

Payment terms vote: time to descend from the ivory tower

The European Commission proposed a Late Payments regulation last year that heavily restricts the freedom of contract for European businesses to agree payment terms. The European Parliament will vote to impose strict caps on payment terms, with derogations to be defined by guidance, when most Member States are against limiting payment terms to 30 days.

Ahead of the European Parliament's vote in plenary on this proposal, EuroCommerce Director General, Christel Delberghe stresses: *"Dictating payment terms that apply to the whole economy does not work. The decisions on which payment terms to use must remain with the businesses that know their trade-offs in a negotiation. Vaguely defined derogations will only offer complexity and not solutions to the real problem of non-compliance with contracts. For these reasons, we ask MEPs to support amendments tabled in plenary that seek to preserve the freedom of parties to negotiate"*.

EuroCommerce, the European association representing small and larger retailers and wholesalers, is concerned that an unpopular proposal is at risk of being pushed through to 'beat the clock'. Adopting a position just before the European elections that will harm rather than help SMEs, its intended beneficiaries, is alarming. [23 Member States](#) and many [SME representatives](#) have spoken out against the proposal and the amendments contained in the IMCO Committee report have considerably [watered down](#) the proposal. Today, Business Europe, EuroChambres and EuroCommerce have issued a [joint statement](#) calling for the restoration of freedom of contract.

A recent [study](#)¹ shows that the financing gap for more than 40% of European companies that are paying after 60 days, resulting in a huge macro-economic impact. To reduce payment terms to 30 days in the economy 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.

Payment terms are agreed in thousands of negotiations every day in the EU. Rushing to agree anything because this is the last plenary session of this mandate of the European Parliament would be a disservice to the millions of companies across the EU that the rules will affect, says EuroCommerce.

The EuroCommerce [#FlexNotFixed campaign](#) shows the importance of freedom of contract and its [FAQs](#) highlight the complexity of trying to find a solution based on differentiating products, verification periods or size.

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¹ Allianz research, April 2024

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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.