



## Securing swift payment of large debt

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[Justin McConville](#), a senior lawyer in our dispute resolution team, was recently instructed by one of our factoring clients who needed help recovering a very significant amount of money which was owed to one of his clients.

The factor's client (the "Supplier") supplied temporary workers to the Debtor within a supply chain featuring an End Customer. The contract between the Supplier and Debtor had ended because the Supplier had, in legitimate circumstances, entered into a more advantageous contract direct with the End Customer. All that remained in the relationship between the Supplier and Debtor was for the Debtor to pay the Supplier's outstanding invoices. Whilst it did not dispute the debts, the Debtor argued that it had a right to withhold payment of the debt because the Supplier had not responded to its requests to inspect the tax records of the Supplier, which the Debtor said were necessary in view of HMRC's guidance in relation to assuring labour supply chains. Our client and the Supplier suspected that the Debtor was merely being difficult because it no longer supplied the End Customer, or that it had requested sensitive information from the Supplier to secure a competitive advantage in any future negotiations with the End Customer.

PDT quickly got to grips with the contractual terms in play between the Supplier, Debtor and End Customer, and it became clear that from a legal standpoint the Debtor had no contractual right to withhold payment of the outstanding invoices. PDT's attention then turned to whether the Debtor could rely on HMRC's guidance, but this was merely guidance, and did not provide the Debtor with a right to withhold payment. In any event, the guidance given to businesses operating in a supply chain was that they should consider adding a clause to their contractual terms of business requiring labour suppliers to show evidence of the VAT and PAYE returns filed and payments made to HMRC, but in this case no such clause existed.

When Justin intervened on behalf of our client and threatened immediate legal proceedings the Debtor's attitude suddenly changed. It agreed to pay the entire outstanding debt plus all interest and compensation owed pursuant to the Late Payment of Commercial Debts (Interest) Act 1998.

Even better, our client and Justin are both devout Aston Villa supporters, and the time it took from receiving the initial instruction to payment in full roughly aligned with the sacking of Steven Gerrard as manager and appointment of Unai Emery. It was a cause for double celebration for the client and Justin. UTV!

Our client said: *"Justin was excellent from start to finish, not just from a legal perspective, but from a commercial perspective too. He managed to flush out a full payment (plus more in interest and late payment compensation) from a recalcitrant debtor with a minimum of fuss and expense. Justin's assistance was very welcome, especially considering the large sum of money at stake."*



[Justin McConville](#)

Managing Associate