It was with some weariness that I heard of the responses given to your questioning of Carillion’s Directors with regards to poor payment practices.

The situation with Carillion and its suppliers is a perfect example of why we are strongly urging the Government to insist that every large public company should have a non-executive board member with a specific duty to report on supply chain issues, including payment practice. The need to prevent late payment remains the number one issue facing small businesses across the UK economy. When the Government finally presents its corporate governance regulations, we want to see clear ownership of a company’s payment practices by its whole board. The blank looks and apparent lack of awareness on display to your committees will have been hard for Carillion’s small business suppliers to swallow.

It is simply not good enough to point to an early payment finance scheme as proof of good practice, when a company has admitted operating with formal payment terms of up to 120 days. I was further dismayed by the evidence on two counts: first, the implication that payment terms of 60 and 120 days for even as many as between five and ten per cent of suppliers is anything other than awful practice; and second, the glib dismissal of small suppliers by the Carillion Board, implicit in the suggestion that suppliers waiting for payment had simply not complied with documentation requirements.

As you know, the general problem small businesses across the economy face with poor payment is much wider than simply payment terms – it is just as much about issues such as spurious invoice disputes, barriers and delays before issuing a purchase order, unfounded quibbles with work carried out, simply intended to delay the time until payment is due. Any company that relies on squeezing working capital from its suppliers through searching documents for out of place commas and the like is neither a fit enough business to survive nor a fit part of a healthy economy.
If I were questioning Carillion specifically further, I would also ask what percentage of invoices were disputed and queried. In addition, I would want to know of the 10% of businesses in which payment took longer than 60 days, how many businesses this represents, as well as exactly when Carillion started the payment ‘clock’ i.e. on the invoice date or when invoices were received.

While I am very grateful for the forensic questioning your committees have subjected Carillion to, I was very disappointed that their responses generated more questions than providing real answers. I would like to know who it was in Carillion that decided to treat their small suppliers this way when the company began to stall, and whether the Directors were simply unaware of what was going on in their own company. I would be very grateful if there were any way in which you could press Carillion to answer my further questions detailed above.

Once again, thank you for your support for small business suppliers during the course of this inquiry. I look forward to continued engagement with your committees in the other upcoming SME inquiries in Parliament.

Yours sincerely

Mike Cherry OBE AIMMM FRSA
FSB National Chairman

Thank you again for pressing these issues.