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L.E. LAW INFORMATION SHEET NO. 15

GUIDE TO TERMS OF BUSINESS

1. Preliminary Considerations

Every business needs Terms and Conditions of Business (or Ts and Cs as they are often referred to) no matter how big or small the business.

There is often a temptation for start up businesses to want to start trading as soon as possible, and leave the “paperwork” for later. This is understandable but dangerous !!

Without proper Ts and Cs there is scope for all sorts of misunderstandings, which could result in delayed payment from customers, disputes and ultimately the possible failure of the business.

2. What needs to be covered – Selling Goods

Payment Terms – do you require payment in advance, a deposit, on delivery, or will you allow credit ?

Date for delivery – Do you have the goods in stock, or are you relying on your own supplier to deliver them. Think carefully about how soon you can commit to delivering. What if your supplier lets you down ?

Interest – If payment is made late, what interest rate do you want to charge ?

Retention of title – If goods are delivered before payment in full, you will want to make it clear the goods remain your property until full payment has been received. This means that if your customer goes into liquidation, you may be entitled to recover the goods from the liquidator. Without such a clause, you will not be able to !!

Limitation of liability – You will want to avoid liability for loss of profits and other consequential losses if the goods are defective in any way, and limit your liability to repair/replacement or refund.

3. What needs to be covered – Supplying Services

Definition of services – There will often be a gap between the level of services your customer thinks they are getting, and what you think you have agreed to supply. A clear definition of the services can avoid disputes.

Payment Terms – do you require payment in advance, or in stages ? How do you define the stages ? What if a stage payment is late ? It is important to realise that unless your Ts and Cs expressly allow you to suspend work or terminate the contract altogether, you may be obliged to finish the job even if payments are not being made when expected !

Dispute Resolution – In the event of a dispute is a court the best place to settle the dispute ? You may well prefer an expert or arbitrator with knowledge of your industry rather than to take pot luck with a judge.

How L E LAW can help

We have experience of drafting Ts and Cs for a wide range of businesses. Our charges for drafting Ts and Cs start from as little as £250 plus VAT.

Think how much you might save in lost payments and legal costs in the event of a dispute or if a customer or client becomes insolvent.

Disclaimer

This information sheet is for guidance only and does not avoid the need to take professional legal advice relevant to the specific facts of any individual case. No responsibility will be accepted for any losses occasioned as a result of any action taken in reliance on the contents of this document.

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