
STATUTORY INSTRUMENTS

1998 No. 2480

CONTRACTS

**The Late Payment of Commercial
Debts (Rate of Interest) Order 1998**

<i>Made</i>	- - - -	<i>4th October 1998</i>
<i>Laid before Parliament</i>		<i>7th October 1998</i>
<i>Coming into force</i>	- -	<i>1st November 1998</i>

The Secretary of State, having considered the extent to which it may be desirable to set the rate of statutory interest so as to protect suppliers whose financial position makes them particularly vulnerable if their qualifying debts are paid late and deter generally the late payment of qualifying debts, in exercise of the power conferred on him by section 6 of the Late Payment of Commercial Debts (Interest) Act 1998(1), and of all other powers enabling him in that behalf, hereby makes the following Order:—

Citation and commencement

1. This Order may be cited as the Late Payment of Commercial Debts (Rate of Interest) Order 1998 and shall come into force on 1st November 1998.

Interpretation

2. In this Order, “the official dealing rate” means the rate announced from time to time by the Monetary Policy Committee(2) of the Bank of England (“the Bank”) and for the time being in force as the official dealing rate, being the rate at which the Bank is willing to enter into transactions for providing short term liquidity in the money markets.

Rate of statutory interest

3. The rate of statutory interest for the purposes of the Late Payment of Commercial Debts (Interest) Act 1998(1) shall be 8 per cent over the official dealing rate per annum.

(1) c. 20.

(2) The Monetary Policy Committee was constituted on a statutory basis by section 13 of the Bank of England Act 1998 (c. 11).

(1) c. 20.

Status: *This is the original version (as it was originally made). UK
Statutory Instruments are not carried in their revised form on this site.*

4th October 1998

Barbara Roche
Parliamentary Under Secretary of State for Small
Firms, Trade and Industry,
Department of Trade and Industry

EXPLANATORY NOTE

(This note is not part of the Order)

The Late Payment of Commercial Debts (Interest) Act 1998 (“the Act”) provides qualifying creditors with a statutory right to claim interest on qualifying debts from qualifying debtors. This Order, made under section 6 of the Act, sets the rate of statutory interest which may be claimed.

The variable rate is set at the Official Dealing Rate of the Bank of England + 8 per cent (article 3). The Official Dealing Rate of the Bank of England is announced from time to time by the Bank’s Monetary Policy Committee. The rate is sometimes called the “repo” rate, since repos or sale and repurchase agreements are one type of monetary policy instrument used by the Bank. At the time of making this Order, the official dealing rate is published daily in the “Financial Times” (except on Sundays), together with the date on which the rate was last announced. It is referred to as the “UK clearing bank base lending rate” and can be found in the section entitled “London Money Rates”.

This Order is the first Order setting the rate of interest and comes into force on 1st November 1998, that is to say, on the same date as the Late Payment of Commercial Debts (Interest) Act 1998 (Commencement No. 1) Order 1998 (S.I.1998/2479 (C. 56)). That Order sets out for the time being the persons who are qualifying creditors and qualifying debtors. “Qualifying debts” are set out in section 3 of the Act. Two other instruments made under the Act come into force on that date—

- (a) the [Late Payment of Commercial Debts \(Interest\) \(Legal Aid Exceptions\) Order 1998 \(S.I. No. 2482\)](#); and
- (b) the [Late Payment of Commercial Debts \(Interest\) Act 1998 \(Transitional Provisions\) Regulations 1998 \(S.I. No. 2481\)](#), which provide that, while the Act is not fully in force, it shall be presumed until the contrary is proved that the business of the purchaser is a large business.