

UK sets global standard for small business payment rights

- New research shows the UK's Commercial Payments Bill is the most comprehensive late payment framework among major economies.
- The Bill tackles historical failings and builds on the limited successes of other countries, such as Japan cutting late payment incidence from 25% to 12%.
- £26 billion in overdue invoices are owed to UK small businesses at any given time — new legislation will change that.

Small businesses across the UK are set to benefit from the strongest commercial payment regulations of any major economy. A [new report conducted by the Enterprise Research Centre](#) confirms the UK's landmark legislation goes further than comparable frameworks in the G7, EU, and beyond.

The research, commissioned by the Department for Business and Trade, compares payment laws across 20 jurisdictions. It finds that the UK's Commercial Payments Bill - combining a mandatory 60-day payment cap, non-waivable interest, and an empowered Small Business Commissioner - is more comprehensive than any existing international framework.

The research identifies two international models that have achieved sustained improvement: Japan, where proactive government enforcement cut late payment incidence from 25% to 12% over 18 years; and the Netherlands, which has the lowest rate of late payment difficulties in the EU - just 31% of companies affected - under a law that caps payment terms at 30 days when large companies pay small suppliers. Both models support the design choices in the UK's new legislation.

But critically, the research finds that transparency and voluntary approaches alone consistently fail to secure prompt payments for small businesses. Where countries rely solely on civil courts, small firms routinely suppress their own claims to protect commercial relationships - a pattern seen in the UK, the EU, and Australia alike. Meanwhile, the US has sector-specific regulation but no general business-to-business payment framework.

The report concludes that only mandatory caps backed by proactive enforcement change behaviour at scale, supporting the UK's chosen framework design.

“The central challenge - for all 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.”

Blair McDougall MP, Minister for Small Business and Economic Transformation, said:

“Far too many small business owners tell me they lie awake worrying about how they’ll pay staff or cover bills, simply because they haven’t been paid on time for work already delivered.

“This research proves that the Small Business Protection Bill will change that - tackling unfair power imbalances and restoring certainty for SMEs and the self-employed, so they can focus on what they do best: growing their businesses and driving our economy forward.”

Emma Jones, Small Business Commissioner, said:

“This research shows the UK is working to pass legislation that would herald the world’s fairest payment terms and times. This comes not a moment too soon as small businesses look to free up time and cash to go for growth. At our event we brought together international policymakers and stakeholders to update on UK progress and consider the potential for other countries to follow suit. Doing so could see a move to a single international SME payment standard that would make life easier for large corporates buying from SME suppliers and small firms themselves.”

Professor Mark Hart, Deputy Director, Enterprise Research Centre, Warwick Business School, said:

“In this comprehensive global audit, we conclude that the proposed UK legislative package for 2025–2026 is an "architecturally complete" framework that directly incorporates several international "gold standards" to address the structural power imbalances inherent in late payments.

“Our work provides rigorous international evidence for the UK Government by identifying key benchmarks—from Japan’s proactive enforcement, the Netherlands precisely targeted two-tier legislative structure, to Ontario’s rapid adjudication—that are essential for ensuring the proposed legal framework will transform the UK’s payment landscape and underpin SME growth and productivity.”

Notes to editors

See the full report here: [Late Payment: International Comparative Legal & Regulatory Framework](#)

The Small Business Protections (Late Payments) Bill was introduced to the House of Lords on 19 May 2026. ([See details here.](#))

See full UK Government impact report for late payments on the UK economy [here](#).

[The Enterprise Research Centre \(ERC\)](#) is the UK's leading independent research institute on small and medium-sized enterprises (SMEs). It is funded by the Economic and Social Research Council (ESRC), the Department for Business and Trade, the Department for Science, Innovation and Technology, Innovate UK, The Intellectual Property Office (IPO), and the British Business Bank (BBB). ERC research helps to shape better policies and practices that enable SMEs to thrive. The Centre is based at Warwick Business School and is led by Professor Stephen Roper, Professor Mark Hart, and Dr Vicki Belt.