

Contracts with customers & suppliers



The Law Society

Buying

Are you buying household goods for business use, eg a kettle or microwave?

If yes

Certain consumer rights such as guarantees do not apply.

Are you taking on a long-term lease contract, eg for a computer or photocopier?

If yes

Take care and the time to read the small print for hidden costs.

Do you need to reject goods after delivery?

If yes

You and your supplier have new rights under the Sales & Supply of Goods Act 1994.

Selling

Do you have a written contract or terms of business?

If no

You'll find it difficult to argue in a dispute.

Do you confirm telephone orders in writing?

If no

Verbal agreements are usually contracts too but can be difficult to prove.

Do you check who you are doing business with, and whether you are contracting with a parent or a subsidiary company?

If no

You may find it harder to recover debts which are owed to you.

Do you record the registered number of the purchasing company?

If no

You should, it's the only legal identification that is indisputable.

Do you check out business references?

If no

It is a quick, simple and cheap precaution to take and can save you a lot of money in the long run.

Is your contract clear about what will be done and how you'll be paid?

If no

You are in a potentially risky situation.

If yes

You should check to ensure that you ask for interest on late payment.

Does your contract exclude certain liabilities?

If yes.....

You are obliged to carry certain liabilities (eg injury due to negligence) by law.

Are you exporting?

If yes

Your contract should state which country's law applies in a dispute.

Do you use an agent or factor abroad within the EU?

If yes

Take care, it is now more difficult to sack agents due to EU directives.

Are you advertising or trading on the internet?

If yes

The internet can be a legal minefield and a wide range of specific issues need to be considered to protect your interests.

Do you sell goods or services to the public in the UK or abroad?

If yes.....

Members of the public have additional legal rights which you must take into account when selling to them.

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You should not even think of starting to trade without first getting a professionally drafted contract or standard terms of business. It is your only protection against bad or unscrupulous customers.

Although a simple telephone call can constitute a legally binding contract, you should not rely on unrecorded and unsigned agreements, even to vary standard terms and conditions.

A written contract not only enables you to record exactly what you will do for a customer, it also gives you an opportunity to state how important matters like method and timing of payment, or settling disputes, will be handled.

A contract should both promote and protect your business.

Care and professional advice needs to be taken to ensure that any contract is sound and will not contravene one of the many laws forbidding 'unfair' contract terms.

This leaflet highlights some of the key issues surrounding how to construct a contract and use it to protect your business. It is no good having a sound contract if a careless practice, like not checking customers' business registrations, leaves you open to fraud. This leaflet also looks at the topic of buying goods and services for your business.

As always, and in most situations, sound advice in the early planning stages pays dividends. Just ask your local LFYB member solicitor what can be done to help you make your business succeed.

Checklist

- Do you have a contract or written terms of business? Is it up to date, taking into account recent legislation and case law?
- Do you confirm in writing all telephone agreements or changes over the phone to written terms? Are you relying on a copy of somebody else's terms which may be defective, inappropriate or illegal?

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- Do you know who you are really making the agreement with?
- Do you record the registered company number of the customer or supplier on your agreements?
- Does your contract exclude liabilities for, say, your own negligence?
- Do you know that your customers have new rights concerning the acceptance and rejection of bought goods and services?
- Do you always read your supplier's terms of business, including the small, hard to read grey print on the back of their invoices?
- Do you always check out business references?
- Do your terms of business make it unambiguous what you will do, when it will be done, how you will be paid, and what will happen if there is a dispute?
- Do you claim interest on late payment?
- Are you aware of the EU directives on factors and agencies?
- Do you buy consumer goods for your business?
- If you are buying or selling overseas, have you settled whose country's law applies?
- Do you know that tighter laws from the EU on unfair contract terms apply if you sell to the public?

In most cases businesses can save themselves money by seeing a solicitor for advice early on, especially where there is legislation to be complied with, or important legal documents such as contracts to be prepared. To remove the risk of incurring unexpectedly high legal costs, LFYB members offer a free consultation, lasting at least half an hour, to diagnose the problem and any need for action, with full information, in advance, on the likely costs of proceeding.

How to gain your free half hour consultation

For a list of solicitors in your area who are Lawyers For Your Business members

call: 020 7405 9075

e-mail: lfyb@lawsociety.org.uk

visit: www.lawsociety.org.uk/lfyb

or write to us at:

Lawyers For Your Business
The Law Society
113 Chancery Lane
London
WC2A 1PL

Lawyers For Your Business (LFYB)

Lawyers For Your Business (LFYB) represents around 1,000 firms of solicitors in England and Wales, which have come together to help ensure that all businesses, and especially the smaller owner-managed ones, get access to sound legal advice whenever they need it.

LFYB is managed and promoted by the Law Society and has been welcomed as a positive initiative by the Department for Business, Enterprise and Regulatory Reform, Chamber of Commerce, the Federation of Small Businesses and many other agencies and trade associations that are active in the small and medium sized business market.

We recognise that, for fear of running up large legal bills, a business will often not consult a solicitor until they have a serious problem. By then, of course, any remedy may be at its most expensive, if indeed one is still available.

