Press release

Late payments: Parliament strikes deal with Council

New rules to ensure that small firms no longer face financial problems due to the late payment of bills by public authorities or companies were agreed by Parliament and Council negotiators on Monday evening. MEPs secured important concessions on the general payment and verification periods, the capping of payment periods by public authorities and the interest rate payable if payments are made late.

This new legislation updates the existing EU Late Payments Directive. The standard deadline for both public and private sectors to pay a bill for goods or services will now be 30 days. The Commission's initial proposal in practice left the deadline open for debtor and creditor to agree. But Parliament's negotiators succeeded in persuading Member State representatives to accept an EU-wide 30-day rule.

"I am extremely pleased that the Parliament achieved this general 30-day deadline for both public authorities and business-to-business transactions", said Parliament's rapporteur and chief negotiator Barbara Weiler (S&D, DE), adding that "Parliament has secured a level playing field and clear-cut rules for all players, to the benefit of Europe's many small and medium-sized companies. This deal means that SMEs will no longer be forced to serve as banks for public enterprises or big companies."

Four key points were settled in last night's negotiations:

1. 60 days capping for public authorities: Only in exceptional circumstances can the payment period be longer than 30 days. However, Parliament fought hard to ensure that payment can never be delayed beyond 60 days for public authorities and that special justification is necessary for any extension of the payment period.

2. Interest rate and compensation: The statutory interest rate payable if a payment is late will be the reference rate plus 8%. MEPs initially pushed for a 9% interest charge. The 8% surcharge is a compromise with the Council, which wanted 7%.

Parliament and Council agreed to a fixed sum of €40 as compensation for recovery costs. Parliament's rapporteur believes that the initial proposal by the Commission of a multi-level compensation payment system was confusing and complicated.

3. *For public entities providing healthcare:* Member States may choose a deadline of up to 60 days. This is because of the special nature of bodies such as public hospitals, which are largely funded through reimbursements under social security systems.

4. A clear-cut verification period: The verification period for ascertaining that the goods or services comply with the contract terms is set at 30 days. This period may be extended only if expressly agreed and provided it is not grossly unfair to the creditor. Parliament secured an undertaking that verification periods may not be used as a loophole to delay payment unnecessarily.

Next steps

The agreement now needs to be approved by the full Parliament and is likely to be put to a plenary vote at the October session in Strasbourg.

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