

London, November 2nd, 2015

Late payments continue to blight construction firms

Quarter of SMEs in the sector at risk of being unable to continue trading

UK SMEs in the construction sector are facing a significant financial challenge caused by late payments from their suppliers. A worrying 2,250 construction businesses entered liquidation in Q1 2015 alone* – more than any other sector – and one in four (24%) smaller construction firms surveyed by Tungsten Corporation reported that late payments had placed them under threat of being unable to continue trading.

The research also revealed that 42 per cent of firms felt that the situation had not improved in the past 12 months and 32 per cent suggested it had become worse. Only 26 per cent said late payments posed less of a problem in the past 12 months.

This follows a series of measures implemented by the government, including the ‘Construction Industry Payment Charter’, which saw major contractors, clients and the government commit to paying their suppliers within 30 days, from 2018. The agreement organised with the Construction Leadership Council, committed contractors and clients to pay their suppliers within 60 days. From June 2015 this was reduced to 45 days and from January 2018, it will be 30 days.

Despite the scale of the issue, just 22 per cent of respondents had heard of the Prompt Payment Code (PPC), a voluntary scheme launched in 2008 to help raise standards in payment processing in the UK. The PPC has more than 1,800 signatories across the public and private sectors, and is administered by the Chartered Institute of Credit Management for the Department for Business, Innovation and Skills.

Richard Hurwitz, CEO at Tungsten, said: “While all small businesses experience lean months, construction firms are especially vulnerable to cash flow problems as the industry often sees sudden spikes in demand, with more projects during the summer months.

“This seasonality can leave businesses scrambling for cash to pay for additional manpower and materials, which creates instability and makes it difficult to prosper. This could worsen if companies are forced to turn away work because of a cash shortage. It’s worrying that so many businesses still feel under immense pressure despite legislation being put into practice. In hard times, they need more guidance and funding options if they are going to thrive.”

The research also revealed that 70 per cent of SMEs surveyed turn first to their bank when experiencing cash flow problems, while just 14 per cent consult alternative sources of funding.

Hurwitz continued: “With businesses finding it increasingly difficult to access traditional routes to finance such as bank lending, other sources of capital such as invoice finance, crowd funding and peer-to-peer lending have surfaced as viable means to ease cash flow pressures. The good news is e-invoicing technology now enables firms to effectively sidestep any delay, cost and uncertainty

they may have experienced with these alternatives in the past. Moreover, recent changes to the PPC promise to deliver a much more robust and effective set of standards for all industries.

“The technology is already there to facilitate change, so we call on government and industry leaders to support more innovative solutions, which will enable construction companies to worry a lot less about late payments and focus instead on the growth that has made them a building block of the UK’s wider recovery.”

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* Research sourced from Gov.UK

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Notes to editors

Research conducted in July 2015 by Red Dot Research on 1,000 senior decision makers in small and medium sized businesses (up to 250 employees).

About Tungsten Corporation plc

Tungsten Corporation (LSE: TUNG) accelerates global trade by enabling customers to streamline invoice processing, improve cash-flow management and make better buying decisions from their detailed spend data.

Buyer organisations that join Tungsten Network, the world’s largest compliant electronic invoicing network, can reduce their invoice processing costs by 60%. Suppliers benefit from efficiencies, greater visibility of their invoice status and peace of mind. Tungsten offers options for supply chain financing and helps buying organisations profit by applying real-time spend analytics to its vast repository of line-level invoice data.

Tungsten serves 56% of the Fortune 500 and 67% of the FTSE 100 by connecting the world’s largest companies and government agencies to their thousands of suppliers around the globe. It enables suppliers to submit tax compliant e-invoices in 47 countries, and last year processed transactions worth over \$187bn for organisations such as Alliance Data, Aviva, Cargill, Deutsche Lufthansa, General Motors, GlaxoSmithKline, Henkel, IBM, Kellogg’s, and the US Federal Government.