

22 April 2024

Joint statement on the proposed Late Payments regulation

Ahead of the plenary's vote on the proposed Late Payments Regulation, **BusinessEurope, Eurochambres and EuroCommerce call on MEPs to maintain contractual freedom in all business-to-business relations, as a key element of the business environment.**

The right to freely negotiate contractual relations, including longer payment terms **when justified**, should be maintained. It is a key element of the business environment and its multi-faceted ecosystems.

A top-down imposition of strict caps on payment terms is a heavy-handed approach.

- It disregards the existence of business relationships where freedom to agree payment terms offers advantages to both the buyer and supplier.
- It overlooks how negotiations can be used to strike a bargain, that matches individual circumstances, appetite for risk, facilitates market entry or fits the many different circumstances or contexts in which the businesses operate.

Determining a payment term cannot be pre-planned in advance for all situations by a strict dictate or derogations. Such derogations may not be fit for the future and cannot be rushed by playing a game of numbers or handing out 'concessions', without understanding what is behind the business relationships and models.

Imposing requirements on only large companies ignores the consequences of dealing with large pools of suppliers, and **renders valueless the increased transparency on payment practices already in force pursuant to the Corporate Sustainability Reporting Directive.**

This is not a zero-sum game: the financial gap is dramatic and its consequences will be felt most by SMEs.

A recent [study](#) shows that 40% of European companies that are paying after 60 days will face a financing gap that will have a huge macro-economic impact. To reduce payment terms to 30 days would need €2 trillion of additional financing and could, at current interest rates, increase corporates' interest payments by €100 billion, the equivalent of a -2pps loss of margins.

Filling that gap at a time when the availability of business loans in the EU has plummeted, will not be cheap or may not be available especially for SMEs that need to find money to cover a loss of cashflow, or increase the upfront cost to start a business or explore new business avenues. The consequences of losing access to a form of finance from business partners willing to extend credit jeopardises the viability of many businesses.

BusinessEurope, Eurochambres and EuroCommerce represent millions of companies in Europe, most of which are small and medium-sized enterprises (SMEs) – the supposed beneficiaries of this proposal, who, as noted above, would be left in a much worse-off position.

We firmly support a culture of prompt payment and action that tackles the problem of breach of contract, but which leaves the negotiation of payment terms to the contractual partners.