

Late Payment Law Reform: What Tech Businesses Need to Know

On 24 March 2026, the UK Government published its response to its consultation on reforming the *Late Payment of Commercial Debts (Interest) Act 1998*. Following 867 responses, the Government confirmed it will proceed with the most significant reforms to late payment legislation in over 25 years. The changes will have a direct impact on technology businesses operating both as customers and suppliers across complex B2B supply chains.

1 The Key Reforms

1.1 A 60-day hard cap on payment terms

Most B2B contracts will be subject to a maximum 60-day payment term, after which statutory interest will automatically accrue. While exemptions will apply (including where both parties are large companies or for import/export contracts, or where the purchaser is the smaller party), many technology supply arrangements – particularly those involving SMEs – will be caught. The cap is not expected to apply before 2027.

1.2 Mandatory statutory interest

All commercial contracts must include a right to statutory interest at 8% above the Bank of England base rate. The ability to contract out by providing an alternative 'substantial remedy' will be removed. This is particularly relevant for technology contracts that currently rely on bespoke remedies or service credits.

1.3 Invoice dispute deadlines

A statutory deadline will be introduced for disputing invoices, with compensation payable if the deadline is missed. A 30-day deadline was proposed, but this is not yet determined. Tech businesses with layered approval processes or usage-based billing models should expect increased operational pressures to meet this deadline.

1.4 Expanded powers for the Small Business Commissioner (SBC)

Depending on resourcing, the SBC will be able to investigate payment practices, compel disclosure, adjudicate disputes between small and large businesses, and impose financial penalties on persistent late payers.

1.5 New reporting obligations and accountability for large companies

Larger companies, exceeding £54m annual turnover, £27m balance sheet total and 250 employees, will have to report on their payment of interest on late payments and publish commentary on poor performance. This may lead to SBC investigation and enforcement as well as reputational issues.

2 Why This Matters for Tech Businesses

Technology businesses often sit on both sides of the payment equation: paying smaller suppliers while supplying larger customers. These reforms should increase cash-flow certainty for suppliers, while exposing late payers to statutory interest, regulatory enforcement and reputational risk. Late payment will become a compliance issue, not just a point to consider in commercial negotiation.

3 What Should You Do Now?

Whilst the reforms won't be implemented until parliamentary time allows, businesses should review payment terms in technology contracts, assess invoice approval and dispute processes, and consider governance arrangements ahead of implementation. Particular care should be taken by larger companies where standard terms or framework agreements are used at scale.

4 Key Contacts



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