



Department
of Energy &
Climate Change

Alyn Smith MEP
Member of the European Parliament for Scotland
TechCube
1 Summerhall
Edinburgh
EH9 1PL



Department
for Business
Innovation & Skills

The Rt Hon Matthew Hancock MP
Minister of State for Business, Enterprise and
Energy

Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

www.gov.uk

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Dear Alyn

Thank you for your letter of 12 December 2014 to the Rt Hon Dr Vince Cable MP, regarding unfair business payment practices and payment lengths. I am responding as the Minister responsible.

We are working closely with our stakeholders, including the Federation of Small Business (FSB), to develop an evidence base of poor payment practices. The FSB's recent survey will contribute to our wider assessment of these issues.

The practice of charging existing suppliers to remain on their lists is deeply concerning. The Government is clear that large companies should not be using their economic power to place further strains on already hard-pressed small businesses. For this reason, the Secretary of State has asked the Competition and Markets Authority to consider the available evidence on "pay to stay" clauses. The Government has also taken steps to prohibit this practice in certain circumstances; the statutory Grocery Supply Code prohibits payments as a condition of stocking or listing a supplier's grocery products, with a few exceptions, such as promotions.

We are currently consulting on the wider extent of the problem and on whether Government should take further action with respect to supplier lists. The consultation document is available at: <https://www.gov.uk/government/consultations/business-payment-practices-and-policies-duty-to-report>.

In conjunction with the Institute of Credit Management, we are also working to strengthen the impact of the Prompt Payment Code. Changes to the Code will be announced in Spring.

I am also considering what more can be done to achieve real culture change, making it unacceptable for larger companies in positions of extreme bargaining imbalances to exploit their smaller suppliers. Only in this way can we ensure that our actions are appropriately targeted and achieve real change on the ground.

Yours ever

THE RT HON MATTHEW HANCOCK MP