



Invoicing and
payment terms –
has your business
got them right?



Thackray Williams



If getting paid on time is a growing problem for your business, is it time that you reviewed your invoices and terms and conditions to ensure that they are not leaving you open to the risk of bad debt? Failure to comply with invoicing and payment terms can also leave your business liable to a claim for statutory costs compensation.

Pritti Amin, Head of Debt Recovery at Thackray Williams LLP in Bromley, advises business owners on what they need to include in invoices and payment terms.

Invoices

To comply with the law and to ensure that your customers are not given reason to delay payment by challenging your invoices, you must ensure they contain all the essential information relevant to your specific business.

All invoices should contain:

- a unique identification number;
- the invoice date;
- a clear description of what they are charging for;
- the supply date; and
- the amount charged

If your business is a limited company, then the invoices must contain the company's full name (as it appears on the certificate of incorporation), the company's registration number and any business name used by your business along with an address for service of legal documents. If you wish to include the names of the company directors on the invoice then all directors' names must appear.

For sole traders, invoices must contain the name of the sole trader and any business name being used, together with an address for the delivery of legal documentation.

For businesses registered for VAT, then ensure that your invoices contain all the details required by HM Revenue & Customs as detailed on their website. Failure to comply can leave your business liable to a fine.

Payment terms

When did you last review your standard terms and conditions of trade? Your standard terms should cover:

- payment terms;
- delivery arrangements;
- credit limits and periods;
- your right to claim interest on late payment; and
- your right to claim debt recovery costs. (On a sliding scale of £40 - £100 per invoice)

Under the Late Payment of Commercial Debts (Interest) Act 1998 businesses are statutorily entitled to charge interest on the late payment of debts by other businesses. Payment is late when the agreed credit period has expired. If no credit period is stipulated then legislation states you may charge interest from 30 days after delivery of the goods or provision of service or the date on which the purchaser receives notice of the debt. Interest is charged at 8% above the Bank of England Base Rate. This reference rate is changed every 6 months and you will need to check the rate applicable on the date the debt became due and apportionment may be required if the reference rate changes whilst the debt remains owing. You should stipulate in your invoices and letters requesting payment that you intend to exercise these statutory rights.

Standard terms allow you to proceed with greater speed and certainty against late and non-payers because you will be clear about the contractual terms on which you can proceed. Note that the terms must be incorporated into a sale by presenting them to the customer before the sale is concluded. A common error is for standard terms to be printed on the back of an invoice which is presented to the customer after the sale.

Ask us to check your invoices and terms and conditions to see whether they are fit for purpose. We can also assist with drafting appropriate standard terms and we can explain, in practical terms, how to be sure that the terms and conditions are incorporated into the sale to make sure that your customer is bound by them.

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