

## Tackling late payment behaviours to accelerate critical investments in innovation and greening

President Von der Leyen announced an SME Relief Package during her September 2022 State of the European Union address. SMEs across Europe certainly require relief, with levels of business confidence hitting an all-time low according to the 2023 [Eurochambres Economic Survey](#) (EES2023).

One of the main objectives of the SME Relief Package is to combat late payment behaviour. The ripple effect of delayed payments hinders cash flow and planning of long-term investments. This and other factors such as high interest rates and even higher inflation all go some way to explaining the highest level of businesses bankruptcies in the EU for many years<sup>1</sup>.

The Commission recently concluded a 9-week public consultation on the revision of the Late Payment Directive, which they consider necessary to address shortcomings in the existing legislation (Directive 2011/7/EU) and thus respond more effectively to the harmful culture of late payments that still prevails in some EU member states. In general terms, minimizing late payments must go hand in hand with the improvement of digital payment practices especially for SMEs as the most exposed to this unfair practice.

Eurochambres urges caution when legislating on business-to-business (B2B) payment dynamics. It is important to strike the right balance of treating commercially sensitive information and the need for companies to maintain good commercial relations. With the goal of achieving lighter reporting requirements and reducing administrative burdens, Eurochambres underlines the importance of flexible negotiations when setting payment terms and highlights strong concerns in proposing a cap to payment terms in B2B transactions.

Furthermore, companies do not systematically claim interest and compensations for recovery costs due to the need to maintain constructive client relations and to safeguard their market position in the face of competition. Promoting a culture of 'prompt payment' should be pursued by also minimising existing barriers such as the complexity of initiating legal proceedings against debtors.

Punctual payments should be the norm to provide companies with the cash flow needed to smoothly run their day-to-day operations. We recognise that the Commission's objective should foresee the systematic implementation of (voluntary) processes for electronic invoicing and transfers and by strengthening SMEs' position to avoid making unnecessary price concessions. However, with SMEs often lacking credit management training, financial and digital literacy, the chamber network has a crucial bridging role and – along with other business support organisations – should be granted support and means to train companies on this matter. In addition, in formulating its proposal, the Commission should sift the evidence provided by member states and tailor the measures according to their specific and unique needs.

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<sup>1</sup> In Q4 2022, bankruptcies within the EU rose 26.8% relative to Q3 of the same year. Bankruptcies increased in all four quarters of 2022, and are now at their highest levels since 2015: <https://ec.europa.eu/eurostat/en/web/products-eurostat-news/w/DDN-20220217-2>

The integration of the single market depends on the capacity of companies to exploit trade and investment opportunities within and outside their national territory. For this reason, Eurochambres calls for a fair, flexible and resilient framework to encourage prompt payments and to settle payment and transaction disputes that would sustain the economic growth of our companies.

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