

The Rt Hon Steve Reed OBE MP
Secretary of State for Housing,
Communities and Local Government
Correspondence Unit, 2 Marsham Street
London
SW1P 4DF
cc Ms Nusrat Ghani MP

27th May 2026

The urgent need to address liquidity issues in the Housing Supply Chain

Dear Mr Reed OBE,

We are writing on behalf of specialist trade bodies representing the businesses that physically deliver new homes across the UK. Our respective bodies represent the specialist contractors undertaking, roofing, carpentry and joinery, flooring, electrical work, plumbing, constructing and plastering walls, installing installation and undertaking vital site preparation and ground works. In this letter we wish to highlight a growing structural risk within housing delivery and to propose a proportionate, finance-led response aligned with Government priorities.

Across the housing supply chain, poor payment practices are driving insolvency rates up and creating systemic credit fragility, directly inhibiting delivery capacity, skills investment and workforce stability. Research by the Finishes and Interiors Sector shows that:

- Specialist contractors typically wait 30–39 days after application, resulting in 60–78 days of unsecured credit being provided for completed work (often in reality longer due to payment and procedural delays)
- Over 40% of firms report frequent or constant cash-flow stress
- Nearly one-fifth of invoices are paid later than 60 days outside the legal maximum
- Over half of retentions on housing projects are released late or not at all and the costs of recovery are nearly always prohibitive

Whilst we acknowledge significant strides set down in the Kings Speech will bring forward much needed wider reform of Payment and Retention rules, the current scale of exposure is unmanaged, significant and concerning. Public reporting shows that a single large UK housebuilder currently pays over 50% of invoices late and owes more than £220 million in late and disputed payments (as reported in January 2026). This is not isolated, the average of seven of the largest housebuilders is over £152 million (over £1 billion accumulatively). This represents a significant volume of unstructured and unquantified credit embedded within housing delivery. This credit sits outside formal lending structures. As a result it is neither consistently visible nor controlled, creating a significant but poorly understood risk to overall market resilience.

This exposure also undermines the conditions required for long-term investment. Specialist firms operating under persistent cash-flow uncertainty are unable to invest with confidence in skills, productivity, innovation or capacity. This directly constrains the housing system's ability to scale and from bitter lessons learned in recent times that negative commercial behaviours directly compromise quality and safety.

Ahead of these wider reforms we believe that there is a clear interim opportunity for the National Housing Bank to reduce exposure by linking development lending to the use of digital wallets which separate and protect the cash from insolvency risk.

Where used effectively, digital wallets can:

- Improve payment certainty and protect SME working capital
- Reduce insolvency risk cascading through the supply chain
- Create the commercial visibility and stability required for sustained SME investment
- Lower dispute, administration and embedded finance costs

Legacy resistance to alternative payment systems like project bank accounts based on cost or administrative burden is no longer credible. Digital certification and payment platforms now make their operation straightforward and proportionate and are widely used within the industry at tier 2 and 3 of the supply chains.

This approach aligns directly with central Government direction:

- Fair payment for SMEs is an explicit priority, reflected in the Procurement Act, the Department for Business & Trade's consultation (July 2025), and strengthened powers for the Small Business Commissioner.
- Government is also advancing digital payment and e-invoicing across the economy, including updates to the Construction Playbook to reflect digital payment systems (Ch.6)
- Reinforces the approach to procurement established in the Construction Playbook

Linking the National Housing Bank lending to fair-payment mechanisms would therefore represent an opportunity to accelerate implementation of existing policy intent, while helping to re-establish the commercial conditions under which the supply chain can invest, grow and deliver at scale, without increasing public spending.

We would welcome the opportunity to discuss how lending conditions could be applied proportionately to support a more resilient, investable, and productive housing supply chain and to illustrate how use of digital payment systems could safeguard delivery and quality de-risking the loan exposure.

Yours faithfully,

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