



Advice from Alan

Get your contracts right

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A contract protects both parties involved in an agreement, should any dispute arise in the future.

After conducting preliminary due diligence on the proposed other party to the contract, it is crucial to then put in place an adequate and legal contract, otherwise commonly known as a 'Terms of Trade'.

Below are some of the provisions that should be included in a contract.

Identify the parties to the agreement

Terms of Trade should always be recorded in writing and should correctly identify the parties to the contract. For example, if a party is a business, then you must ensure the contract is in the correct name of the business, which could be a company or a partnership.

Legal obligations/scope of the business relationship

The Terms of Trade should outline the scope of the business relationship, defining each party's obligations.

Cost

Unsurprisingly, the main factor that

causes disputes is disagreement over money. Agreement on cost must be recorded. Any agreed variation to cost in the future should also be recorded and signed by the parties to the contract.

Set out payment terms

The Terms of Trade should identify when invoices will be issued and when they will become due, so that it is clear to both parties when moneys owed must be paid. This removes any uncertainty in relation to payments made to and by each party.

Default clause

A default clause will give you the right to take steps to recover a debt from the other party should they fail to make a payment on time. It is crucial to include that debt recovery expenses are also recoverable as a debt, for example interest, filing fees, and lawyers' fees.

Including these terms in a contract will ensure that there is less opportunity for legal disputes to arise while working with other parties. If you are confused about how to draft a contract or what to include, it pays to seek advice from a professional with experience in the area.