

## Introduction

In our previous article for the Monday Morning Dispatch, we introduced you to Summary Judgment, the procedure that comes with it, and how we can use this to help our clients with obtaining judgment against the other party sooner than what would normally be expected.

In this week's edition of the Monday Morning Dispatch, we thought we would cover the Late Payment of Commercial Debts (Interest) Act 1998 and how we utilise the legislation to assist our clients with cost neutral recoveries.

## What is the Late Payment of Commercial Debts (Interest) Act 1998?

The Late Payment of Commercial Debts (Interest) Act creates a statutory right to claim interest on the late payment of certain debts arising under commercial contracts for the supply of goods or services.

For the legislation to apply, the debt must be:

- Arising out of a contract where the parties are businesses or public authorities; and,
- 'Due', subject to the terms of the contract

For the debt to be 'due', this will either be the agreed payment day expressed in the contract, or in absence of this clause, will be 30 days after the sum initially became due.

After these requirements have been met, Section 1 of the Act will allow the creditor to charge 'statutory interest'. This interest is at the rate of 8 percent over base rate per annum.

The term "base rate" used above is defined in the Glossary to the CPR as the interest rate set by the Bank of England which is used as the basis for other banks' rates. This is currently 4 percent, and as a result would mean that the current statutory interest rate would be 12 percent.

Where the 1998 Act applies, the claimant is also entitled to a small amount of statutory compensation for the inconvenience of having to recover the debt, this is in accordance with Section 5A. This compensation is applied to each invoice in the following categories:

- (a) for a Debt less than £1,000, the sum of £40;
- (b) for a Debt of £1,000 or more, but less than £10,000, the sum of £70;
- (c) for a Debt of £10,000 or more, the sum of £100.

Along with the statutory compensation, Section 5A(2A) of the Act will allow the claimant to recover Reasonable Costs where the costs of recovery to the Claimant are not met by the statutory compensation.

For example, if the compensation amounts to £100 but the costs incurred by the claimant hiring Solicitors amounted to £150, the claimant would claim £50 reasonable costs to make up the difference.

## How Acclaim use this Act to help you

Here at Acclaim, we use the 1998 Act to minimise the client's exposure to legal costs. By applying the 1998 Act, Acclaim are able to offer clients a cost neutral recovery.

This procedure is implemented by us at the beginning of a claim when setting up the new matter. We will calculate all interest, and compensation owed to our clients, when setting up the claim. This ensures that throughout the entirety of the claim, the correct costs are being included and specifically set out to all parties, this includes our experts carefully and concisely explaining all costs in the Particulars of Claim leaving no stone unturned and making sure that our clients will recover all the costs that they deserve.

Acclaim have the necessary expertise and experience in these matters and are able to assist you during the process of recovering commercial debts.

## Contact

If you require assistance with debt recovery, or are interested in finding out more about our services, then you can contact a member of our team below:

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