

Government Launches Crackdown on Late Payments in New Small Business Plan

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The UK Government has unveiled a new Small Business Plan as part of its broader “Plan for Change”, targeting the persistent issue of late payments that continue to hinder small business growth. The policy includes tougher enforcement measures and financial support aimed at creating a more stable and fairer environment for small enterprises.

Under the new plan, firms that habitually delay payments to their suppliers will face stricter penalties. The Small Business Commissioner will be granted extended powers, including the authority to carry out spot checks and impose fines. In addition, the plan mandates that invoice verification must be completed within 30 days, with a maximum payment term of 60 days, eventually reducing this to 45 days.

Prime Minister Keir Starmer emphasised the importance of timely payments, stating that too many small business owners, from tradespeople to freelancers, are being forced to waste time chasing unpaid invoices rather than focusing on growth. “It’s unfair, it’s exhausting, and it’s holding Britain back. So, our message is clear: it’s time to pay up,” Starmer said. He added that the reforms are intended to provide small businesses with the stability and support necessary to drive economic growth.

Late payments are estimated to cost the UK economy approximately £11 billion annually, with 38 small businesses closing their doors every day as a result. As part of the new framework, audit committees within large corporations will be legally required to assess and report on payment practices at the board level, reinforcing accountability across the supply chain.

In addition to addressing late payments, the government is introducing a £4 billion finance package to stimulate small business growth. This includes a £1 billion allocation for 69,000 Start-Up Loans, which will come with mentoring support to aid new entrepreneurs. The British Business Bank is also receiving a £3 billion boost, raising the total guarantee level of its ENABLE (Efficient and Necessary Access to Business Lending Expansion) programme to £5 billion. The ENABLE scheme supports lenders in offering more affordable financing to small and medium-sized enterprises.

Tina McKenzie, Policy Chair at the Federation of Small Businesses (FSB), welcomed the announcement and highlighted its significance. “Making sure businesses are paid on time, that our high streets thrive, and creating conditions in which everyone can start and succeed in business are crucial priorities for small businesses, communities and the economy,” she said. McKenzie added that the FSB and government have worked closely on “bold and ambitious measures” to address the issue through legislation and other pro-growth initiatives.

The plan signals a decisive shift toward stronger protections for small business owners and could mark a turning point in how large firms interact with suppliers. With improved access

to finance and a legislative push to ensure prompt payments, the government aims to reinforce the backbone of the UK economy by supporting its small and medium-sized enterprises.