



Enterprise Act 2016

Introduction

The Government set out its plan for the Enterprise Bill in the Queen's Speech in May 2015. The Enterprise Bill aims to support small and medium sized businesses, which Secretary of State for Business Sajid Javid described as "Britain's engine room". The Government recognises that SMEs are pivotal for economic growth in the UK and that small businesses are often disadvantaged when involved in disputes with larger firms.

Broadly, the Bill includes measures to promote enterprise and economic growth, and makes provision for restricting exit payments in relation to public sector employment. The Enterprise Bill has been designed as a tool to cement the UK's position as the best place in Europe to start and grow a business.

The Bill sits in the Government's pro-business agenda and is in keeping its ambition to make the UK more competitive internationally and to make Britain one of the best places in the world to do business.

Background

The Enterprise Bill is the latest piece of legislation with a business regulation focus. It follows the provisions to support SMEs seeking finance by requiring banks to share their credit information contained in the Small Business, Enterprise and Employment Act 2015.

The Enterprise Bill also comes in the wake of the Insurance Act 2015, which the Government described as "the biggest reform to insurance contract law in more than a century". Although the Enterprise Bill continues the reforms to insurance law, it will have a far less significant impact on the area than the Insurance Act.

Key changes

The Bill makes provision around the late payment of insurance claims, which is covered in Part 5. The measures in the Bill will introduce a requirement to pay sums due within a reasonable time into every contract of insurance; provide a non-exhaustive list of matters which may be taken into account when determining what is a "reasonable time" for payment; and allow for contracting out of the default rules for non-consumer insurance contracts, provided that the insurer satisfies the transparency requirements set out in the Insurance Act 2015.

The requirement for insurers to pay compensation in the instance of late payment has been viewed by the industry as controversial. It prompted the formation of a London market deal to support changes enabling companies to secure damages for late payment of insurance claims for up to one year only. As a result, an amendment was tabled to Part 5 which introduces a time limitation meaning that action against an insurer who has made a late payment must be taken within one year of the date of the insurer paying the claim (otherwise known as a breach of section 13A of the Insurance Act 2015). The Government indicated sympathy with the amendment, and later tabled and agreed a government amendment in the spirit of the original amendment.

Act contents

Introduction of a legal obligation for insurance claims to be paid within a reasonable timeframe: Includes measures to:

- Introduce into every contract of insurance a requirement to pay sums due within a reasonable time, ensure that the law incentivises insurers to pay within a reasonable time, and to promote payments within a reasonable time.
- Give policyholders a legal right to enforce prompt payment of insurance claims.
- Provide for limited compensation to be payable by an insurer where a policyholder suffers additional loss because of the insurer's unreasonable delay in payment.

Creation of a Small Business Conciliation Service: To help resolve business-to-business disputes, without the need for court action, tackling in particular, late payment issues.

Public Sector Redundancy Pay: Introduces a cap on exit payments made to public sector workers to end 6-figure payoffs for the best paid public sector workers.

Improvements to the business rates system ahead of the 2017 revaluation: This includes modernising the appeals system, introduction of business rates appeals reform, modifying the Valuation Tribunal powers to consider ratepayer appeals and allowing for the Valuation Office Agency to share information with local government to improve the system for both local government and ratepayers.



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State of play

The Enterprise Bill was introduced to the House of Lords in September 2015 and has completed its passage through Parliament. It received Royal Assent on 4 May 2016.

The provision in relation to late payment of insurance claims will come into effect on 4 May 2017.

Contact

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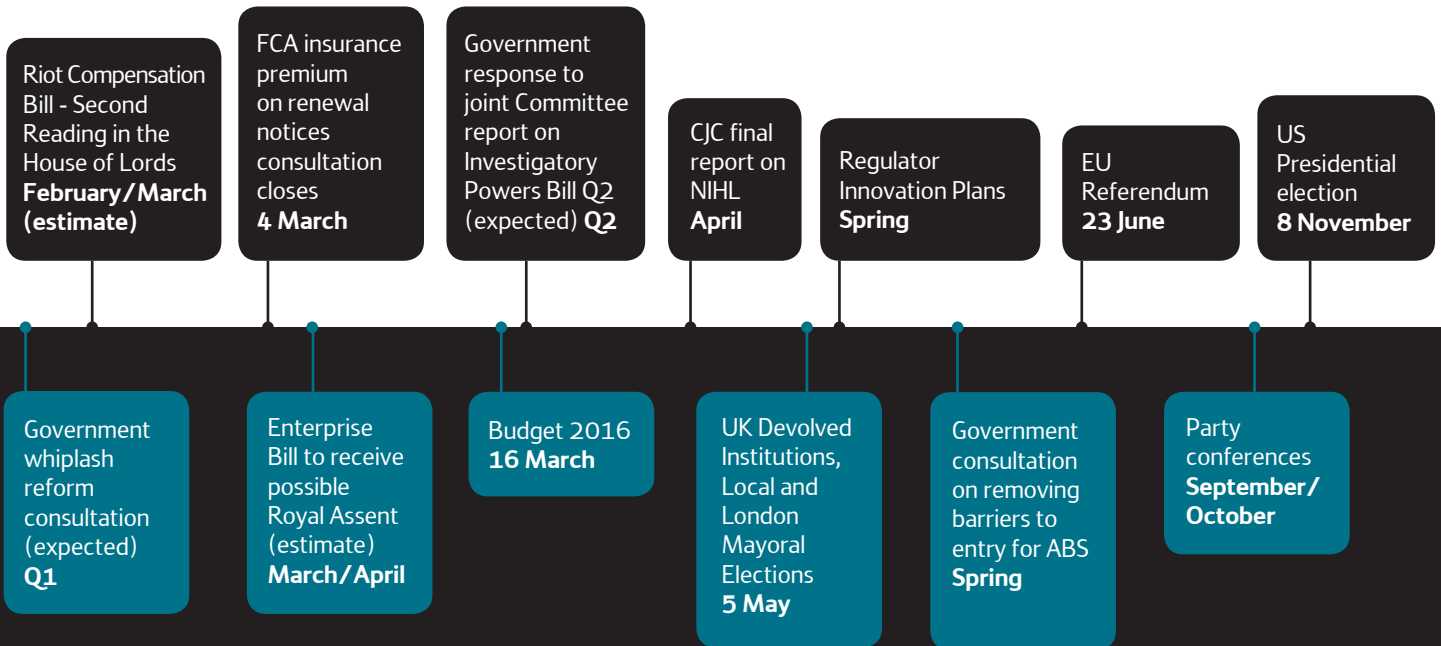
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2016

Political timeline



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