

## Construction payment charter updated – a missed opportunity?

The Government's Construction Leadership Council has published an updated Construction Supply Chain Payment Charter to reflect commitments in the original charter. In our view much more could have been done to strengthen the updated charter; the onus remains very much on the industry to tackle the issue of late payment.

### Payment charter

An updated version of the Construction Supply Chain Payment Charter ("**the Updated Charter**") was launched on 11 August 2016. The original charter was published in 2014 and in signing up to it each organisation agreed to use the 11 fair payment commitments in its dealings with its supply chain, including in respect of the timing of payments.

### So what is new?

The Updated Charter has changed the original very little. The signatories now commit to 45 day payments until January 2018 when this decreases to 30 days, but this merely reflects a commitment in the original charter to 45 day payments from June 2015.

The only other real change is that the commitment to use a project bank account on central Government contracts will now only apply when requested by the client; previously signatories committed to do so unless there were 'compelling reasons not to'. There is no longer a commitment to use project bank accounts on other contracts where appropriate. The Updated Charter has therefore "watered down" the

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commitments regarding project bank accounts, which can help encourage prompt payment.

## What impact will the new charter have?

The Updated Charter allows signatories to use the Charter's logo on their website and documentation, to show that they "are serious about good payment practice". This will hopefully encourage greater sign up (there were only 19 signatories when the Updated Charter was announced).

The Updated Charter does not, however, address many of the concerns in respect of the "lack of teeth" the original had. We are aware of some unpaid parties using non-compliance with the Charter by a signatory to obtain payment. However, there are limited consequences of non-compliance with the Charter (other than ultimately having the organisation's name removed from the list of approved signatories) so such an approach is not always successful.

Late payment is an industry wide issue for construction, which prompted Beale & Company to host a Round Table on the topic earlier this year (see [this](#) note). The Updated Charter does little more than the original to discourage late payment. The onus remains very much on the industry to tackle the issue of late payment by:

- + adopting strong credit control procedures which make use of existing tools available to challenge poor payers;
- + working with industry bodies; and
- + seeking to align the payment process with other key developments (such as the digitisation of construction, which could help provide greater clarity to the payment process).

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