

Retail and wholesale: EU ministers must ensure the Late Payments proposal tackles the problems instead of creating them

EU ministers gather today in a [Competitiveness Council](#) to discuss the Commission's [proposal on combating late payments](#).

Ahead of the meeting, EuroCommerce Director-General, Christel Delberghe, said:

“Retailers and wholesalers have sounded the alarm bells on the dramatic impact of the Late Payment proposal from the moment it was published. We now see that our concerns are shared by businesses of all sizes – including SMEs – and across different sectors. Several EU governments and parliaments have rightly [questioned](#) whether limiting freedom of contract is proportionate. We urge EU ministers to recognise the many downsides of the Commission’s strict approach on payment terms and work together on a way forward that addresses the real problem of non-compliance with contracts, without the dramatic repercussions.”

The impact of a strict 30-day cap on EU retailers and wholesalers - especially SMEs - in Europe will be devastating, says EuroCommerce. It can create an estimated [financial gap](#) for the whole economy of €2 trillion ([source: International Credit Insurance & Surety Association \(ICISA\)](#)) and will likely reduce product choice and increase prices for consumers if the proposal is not altered to reinstate freedom of contract.

The draft Regulation goes beyond its intent to address late payments (which are breaches of contract) and imposes an absolute restriction on the freedom to negotiate beyond 30 days. A one-size-fits-all approach fails to recognise that commercial partners negotiate mutually beneficial agreements. These benefits cannot be compensated by [alternative business models or complex contractual arrangements](#), or by pre-planning which products need special treatment.

Larger companies are already required to explain the steps they are taking to address late payments by the Corporate Sustainability Reporting Directive. Further obligations to report will add an enormous administrative burden for companies that are regularly making payments to thousands of smaller suppliers and is impractical when you consider that 18 billion invoices are issued each year in the EU. This is more than 500 invoices per second according to [Creditreform](#).

Leena Whittaker, EuroCommerce Director for Competitiveness, highlights: *“We need to focus on the real problem and not interfere with mutually beneficial agreements that commercial partners negotiate. This means using the insights delivered by the first reports of the [EU Late Payment](#)*

[Observatory](#), which was set up to promote a culture of prompt payment three years after it was proposed in the [EU's SME Strategy](#)."

On the agenda for ministerial discussions is also the issue of national enforcement authorities, which the Commission proposes to set up. EuroCommerce agrees with the concerns of several Member States that these will cause administrative burdens and interfere with national civil law, especially where more could be gained from solutions such as alternative dispute resolution that can help preserve business relationships.

More information about the impact of the proposed rules on the retail and wholesale sector, examples of how companies negotiate mutually beneficial agreements and suggestions for a way forward can be found here: [Late Payments - EuroCommerce](#)

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EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 27 countries and 5 million companies, including leading global players and many small businesses. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of business and individual customers. The sector generates 1 in 7 jobs, offering a varied career to 26 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector.