

LEGISLATIVE CONSENT MEMORANDUM

COMMERCIAL PAYMENTS BILL

Draft Legislative Consent Motion

1. The draft motion, which will be tabled by the Minister for the Economy, is:

“That this Assembly endorses the principle of the extension to Northern Ireland of the provisions of the Commercial Payments Bill, as introduced in the House of Lords on 19 May 2026, dealing with the implementation of legislative measures to tackle the detrimental impacts of late payments on business, and to strengthen a framework of transparency and best practice in the world of doing business, as contained in Clauses 1-11, 18-26, 28-33, and Schedule 1, Part 2 of Schedule 2, Schedule 3, and Schedule 4.”

Background

2. This memorandum has been laid before the Assembly by the Minister for the Economy under Standing Order 42A(2). The Commercial Payments Bill was introduced in the House of Lords on 19 May 2026. The latest version of the Bill can be found at:

[Commercial Payments Bill \[HL\]](#)

Summary of the Bill and its policy objectives

3. The Bill aims to make provision about payment terms in commercial contracts; to make provision about interest on late payment of commercial debts; to expand the powers of the Small Business Commissioner (SBC) in relation to payment disputes and poor payment practices, and to amend the Enterprise Act 2016 (EA) in connection with other functions of the SBC.

The Bill also seeks to ban retention clauses in construction contracts, but these provisions are not extended to the North of Ireland.

Provisions which deal with a Devolution Matter

4. Most of the provisions within the Bill fall under the legislative competence of the Assembly as they deal with transferred matters. Clauses in the Bill relating to payment terms in commercial contracts, interest on late payment of commercial debts, expanding the powers of the SBC in relation to payment disputes and poor payment practices, and amendments relating to other functions of the SBC are devolved to the North of Ireland.
5. Clause 1 inserts new section 2B into the Late Payment of Commercial Debts (Interest) Act 1998 (LPA). It provides that, unless there is an exemption that applies to them, businesses purchasers must pay their suppliers within 60 days of the trigger event specified in the contract, which must be one of the four set out in subsection (1). If no trigger event is specified in the contract, businesses have 30 days to pay from the latest of those trigger events. Public authorities must pay their suppliers within 30 days. One of the trigger events set out in section 2B is the completion of an acceptance or verification procedure. The Bill also inserts section 2C into the LPA which sets out the provisions on acceptance and verification procedures and provides that unless there is a longer acceptance and verification procedure expressly provided for as a contractual term, there is an implied term that the procedure is completed by the end of 30 days from the day the supplier performs the relevant contractual obligation. For long acceptance and verification procedures, this period can be longer, but it is void if it is not fair and reasonable, having regard to the matters set out in Schedule 2 of the Unfair Contract Terms Act 1977.
6. Clause 2 inserts new section 2D into the LPA. It applies equivalent maximum payment periods to relevant construction payments, with payment due within 60 days beginning with the payment due date, or 30 days where the purchaser is a public authority. It also ensures that where the payee serves a notice where the payer (or specified person) has failed to serve a Payment Notice, the final date for payment cannot be postponed further than the permitted maximum period.
7. Clause 3 inserts new section 2E into the LPA. It exempts certain contracts from the payment-term restrictions in clauses 1 and 2, including where the purchaser is smaller than the supplier by headcount, where both parties are

large undertakings, or where the Secretary of State has made regulations excluding a description of contract. The delegated powers in new section 2D(4) and (8) are subject to devolved consent requirements.

8. Clause 4 inserts new section 2F into the LPA. Where Sections 2B, 2C, and 2D LPA introduce maximum payment periods that apply to relevant payments under the LPA, section 2F provides the Secretary of State with powers to shorten these payment periods by regulations. Delegated powers in new section 2F(1), 2F(3), 2F(5) and 2F(6) are subject to devolved consent requirements.
9. Clauses 5-7 relate to statutory interest under the LPA. Clause 5 inserts new section 2G into the LPA which states that the right to statutory interest is an implied contractual term. Clause 6 substitutes subsection 4 of the LPA which relates to the period for which statutory interest runs. Clause 7 inserts new clause 6A into the LPA which treats contract terms that exclude or vary the right to statutory interest as void.
10. Clause 8 inserts new section 11A into the LPA which implies a term into contracts that allows a supplier to recover a penalty sum from the purchaser where a dispute is raised after the last dispute day.
11. Clause 9 inserts new section 15A into the LPA which defines terms relating to construction contracts.
12. Clause 10 and Schedule 1 set out further amendments of the LPA, Part 2 of the Housing Grants, Construction and Regeneration Act 1996 (HGCRA) and the Procurement Act 2023 (PA). The subject matter of these clauses is transferred to Northern Ireland insofar as they relate to the LPA. Part 1 of Schedule 1 sets out further amendments of the LPA. Part 2 of Schedule 1 makes consequential amendments to other enactments. Part 3 of Schedule 1 amends section 68 of the PA to make clear when sums must be paid under a public contract. This will require consent. It also inserts new section 68A which deals with public construction contracts, and new section 68B which replicates an existing power to shorten implied payment terms. It also amends sections 69 (payment compliance notices) and 73 (implied payment terms in sub-contracts). It further amends section 88 and introduces new sections 88A, B, and C, which deal with implied terms in regulated below threshold contracts: this Part does not apply to a transferred North of Ireland authority, other than procurement under a reserved procurement arrangement (see section 88(4)) and therefore no LCM is required to cover this for the North of Ireland. For the North of Ireland, paragraphs 21 and 22 of Part 3 of Schedule 1 apply to contracting authorities that are not transferred North of Ireland authorities, and to transferred North of Ireland authorities when procuring under a reserved UK procurement arrangement.

13. Clause 11 makes clear that the amendments made to the LPA or the HGCRA do not affect contracts entered into before the date those provisions come into force. The subject matter of this provision is transferred in Northern Ireland to the extent that it relates to transferred provisions in the Bill.
14. Clause 18 and Part 2 of Schedule 2 set out further amendments to the HGCRA 1996 and Construction Contracts (Northern Ireland) Order 1997 (CCNI).
15. Clause 19 amends the EA by inserting new sections 2A to 2G. These provisions establish the SBC adjudication scheme. The delegated powers in new section 2G are subject to devolved consent requirements.
16. Clause 20 inserts new sections 2H to 2P and Schedule 1A into the EA. These provisions confer new powers on the SBC to investigate the payment practices of larger businesses, issue directions following an investigation, impose financial penalties for non-compliance with enforcement directions, and require information to be provided to the SBC. New section 2P gives the Secretary of State power to make regulations about investigations, recommendations, reports, directions, and the power to require information; those powers are subject to devolved consent requirements.
17. Clause 21 replaces section 3 of the EA which relates to the powers of the SBC to publish and give advice to businesses.
18. Clause 22 confers new powers on the SBC to provide training to businesses about matters relating to transactions between businesses, and transactions between businesses and public authorities, or arrange for another person to provide training, and to charge a fee for such training.
19. Clause 23 inserts sections 12A and 12B to the EA to provide the Secretary of State with powers to transfer some or all of the SBC's functions to a public body by Regulations, and to make transfer schemes.
20. Clause 24 inserts new section 12C to the EA and provides that the term "business" includes "Duchy business" and defines what that means. The effect of this clause is to clarify how the new SBC regime applies to businesses owned by the Duchies.
21. Clause 25 amends the delegated power in section 3 of the Small Business, Enterprise and Employment Act 2015 (SBEE) and introduces further detail on that power in inserted section 3A, which relates to reporting on payment practices and performance, to make provision about enforcement and financial penalties.

22. Clause 26 and Schedule 4 make consequential and further amendments of Part 1 of the Enterprise Act 2016 and other enactments.
23. Clauses 28-33 set out general provisions for the Bill, covering the power to make consequential provision, interpretation, extent, commencement and transitional provision, and the short title.
24. Schedule 3 inserts Schedule 1A into the EA which confers new powers on the SBC to investigate payment practices of larger businesses.
25. As all the provisions of the Bill relate to matters which fall within the legislative competence of both the Scottish and Welsh Parliaments, DBT have also engaged with them and obtained their legislative consent.

Reasons for making the Provisions

26. The measures in this Bill seek to enhance and strengthen a framework of transparency and best practice in the world of doing business, and are intended to champion and be welcomed in particular by small businesses. This Bill builds upon good working relations and agreements in place between the Westminster Government and the devolved administrations in the area of Late Payments, as formalised through the Late Payment Common Framework (LPCF). It is beneficial to businesses and the enforcement body to ensure a consistent legislative and enforcement regime at the earliest possible opportunity.

Reasons for utilising the Bill rather than an Act of the Assembly

27. Much of the existing body of legislation on Late Payments, although in the transferred field, already operates in a manner that supports businesses, is agreed as part of the LPCF, and is underpinned by good working relations between the Westminster Government and devolved administrations. As such, it would be more efficient to have the transferred provisions dealt with within this Bill included as part of the ready-made vehicle of a Westminster Bill than to promote a specific Assembly Bill.

Consultation

28. A consultation was carried out by the Department for Business, Innovation, Science and Trade (DBIST) on the prospective measures within the Bill from 31 July 2025 to 23 October 2025, with the Westminster Government response to the consultation published on 24 March 2026. Responses were received from businesses and stakeholders here during the consultation, in addition to a joint DBIST & SBC roundtable being specifically held with business representatives in Belfast. DBIST have noted that there is widespread support throughout the business community for these late payment initiatives.
29. Analysis of the Bill indicated that it is cross-cutting, with amendments to late payment policy being considered by the Department for the Economy (DfE); criminal and civil offences and sanctions being considered by the Department of Justice (DoJ); and the amendments to the operation of the Construction Contracts (Northern Ireland) Order 1997, the Procurement Act 2023, and policy updates in the area of retentions in construction contracts (that will not be extended to the North of Ireland in the LCM) being considered by the Department of Finance (DoF).

Human Rights and Equality

30. The Westminster Government considers that the Bill is compatible with the European Convention on Human Rights (ECHR). Accordingly, Lord Leong CBE has made a statement under section 19(1)(a) of the Human Rights Act 1998 to this effect.

Financial Implications

31. DBIST believe that there should be no financial implications for the North of Ireland within this Bill – the SBC, particularly the enforcement network, will be funded by the Westminster Government. A Ways and Means resolution will be laid by DBT in the House of Commons in order to gain authorisation to make that public expenditure. The full impact assessment can be found at:

[Prompt Payments Primary Legislation Impact Assessment](#)

Summary of Regulatory Impact

32. DBIST believe there will be a negative net impact on business due to financial penalties and adjudications against them, but this is counteracted by the net social benefit of businesses being paid on time and fairly. The full impact assessment can be found at:

[Prompt Payments Primary Legislation Impact Assessment](#)

Engagement to date with the Committee for the Economy

33. Officials appeared and provided an oral briefing to the Economy Committee on 30 September 2026.

Conclusion

34. It is the view of the Minister for the Economy that it is in the interests of having clear and consistent legislation that ensures parity in the field of Late Payments, whilst promoting clear and consistent conditions within which to do business, that so far as the provisions of the Bill deal with a devolution matter, they should extend to Northern Ireland. The Minister for the Economy is supportive of the proposal and recommends to the Assembly that consent should be sought.

Department for the Economy

23 October 2026