

CONTRACT TERMINATION



In the current climate, many businesses are considering whether existing contracts are going to continue to work for them. In some cases a business may decide, for whatever reason, that they want to review or even terminate one of their contracts.

Contract review or termination can be a tricky area and the infographic below highlights some of the key things to look out for!

1



Where do we start? Read the contract

Some contracts have a fixed term, others will simply roll on indefinitely until one party decides to end the contract. If you are thinking about terminating a contract, take a look at how long the contract was due to last and whether you have a right to bring it to an end before any fixed term expires.

In other cases, the parties may not have entered into a formal written agreement. In these circumstances, termination terms can be implied into the contract. The Court will tend to consider what terms would be reasonable in the circumstances.

There are a variety of perfectly valid reasons why you might want to terminate a contract. However, it is always worthwhile taking legal advice to double check that termination is the best option for you.

It may be that you can actually achieve your objective by varying the contract to reflect different market conditions. The advantage of this approach is that it is more likely to preserve relationships with key supplier/ customers.


We recommend that you undertake regular contract reviews to ensure contractual risks are addressed as market conditions change – our Corporate Team is well placed to assist you with such a review.

2

Does termination actually achieve our objective? Alternative options



3




Are we ready to terminate? Think practically

You need to consider the practical implications of termination and the timescales associated with this. For example, do you have a replacement supplier lined up to avoid any disruption to your business? Will it reflect your reputation in the sector that you work in?

It is always worth approaching the other party to see whether matters can be resolved by way of agreement. Some contracts will allow the other party to try and rectify any breaches of contract or require the parties to engage in a dispute resolution before the contract can be terminated.

Our dispute resolution team has a significant amount of experience in dealing with settlement negotiations. We will help you to explore different ways of resolving the dispute without compromising your position if the negotiations are unsuccessful.

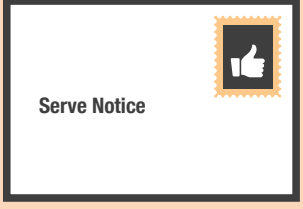

4



Can we sort it out? Dispute resolution

5

Getting the legal stuff right Serving notices



If you decided that you want to proceed with the termination, make sure that you check the notice provisions in the contract. You may be required to serve notice by a specific method (i.e. first class post). If you do not comply with this, the notice of termination could be deemed to be invalid.