

THE GOVERNMENT'S 10 DAY PLEDGE TO SMALL BUSINESSES MAY PROVE IMPRACTICAL WARNS CREDIT AGENCY GRAYDON UK

Submitted by: Leapfrog

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The Government's recent pledge to ease the cashflow problems being faced by small firms through paying trade invoices in 10 rather than the usual 30 days requires urgent action, warns commercial credit management (<http://www.graydon.co.uk/UKContent/UKPublicHTMLPages/index.html>) agency Graydon UK.

New research from Graydon UK, a leading credit referencing agency (<http://www.graydon.co.uk/UKContent/UKPublicHTMLPages/index.html>), questioned 238 small businesses on their experiences of Government payment practices. Their studies revealed that only 34 per cent of those questioned found Government agencies to be "prompt payers", with two thirds (66 per cent) instead describing current payment practices as "slow" or "average" (over 30 days). Of those businesses that have experienced slow payment from Government agencies, 38 per cent named the NHS as the worst culprit.

With the Government therefore facing an uphill struggle to fulfil its recent pledge, Martin Williams, Managing Director of Graydon UK, says: "While Gordon Brown's promise reflects his appreciation of the importance of cash flow to the survival of small businesses in these challenging times, practicalities may inhibit his ability to deliver."

Martin Williams continues: "The government has made it clear that the 10 day payment pledge relates to small business invoices. This begs the question of how purchase ledger staff will recognise big company invoices from small company invoices. Invoice value can't be the determining factor, as even big companies can invoice in small amounts for services provided. This separating out of invoices will add an additional administrative burden on finance department staff."

"As the Government has already discovered during the last few weeks of this credit crisis, taking action and expecting immediate results is misplaced. When Gordon Brown announced the government's multi billion pound liquidity package for the banks earlier this month, he hoped to see banks commence lending to consumers and small businesses once again. Weeks later, clients are still complaining about the difficulties in obtaining finance."

Martin Williams adds: "With the recession clearly biting, Government departments will also be suffering from a slowdown in payments from their own clients, business and consumer, which may put individual government departments under cash flow pressure themselves. If the money isn't there day to day, paying bills in 10 days instead of thirty becomes a tough proposition."

"There are a number of initiatives the government could implement in the short term to improve small firms' cashflow, such as reducing interest rates, delaying VAT payments for six months or even reducing employer national insurance contributions. However, it does seem that the government is opting to pursue a long term solution which may take some time to bear fruit."

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Notes to Editors:

About Graydon UK

Graydon UK is one of the leading database information providers specialising in credit risk monitoring (<http://www.graydon.co.uk/UKContent/UKPublicHTMLPages/RiskMonitoringService.html>), credit scoring (<http://www.graydon.co.uk/UKContent/UKPublicHTMLPages/CreditScoring.html>) and risk assessed marketing lists. The company helps clients reduce the uncertainty of doing business by providing a complete, differentiated and high-quality package of credit risk management services. Graydon provides access to credit information and reports on companies in more than 130 countries worldwide. The Graydon group is owned by Atradius, Coface and Euler Hermes, three of Europe's leading credit insurance organisation, www.graydon.co.uk