; 11 new prohibited conduct categories; and prohibition of promissory note payments.

Enforcement is conducted jointly by the Japan Fair Trade Commission (JFTC) and the Small and Medium Enterprise Agency (SMEA) through proactive on-site inspections, guidance, name-and-shame publication, and fines — a model contrasting sharply with complaint-dependent regimes.

What distinguishes Japan's model is less the statutory text than the scale and proactivity of enforcement. The JFTC and SMEA jointly run compulsory annual written surveys of parent companies and their subcontractors — one of the largest compliance-monitoring exercises among the comparators in this report. The surveyed population has grown materially: from roughly 39,000 parent companies and 214,000 subcontractors in 2015 to 90,000 parent companies and 330,000 subcontractors in 2024, an expansion the JFTC states was specifically designed to strengthen scrutiny of price-gouging and free mould-storage practices (JFTC, 2018; JFTC, 2025).

Effectiveness Evidence Notes | STRONG — Japan shows the most empirically substantiated enforcement effectiveness among comparators. Formal recommendations issued by the JFTC rose from 6 (FY2022) to 13 (FY2023) to 21 (FY2024) — the highest annual total since the Heisei era — reaching 26 by December 2025, while guidance caseload stayed broadly flat (8,665 to 8,268 to 8,230), suggesting an escalation in severity rather than mere volume (JFTC, 2018; JFTC, 2025; Lexology, 2026). In 2024 alone, 149 principal contractors were ordered to restore approximately ¥1.35 billion in underpayments to 3,026 subcontractors, while the single largest restitution identified in this review was Nissan Motor's repayment of ¥3.02 billion to 36 subcontractors in 2023. The payment delay rate — calculated as the number of payment delays recorded relative to the number of surveyed parent companies — fell steadily, from 8.01% in 2015 to 4.55% in 2024 (JFTC, 2018; JFTC, 2025). This decline coincided with the closure of key circumvention routes: the April 2024 closure of the bills-of-exchange discount-period loophole, followed by the May 2025 statutory ban on promissory-note payment and on factoring/electronic-claims arrangements that delay full receipt, removed the principal mechanism by which the nominal 60-day cap had historically been circumvented. Throughout this period, the 14.6% statutory interest rate has been maintained without apparent market disruption, demonstrating that punitive rates are compatible with a functioning supply chain economy.

SME Provisions: Japan — Proper Transactions Act 2025

The Act is explicitly SME-protective by design: it applies to defined 'parent' companies that subcontract to smaller businesses, determined by capital size thresholds and employee headcount — not a general commercial payment law.

2025 reform expands coverage to companies with over 300 employees (manufacturing) or 100 employees (services), materially broadening SME protection.

14.6% per annum punitive interest — by far the highest statutory rate among comparators — creates a strong deterrent against exploitation of smaller counterparties.

Record-keeping requirements: parent companies must maintain transaction records available for JFTC inspection, enabling proactive surveillance.

Prohibition of promissory note payments directly closes a mechanism used to extend effective payment times beyond the statutory 60-day cap.

3.4 France

France operates under the Loi de Modernisation de l'Économie 2008 (LME), codified in Articles L441-10 et seq. of the Code de Commerce. The default payment term is 30 days from delivery; by contractual agreement this may extend to 60 calendar days from invoice date, or to 45 days end-of-month (Légifrance, 2024a). These ceilings are a matter of public order and cannot be waived or exceeded by contract (Légifrance, 2024b). Late payment penalties accrue automatically from the day after the due date, calculated at the ECB refinancing rate plus ten percentage points (12.15% in 2025), with a mandatory flat-rate recovery indemnity of €40 per invoice (Victoris Avocat, 2026). Enforcement falls to the DGCCRF, which may impose administrative fines of up to €2 million per legal entity,

doubling to €4 million for repeat offenders within two years, with mandatory public naming under the name-and-shame provisions introduced by the PACTE Act (Victoris Avocat, 2026). Sector-specific derogatory arrangements are formally recognised: professionals within a given sector may jointly propose modified payment terms, which a ministerial decree may then extend to all operators in that sector (Légifrance, 2024b).

Effectiveness Evidence Notes | MODERATE-STRONG: France has the most active administrative enforcement regime among EU Member States, and the LME produced measurable improvements in payment behaviour among smaller firms following its introduction: Dietsch, Gonzalez and Petey (2021), using Banque de France FIBEN data covering around 100,000 French firms over 2004–2017, find that small firms and SMEs identified as late payers (payables exceeding 60 days) subsequently reduced their payment delays by 9 and 5 days on average respectively, with the reduction concentrated in the years immediately following the LME's 2009 implementation — but find no statistically significant adjustment among large firms (turnover above €1.5bn), which on average retained the liquidity extracted from suppliers rather than reducing delays, consistent with a bargaining-power rather than a financing-need explanation for large-buyer late payment. In 2024, the DGCCRF issued 217 fines totalling €35.9m. However, intensifying enforcement has not arrested deteriorating compliance. The EU Payment Observatory (2025) reports that 64% of French companies experienced problems caused by late payments in 2024 — 12 percentage points above the EU average and the most pronounced deteriorating trend among comparable EU countries (EU Payment Observatory, 2025). Average B2B payment periods reached exactly the 60-day legal ceiling in 2024, while supplier-reported G2B periods reached 73 days — significantly above the 17 days recorded by French public authorities using e-invoicing data, a discrepancy the report attributes to differences in methodology between perception-based surveys and administrative records (EU Payment Observatory, 2025). The hospital sector remains structurally non-compliant, averaging 63.4 days in metropolitan France and 121.5 days in Overseas Territories (EU Payment Observatory, 2025).

SME & Sector Provisions: France

France's Observatoire des délais de paiement (Banque de France) publishes annual reports tracking payment performance by sector and firm size — a data infrastructure model relevant to the UK's proposed mandatory interest reporting.

The LME's non-waivable penalty rate directly prevents large buyers from contracting out of late payment obligations — the same design principle being adopted in the UK's proposed reform.

sector-specific SME protection for agri-food suppliers, including 30-day maximum terms for perishables and DGCCRF sanctions up to 2% of annual turnover.

SME & Sector Evidence: France

Smaller firms consistently outperform larger ones on payment timeliness, yet bear a disproportionate share of the cash flow burden. Micro-companies lead with 53% of payments made on time in 2024 — the only size category above 50% — though this marked a six-point deterioration from the prior year, ending the positive trend observed since 2020. Small companies follow at 40%, medium-sized firms at 21%, and large companies at just 15%, confirming a clear inverse relationship between firm size and payment discipline (EU Payment Observatory, 2025). According to Banque de France data, French micro-enterprises, SMEs, and ETIs experienced a combined cash flow loss of approximately €17 billion due to late payments in 2024 — of which €12 billion originated from very large enterprises. Disaggregated, SMEs lost €9 billion, ETIs €4 billion, and micro-enterprises €4 billion in cash flows that would otherwise have been available to them.

Construction is the sole sector achieving on-time payment rates above 50%, at 62% in 2024. The transport and distribution industry performs worst at 33% (EU Payment Observatory, 2025). Enforcement activity does not closely track compliance: according to DGCCRF data, wholesale attracted the highest number of fines (33 cases, totalling nearly €8 million), followed by construction (17 cases) — suggesting that inspectorate targeting reflects sectoral audit priorities and the volume of transactions under review as much as underlying payment behaviour (DGCCRF, 2024).

3.5 Germany

Germany relies on BGB §286–288 (Civil Code) for B2B late payment interest, set at 9% above the ECB base rate for commercial debts, with no specialist enforcement body beyond civil courts and no aggregate enforcement statistics, as the model relies entirely on private litigation.

Effectiveness Evidence Notes | MODERATE: *In 2024, 43% of German companies reported experiencing problems caused by late payments — the fourth lowest share in the EU and nine percentage points below the EU average of 52% — though this marked a significant deterioration from the stable 33–34% recorded consistently between 2019 and 2023 (EU Payment Observatory, 2025). B2B average payment periods stood at 40 days, among the shortest in the EU and largely unchanged across the six-year period from 2019 to 2024 (EU Payment Observatory, 2025). G2B performance deteriorated sharply, however: average payment periods rose from 64 to 71 days in 2024 — a 10.4% year-on-year increase and the second largest rise recorded across EU Member States — placing Germany fifth among the longest G2B payers in the bloc (EU Payment Observatory, 2025)*

SME & Sector Evidence: Germany

Micro and small companies achieve 66% and 65% on-time payment rates respectively in 2024, among the strongest SME performances in the EU, though both represent a three-percentage-point reduction on 2023. Micro-enterprises outperform large companies by a factor of 1.8 on payment timeliness (EU Payment Observatory, 2025).

Construction leads with 69% of payments settled on time; transport and storage industry is weakest at 54%. All German sectors recorded a deterioration relative to 2023 (EU Payment Observatory, 2025). Payment term length varies substantially by industry: the automotive sector carries the longest average terms at 45.8 days — nearly twice those in construction at 24.7 days (EU Payment Observatory, 2025; Atradius, 2025).

3.6 Italy

Italy transposed the EU Late Payment Directive through D.Lgs. 231/2002, establishing a 30-day default term (extendable to 60 days by agreement) and late payment interest at 8% above the ECB base rate. Enforcement relies on civil litigation with no dedicated administrative body, a design the evidence suggests has limited practical reach for SME creditors. Italy has been subject to European Commission infringement proceedings over G2B non-compliance, prompting structural reforms including mandatory e-invoicing — the first EU Member State to do so — and binding G2B payment targets within its PNRR (EU Payment Observatory, 2025).

Effectiveness Evidence Notes | IMPROVING: Aggregate performance improved in 2024: Italy was one of only five EU countries where the share of companies reporting late payment problems fell, recording a 6 percentage points reduction — the second largest in the EU — to 48%, below the EU average of 52%; B2B average payment periods fell to 59.6 days, a two-day improvement on 2023 (EU Payment Observatory, 2025). G2B performance is contested: official MEF data show average public administration payment times reduced from 43 days in 2019 to 30 days in 2024, meeting eight PNRR targets; supplier-reported Intrum data show 70 days. The EU Payment Observatory attributes the gap partly to methodology but also notes that public administrations may strategically settle larger invoices on time while systematically delaying smaller ones — the invoices most likely held by SME suppliers (EU Payment Observatory, 2025).

SME & Sector Provisions and Evidence: Italy

Italy transposed EU Directive 2019/633 on unfair trading practices in the agri-food supply chain via D.Lgs. 198/2021, establishing a dedicated enforcement body (ICQRF) with inspection and sanction powers — a sector-specific model that functions better than the general framework.

58% of Italian companies extended payment terms to preserve client relationships in 2024 (up from 46% in 2020), and 47% accepted longer terms to avoid client insolvency risk — confirming that statutory rights are systematically subordinated to commercial survival pressures by SME suppliers dependent on large buyers (EU Payment Observatory, 2025).

Healthcare sector: Italian public health services (Aziende Sanitarie Locali) were among the most chronic late payers in the EU prior to PNRR reform, with historical delays averaging 90–180 days against a 60-day legal maximum. Following European Commission infringement proceedings and the incorporation of binding healthcare payment targets into Italy's PNRR, the average payment time in the healthcare sector fell to 35 days in 2024 — within the 60-day legal maximum for health institutions (EU Payment Observatory, 2025). Structural compliance concerns persist, particularly for smaller invoices held by SME suppliers.

Conti et al. (2021) find, in a cross-country EU study, that firm exit rates fall more in sectors that sell a larger share of output to government following the EU's 2011/7/EU Directive, with effects most pronounced in sectors with a high share of small firms and in countries with longer pre-existing payment delays and weaker institutional quality — a pattern consistent with, though not identical to, the construction- and healthcare-specific exposure documented for Italy elsewhere in this section. In 2024, 48% of Italian companies reported experiencing problems caused by late payments — below the EU average of 52% and a six-percentage-point improvement on 2023 (EU Payment Observatory, 2025).

4. EUROPEAN UNION: FROM DIRECTIVE TO FAILED REGULATION

4.1 Directive 2011/7/EU — Framework and Effectiveness

The EU's foundational instrument, Directive 2011/7/EU on combating late payment in commercial transactions, replaced the 2000 Directive and required Member States to transpose by March 2013. The Directive establishes: a 30-day default payment period for B2B transactions (extendable to 60 days if not 'grossly unfair'); a 30-day default for G2B extendable to 60 days in exceptional circumstances; automatic interest accrual at 8% above the ECB reference rate; and a minimum €40 flat-rate compensation per overdue invoice. The “grossly unfair” test in Article 7 has itself become a focal point of contention. Véronique Willems, Secretary General of SME United — the EU-wide SME association that has worked on late payment for over a decade — told an industry panel at a DBT-OSBC-ERC Roundtable discussion event in 16 June 2026 that her organisation's current focus is specifically on what “grossly unfair” means in practice in disputes, reflecting the absence of a settled definition and the resulting uncertainty over when an agreed term crosses the threshold. This interpretive gap helps explain why the Directive's nominal 60-day ceiling has not constrained observed B2B payment periods in practice.

Effectiveness Evidence Notes | POOR. *Despite over 13 years in force, the EU Payment Observatory (2025) found average EU B2B payment periods at 60.3 days in 2024 — above the Directive's 30-day default in virtually all Member States. Average G2B payments approached 70 days. A deteriorating trend is confirmed: 52% of EU companies reported difficulties from late payment in 2024, up 10 percentage points from 2021. Large companies remain the worst payers in 16 of 20 Member States analysed. Intrum's 2025 European Payment Report warns that late payments may put 10 million EU companies at risk (European Parliament, 2025). A particular weakness lies in enforcement design: 37% of respondents to the European Commission's 2025 SME Panel Survey considered sanctions an insufficient deterrent against late payment, and a third felt existing rules are not systematically enforced (EU Payment Observatory, 2025).*

SME Provisions: EU Directive 2011/7/EU

The Directive's 'not grossly unfair' carve-out for B2B has been criticised as creating conditions for large buyers to coerce extended terms from supplier SMEs.

60% of businesses that experienced late payment never claimed rights to interest or compensation under the Directive (EU Commission Study, 2022)

If B2B payments were systematically made at 30 days rather than prevailing averages, business cash flow would increase by 66%; at a uniform 60-day standard, the improvement would be 10% (Ferrara and Ferrares, 2022).

Companies spend on average 9.85 hours per week chasing late payments, with the burden falling disproportionately on smaller firms (EU Payment Observatory, 2025).

4.2 The Proposed Late Payment Regulation (2023) and Its Collapse

In September 2023, the European Commission proposed a Regulation (COM(2023) 533) to replace the 2011 Directive with a hard 30-day maximum payment term for all commercial transactions. The European Parliament adopted its first-reading position in April 2024, introducing some flexibility. However, the Council process collapsed under opposition led by Germany. European SCF volumes were estimated at US\$534 billion in 2024 (Global Trade Review, 2026). The Polish Council Presidency's final compromise failed in early 2025; the Danish Presidency declined to schedule further discussion. The LPR is effectively dead as of April 2026.

At a DBT-OSBC-ERC Roundtable discussion event in 16 June 2026, Véronique Willems, Secretary General of SME United, identified two specific concerns that blocked Member State agreement in Council: the resourcing required to stand up new national enforcement authorities, and lobbying from large businesses to preserve freedom of contract — concerns directly analogous to the SBC-resourcing risk identified for the UK's own proposal (see section 8.6 below). While the Council process has stalled with no Presidency currently willing to schedule further discussion, Willems maintained that the proposal “is not dead” and reported that SME United remains in active discussion with the Commission to bring it back onto the table. This illustrates that stakeholder advocacy has outlasted the formal legislative process, even though it has not altered the Council's position.

Beyond the headline 30-day cap, the proposal would also have barred creditors from waiving their right to claim interest and required Member States to designate national authorities empowered to investigate and sanction late payment on their own initiative — provisions aimed squarely at the demand-suppression problem, whereby most EU creditors never exercise their existing rights to interest and compensation. The collapse of the proposal therefore represents not only the loss of a harmonised payment term, but also of the EU's first attempt at a proactive, rather than complaint-driven, enforcement model.

The collapse of the EU LPR creates a window for the UK's more moderate but better-enforced 60-day cap to establish itself as the de facto G7 standard. The UK's proposed 60-day cap — with mandatory interest and an empowered enforcement body — is architecturally more sophisticated than the EU's 30-day proposal, which lacked credible enforcement provisions even in its most ambitious form.

Reactions to the underlying question of a single standardised payment term were themselves divided among industry participants at the same panel. A Barclays representative, noting the bank had already signed up to the UK's voluntary 30-day Fair Payment Code, described a single 60-day standard as “a regressive step,” while an Intuit representative — whose company's global standard terms are 45 days — indicated that standardised definitions and calculation methods would be welcome regardless of the specific cap chosen. This divergence suggests that contestation over the EU's 30-day figure reflected disagreement over the level of any harmonised cap, not only over harmonisation in principle.

5. EU MEMBER STATES (EXCLUDING G7 MEMBERS)

5.1 Netherlands

Dutch law (Burgerlijk Wetboek, Book 6, supplemented by Wet Betaaltermijnen Grote Bedrijven 2017) includes a general B2B 30-day default (60-day maximum); and critically, a mandatory 30-day maximum when the creditor is an SME under the 2017 Act — the most SME-specific payment term cap in this review. Enforcement sits with the ACM (Autoriteit Consument & Markt) for systematic abuse. The Netherlands' 2017 law creating a 30-day maximum for large company to SME payments represents a policy model of direct relevance to UK reform, targeting the power asymmetry directly without requiring universal term compression.

Effectiveness Evidence Notes | STRONG (relatively): *The Netherlands remained the EU's best performer on late payments in 2022–24, though with rising strain. The share of firms reporting late-payment problems rose steadily, from 25% in 2022 to 30% in 2023 to 34% in 2024 — still the lowest in the EU, with the gap vs. the EU average widening from 17pp to 18pp. B2B payment periods lengthened markedly, going from 54 days in 2022 to 62 days in 2023 and then 61 days in 2024, while G2B periods edged up from 70 days in 2022 to 69 days in 2023 and 71 days in 2024, with both now marginally above EU averages despite the Netherlands' comparatively low incidence of payment problems (EU Payment Observatory, 2024; 2025). However, the 2017 Act's intended beneficiaries — SME creditors — have not visibly closed the gap with larger counterparties: the differential between micro and large companies' on-time payment rates remains the widest of any EU Member State, at 82% versus 39% in 2024, a 44 percentage points gap. Part of the Netherlands' comparatively low incidence of reported payment problems may instead reflect private risk-management practices rather than statutory protection: Dutch firms report the EU's highest uptake of credit insurance, at 30% in 2024, up 8 percentage points on 2023 (EU Payment Observatory, 2025).*

SME Provisions: Netherlands

Wet Betaaltermijnen Grote Bedrijven (2017): mandatory 30-day maximum payment term when the creditor is an SME — the most directly SME-protective payment term cap in this review.

The Netherlands lacks a dedicated public enforcement body beyond the ACM (general market authority); compliance ultimately rests on commercial pressure and civil litigation.

Academic literature on the 2017 Act's causal impact is limited; causal attribution to the law is complicated by pre-existing strong payment culture.

5.2 Belgium

Belgium transposed the directive via Loi concernant la lutte contre le retard de paiement dans les transactions commerciales (2012). Key features: B2B 30-day default, 60-day maximum; healthcare public bodies: 60 days; ECB rate + 8%; €40 minimum compensation

plus reasonable recovery costs; and construction sector retention money rules under the Wet Aanneming van Werk. Belgium has no dedicated enforcement authority for general late payment; the Centre for Arbitration and Mediation (CEPANI) provides an ADR route.

Effectiveness Evidence Notes | MIXED: EU Payment Observatory 2025 report show Belgium's share of companies reporting late payment problems edged up slightly in 2024 (51%, vs 50% in both 2022 and 2023). In 2024, suppliers reported a 2-day improvement in both B2B and G2B periods — one of only seven EU states to improve — but Belgium's public authorities remained among the slowest payers in Europe (73 days per suppliers) with the second-longest stipulated terms (59 days). The Belgian Federal Government's own published data showed payment times falling from 46 days (2023) to 44 days (2024), still far above the 30-day target; the Justice Ministry remained the slowest payer both years (64 to 56 days) while the Science Policy Ministry stayed fastest (under 30 days throughout). Larger firms consistently paid on time far less often than micro firms, and on-time payment rates deteriorated across company sizes and sectors in 2024. Construction sector retention rules represent an above-average structural feature. Without a dedicated enforcement body, the statutory framework is effectively unenforced beyond civil litigation (EU Payment Observatory, 2024; 2025).

SME Provisions: Belgium

No SME-specific payment provisions beyond the baseline EU Directive framework.

5.3 Ireland

Ireland transposed Directive 2011/7/EU via the European Communities (Late Payment in Commercial Transactions) Regulations 2012, with limited national augmentation. As a common law jurisdiction, Ireland's approach is closer to UK norms than continental European models: B2B 30-day default, 60-day maximum; G2B 30-day maximum; ECB rate + 8%; €40 minimum compensation. The Construction Contracts Act 2013 provides adjudication rights for payment disputes, directly analogous to the UK's HGCRA scheme. Ireland lacks a small business commissioner or dedicated late payment enforcement body.

Effectiveness Evidence Notes | MIXED-DETERIORATING. The EU Payment Observatory 2025 report identifies Ireland as one of six Member States where average payment periods deteriorated for both G2B and B2B transactions in 2024 — one of the worst-trend performers. This deterioration is occurring within a framework that has no general public enforcement mechanism outside construction (EU Payment Observatory, 2025). The data sources nonetheless diverge sharply for 2024: the SAFE survey recorded the highest share of firms reporting late-payment problems (47%) and Intrum reported B2B (61 days) and G2B (70 days), yet Cribis/D&B transaction data showed a 15 percentage

points improvement in on-time payments, to 58%, across all sectors (EU Payment Observatory, 2025). Notwithstanding, Ireland displays the EU's strongest reliance on voluntary compliance instruments: 62% of firms claimed compensation for late payment in 2023, the highest share in the EU, falling to 58% in 2024, and 69% reported taking legal action in 2023 — patterns consistent with the cultural traction of the voluntary Prompt Payment Code and Prompt Payment Returns initiative in the continued absence of a statutory enforcement body. Irish firms also report the EU's highest sensitivity to relationship-driven demand suppression, with 63% citing fear of damaging a client relationship and 53% fear of client insolvency as reasons for accepting unfavourable terms (EU Payment Observatory, 2024; 2025)

SME Provisions: Ireland

No SME-specific payment provisions beyond the baseline EU Directive framework.

Construction SMEs benefit from statutory adjudication under the Construction Contracts Act 2013 — analogous to the UK HGCRA model.

No small business commissioner or equivalent dedicated enforcement body; SMEs outside construction rely entirely on civil litigation.

SME-relevant sectoral data show high volatility: average payment times for SMEs in the construction sector lengthened to 65 days in 2024, the longest of any sector, while manufacturing fell 14 days to 51 days (Irish SME Association, Prompt Payment Report, cited in EU Payment Observatory, 2025).

5.4 Spain

Spain transposed Directive 2011/7/EU via Ley 15/2010 de Morosidad, with a 60-day maximum. Sector-specific enforcement is notably active via AICA (Agencia de Información y Control Alimentarios) for the agri-food sector. Retail derogations permitting terms beyond 120 days for slow-moving goods under Law 7/1996 represent the EU's most permissive retail payment regime.

Effectiveness Evidence Notes | **IMPROVING** (construction and agri-food); limited elsewhere. Average B2B payment days fell from approximately 90 (2009, post-financial crisis peak) to approximately 65 days (2019) — a 28% reduction. AICA enforcement in the agri-food sector is considered effective, cited by the EU Payment Observatory (2024) as a model of sector-specific enforcement. Payment days remain substantially above EU 30-day default. More recent evidence suggests enforcement perception of the general (non-agri-food) framework has deteriorated further: in 2025, 56% of Spanish respondents to the European Commission's SME Panel Survey — the highest share of any cause cited nationally, and almost double the EU average of 32% — considered existing rules not systematically enforced, while 49% viewed sanctions as an insufficient deterrent (EU Payment Observatory, 2025). In response, Spain's Ministry of Industry and Tourism established the State Observatory of Private Late Payments in 2025, with a remit to monitor compliance, publish an annual report, and disclose a list of non-compliant companies — a governance model of direct relevance to the UK's own proposed board-level naming

provisions. B2B payment periods have nonetheless remained static at around 80 days for the past three years. By contrast, Spanish public administrations have improved, with central government payment periods falling to a record low of 26 days and local government to 40 days in 2024 (EU Payment Observatory, 2025).

SME Provisions: Spain

Ley 12/2013 (amended 2021, transposing EU UTP Directive 2019/633): perishable goods 30 days, non-perishable 60 days — enforced by AICA. SME suppliers in agri-food receive sector-specific statutory protection.

AICA is one of the EU's most enforcement-active agri-food supply chain regulators — a model for sector-targeted SME payment protection.

Retail sector derogations (Law 7/1996, >120 days) represent a significant structural gap for non-food retail SME suppliers.

5.5 Nordic States (Denmark, Sweden, Finland)

The Nordic states implement the EU directive with generally strong compliance cultures, producing better-than-EU-average payment performance without extensive additional national regulation. Each relies on civil courts as primary recourse, with no specialist public enforcement agency. None have enacted SME-specific payment term provisions beyond the EU baseline.

5.5.1 Denmark

Renteloven (Interest Act), transposing Directive via law 38/2011. Default 30-day payment period; ECB + 8%. No specialist public enforcement body; civil courts provide the primary recourse mechanism.

Effectiveness Evidence Notes | STRONG (culturally-driven): *Denmark is consistently the strongest-performing Member State in the EU on payment timeliness. In 2024, 41% of Danish companies reported late payment problems — down from 44% in 2023 and the third-lowest rate in the EU — with an average B2B payment period of 57.6 days, the largest single-year reduction in the EU (–8 days on 2023) (EU Payment Observatory, 2025). On-time payment rates exceed 90% across all firm sizes and sectors, with construction and agriculture leading at 96%, and the G2B-to-B2B payment gap — narrow as recently as 2023, when it was just 3%, among the smallest in the EU — widened sharply to approximately 22% in 2024, one of the largest increases of any Member State, as B2B payment periods fell faster than G2B ones (EU Payment Observatory, 2025). A structural tension underlies this strong performance: 48% of Danish companies consider their own payment terms too generous, yet only 6% accept terms unconditionally — the lowest rate in Europe — confirming a high-discipline, low-capitulation payment culture that operates independently of statutory enforcement (EU Payment Observatory, 2025). Even this strong aggregate culture conceals localised G2B non-compliance: a 2025 study found that approximately 10% of all invoices paid by Danish municipalities to SMEs were settled more*

than 30 days after the statutory deadline, rising above 30% in several municipalities — indicating that cultural compliance is not uniformly distributed even at the sub-national level (EU Payment Observatory, 2025). The absence of a specialist enforcement body means performance depends entirely on cultural compliance norms; no Danish-specific evidence in this review tests how durable that norm would be if competitive pressure intensified.

5.5.2 Sweden

Räntelagen (Interest Act); default 30-day; reference rate + 8%. No specialist public enforcement body beyond civil courts. Since 2022, companies with more than 249 employees are required to report payment behaviour to the Swedish Companies Registration Office.

Effectiveness Evidence Notes | STRONG (culturally-driven, deteriorating): Sweden performs consistently below the EU average on late payment problem incidence, though a structural deterioration is evident. In 2024, 45% of Swedish companies reported late payment problems — unchanged from 2023 but persistently below the EU average of 52% (EU Payment Observatory, 2025). Average B2B payment periods fell from 63 to 61 days and G2B periods from 75 to 69 days — the most significant G2B improvement in the EU in 2024, bringing Sweden below the EU average (EU Payment Observatory, 2025). Large Swedish companies paid 28% of invoices late to SME suppliers, with no meaningful variation by supplier size — confirming the structural pattern of large-buyer non-compliance observed across the EU (EU Payment Observatory, 2025). Twelve of seventeen sectors recorded deteriorating on-time payment rates in 2024, with transport and storage leading at 65% and arts, entertainment and recreation at 52% (EU Payment Observatory, 2025). Taken together, these trends indicate that cultural compliance norms are under structural pressure from economic slowdown and liquidity constraints, illustrating a more general risk that enforcement-light regimes relying on social or reputational norms rather than statutory penalties may be vulnerable when competitive pressure intensifies.

5.5.3 Finland

Laki kaupallisten sopimusten maksuehdoista (2013). Default 30-day; 8% above ECB. Finland's public procurement Act (1397/2016) includes 30-day payment requirements for G2B with an active complaints mechanism through Regional State Administrative Agencies.

Effectiveness Evidence Notes | STRONG (structurally sound, deteriorating in 2024): G2B below EU average (68 days); B2B above EU average (61 days). Finland maintains relatively strong payment performance by EU standards, though 2024 data indicate meaningful deterioration. In 2024, 51% of Finnish companies reported issues caused by late payments — just below the EU average of 52% but a five-percentage-point increase on 2023 and the highest rate recorded in Finland over the past six years (EU Payment Observatory, 2025). A significant demand suppression problem is evident: 58% of Finnish companies report having accepted longer payment terms than they are comfortable with to

avoid damaging client relationships, with large companies identified as the primary source of such pressure in 62% of cases (EU Payment Observatory, 2025).

5.6 Luxembourg

Loi du 18 avril 2004 relative aux délais de paiement; standard EU Directive transposition; 60-day maximum; civil courts only. Economy characterised by high FDI and holding company activity, limiting domestic commercial payment volume.

Effectiveness Evidence Notes | DETERIORATING: EU Payment Observatory 2025 report identifies Luxembourg as one of the Member States with the highest proportion of companies reporting late payment difficulties in 2024 (69%). Standard Directive transposition with civil-court-only enforcement provides no dedicated mechanism to address this. The evidence base itself is a limitation here: Luxembourg has no national payment-monitoring source, and the SAFE survey sample comprises only 97 firms, reducing the statistical reliability of cross-year comparisons (EU Payment Observatory, 2025). Transaction-level data corroborate the deteriorating picture: the share of invoices settled on time fell 15 percentage points in 2024, to 42% — the sixth-worst rate in the EU and a reversal of gains made between 2021 and 2023 — with declines recorded across every company size and sector. Transport and logistics (29%) and manufacturing (30%) were the weakest-performing sectors, though the size-related performance gap narrowed sharply, with the small-versus-medium-firm differential falling from 11 percentage points in 2023 to just 2 in 2024 (EU Payment Observatory, 2025).

6. KEY UK TRADING PARTNERS AND FDI COMPETITORS

6.1 Australia

Australia operates a two-track framework: the federal Payment Times Reporting Scheme (PTRS), introduced in 2020 and significantly reformed in 2024, requiring large businesses (annual turnover above A\$100 million) to report semi-annually on payment performance; and state-based Security of Payment Acts (SOPA) for the construction sector. The 2024 PTRS reforms introduced a 'payment times ratio' metric and potential naming of poor performers, moving beyond pure disclosure toward accountability (Payment Times Reporting Regulator, 2025). General B2B has no equivalent to the EU Directive; SME-specific provisions limited to state-level Small Business Commissioners providing mediation services.

Effectiveness Evidence Notes | MIXED: *The PTRS transparency scheme improved the share of invoices paid within 30 days from 63.2% to 68.9% — described by the Australian SBFEO as 'minimal' given the scale of the problem. However, late payment outcomes deteriorated sharply in 2024–25: B2B defaults more than doubled in 12 months, with insolvencies increasing by 57%, disproportionately affecting construction, manufacturing, and wholesale trade (CreditorWatch, 2025). This pattern suggests transparency without hard payment term mandates has a ceiling. NSW SOPA adjudication is globally regarded as effective, with thousands of rapid determinations changing the payment dynamic in construction supply chains (DLA Piper, 2025). Victoria's 2025 reforms, expanding claimable amounts, represent continued evidence-driven refinement.*

SME Provisions: Australia

State-level Small Business Commissioners provide mediation services for general SME payment disputes — no binding powers, analogous to the pre-reform UK SBC.

Security of Payment Acts: construction SMEs benefit from rapid statutory adjudication (typically 10–15 business days). Collins Review (2018) found adjudication costs of approximately AUD \$4,000–\$5,000 per claim, making smaller disputes economically irrational to pursue — a structural barrier later addressed by state-level procedural reforms.

PTRS: large businesses (turnover above A\$100m) must report semi-annually. The 2024 reforms identify the slowest 20% of payers publicly — a shaming mechanism without binding penalty.

Australia's experience provides the clearest empirical test of transparency-only approaches: transparency improves reporting culture but does not prevent payment defaults when macroeconomic pressures increase.

6.2 Singapore

Singapore enacted its Building and Construction Industry Security of Payment Act (BCISP) in 2004, modelled on the NSW approach and iteratively refined, making Singapore one of the four globally leading construction payment regimes alongside the UK, Australia, and

Ontario (DLA Piper, 2025). General commercial law does not include a specific B2B late payment statute beyond construction; civil courts provide primary recourse.

Effectiveness Evidence Notes | STRONG (construction sector only): Singapore's BCISP adjudication is among the strongest-performing regimes of its type globally. The 28-day determination timeline is among the shortest of any statutory adjudication system globally, providing rapid cash flow relief for subcontractors and suppliers (DLA Piper, 2025). Courts consistently enforce determinations promptly, maintaining the efficacy and finality of the adjudication process (Baker McKenzie, 2025). The regime's principal limitation is its scope: no equivalent statutory protection exists for SMEs outside the construction and supply sectors, leaving the majority of Singapore's SME economy reliant on civil courts for general B2B payment disputes — a gap that becomes significant as Singapore's economy diversifies beyond construction-intensive activity.

6.3 India

India's Micro, Small and Medium Enterprises Development (MSMED) Act 2006 mandates payment to MSMEs within 45 days (or 15 days if no agreement), with compound interest at three times the bank rate and a dedicated Micro and Small Enterprises Facilitation Council (MSEFC) for adjudication. The Finance Act 2023 (Section 43B(h), in force April 2024) introduced a tax disallowance for buyer companies failing to pay MSME suppliers within 45 days. Implementation and enforcement remain inconsistent (Taylor Wessing, 2024).

Effectiveness Evidence Notes | MODERATE in design; **WEAK** in practice. The principal barriers are procedural complexity, SME awareness gaps, and the absence of proactive enforcement capacity, reproducing the demand suppression dynamic documented across EU jurisdictions (Taylor Wessing, 2024). India's experience mirrors the UK's pre-reform position: a formally adequate architecture constrained by access barriers and complaint-dependent enforcement.

The Finance Act 2023 reform (Section 43B(h)) is the most significant structural improvement to date: by disallowing tax deductions for buyer companies that delay payment beyond 45 days, it creates an automatic financial consequence that does not require the MSME to initiate proceedings — the same design principle as the UK's proposed mandatory non-waivable interest (MSME Samadhaan, 2025).

SME Provisions: India — MSMED Act 2006

The MSMED Act is explicitly MSME-protective: the statutory payment obligation and compound interest rate apply specifically in favour of MSME creditors.

The MSEFC adjudication model provides a lower-cost dispute resolution route for MSMEs, though uptake is constrained by complexity and awareness.

Income Tax Act incentive: from 2023, large buyers claiming tax deductions on MSME payments must have paid within 45 days — a fiscal lever supplementing the statutory framework.

7. SECTOR-SPECIFIC LATE PAYMENT REGIMES

7.1 Construction

Construction is the sector with the most developed, jurisdiction-specific late payment legislation globally, reflecting its project structure: long supply chains with cascading payment obligations, complex contractual dispute triggers, high insolvency vulnerability among subcontractors, and widespread use of retention payments as a quality assurance mechanism.

The UK's Housing Grants, Construction and Regeneration Act 1996 (HGCRA) was the world's first statutory construction payment rights instrument, introducing: mandatory payment notices, a 'pay less notice' procedure, the right to suspend performance for non-payment, and the right to adjudication within 28 days. Australia's NSW SOPA 1999, New Zealand's Construction Contracts Act 2002, Singapore's BCISP Act 2004, Malaysia's CIPAA 2012, Ireland's Construction Contracts Act 2013, and Ontario's Construction Act 2018 all derive conceptually from the UK model. Hong Kong passed its own regime in 2024, effective August 2025 (DLA Piper, 2025). The global diffusion of UK-model construction payment adjudication is one of the most significant legal transplant stories in commercial law.

Effectiveness Evidence Notes | *The construction sector provides the clearest evidence of improvement under existing UK law. Build UK (2022) credited the Reporting Regulations as having driven 'substantial improvement, particularly amongst Build UK members' since 2018. The DBT Payment and Cash Flow Review (2023b) found the construction sector among those showing measurable reductions in late payments. Ontario ODACC (2023): 269 adjudications commenced in fiscal year 2023; 65% of determinations rendered within the statutory 30-day timeline. Australia: Senate Inquiry (2015) found adjudication systems 'effective where used' but underused due to power imbalance fears and cost barriers.*

Three international models are visible within construction:

- Adjudication model (UK, Ireland, Australia, Canada, Singapore): statutory right to rapid (typically 28–42 day) adjudication of payment disputes; adjudicator determination binding pending final resolution; prohibit 'pay-when-paid' clauses.
- Cascading payment model (Ontario, UK since 2011): payment obligations must flow down supply chain within specified periods of receipt by the head contractor.
- Retention trust model (Western Australia, UK under Project Bank Account regimes): retention monies held in trust, outside insolvency risk of head contractor.

SME Provisions: Construction Sector

Construction SMEs globally benefit from the most developed sector-specific payment protection available. The adjudication model, in particular, provides access to binding payment determinations without full litigation costs.

UK: the proposed 2025–2026 construction retention prohibition directly addresses the final structural imbalance for SME subcontractors.

Western Australia's retention trust scheme (Building and Construction Industry Security of Payment Act 2021): retention monies held in trust, protecting subcontractors' cash from head contractor insolvency — an SME-protective model applicable internationally.

Collins Review (2018, Australia): adjudication costs of approximately AUD \$4,000–\$5,000 per claim make smaller disputes economically irrational for SMEs to pursue — a specific structural barrier to SME access that the UK's proposed SBC adjudication model is designed to address by providing a lower-cost route.

Within the EU, construction SMEs experience some of the longest payment periods, with particular vulnerability in NRRP/public procurement chains in southern Europe (European Building Confederation, 2026).

7.2 Food and Agricultural Retail

The food supply chain has generated specific late payment interventions in several jurisdictions. In the UK, the Groceries Supply Code of Practice (GSCOP) and the Groceries Code Adjudicator (GCA), established in 2013, address unfair payment practices among the largest supermarkets. The EU's Unfair Trading Practices Directive (2019/633) specifically prohibits late payment beyond 30 days for perishable products and 60 days for other agricultural and food products.

The US PACA remains the global exemplar of agri-food payment protection, combining mandatory payment terms (10 days for most produce) with a statutory trust mechanism that creates a super-priority lien over assets pending payment — effectively removing produce trade credit from general insolvency risk. France's EGalim laws (2018, 2021, 2023) and Spain's AICA enforcement represent the most active national agri-food SME payment protection regimes in Europe.

Effectiveness Evidence Notes | *The GCA model, operating since 2013, is acknowledged as one of the more effective UK sector-specific interventions, with grocery sector payment practices showing measurable improvement. This effectiveness evidence directly informs the case for the proposed SBC adjudication model (DBT, 2026).*

SME Provisions: Food and Agricultural Retail

US PACA: mandatory 10-day payment terms with trust mechanism creating super-priority lien over produce assets — the world's most effective agri-food payment protection. Recovers approximately \$100m+ annually; reduces payment disputes by 40–60% compared to equivalent produce trade without coverage (USDA economic analyses).

EU UTP Directive (2019/633): across all Member States, perishable agricultural products: 30-day maximum; non-perishable agricultural products: 60-day maximum. Enforcement bodies required in each Member State.

UK GCA: protects direct suppliers to the 10 designated large grocery retailers. The GCA's effectiveness evidence — documented measurable improvement in grocery sector payment practices — is cited in DBT (2026) as the design basis for the proposed SBC adjudication model.

France EGAlim laws: DGCCRF may impose penalties up to 2% of annual turnover for systematic late payment in the food chain — the strongest penalty provision in EU agri-food payment law.

Spain AICA: among the EU's most enforcement-active agri-food supply chain regulators; cited by EU Payment Observatory (2024) as a model of sector-specific enforcement.

Comparative agri-food payment terms across reviewed jurisdictions:

- US (PACA): 10 days — most stringent in this review
- EU member states (UTP Directive, perishables): 30 days
- EU member states (UTP Directive, non-perishables): 60 days
- UK: 30 days (perishables) under GSCOP via GCA; general LPCD Act 1998 applies otherwise
- Japan: 60 days (Proper Transactions Act, manufacturing/processing subcontracts)
- Australia: no federal minimum; state-level marketing board rules vary
- Canada: varies by province and commodity; no federal minimum

7.3 Healthcare and Pharmaceuticals

Healthcare is a systemic late payment problem sector across multiple countries, driven by public authority purchaser dominance and complex reimbursement cycles:

- Italy: ASL (regional health services) were historically among the worst public payers in the EU, with pre-PNRR delays averaging 90–180 days against a 60-day legal maximum. Following European Commission infringement proceedings and binding PNRR healthcare payment targets, the average healthcare sector payment time fell to 35 days in 2024 (EU Payment Observatory, 2025) — though supplier-reported perceptions and concerns about underreporting by the MEF methodology persist.
- Spain: regional health services among the slowest public payers; AEAT tax authority offset mechanisms allow suppliers to recover arrears via tax refund offsets.
- France: CNAMTS (national health insurance) generally compliant; hospital system mixed.
- UK: NHS Prompt Payment targets established (95% within 30 days); NHS Supply Chain framework contracts include payment compliance requirements.

- US: CMS Medicare/Medicaid payment cycles: 14–30 days for clean claims; state Medicaid varies significantly.
- Japan: healthcare supplier payment governed by national health insurance fee schedules; generally prompt but administratively complex.

7.4 Public Procurement

G2B payment performance is a consistent underperformer across all jurisdictions reviewed. The EU Payment Observatory (2025) documents governments paying on average nearly 70 days across the EU in 2024 — later than the private sector in every Member State. The UK Government's progressive tightening of procurement-linked payment requirements, and its own central payment performance of 21 days (DBT, 2023b), represents the strongest effectiveness evidence within the existing UK framework.

International comparison:

- UK: 5-day payment to SMEs on public contracts; 30-day government payment; contract exclusion linked to payment performance under the Procurement Act 2023.
- Canada: Prompt Payment for Construction Work Act (2019, in force 2023): 28-day payment terms cascading through construction supply chains on federal contracts; adjudication rights.
- Australia: PTRS is primarily a federal procurement transparency tool; no hard government payment term mandate for general procurement.
- India: government payment delays to MSME contractors are a primary driver of the MSEFC mechanism.
- US: Federal Prompt Payment Act (1982): 30-day government payment obligation with interest accrual at Treasury rate — among the stronger government-side frameworks.

Effectiveness Evidence Notes | *The UK Government's own central payment performance averaging 21 days demonstrates that hard deadlines backed by real contractual consequences (exclusion from procurement) produce materially better outcomes than voluntary commitments. Extension of spot-check requirements to supply chain sub-tiers from October 2025 under the Procurement Act 2023 represents a further cascading accountability step.*

8. ANALYTICAL SYNTHESIS: POSITIONING THE UK FRAMEWORK

This section synthesises the cross-jurisdictional and cross-sectoral evidence set out in Sections 2–7 to derive transferable lessons and to position the UK's proposed 2025–2026 framework against the international landscape. The sector-specific evidence reviewed in Section 7 is analytically indispensable here: it is precisely in construction, agri-food, and public procurement that the most quantified effectiveness data exist, and those data directly bear on the design choices embodied in the UK's proposed reforms.

8.1 What the Evidence Shows Works

Across jurisdictions and sectors, the following features are consistently associated with measurably better payment outcomes:

- **Mandatory, non-waivable interest:** Automatic interest accrual without requiring the creditor to claim — as in France's non-waivable minimum penalty rate and Japan's 14.6% mandatory rate — reduces demand suppression and shifts the cost burden onto debtors. The proposed UK mandatory interest reform directly removes this failure mode. The analogy is instructive: PACA's mandatory trust mechanism in US agri-food achieves its effectiveness precisely because the creditor's right is automatic and self-executing, not dependent on the supplier invoking it against a powerful buyer.
- **Proactive regulatory enforcement:** Japan's JFTC/SMEA proactive inspection model achieved 8,230 guidance cases and ¥1.35 billion in restored underpayments in 2024 alone. France's DGCCRF administrative enforcement, with €30 million in fines in the first five months of 2024, achieves higher compliance than Germany's civil litigation model. This is consistent with Fabbri and Klapper (2016): regulatory enforcement outperforms private rights of action for SME protection precisely because SMEs suppress claims to protect relationships. Sector-level corroboration: the UK Groceries Code Adjudicator (GCA) produced measurable improvement in grocery sector payment practices precisely because it acts independently of any supplier complaint — exactly the model now proposed for the SBC.
- **Sector-specific adjudication:** The single most consistent effectiveness finding across this review is the superiority of accessible, low-cost adjudication over civil litigation for SME payment disputes. The UK HGCRA 1996, Ontario Construction Act 2018/2020, NSW SOPA 1999, and Singapore BCISP 2004 — all construction-sector regimes — demonstrate that rapid binding determinations (typically 28–42 days) materially change payment behaviour where they are accessible and affordable. Ontario ODACC (2023): 65% of 161 determinations issued within statutory 30-day timeline; industry surveys report 25% improvement in payment timing perceptions among subcontractors. The proposed SBC adjudication model generalises this proven design to all commercial sectors — a significant and evidence-grounded extension.

- **Transparent public accountability linked to consequences:** UK Reporting Regulations are credited with driving self-policing among large companies and measurable improvement in construction (Build UK, 2022). Australia's PTRS produced a 5.7 percentage point improvement in invoices paid within 30 days since commencement. Critically, both regimes work best where reporting is linked to reputational or contractual consequences — the UK's procurement-linked payment thresholds (contract exclusion) are the most effective element of the existing framework, with government averaging 21 days for its own invoices. Board-level accountability, as proposed in the UK's 2025–2026 package, adds a governance mechanism that sits above reputational risk and directly targets executive responsibility.
- **Trust and priority mechanisms in sector-specific regimes:** US PACA's statutory trust mechanism — creating a super-priority lien over produce assets until payment — achieves its effectiveness by removing produce trade credit from general insolvency risk entirely, eliminating the financial incentive for non-payment at the point of buyer insolvency. Australia's Western Australia retention trust scheme for construction operates on the same logic. The UK's proposed construction retention prohibition addresses the equivalent risk (subcontractor retention lost in head-contractor insolvency), though prohibition is a blunt instrument than a trust mechanism.

8.2 What the Evidence Shows Does Not Work

- **Waivable statutory rights:** The UK's 1998 Act and the EU Directive both demonstrate that rights which large buyers can contract out of provide minimal protection for SMEs with weaker bargaining power. The EU's 13 years of Directive underperformance — average B2B payment periods at 60.3 days in 2024, above the 30-day statutory default — is the definitive evidence base for this finding.
- **Complaint-dependent enforcement:** The SBC's current model and analogous models in Italy and Germany produce systematically lower enforcement volumes than the underlying non-compliance level warrants. The mechanism is well-documented: SMEs suppress complaints to protect relationships (DBT, 2023a; EU Payment Observatory, 2024). Italy's experience is the most instructive cautionary case: technically adequate legal transposition, no proactive enforcement, no improvement. The sector-specific counterpoint is equally clear: the GCA and construction adjudication schemes work precisely because they do not depend on suppliers initiating formal proceedings against their buyers.
- **Transparency without hard limits or consequences:** Australia's PTRS is the definitive test case. B2B defaults more than doubled in 2024–25 despite transparency infrastructure that improved reporting culture (CreditorWatch, 2025). The PTRS produced a 5.7 percentage point improvement in 30-day payment rates — described by the ASBFEO as 'minimal.' The lesson is not that transparency is valueless, but that it has a hard ceiling in the absence of payment term mandates or enforcement consequences. The UK's Reporting Regulations appear to approach this ceiling: only 31% of business are aware of their reporting obligations (DBT, 2024), and awareness-constrained self-policing cannot substitute for enforced compliance.

- **Soft law and voluntary codes:** Voluntary codes have not shifted aggregate payment performance in any jurisdiction reviewed. The UK's Prompt Payment Code enrolled over 3,000 signatories without producing measurable aggregate improvement in payment times; it was modified multiple times for non-compliance without consequence. This finding is consistent across all jurisdictions: the Netherlands' strong payment culture produces better outcomes than France's active enforcement in absolute terms, but France's enforcement produces improvement over time while the Netherlands' culture cannot be relied upon to prevent deterioration under economic pressure (Sweden's 2024 deterioration is the cautionary case).
- **General law without sector-specific calibration:** The healthcare sector across Italy, Spain, and to a lesser degree France demonstrates that applying general late payment law to public authority purchasers without sector-specific enforcement produces the worst outcomes in the review. Italian ASL payment delays of 90–180 days — recorded prior to PNRR reform — against a 60-day legal maximum were not a legal failure but an enforcement and institutional design failure; it required binding PNRR targets and Commission infringement proceedings to drive the reported improvement to 35 days by 2024 (EU Payment Observatory, 2025). The sector-specific lesson holds regardless: where a purchaser is structurally dominant (public health authorities, large grocery retailers, major construction contractors), sector-targeted enforcement with specialist adjudicative capacity consistently outperforms general law with civil court recourse.

8.3 The UK's Proposed Framework in Context

The UK's proposed 2025–2026 legislative package directly addresses each documented failure mode in its existing framework. Drawing on the full evidence base — country-level and sector-level — the following design assessments can be made:

- **Hard payment term cap (60 days):** Consistent with France's LME (the only G7 economy with a statutory cap enforced administratively). More moderate than the Netherlands' 30-day SME cap, but more enforceable than the EU's failed 30-day LPR, which collapsed precisely because it lacked implementation credibility. The 60-day cap is well-calibrated: it removes the most egregious outliers (90–120 day US-style terms in UK supply chains) without requiring the market restructuring that a 30-day universal cap would entail.
- **Mandatory non-waivable interest:** This is the most analytically important single reform. It addresses the core failure of the 1998 Act — contractual opt-out by large buyers — and transforms the interest right from a voluntary claim into an automatic obligation. The sector-level analogy is PACA's automatic trust mechanism: self-executing rights produce better outcomes than rights that require the weaker party to invoke them.
- **SBC adjudication:** The design draws directly from two proven sector models — construction adjudication (HGCRA/Ontario) and the GCA model in grocery retail. The key design challenge, identified from the construction sector's experience in Australia and Ontario, is cost accessibility: adjudication costs of AUD \$4,000–\$5,000 (Australia) or fees that deter sub-£50,000 claims (UK construction) create a structural SME access barrier. The SBC model's cost recovery provisions and its administrative (non-judicial) character are designed to address this — but the adequacy of

resourcing is a genuine risk flagged by the House of Commons Business and Trade Committee (2026).

- **Proactive SBC investigation powers:** The Japan JFTC/SMEA model — annual proactive inspections regardless of complaints — provides the clearest empirical analogue. Japan's 2024 enforcement record (21 recommendations, 8,230 guidance cases, ¥1.35bn restored to 3,026 subcontractors, and a further ¥3.02bn repaid by Nissan Motor to 36 subcontractors in 2023) — alongside a payment delay rate that fell from 8.01% in 2015 to 4.55% in 2024 — provides the most compelling effectiveness trajectory in this review, and is attributable specifically to proactive enforcement rather than complaint-handling.
- **Construction retention prohibition:** More radical than comparable international approaches (Western Australia's trust model, UK Project Bank Accounts). The sector evidence supports the policy objective — retention losses in insolvency are a documented SME harm — but the implementation risk is the transition period. Australia's and Canada's experience suggests 12–24 month transition periods are necessary for market adaptation.
- **International trade exemption:** Well-designed and necessary. UK SMEs trading with US multinationals operating under 90–120 day payment norms would face commercial disadvantage if the cap applied to international contracts. The risk — flagged in the consultation — is that this exemption is used to route domestic payment relationships through international structures.

8.4 Sector-Specific Design Implications for the UK's Proposed Reforms

The sector evidence in Section 7 carries three specific design implications that are not fully resolved in the Government Response (DBT, 2026):

- **Sector derogations and their limits:** France's LME permits sector-specific derogatory agreements validated by the Competition Authority — the most sophisticated approach to sector accommodation in this review. Spain's retail derogations (>120 days) illustrate the risk: what begins as a principled accommodation for structural cash conversion cycle differences can become a permanent exemption exploited by powerful buyers. The UK's consultation committed to 'limited exemptions' but the Government Response does not specify which sectors may qualify. The construction, healthcare, and agri-food evidence strongly suggests that sector-specific enforcement (specialist adjudicators with sector expertise, as in the GCA model) is more effective than sector-specific term extensions.
- **SME access to adjudication at low claim values:** The most consistent finding from construction adjudication regimes globally is that cost accessibility determines utilisation. Ontario's regime, with its statutory 30-day timeline and standardised adjudicator fees, achieves higher take-up than Australia's more complex and costly process. The proposed SBC adjudication model needs explicit cost safeguards for low-value claims if it is to benefit the micro-enterprises and sole traders most severely affected by late payment.

- **Public procurement as a sector-specific lever:** The UK's procurement-linked payment thresholds — demonstrating government averaging 21 days for its own invoices — are the strongest-evidenced element of the existing framework. The extension of spot-check requirements to sub-tiers from October 2025 under the Procurement Act 2023 is an important cascading step. The international comparison (Italy's healthcare sector, France's public hospitals, Spain's regional health services) confirms that G2B late payment requires specific enforcement mechanisms distinct from general B2B law — and that the UK's procurement-linked approach is demonstrably more effective than the EU's Directive-only model.

8.5 SME-Specific Design Implications for the UK's Proposed Reforms

The country and sector evidence, read through the lens of SME vulnerability, carries a distinct set of design implications that are not reducible to sector-specific considerations. SMEs are not simply small versions of large firms: they face qualitatively different structural constraints — relationship dependency, awareness gaps, cost barriers to enforcement, and bargaining power asymmetry — that systematically prevent them from exercising rights that larger creditors would routinely invoke. The following implications are drawn from the international comparative evidence:

- **Automatic rights are the only reliable SME protection:** Every regime in this review that demonstrably works for SMEs operates on automatic or near-automatic mechanisms rather than requiring the SME to initiate a claim against a more powerful counterparty. Japan's Proper Transactions Act imposes mandatory obligations on the larger party enforced through JFTC proactive inspection — the SME need not act. PACA's trust mechanism creates a super-priority lien automatically upon delivery. The UK's proposed mandatory non-waivable interest is directly in this tradition: it removes the requirement for the SME to invoke a right against a buyer on whom it depends commercially. This is the most SME-protective single element of the proposed reform package. By contrast, the 1998 Act's waivable interest right — and the EU Directive's 'grossly unfair' carve-out — are demonstrably ineffective for SMEs precisely because they require the weaker party to act.
- **Demand suppression requires structural, not educational, responses:** A recurrent finding across UK (DBT, 2024), EU (EU Payment Observatory, 2024; 2025), and Australian (ASBFEO, 2025) data is that SMEs know their rights and choose not to exercise them — 19% of UK microbusinesses with valid statutory interest claims never pursue them not because they are unaware of the right but because the commercial relationship cost of doing so is too high. This is a structural problem, not an information or awareness problem. Educational interventions and voluntary codes have uniformly failed to shift it. The structural solution is to remove the need for the SME to make the claim at all: mandatory automatic interest, proactive SBC investigation without a complaint trigger, and board-level reporting requirements that create external accountability not dependent on supplier action. The proposed UK package addresses all three dimensions simultaneously — a design sophistication not matched by any comparator jurisdiction.

- **Cost accessibility at low claim values is the decisive SME test of any adjudication model:** The international construction adjudication evidence is unambiguous on this point. Australia's Collins Review (2018) found that even simple adjudication claims cost approximately AUD \$4,000–\$5,000 — rendering disputes below that value economically irrational to pursue. UK construction adjudication shows similar concentration in higher-value disputes, with sub-£50,000 claims rarely adjudicated. Ontario's ODACC model, with its standardised procedures and fee structure, achieves higher take-up partly because costs are more predictable and proportionate. The SME implication for the UK's proposed SBC adjudication model is direct: if the model replicates the cost structure of construction adjudication, it will be largely inaccessible to micro-enterprises and sole traders — precisely the businesses that constitute the acute end of the late payment problem. Explicit fee caps or a no-cost tier for low-value disputes (analogous to small claims track logic) would be required to make the SBC adjudication genuinely SME-accessible.
- **Awareness and accessibility gaps affect SMEs disproportionately:** Only 31% of large companies are aware of their own reporting obligations under the UK Reporting Regulations (DBT, 2024) — awareness among SME creditors of their statutory rights is structurally lower. India's MSMED Act experience (Taylor Wessing, 2024), Italy's under-utilised AGCM framework, and the EU Directive's 60% non-claiming rate all confirm that awareness gaps are universal and disproportionately affect smaller creditors. The proposed SBC expansion of scope and public profile addresses this directly; the new Commissioner's explicit mandate to reduce non-productive hours spent chasing payments is directionally correct. However, the evidence from comparable regimes suggests that awareness campaigns alone are insufficient: structural automaticity must be the primary mechanism, with awareness as a complement.
- **The Netherlands model deserves direct consideration as an SME-protective complement:** The Wet Betaaltermijnen Grote Bedrijven (2017) — a mandatory 30-day maximum specifically for large company to SME payments, sitting alongside a 60-day general B2B maximum — is the most precisely targeted SME instrument in this review. It is a two-tier system that does not require universal term compression. The Netherlands achieves the lowest late payment incidence in the EU (31% of companies reporting difficulties in 2024) and this tiered structure may be a design element worth considering as the UK implements its 60-day cap. A general 60-day cap with a shorter mandatory term where the creditor is an SME would directly address the power asymmetry that is the root cause of the problem, without the market disruption concerns that caused the EU's flat 30-day LPR to collapse.
- **SME relationship dependency is not eliminable — it must be designed around:** Biais and Gollier (1997) demonstrate theoretically and Fabbri and Klapper (2016) confirm empirically that relationship dependency will suppress SME claims even in well-enforced regimes. France's DGCCRF, despite being the EU's most active enforcement regime, cannot fully overcome this: the Observatoire des délais de paiement (2024) records that large companies remain the worst-performing size category, with only 15% of large-company payments made on time in 2024 (EU

Payment Observatory, 2025) — confirming that even intensive enforcement does not eliminate large-buyer non-compliance. The implication is not that enforcement is futile, but that the policy target should be to make enforcement independent of the SME's choice to complain. Japan's proactive inspection model, the GCA's self-initiated investigations, and the proposed SBC's complaint-independent investigation powers all follow this design logic. Calibrating the SBC's investigation trigger to anonymous intelligence and published reporting data — rather than formal SME complaints — is therefore the single most important SME-protective implementation detail in the proposed reform package.

8.6 Outstanding Risks

- **60-day bunching effect:** Late payers migrating to the new maximum, with no improvement for SMEs currently receiving payment in 45–55 days.
- **SBC resourcing:** The adequacy of funding for an adjudicative, investigative, and enforcement body is a genuine implementation risk. The House of Commons Business and Trade Committee (2026) urged the government to prioritise legislation before the end of the current Parliament — but speed of legislation is distinct from quality of implementation infrastructure.
- **Professional readiness gap:** At the DBT-OSBC-ERC Roundtable discussion event (June 2026), accountancy-sector participants reported that while some firms are already asking questions and acting proactively, the majority are taking a wait-and-see approach pending further legislative detail, with limited movement yet on how statutory interest will be phrased and recognised by organisations, or in loan covenant areas. This is a separate implementation risk from SBC resourcing: even a well-resourced enforcement body will be less effective if the advisers SMEs and their counterparties rely on are not yet prepared to apply the new rules.
- **International trade exemption as loophole:** Risk that domestic payment relationships are routed through international structures to evade the 60-day cap.
- **Supply chain finance market disruption:** Compressed payment terms may reduce the volume of receivables available for SCF programmes, increasing SME financing costs as an unintended consequence. Industry evidence from the DBT-OSBC-ERC (June, 2026) Roundtable discussion offers some reassurance specifically at the 45-day level: invoice finance providers reported that average invoice-finance payment terms are already around 45 days, with no significant concern raised about a cap at that level. This does not resolve the risk at a stricter 30-day cap, where the margin for receivables financing would be considerably tighter, and panellists noted separately that payment culture varies markedly by jurisdiction.
- **Cultural lag:** Even the strongest legal frameworks (France, Japan) show persistent compliance gaps among large profitable buyers. By analogy with Kim et al.'s (2026)

Korean evidence — that high buyer profitability reduces the moral weight investors place on supplier exploitation and increases the weight placed on financial performance, attenuating market-based discipline. Hard enforcement must therefore be sustained over years, not treated as a one-time correction.

9. EMERGING THEMES AND RESEARCH FRONTIERS

- **Digitalisation and e-invoicing:** Italy (Sistema di Interscambio, 2019), France (phased 2026), and the EU's VAT in the Digital Age package are pursuing mandatory electronic invoicing as an indirect late payment intervention, reducing dispute-as-delay tactics. The UK's proposed 30-day dispute window creates incentives for digital invoice confirmation. A further gap raised at the DBT-OSBC-ERC (June, 2026) discussion is interoperability: invoices do not yet arrive in a universal standard format internationally, and while open finance can make paying easier for users, banks are largely working to their own local legislation rather than aligned international standards. This suggests e-invoicing mandates alone may be insufficient for cross-border payment chains without parallel progress on standards alignment.
- **Supply chain finance market integrity:** European SCF volumes at US\$534 billion (Global Trade Review, 2026) underscore that payment term legislation and trade finance are structurally interdependent.
- **CSRD payment disclosures:** The EU's Corporate Sustainability Reporting Directive requires large companies to disclose payment practices in sustainability reports. The EU Payment Observatory's 2025 thematic report found early evidence that transparency requirements may improve payment culture (EU Payment Observatory, 2025).
- **Payment culture versus legal mandate:** A recurrent theme in the comparative literature is whether cultural norms or legislative mandates drive payment behaviour (Summers and Wilson, 2002; McGuinness, Hogan and Powell, 2018). The evidence suggests neither alone is sufficient; the UK's combination of mandatory law and the Fair Payment Code cultural initiative (DBT, 2025b) represents current best practice.
- **Market-based discipline and its limits:** Kim, Chae and Oh (2026) — using a multi-method event study of 233 KFTC enforcement actions combined with an incentivised vignette experiment — find that firms penalised for supplier exploitation lose on average 1.24% of market value at announcement, but this market discipline is significantly attenuated for high-profitability firms. This finding is directly relevant to UK policy design: market-based discipline alone is demonstrably insufficient to deter exploitation by large, profitable buyers — precisely the cohort most implicated in the UK's late payment problem. This same conclusion was echoed at the DBT-OSBC-ERC (June, 2026) discussion, where Sangho Chae, Kim and Oh's co-author summarised the policy implication as market punishment alone “does not go far enough.” One question raised at the panel, not resolved by the existing evidence, is whether investor and lender behaviour could be deliberately engineered to close this gap — for example, by incorporating late payment practices as an explicit criterion in environmental, social and governance (ESG) investment screening, rather than relying on the market to price this risk in unprompted. Given that Kim, Chae and Oh's own findings show market reactions are weakest precisely where profitability is

highest, an explicit screening criterion could in principle reach the cohort of large, profitable buyers that ex-post market discipline reaches least — though this remains an open question rather than a tested intervention.

- A number of research questions have been stimulated by this global audit and these can be summarised as follows:

1. **Does proactive regulatory enforcement reduce late payment incidence more than complaint-dependent enforcement, and what are the SME-specific effects?**

The Japanese case does, however, merit closer investigation given its prominence in this report. Japan achieved 13pp reduction in late payment incidence over an 18-year period under the proactive inspection model —an outcome for which there is no equivalent evidence in complaint-dependent enforcement regimes. However, the causal mechanisms underpinning this success remain insufficiently theorised. Disentangling these drivers is essential for informing the design of proactive enforcement powers for the UK's OSBC.

2. **Is demand suppression — SMEs' systematic non-pursuit of valid late payment claims — reducible through structural regulatory design, and which mechanisms are most effective?**

3. **What is the causal effect of mandatory payment term caps on SME insolvency rates and cash flow, and does the strength of enforcement modify this relationship?**

4. **What is the causal effect of asymmetric payment term caps — mandatory shorter terms where the creditor is an SME — on payment behaviour, relative to universal caps?**

5. **Does mandatory e-invoicing reduce payment delays independently of statutory payment-term rules, and can it complement hard-law reform in low-enforcement contexts?**

6. **Under what conditions do mandatory e-invoicing regimes reduce late payment incidence, and do their effects differ across firm sizes, particularly for SME creditors?**

All of these questions will require further primary research involving accessing key datasets such as the EU Payment Observatory Annual Reports (2019–2025), covering 20 Member States with firm-size and sectoral disaggregation; JFTC/SMEA enforcement statistics (fiscal years 2005–2025), including guidance cases, recommendations, and underpayments restored; DBT UK payment practices research (2024); OECD Product Market Regulation database (regulatory intensity proxies); France DGCCRF enforcement registers (2019–2025); Germany BGB civil courts case statistics. In addition, undertaking

survey work with small firms themselves will be crucial in order to identify the specific effects of these policies in a sector defined by its heterogeneity.

10. CONCLUSIONS AND IMPLICATIONS FOR UK LEGISLATION

This SOTA identifies the UK's existing framework as structurally coherent but practically under-enforced, with three documented failure modes — waiver/opt-out failure, demand suppression, and enforcement body weakness — that the proposed 2025–2026 package directly addresses. Internationally, the proposed framework positions the UK at the global frontier of late payment regulation: not by designing the most legally ambitious instrument, but by combining the right elements — automatic obligations, proactive enforcement, accessible adjudication, and supply chain transparency.

The sector-specific evidence reviewed in Section 7 strengthens this assessment considerably. The clearest single finding in this review is the superior effectiveness of sector-specific adjudication models — construction HGCRA/SOPA regimes, the UK GCA, Ontario ODACC — over general civil litigation as an SME payment remedy. The proposed SBC adjudication model is directly modelled on these proven designs, and their accumulated evidence base provides reasonable confidence in the model's effectiveness if properly resourced. The sector evidence also identifies the critical implementation risk: cost accessibility at low claim values, which has constrained adjudication take-up in Australian and UK construction regimes and must be explicitly addressed in the SBC's operating framework.

The comparative effectiveness evidence consistently supports the UK's chosen design principles. Japan's quantified annual enforcement results confirm that proactive inspection and non-waivable obligations produce measurable outcomes at scale. Australia's PTRS deterioration in 2024–25 confirms that transparency without hard limits has a ceiling. France's DGCCRF model confirms that administrative enforcement outperforms civil litigation for SME protection, while also demonstrating that relationship dependency limits even active enforcement. The UK's Reporting Regulations and procurement-linked payment standards are the strongest-evidenced elements of the existing framework, validating the proposed expansion of transparency and board-level accountability obligations.

The central challenge — for all global jurisdictions reviewed — is identical: the gap between de jure rights and de facto enforcement, amplified by SME relationship dependency. The UK's proposed combination of mandatory interest, accessible adjudication, proactive SBC investigation, and financial penalties is the most structurally coherent attempt globally to close this gap. The quality of SBC resourcing, the speed of legislation, and the robustness of transition arrangements will determine whether this framework succeeds where its predecessors have not.

ANNEX: SUMMARY COMPARATIVE TABLE — LATE PAYMENT REGULATIONS

Colour key for effectiveness ratings:

- **STRONG**
- **MIXED-DETERIORATING**
- **MODERATE-STRONG**
- **POOR**
- **MODERATE**
- **MINIMAL**
- **IMPROVING**
- **PROMISING**
- **MIXED**
- **ABSENT**

Country / Jurisdiction	Primary Legislative Instrument(s)	Maximum Payment Term	Late Payment Interest Rate	Key Distinctive Features	Enforcement Body / Mechanism	Evidence of Effectiveness
United Kingdom — Existing Framework						
United Kingdom (Existing Regime)	Late Payment of Commercial Debts (Interest) Act 1998; Reporting on Payment Practices and Performance Regulations 2017 (amended 2024); Enterprise Act 2016 (Small Business Commissioner)	30 days (G2B); 60 days (B2B, subject to negotiated exemptions)	8% above Bank of England base rate; contractually waivable	Voluntary Fair Payment Code (FPC); SBC: advisory and mediation only; Mandatory payment practice reporting for large companies (>£36m turnover); Fixed compensation £40–£100 per invoice	Small Business Commissioner (non-binding recommendations only); no civil penalty powers; criminal offence for non-reporting directors	MIXED Persistent structural underperformance of a well-designed statutory framework. £26bn in unpaid invoices at any time; 14,000 business closures annually attributed to late payment (DBT, 2025a); 27% of businesses formally pursue late payments (DBT, 2024); SBC recovers several hundred thousand pounds annually (£320,316 in 2024/25; £390,900 in 2023/24). A separate, larger estimate — £112bn in unpaid invoices owed to UK small businesses by the end of 2024 (HC 1057, 2026); Only 31% of large companies aware of their reporting obligations (DBT, 2024). Note: The £112bn and £26bn UK figures use different methodologies and reference periods. They are not comparable, and should not be summed or read as alternative estimates of the same quantity.

Country / Jurisdiction	Primary Legislative Instrument(s)	Maximum Payment Term	Late Payment Interest Rate	Key Distinctive Features	Enforcement Body / Mechanism	Evidence of Effectiveness
United Kingdom — Commercial Payments Bill (in Parliament)						
United Kingdom (Commercial Payments Bill)	Late Payment of Commercial Debts (Interest) Act 1998 (as amended); Commercial Payments Bill [HL] (introduced House of Lords 19 May 2026; Second Reading 9 June 2026; Grand Committee stage at time of writing)	60-day hard cap on all B2B payment terms; limited exemptions for large-large contracts, where purchaser is smaller party, or for imported/exported goods	8% above Bank of England base rate; mandatory and non-waivable under proposed reform	SBC: powers to investigate, adjudicate, impose civil penalties; Mandatory reporting of interest paid on late invoices; Board-level commentary on GOV.UK for persistent poor payers; Construction retention prohibition	Significantly strengthened Small Business Commissioner (adjudication, investigation, civil penalty powers); cost recovery by SBC for investigations/adjudications	PROMISING Not yet in force; now before Parliament as the Commercial Payments Bill [HL] (Grand Committee stage, June 2026). The Government itself has described the package as 'the most significant legislation to tackle late payments in over 25 years' (DBT, 2026). Architecture — combining hard statutory cap, non-waivable interest, penalising enforcement body, board-level accountability, and construction retention ban — is more comprehensive than existing UK regime and more stringent than the general EU Directive framework.
G7 Comparators						
United States	Federal Prompt Payment Act 1982 (government contracts only); Perishable Agricultural Commodities Act 1930 (PACA); No federal B2B statute; State-level construction prompt payment laws	30 days (federal G2B); B2B: no federal cap; state provisions vary	Federal: Treasury rate + 2%; PACA: prompt settlement required; state B2B: varies	PACA trust mechanism: globally significant sector-specific model; federal procurement only; no federal B2B framework — most non-construction SMEs have no statutory recourse; state lien rights: primary	Federal agencies (self-compliance); USDA (PACA enforcement); state courts; construction: state lien statutes	MINIMAL Minimal (B2B) — the most significant regulatory protection gap among G7 economies. PACA recovers over \$100m annually and reduces payment disputes by 40–60% in covered agri-food trade. Construction lien rights effective but expensive to exercise for SMEs. General B2B: outside government contracting and agriculture, US SMEs in services, manufacturing, and retail have no meaningful statutory payment term protection.

Country / Jurisdiction	Primary Legislative Instrument(s)	Maximum Payment Term	Late Payment Interest Rate	Key Distinctive Features	Enforcement Body / Mechanism	Evidence of Effectiveness
				construction SME protection		
Canada	Ontario Construction Act 2018 (as amended 2020, 2024, 2026); Federal Prompt Payment for Construction Work Act 2019.	Construction: 28 days (contractor to subcontractor); 7 days (sub to sub-sub) under Ontario Act; no general B2B cap	Ontario construction: prime rate + 1%; no standardised general B2B rate	Ontario Construction Act 2020: mandatory adjudication; pay-when-paid clause prohibition; most advanced construction prompt payment regime in North America; Bill 60 (in force Jan 2026) further strengthened	Provincial adjudication bodies (construction): ODACC (Ontario); no federal B2B enforcement body	STRONG (construction) / ABSENT (general B2B) Construction adjudication (ODACC): 269 adjudications commenced in FY2023; 65% of determinations issued within statutory 30-day timeline (ODACC, 2023). Regime expanded to Alberta and Saskatchewan. Outside construction, no statutory payment term protection.
Japan	Subcontract Act (Shitauke-Ho) 1956; Act on Proper Transactions with Subcontractors (enacted May 2025, in force January 2026, replacing Subcontract Act)	60 days maximum from receipt of goods or services; no derogation permitted	14.6% per annum (punitive, non-waivable); highest statutory rate among comparator economies	Most explicitly SME-targeted framework globally; 2025 reform: 11 total prohibited conduct types; scope expanded to transport/logistics consignment; employee headcount as threshold criterion; promissory note payment prohibited; proactive annual inspection programme	Japan Fair Trade Commission (JFTC) + Small and Medium Enterprise Agency (SMEA): proactive inspections, guidance, public disclosure, fines	STRONG In 2024: JFTC issued 21 recommendations — highest in a decade, rising to 26 by December 2025. In 2024, 8,230 guidance cases were issued; 149 principal contractors ordered to restore ¥1.35bn to 3,026 subcontractors (JFTC/SMEA, 2025). Separately, Kim et al. (2026) study enforcement actions by Korea's Fair Trade Commission and find a mean 1.24% market value loss for penalised buyer firms; while not a study of Japan, it is suggestive that reputational consequences can reinforce financial penalties in East Asian competition-authority enforcement models more broadly.

Country / Jurisdiction	Primary Legislative Instrument(s)	Maximum Payment Term	Late Payment Interest Rate	Key Distinctive Features	Enforcement Body / Mechanism	Evidence of Effectiveness
Germany	Bürgerliches Gesetzbuch (BGB) §§ 286–288; Transposition of EU Late Payment Directive 2011/7/EU	30 days default; extendable to 60 days by agreement	9% above ECB reference rate (B2B); 5% (consumer transactions)	Mittelstand relational norms partially substitute for formal enforcement; led Member State opposition to EU LPR; reliance on civil litigation — no dedicated SME enforcement body	Civil courts only; no specialist public enforcement agency	MODERATE ~33% of firms report late payment — below EU norm. The average B2B payment duration averaged 41 days across 2019 to 2024; G2B payment period improved from 81 days in 2019 to 62 days in 2021 and then deteriorated to 71 days in 2024 (EU Payment Observatory, 2025).
France	Code de Commerce Art. L.441-10 (Loi de Modernisation de l'Économie, LME, 2008)	30 days default; maximum 60 calendar days or 45 end-of-month; sector derogations permitted	ECB rate + 10%; flat recovery indemnity of €40 per invoice	DGCCRF public enforcement: active inspections, fines, public disclosure (name and shame); highest statutory B2B interest penalty among G7; non-waivable penalty rate.	DGCCRF: fines up to €2m per infringement (€4m for repeat offenders); public disclosure mandatory	MODERATE-STRONG In first five months of 2024 alone: DGCCRF investigated 248 companies; 138 penalty procedures totalling ~€30m in fines. Large companies remain the worst-performing size category, with only 15% of large-company payments made on time in 2024 (EU Payment Observatory, 2025).
Italy	D.Lgs. 231/2002 (transposing EU Directives 2000/35/EC and 2011/7/EU)	30 days default; extendable to 60 days; sector derogations available	8% above ECB reference rate	ICQRF enforcement (agri-food supply chains); healthcare sector: chronic public authority payment arrears; NRRP procurement creating new SME payment risks	Civil courts; AGCM (antitrust) for unfair contractual terms (inconsistently applied)	IMPROVING Average G2B payment times stood at 70 days (supplier-reported, Intrum) in 2024, though official MEF data report 30 days following PNRR reform (EU Payment Observatory, 2025). Healthcare sector average fell to 35 days in 2024, meeting PNRR targets, down from historical highs of 90–180 days prior to reform. 48% of Italian companies reported difficulties from late payment in 2024 — below the EU average of 52% and a six-percentage-point

Country / Jurisdiction	Primary Legislative Instrument(s)	Maximum Payment Term	Late Payment Interest Rate	Key Distinctive Features	Enforcement Body / Mechanism	Evidence of Effectiveness
						improvement on 2023 (EU Payment Observatory, 2025). AGCM enforcement inconsistent. Italy's pre-PNRR experience remains the clearest international example of technically adequate legal transposition with inadequate enforcement; PNRR-driven reform demonstrates that binding institutional targets can drive improvement where general law alone has not.
European Union — General Framework						
European Union (Directive & Proposed Regulation)	Directive 2011/7/EU on combating late payment; Proposed Late Payment Regulation COM(2023)533 (withdrawn 2025)	30 days default (extendable to 60 days if not 'grossly unfair'); no binding hard cap under current Directive	8% above ECB reference rate (automatic entitlement under Directive)	Proposed LPR (hard 30-day cap; mandatory interest; civil fines) withdrawn in 2025 after industry and Member State opposition led by Germany; current Directive relies on private enforcement; EU Payment Observatory: monitoring and comparative data, no enforcement function; CSRD payment disclosures.	National enforcement bodies (Member State discretion); EU Payment Observatory (monitoring only)	POOR Average EU B2B payment periods at 60.3 days in 2024 — above Directive's 30-day default in virtually all Member States. G2B approaching 70 days. 52% of EU companies report difficulties from late payment in 2024 — 10 percentage points higher than 2021. Large companies worst payers in 16 of 20 Member States. Intrum's 2025 report warns late payments may put 10 million EU companies at risk. LPR collapse confirms structural limits of hard-law reform without Member State alignment. 37% of firms consider sanctions an insufficient deterrent; a third see rules as inconsistently enforced. Withdrawn LPR would have barred interest-right waivers and mandated proactive national enforcement authorities.
Selected EU Member States & UK Partner Economies						
Netherlands	Wet Betaaltermijnen Grote Bedrijven	30 days maximum (large)	8% above ECB	Statutory 30-day cap on large-company-to-SME	Civil courts; ACM (Netherlands)	STRONG 34% of Dutch companies report late payment difficulties in 2024 — lowest rate

Country / Jurisdiction	Primary Legislative Instrument(s)	Maximum Payment Term	Late Payment Interest Rate	Key Distinctive Features	Enforcement Body / Mechanism	Evidence of Effectiveness
	2017 (Large Companies Payment Terms Act)	company to SME); 60 days otherwise	reference rate	payments — among the most prescriptive in the EU; no dedicated SME enforcement body beyond ACM	Authority for Consumers & Markets) for monitoring	in the EU, consistent over three consecutive years (EU Payment Observatory, 2025). The 2017 statutory 30-day cap for large-to-SME transactions appears to have created meaningful structural constraint on the most asymmetric payment relationships. However, the micro-large on-time gap (82% vs 39%) remains the EU's widest, and no size breakdown confirms large-buyer compliance with the SME-specific cap; low incidence may partly reflect leading EU uptake of credit insurance (30%) rather than the statute itself.
Belgium	Code de droit économique (Loi du 2 août 2002); transposition of EU Directive 2011/7/EU	60 days maximum	8% above ECB reference rate	No dedicated public enforcement authority; ADR via CEPANI; construction retention rules notable; standard Directive transposition	Civil courts; CEPANI (arbitration and ADR)	MIXED Belgium's share of companies reporting late payment problems surged up slightly from 50% to in 2023 to 51% in 2024, albeit below the EU average. payment periods themselves actually improved for both B2B and G2B. Construction sector retention rules represent an above-average structural feature. Without a dedicated enforcement body, the statutory framework is effectively unenforced beyond civil litigation. CJEU condemned Belgium (June 2025) for G2B non-compliance; 30-day procurement reform took effect 1 January 2025, not yet reflected in outcomes.
Ireland	European Communities (Late Payment in Commercial Transactions) Regulations 2012; Construction	60 days maximum (standard); construction : sector-specific timelines	8% above ECB reference rate	Construction sector adjudication under the Construction Contracts Act 2013; no general public enforcement	Civil courts; construction: statutory adjudication process	MIXED-DETERIORATING Ireland was one of six Member States where average payment periods deteriorated for both G2B and B2B in 2024 — one of the worst-trend performers (EU Payment Observatory, 2025). Construction adjudication provides some sector-specific relief. The broader SME population outside construction is wholly reliant on civil

Country / Jurisdiction	Primary Legislative Instrument(s)	Maximum Payment Term	Late Payment Interest Rate	Key Distinctive Features	Enforcement Body / Mechanism	Evidence of Effectiveness
	Contracts Act 2013			body; common law jurisdiction closest to UK norms		litigation. Data sources conflict for 2024 (SAFE, Intrum and Cribis/D&B diverge), but Ireland leads the EU on voluntary compliance instruments: 58–62% of firms claim compensation and 69% take legal action, absent any statutory enforcement body.
Spain	Ley 15/2010 de Morosidad; transposition of EU Directive 2011/7/EU	60 days maximum	8% above ECB reference rate	AICA (agri-food sector enforcement): active inspections and fines; retail sector: >120-day terms permissible under negotiated derogations — longest retail sector derogation in EU	AICA (agri-food); civil courts (general)	IMPROVING Average B2B payment days fell from ~90 (2009 post-crisis peak) to ~65 days (2019) — a 28% reduction. AICA enforcement in agri-food is cited by EU Payment Observatory (2024) as a model of sector-specific enforcement. Retail derogations (>120 days) represent significant structural gap. State Observatory of Private Late Payments created 2025; 56% of firms view enforcement as inconsistent (vs 32% EU); B2B static at 80 days for three years; large-firm on-time rate (15%) far below micro (50%).
Denmark	Renteloven (Interest Act); transposition of EU Directive 2011/7/EU	30 days default	8% above ECB reference rate	Strong embedded payment culture; high voluntary compliance; civil courts as primary recourse; Nordic compliance culture	Civil courts only; no specialist public enforcement	STRONG Consistently among the lowest late payment incidence countries in the EU. Denmark improved payment performance in 2024, with further reductions in both B2B and G2B average times. G2B-to-B2B payment time gap — narrow as recently as 2023 (3%) — widened sharply to approximately 22% in 2024 as B2B periods fell faster than G2B; a 2025 municipal study also found around 10% of SME invoices (over 30% in some municipalities) paid beyond the 30-day G2B deadline. No Danish-specific evidence in this review tests the durability of this cultural-compliance model under sustained economic stress; Kim et al.'s (2026)

Country / Jurisdiction	Primary Legislative Instrument(s)	Maximum Payment Term	Late Payment Interest Rate	Key Distinctive Features	Enforcement Body / Mechanism	Evidence of Effectiveness
						Korean findings are suggestive but not direct evidence for Denmark.
Sweden	Räntelagen (Interest Act); transposition of EU Directive 2011/7/EU	30 days default	Reference rate + 8%	Strong compliance culture; efficient civil courts; minimal formal enforcement infrastructure	Civil courts only	STRONG Historically low late payment incidence. EU Payment Observatory (2025) identifies Sweden as one of six Member States where average payment periods for both G2B and B2B deteriorated in 2024 — a notable reversal suggesting cultural compliance norms are insufficient buffers against structural economic pressures. This is consistent with a more general risk — illustrated by, though not directly tested in, Kim et al.'s (2026) Korean evidence — that enforcement-light systems relying on cultural norms alone may not sustain performance during economic downturns, particularly where buyers are highly profitable.
Finland	Laki kaupallisten sopimusten maksuehdoista; transposition of EU Directive 2011/7/EU	30 days default	8% above ECB reference rate	30-day mandatory term for public procurement; statutory complaints mechanism; Nordic compliance culture; Regional State Administrative Agencies monitoring	Civil courts; Regional State Administrative Agencies (monitoring)	STRONG (structurally sound, deteriorating in 2024) G2B payment periods at 68 days — below the EU average of 70 days, reflecting partial effectiveness of the public procurement Act's 30-day obligation. B2B periods fell to 61 days but remain above the EU average. Late payment problem incidence reached a six-year high of 51% in 2024, just below the EU average of 52%. Demand suppression is significant: 58% of Finnish companies report accepting unfavourable payment terms under large-buyer pressure. The STRONG rating reflects structural G2B compliance, not absence of underlying payment strain among SME suppliers.

Country / Jurisdiction	Primary Legislative Instrument(s)	Maximum Payment Term	Late Payment Interest Rate	Key Distinctive Features	Enforcement Body / Mechanism	Evidence of Effectiveness
Luxembourg	Loi du 18 avril 2004 relative aux délais de paiement; transposition of EU Directive 2011/7/EU	60 days maximum	8% above ECB reference rate	Standard EU Directive transposition; highly financialised economy (FDI and holding companies) limits domestic commercial payment volume	Civil courts	DETERIORATING 69% of Luxembourg companies report late payment difficulties in 2024 — second highest in EU. Standard Directive transposition with civil-court-only enforcement provides no dedicated mechanism to address this persistent problem. Evidence base itself is thin (SAFE sample of only 97 firms; no national source). On-time payments collapsed 15pp to 42% in 2024 across all sizes and sectors, though the size-related gap narrowed sharply.

Key UK Trading Partners & FDI Competitors

Australia	Payment Times Reporting Act 2020 (as amended 2024); Security of Payment Acts (state-based, construction)	Federal procurement: 20 business days; construction (SOP Acts): statutory timetables per contract stage; no general B2B cap	SOP Acts: approx. bank rate + 10% (varies by state); no general B2B standard	Two-track: federal transparency/reporting (PTRS) + state construction adjudication; 2024 PTRS reforms: mandatory 'payment ratio' metric; regulator identifies slowest 20% of payers; fast-payer public recognition; NSW SOPA adjudication (since 1999) globally regarded; Victoria 2025: expanded claimable amounts	Payment Times Reporting Regulator (federal); state-based adjudication bodies (construction)	MIXED Invoices paid within 30 days increased from 63.2% to 68.9% since PTRS commencement — described as 'minimal' by ASBFEO (2025). Business insolvencies hit four-year peak in Q4 2024, running 25% above pre-pandemic levels; B2B defaults more than doubled in 12 months (CreditorWatch, 2025). Construction SOP adjudication globally regarded as effective. Australia illustrates the ceiling of transparency-only approaches: hard enforcement mechanisms (SOP adjudication) produce superior outcomes but are limited to construction.
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Country / Jurisdiction	Primary Legislative Instrument(s)	Maximum Payment Term	Late Payment Interest Rate	Key Distinctive Features	Enforcement Body / Mechanism	Evidence of Effectiveness
Singapore	Building and Construction Industry Security of Payment Act 2004 (BCISP); general contract law	Construction: statutory payment timetables; no general B2B cap	Construction: late payment interest specified in contract or Act; no general B2B standard	BCISP adjudication modelled on NSW SOPA; one of four globally leading construction payment regimes (with UK, Australia, Ontario); no general B2B framework	State-appointed adjudicators (construction); civil courts (general)	STRONG (construction) BCISP adjudication considered highly effective for construction sector SMEs. No equivalent framework for other sectors. Limited data for general B2B.
India	Micro, Small and Medium Enterprises Development (MSMED) Act 2006	45 days (or 15 days if no agreement)	Compound interest at three times the bank rate	MSEFC adjudication explicitly for MSMEs; Income Tax Act incentive: large buyers claiming tax deductions on MSME payments must have paid within 45 days (from 2023); formally adequate architecture but implementation inconsistent	Micro and Small Enterprises Facilitation Council (MSEFC): adjudication	MODERATE MODERATE in design; WEAK in practice. MSEFC mechanism is infrequently used due to procedural complexity and SME awareness gaps (Taylor Wessing, 2024). India's experience mirrors the UK's pre-reform position: formally adequate architecture whose impact is limited by access and awareness barriers, and the absence of proactive enforcement.

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