

Late Payment in Commercial Transactions Regulations 2012

Introduction

Under the Late Payment in Commercial Transactions Regulations 2012 (effective on 16 March 2013), suppliers have an entitlement to (i) interest if payment for commercial transactions is late and (ii) an automatic entitlement to compensation if interest is due. These regulations apply to business transactions in the EU only.

When is a payment considered late?

It will be an implied term of every contract that interest is payable if debts are not paid on time. The Terms and Conditions of Trade with UCC state that payment terms are 30 days from receipt of the invoice for payment unless otherwise specified by the supplier. A payment is regarded as late when 30 days have elapsed from the date of receipt of the invoice in UCC. The supplier shall be entitled to late payment interest for the period beginning on day 36 and ending on the date on which the payment of the invoice is made. It is imperative that invoices received directly from suppliers are date stamped with the date of receipt, without this date stamp a receipt date of 5 days after the invoice date is used in the interest calculations. Obviously if there is a bone fide reason for the payment being made late i.e. the invoice being in dispute etc. then interest will not be paid over. Accounts Payable must be advised in all such cases.

What rate of interest is payable /

Per the regulations state that the interest rate applying will be the European Central Bank (ECB) rate plus 8 percentage points and the rate will be reviewed on 01 January and 01 July each year.

What is the Compensation payment?

The Regulations also provide that it shall be an implied term of every commercial transaction that where late payment interest becomes payable, the supplier shall be **automatically** entitled, in addition to the late payment interest, to the amount specified in the schedule below as compensation towards the relevant recovery costs incurred by the supplier as a consequence of late payment.

UNIVERSITY COLLEGE CORK
FINANCE OFFICE
Accounts Payable
Policies and Procedures



Amount of Invoice	Compensation
Not exceeding EUR1,000	EUR 40
Exceeding EUR1,000 but not exceeding EUR10,000	EUR 70
Exceeding EUR10,000	EUR 100

Please note that Late Payment Interest and Compensation will be charged to the same charge code as the invoice to which it applies.

Summary of Main Changes:

- Interest rate is now 8% (previously 7%) plus the ECB rate at 01 January and 01 July every year.
- Where interest is due to a supplier there is also an **automatic** entitlement to compensation. Previously, compensation was only paid on request.
- The € cap has been removed. This means that UCC is now obliged to pay all interest due even where the amount due is less than €. In addition to this interest, compensation (minimum of €40) is also due.

How to minimise your Department/ School/Research unit exposure to these additional costs,

- Ensure all invoices are date stamped on receipt. This applies regardless of whether the invoice is received by e-mail or post. All invoices should be forwarded immediately to the Accounts Payable office. Invoices without an Agresso PO should be signed and coded. Invoices with an Agresso PO do not require signing or coding and can be sent to Accounts Payable via e-mail at invoice@ucc.ie
- Ensure all invoices requiring online Agresso approval should be approved on a timely basis. If you are an approver, then you should also nominate a deputy to approve in your absence, to avoid any unnecessary delays. This can be done by contacting Agresso Support at 4902907
- If there is a bone fide reason for paying an invoice late, this must be communicated to Gayle Atkinson, Accounts Payable Manager as soon as it becomes apparent.

References /further information:

Further information is available on the following website:

<http://www.entemp.ie/enterprise/smes/latepay.htm>

These regulations give legal effect to Directive 2011/7/EC and repeal the European Communities (Late Payment in Commercial Transactions) Regulations 2002 (S.I. No. 388 of 2002).