

# Procedure file

Basic information	
COS - Procedure on a strategy paper (historic) <a href="#">1995/2079(COS)</a>	Procedure completed
Payment periods in commercial transactions. Commission recommendation	
Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ECON</b> Economic and Monetary Affairs, Industrial Policy		21/06/1995
		PSE <a href="#">HARRISON Lyndon H.A.</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>JURI</b> Legal Affairs, Citizens' Rights		18/07/1995
		PPE <a href="#">AÑOVEROS TRIAS DE BES Julio</a>	
Council of the European Union			

Key events			
19/05/1995	Non-legislative basic document published	N4-0198/1995	Summary
16/06/1995	Committee referral announced in Parliament		
07/05/1996	Vote in committee		Summary
07/05/1996	Committee report tabled for plenary	<a href="#">A4-0161/1996</a>	
04/07/1996	Debate in Parliament		
04/07/1996	Decision by Parliament	T4-0388/1996	Summary
04/07/1996	End of procedure in Parliament		
22/07/1996	Final act published in Official Journal		

Technical information	
Procedure reference	1995/2079(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142

Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/06642

Documentation gateway					
Non-legislative basic document		N4-0198/1995 <a href="#">OJ L 127 10.06.1995, p. 0019</a>	19/05/1995	EC	Summary
Committee report tabled for plenary, single reading		<a href="#">A4-0161/1996</a> <a href="#">OJ C 166 10.06.1996, p. 0004</a>	07/05/1996	EP	
Text adopted by Parliament, single reading		T4-0388/1996 <a href="#">OJ C 211 22.07.1996, p. 0014-0043</a>	04/07/1996	EP	Summary

## Payment periods in commercial transactions. Commission recommendation

OBJECTIVES: - to combat late payments in commercial transactions by making provision for a sufficiently dissuasive legal framework for bad payers, thereby ensuring contractual payment deadlines are adhered to; - to ensure that reasonable payment periods are adhered to in transactions where contractual relations between the partners are one-sided (especially in public procurement). CONTENT: the proposal for a Council recommendation sets out the principles and methods for improving payment periods by calling on the Member States to take suitable measures in keeping with their own legal framework. In particular, the Member States are called on to take measures to: - strengthen transparency in contractual relations, improve company training and information and mitigate the fiscal repercussions of late payments (e.g. clear indication, for each contract, of the period applicable and of the date on which payment is due; indication of discounts and reductions; indication of the period of time for the consignee to notify objections to the quality or quantity received; advice and legal assistance in drawing up contracts; development of treasury management tools; recourse to factoring; possibility for SMEs to defer payment of VAT until payment has been collected and to file VAT returns at longer intervals); - guarantee adequate compensation in the event of late payment (grant creditors the right to charge arrears interest; set a sufficiently dissuasive rate of arrears interest, to be applied in the absence of a specific clause in the contract); - guarantee suitable, fast, cheap recourse procedures (extrajudicial procedures for resolving litigation; simplified procedures for litigation involving limited sums; fast recovery procedures); - abolish difficulties specific to cross-border trade (information and training for companies on managing cross-border payment periods); - improve payments under public procurement contracts (adhere to a period of 60 days without challenging shorter periods in force; measures to increase the awareness of the authorities concerned; precise administrative procedures; regular controls on payment periods; payment of sub-contractors).?

## Payment periods in commercial transactions. Commission recommendation

The ECON adopted the report by Mr Lyndon Harrison on the Commission recommendation on payment periods in commercial transactions. Payment periods refer to delays after the payment date set in the contract. These delays upset smooth trading by forcing the creditor to grant the debtor credit, thereby jeopardizing the financial viability of numerous SMEs. In the United Kingdom alone, some 20 billion pounds are permanently locked up due to late payment. It is estimated that nearly 50% of all basic loans by SMEs are to finance commercial credit. At a hearing in January (cf. Info Memo no. 15), experts highlighted the increase in payment periods and deliberate delays (over a third of the total). Two main demands were tabled: the introduction of the right to charge interest on late payments which was sufficiently high to act as a deterrent and the implementation of a directive, which was more binding than a simple recommendation. Whilst the ECON supported the objectives of transparency and simplification set out in the recommendation with a view to solving the problem of payment delays, it doubted that it would suffice to guarantee reasonable payment periods and therefore proposed: - that the Commission consider converting its recommendation into a proposal for a directive; - statutory recognition of an automatic right to charge interest on late payments; - statutory compensation for recovery costs; - a minimum of harmonization of legal provisions relating to simple and effective judicial and extrajudicial procedures; - provision of credit information and measures to train SMEs in credit management; - deferment of VAT payments until invoices are settled; - provision for licensing of debt collectors who should fulfil certain requirements (financial guarantees, probity, solvency etc.).?

## Payment periods in commercial transactions. Commission recommendation

Parliament adopted the report by Mr Lyndon HARRISON (PSE, RU) on the Commission recommendation on payment periods in commercial transactions. While the report supports the objectives of transparency and simplification set out in the Commission recommendation with a view to solving the problem of payment delays, it expresses doubt about the appropriateness of a non-binding EU instrument to ensure reasonable payment periods, and to foster competition and confidence in the market. It therefore proposes: - that the Commission consider converting its recommendation into a proposal for a Council Directive, - statutory recognition of an automatic right of creditors to interest for late payment which would be appropriate as a penalty and as a deterrent; - statutory compensation for costs incurred in connection with the recovery of debts; - a minimum of harmonization of legal provisions relating to simple and effective extrajudicial procedures for recovery of payments due and of related costs; - provision for appropriate credit information and concrete measures for training SMEs in credit management; - deferment of paying VAT until invoices are settled; - provision for licensing of debt collectors who should fulfil certain requirements (financial guarantees, probity, financial solvency, etc.). Finally, the EP considered it imperative that public authorities and public-law enterprises change their business practices in the field of payment and set a new standard in public procurement contracts. ?

