

On Parle Cash – S3- Episode 5: Payment times

LUCILE

Hello everyone, welcome to this new episode. My name is Lucile and today we are looking at payment times between businesses – a prerequisite for financial health.

Guest 1

To be honest, this is not a subject that I know very well.

LUCILE

Off we go! We've got 10 minutes. Companies need to have a certain amount of time to pay their suppliers, in order to manage their cash flow and operations. Indeed, they are faced with uncertainties, particularly regarding when they will have funds available to pay their business partners. For example, they do not know exactly how long it will take them to sell their products and receive payment from their customers, enabling them to pay their own suppliers. Problems with payment times arise when they go beyond what can be considered reasonable in everyday business.

GUEST 1

I used to work in the food industry and buyers would often argue that they didn't have any cash at a given time because they were waiting for a payment. So sometimes, you yourself have to get a loan to cover this.

LUCILE

Whenever a company is not paid on time, it has to dip into its cash flow to cover its expenses, which can make it more vulnerable. What's more, excessively long payment times can increase the risk that a company will fail, compounded by other, more basic factors such as insufficient profitability or excessive debt. That is why payment times between businesses are so closely monitored. There is an Observatory for payment times made up of representatives from 35 institutions, administrations, professional associations, etc., and the Banque de France, which provides its secretariat. It is also responsible – by ministerial decree – for statistical monitoring of payment times between businesses.

So, what is the state of play?

GUEST 2

I really have no idea, but I'd like to think things are improving – at least I hope they are!

LUCILE

Over the long term, payment times between businesses have gradually come down. They

fell from an average of 64 days in 2007, to 51 days in 2023. This was highlighted in a Banque de France bulletin published in September 2024. This improvement can be partly attributed to the implementation of a number of laws, particularly the 2008 Economic Modernisation Act, which sets a legal limit on payment times between businesses.

GUEST 2

Can you give me an estimate of the legal time limit from one supplier to another? 7 days? I really have no idea. Seven days might be a bit too harsh.

GUEST 3

I would have said more like 60 or 90 days

GUEST 1

I reckon that after 30 days, you start to think that you are stretching things and straining the law somewhat.

LUCILE

The Economic Modernisation Act provides for a payment time of 60 days between businesses, as of the date that the invoice is received. For payments to businesses by public entities, the deadline is shorter: 30 days, and 50 days for public health administrations such as hospitals. In addition to this Act, the legislative framework has been fleshed out over time, particularly with regard to sanctions. In 2014, the Hamon Law introduced administrative sanctions for failure to respect payment times.

GUEST 3

Couldn't we also have 'name and shame' procedures? This would be really bad for a company's image.

LUCILE

Do you know what to "name and shame means?

GUEST 2

Yes, it means naming companies in the public arena that do not respect their payment times, and thereby shaming them.

LUCILE

In 2016, the Sapin II Law incorporated a 'name and shame' measure, i.e. it discloses the names of companies that have been sanctioned on the website of the Directorate-General for Competition, Consumer Affairs and Fraud Prevention (DGCCRF). This Act increases the maximum penalty for breaches of payment times to EUR 2 million. In 2019, the PACTE Law strengthened the 'name and shame' approach. Companies penalised for late payments have to publish this penalty in the local press (at their own expense!).

GUEST 2

I think it must hurt when your company's is named publicly for being late with your payments.

LUCILE

Another development highlighted in the Banque de France bulletin is that the share of businesses paying on time has increased. In 2022, 71% of businesses paid their suppliers on time. That's an all-time high. Of course, you could also take a glass half-empty view and say that 30% of companies were still exceeding the legal payment time limit.

GUEST 4

I think that SMEs are less likely to respect their payment times than large companies, since the latter have greater resources.

GUEST 3

I reckon that large companies are more likely to be bad payers. This could be a strategy to stagger their payments or the fact that they are not afraid of sanctions. I mean I don't really know, but those reasons seem to make sense.

LUCILE

Indeed, large companies are the main culprits. Half of them pay after more than 60 days, while SMEs and very small businesses are generally more punctual. Very late payments of more than 30 days overdue have also increased. And those that suffer most from these late payments are also SMEs and very small businesses. In 2023, late payments eroded their cash flow by EUR 15 billion.

GUEST 1

Large companies don't necessarily do so deliberately. They may have hundreds or even thousands of suppliers for different areas, so there's a certain amount of inevitable oversight.

LUCILE

There are several solutions available for companies that are victims of late payment. Firstly, electronic invoicing. The procedure is already common practice in relations with the public sector and should gradually be extended to inter-company relations as of 1 September 2026. Secondly, companies can claim penalties in the event of late payment, but in France, these compensatory provisions are rarely used.

So you might ask, but what are the public authorities doing? Well, they're not just sitting around.

The DGCCRF, which we mentioned earlier, has ramped up its inspections and sanctions. In 2023, the amount of penalties for bad payers increased by 74%. In addition, the Observatory for Payment Times has published best practice guidelines for invoicing and payment times.

Lastly, the Banque de France now includes payment behaviour in its company ratings. The rating is one of the indicators that enables banks to assess a firm's financial health. Ratings give business leaders an outside view of the economic and financial position of their company. In 2023, 800 bad payers had their rating downgraded and 500 in the first half of 2024.

In a nutshell, the fight against late payments is progressing, but vigilance is still required. The trend towards shorter payment times, which was more pronounced before Covid, has come to a standstill since 2023.

Thank you all for listening. I would like to thank the Banque de France's Companies Directorate for its help in producing this episode. Please feel free to leave your comments and stars. For the next episode of On parle cash, we look forward to receiving your economic questions by posting a message on the Banque de France's Instagram account or by emailing podcasts@banque-france.fr.