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# EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order replaces the Late Payment of Commercial Debts (Rate of Interest) (No. 2) Order 1998 (S.I.1998/2765), which is revoked by Article 2.

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 of statutory interest is that set at the official dealing rate of the Bank of England in force at the time when late payment interest becomes payable plus 8 per cent (Article 4). 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". It is also published on the Bank of England website, www.bankofengland.co.uk.

For the purposes of this Order the official dealing rate to be used is that in force on 30th June or 31st December in any year. This rate will apply as the official dealing rate for the following six month period, namely 1st July to 31st December or 1st January to 30th June respectively.

This order partially implements Directive 2000/35/EC of the European Parliament and Council of 29th June 2000 on combating late payment in commercial transactions. A Transposition Note detailing the manner of implementation of this Directive is available at www.dti.gov.uk or from Investment Directorate, Small Business Service, St Mary's House, c/o Moorfoot, Sheffield S1 4PQ. Tel: 0114-259-7847.