



Transforming Local Infrastructure Purchasing Cluster

How to... contract with confidence

Contracts are an essential tool for doing business. They reflect an agreement between two parties and set out what each party can expect from the other. Most of us will have heard other organisations' horror stories about trying to get out of contracts. These can usually be avoided by understanding the contract you are entering into before you agree to it. We've put together some hints and tips to use when entering a contract.

Four elements are needed to form a contract:

- **The offer**
The terms of the arrangement you have been offered. This can be withdrawn at any time until it has been accepted verbally or in writing.
- **Acceptance**
The acceptance of the offer, either verbally or in writing.
- **Consideration**
The payment of the agreement.
- **Intention to create legal relations**
In business cases it is assumed that the agreement is intended to be legally binding.

Fact or fiction: dispelling some myths about contracts

A contract has to be in writing

Wrong! A contract doesn't have to be in writing to be legal. If you accept it verbally, or accept equipment or services, the contract will be binding.

My organisation has a right to cancel a contract

Wrong! There is no right to cancel for business, this only applies to individuals.

The contract says x, but the sales person said y

If it is written in the contract it is binding unless you have evidence to prove otherwise.

It's only the small print

Watch out! Small print is legally binding so always read and make sure you understand it.

Key contract phrases

'Payments and Equipment'

This is what you have received and the cost. Check it is exactly what you agreed to.

'Minimum period'

This is how long the contract runs for, regardless of whether you cancel or return the goods.

'Termination'

How to end the agreement. You will have to pay the full cost of the agreement unless otherwise stated.

Top Tip

Any contract will include a set of definitions which explains what key phrases and words mean in the context of the contract. The words that are defined in this section will be capitalized throughout the contract. It might help to write down the definitions as you go through the contract so you don't have to refer back to this section.

This guide is based on a seminar given by Higgs & Sons in March 2013. A longer version is available on the website.

More information

From September 2013 the Professional Services and Purchasing Clusters are joining to form the Voluntary Sector Resources Group. For more information contact:

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