



EUROPEAN UNION

THE EUROPEAN PARLIAMENT

THE COUNCIL

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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject : Directive of the European Parliament and of the Council on combating late payment in commercial transactions

Joint text approved by the Conciliation Committee
provided for in Article 251(4) of the EC Treaty

DIRECTIVE 2000/ /EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of

on combating late payment in commercial transactions

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 95 thereof,

Having regard to the proposal from the Commission ¹,

Having regard to the Opinion of the Economic and Social Committee ²,

Acting in accordance with the procedure laid down in Article 251 of the Treaty ³, and in the light of the joint text approved by the Conciliation Committee on 4 May 2000,

¹ OJ C 168, 3.6.1998, p. 13 and OJ C 374, 3.12.1998, p. 4.

² OJ C 407, 28.12.1998, p. 50.

³ Opinion of the European Parliament of 17 September 1998 (OJ C 313, 12.10.1998, p. 142), Council Common Position of 29 July 1999 (OJ C 284, 6.10.1999, p. 1) and Decision of the European Parliament of 16 December 1999 (not yet published in the Official Journal).
Decision of the European Parliament of and Decision of the Council of .

Whereas:

- (1) In its Resolution on the Integrated Programme in favour of SMEs and the craft sector ¹, the European Parliament urged the Commission to submit proposals to deal with the problem of late payment.
- (2) On 12 May 1995 the Commission adopted a Recommendation on payment periods in commercial transactions ².
- (3) In its Resolution on the Commission Recommendation on payment periods in commercial transactions, ³ the European Parliament called on the Commission to consider transforming its recommendation into a proposal for a Council Directive to be submitted as soon as possible.
- (4) On 29 May 1997 the Economic and Social Committee adopted an opinion on the Commission's Green Paper on Public Procurement in the European Union: Exploring the Way Forward ⁴.
- (5) On 4 June 1997 the Commission published an Action Plan for the Single Market, which underlined that late payment represents an increasingly serious obstacle for the success of the Single Market.
- (6) On 17 July 1997 the Commission published a Report on late payments in commercial transactions ⁵, summarising the results of an evaluation of the effects of the Commission's Recommendation of 12 May 1995.

¹ OJ C 323, 21.11.1994, p. 19.

² OJ L 127, 10. 6.1995, p. 19.

³ OJ C 211, 22. 7.1996, p. 43.

⁴ OJ C 287, 22. 9.1997, p. 92

⁵ OJ C 216, 17. 7.1997, p. 10.

- (7) Heavy administrative and financial burdens are placed on businesses, particularly small and medium-sized ones, as a result of excessive payment periods and late payment. Moreover, these problems are a major cause of insolvencies threatening the survival of businesses and result in numerous job losses.
- (8) In some Member States contractual payment periods differ significantly from the Community average.
- (9) The differences between payment rules and practices in the Member States constitute an obstacle to the proper functioning of the internal market.
- (10) This has the effect of considerably limiting commercial transactions between Member States. This is in contradiction with Article 14 of the Treaty as entrepreneurs should be able to trade throughout the internal market under conditions which ensure that transborder operations do not entail greater risks than domestic sales. Distortions of competition would ensue if substantially different rules applied to domestic and transborder operations.
- (11) The most recent statistics indicate that there has been, at best, no improvement in late payments in many Member States since the adoption of the Recommendation of 12 May 1995.

- (12) The objective of combating late payments in the internal market cannot be sufficiently achieved by the Member States acting individually and can, therefore, be better achieved by the Community. This Directive does not go beyond what is necessary to achieve that objective. This Directive complies therefore, in its entirety, with the requirements of the principles of subsidiarity and proportionality as laid down in Article 5 of the Treaty.
- (13) This Directive should be limited to payments made as remuneration for commercial transactions and does not regulate transactions with consumers, interest in connection with other payments, e.g. payments under the laws on cheques and bills of exchange, payments made as compensation for damages including payments from insurance companies.
- (14) The fact that the liberal professions are covered by this Directive does not mean that Member States have to treat them as undertakings or merchants for purposes not covered by this Directive.
- (15) This Directive only defines the term "enforceable title" but does not regulate the various procedures of forced execution of such a title and the conditions under which forced execution of such a title can be stopped or suspended.

- (16) Late payment constitutes a breach of contract which has been made financially attractive to debtors in most Member States by low interest rates on late payments and/or slow procedures for redress; a decisive shift, including compensation of creditors for the costs incurred, is necessary to reverse this trend and to ensure that the consequences of late payments are such as to discourage late payment.
- (17) The reasonable compensation for the recovery costs has to be considered without prejudice to national provisions according to which a national judge can award to the creditor any additional damage caused by the debtor's late payment, taking also into account that such incurred costs may be already compensated for by the interest for late payment.
- (18) This Directive takes into account the issue of long contractual payment periods and, in particular, the existence of certain categories of contracts where a longer payment period in combination with a restriction of freedom of contract or a higher interest rate can be justified.
- (19) This Directive should prohibit abuse of freedom of contract to the disadvantage of the creditor. Where an agreement mainly serves the purpose of procuring the debtor additional liquidity at the expense of the creditor, or where the main contractor imposes on his suppliers and subcontractors terms of payment which are not justified on the grounds of the terms granted to himself, these may be considered to be factors constituting such an abuse. This Directive does not affect national provisions relating to the way contracts are concluded or regulating the validity of contractual terms which are unfair to the debtor.

- (20) The consequences of late payment can be dissuasive only if they are accompanied by procedures for redress which are rapid and effective for the creditor. In conformity with the principle of non-discrimination contained in Article 12 of the Treaty, those procedures should be available to all creditors who are established in the Community.
- (21) It is desirable to ensure that creditors are in position to exercise a retention of title on a non-discriminatory basis throughout the Community, if the retention of title clause is valid under the applicable national provisions designated by Private International Law.
- (22) This Directive should regulate all commercial transactions irrespective of whether they are carried out between private or public undertakings or between undertakings and public authorities, having regard to the fact that the latter handle a considerable volume of payments to business.
It should therefore also regulate all commercial transactions between main contractors and their suppliers and sub-contractors.
- (23) Article 4 of this Directive requires that the recovery procedure for unchallenged claims be completed within a short period of time in conformity with national legislation, but does not require Member States to adopt a specific procedure or to amend their existing legal procedures in a specific way,

HAVE ADOPTED THIS DIRECTIVE:

Article 1

Scope

This Directive shall apply to all payments made as remuneration for commercial transactions.

Article 2

Definitions

For the purposes of this Directive:

- 1) "commercial transactions" means transactions between undertakings or between undertakings and public authorities which lead to the delivery of goods or the provision of services for remuneration;

"public authority" means any contracting authority or entity, as defined by the Public Procurement Directives (92/50/EEC, 93/36/EEC, 93/37/EEC including 93/38/EEC);

"undertaking" means any organisation acting in the course of its independent economic or professional activity, even where it is carried on by a single person;

- 2) "late payment" means exceeding the contractual or statutory period of payment;

- 3) "retention of title" means the contractual agreement according to which the seller retains title to the goods in question until the price has been paid in full.
- 4) "interest rate applied by the European Central Bank to its main refinancing operations" means the interest rate applied to such operations in the case of fixed rate tenders. In the event that a main refinancing operation was conducted according to a variable rate tender procedure, this interest rate refers to the marginal interest rate which resulted from that tender. This applies both in the case of single rate and variable rate auctions.
- 5) "enforceable title" means any decision, judgment or order for payment issued by a court or other competent authority, whether for immediate payment or payment by instalments, which permits the creditor to have his claim against the debtor collected by means of forced execution; it shall include a decision, judgment or order for payment that is provisionally enforceable and remains so even if the debtor appeals against it.

Article 3

Interest in case of late payment

1. Member States shall ensure that:
 - (a) interest in accordance with point (d) shall become payable from the day following the date or the end of the period for payment fixed in the contract;

- (b) if the date or period for payment is not fixed in the contract, interest shall become payable automatically without the necessity of a reminder:
 - (i) 30 days following the date of receipt by the debtor of the invoice or an equivalent request for payment, or
 - (ii) if the date of the receipt of the invoice or the equivalent request for payment is uncertain, 30 days after the date of receipt of the goods or services, or
 - (iii) if the debtor receives the invoice or the equivalent request for payment earlier than the goods or the services, 30 days after the receipt of the goods or services, or
 - (iv) if a procedure of acceptance or verification, by which the conformity of the goods or services with the contract is to be ascertained, is provided for by statute or in the contract and if the debtor receives the invoice or the equivalent request for payment earlier or on the date on which such acceptance or verification takes place, 30 days after this latter date;
- (c) the creditor shall be entitled to interest for late payment to the extent that:
 - (i) he has fulfilled his contractual and legal obligations, and
 - (ii) he has not received the amount due on time, unless the debtor is not responsible for the delay;

(d) the level of interest for late payment ("the statutory rate"), which the debtor is obliged to pay, shall be the sum of the interest rate applied by the European Central Bank to its most recent main refinancing operation carried out before the first calendar day of the half-year in question ("the reference rate"), plus at least 7 percentage points ("the margin"), unless otherwise specified in the contract. For a Member State which is not participating in the third stage of Economic and Monetary Union, the reference rate referred to above shall be the equivalent rate set by its national central bank. In both cases, the reference rate in force on the first calendar day of the half-year in question shall apply for the following 6 months.

(e) unless the debtor is not responsible for the delay, the creditor shall be entitled to claim reasonable compensation from the debtor for all relevant recovery costs incurred through the latter's late payment. Such recovery costs shall respect the principles of transparency and proportionality as regards the debt in question.

Member States may, while respecting the principles referred to above, fix maximum amounts as regards the recovery costs for different levels of debt.

2. For certain categories of contracts to be defined by national law, Member States may fix the period after which interest becomes payable to a maximum of 60 days provided that they either restrain the parties to the contract from exceeding this period or fix a mandatory interest rate that substantially exceeds the statutory rate.

3. Member States shall provide that an agreement on the date for payment or on the consequences of late payment which is not in line with the provisions of paragraphs 1(b) to (d) and 2 either shall not be enforceable or shall give rise to a claim for damages if, when all circumstances of the case, including good commercial practice and the nature of the product, are considered, it is grossly unfair to the creditor. In determining whether an agreement is grossly unfair to the creditor, it will be taken inter alia into account whether the debtor has any objective reason to deviate from the provisions of paragraphs 1(b) to (d) and 2. If such an agreement is determined to be grossly unfair, the statutory terms will apply, unless the national courts determine different conditions which are fair.

4. Member States shall ensure that, in the interests of creditors and of competitors, adequate and effective means exist to prevent the continued use of terms which are grossly unfair within the meaning of paragraph 3.

5. The means referred to in paragraph 4 shall include provisions whereby organisations officially recognised as or having a legitimate interest in representing small and medium-sized enterprises may take action according to the national law concerned before the Courts or before competent administrative bodies on the grounds that contractual terms drawn up for general use are grossly unfair within the meaning of paragraph 3, so that they can apply appropriate and effective means to prevent the continued use of such terms.

Article 4

Retention of title

1. Member States shall provide in conformity with the applicable national provisions designated by Private International Law that the seller retains title to goods until they are fully paid for if a retention of title clause has been explicitly agreed between the buyer and the seller before the delivery of the goods.
2. Member States may adopt or retain provisions dealing with down payments already made by the debtor.

Article 5

Recovery procedures for unchallenged claims

1. Member States shall ensure that an enforceable title can be obtained, irrespective of the amount of the debt, normally within 90 calendar days of the lodging of the creditor's action or application at the court or other competent authority, provided that the debt or aspects of the procedure are not disputed. This duty shall be carried out by Member States in conformity with their respective national legislation, regulations and administrative provisions.

2. The respective national legislation, regulations and administrative provisions shall apply the same conditions for all creditors who are established in the European Community.
3. The 90 calendar day period referred to in paragraph 1 shall not include the following:
 - (a) periods for service of documents,
 - (b) any delays caused by the creditor, such as periods devoted to correcting applications.
4. This Article shall be without prejudice to the provisions of the Brussels Convention on jurisdiction and enforcement of judgments in civil and commercial matters ¹.

Article 6

Transposition

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive before*. They shall forthwith inform the Commission thereof.

When Member States adopt these measures, they shall contain a reference to this Directive or shall be accompanied by such reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.

¹ Consolidated version in OJ C 27, 26.1.1998, p. 3.
* 24 months after this Directive enters into force.

2. Member States may maintain or bring into force provisions which are more favourable to the creditor than the provisions necessary to comply with this Directive.
3. In transposing this Directive, Member States may exclude:
 - (a) debts that are subject to insolvency proceedings instituted against the debtor,
 - (b) contracts that have been concluded prior to*, and
 - (c) claims for interest of less than EUR 5.
4. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.
5. The Commission shall undertake two years after* a review of, inter alia, the statutory rate, contractual payment periods and late payments, to assess the impact on commercial transactions and the operation of the legislation in practice. The results of this review and of other reviews will be made known to the European Parliament and the Council, accompanied where appropriate by proposals for improvement of this Directive.

Article 7

Entry into force

This Directive shall enter into force on the day of its publication in the Official Journal of the European Communities.

* 24 months after this Directive comes into force.

Article 8

Addressees

This Directive is addressed to the Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

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