

Title:

Contracts For Your Customers, Ink It On Paper

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Summary:

When you're dealing with customers, sometimes things can go wrong. It might be your fault, it might be their fault or it might be no-one's fault -- but if you didn't make a contract, then you'll all suffer.

Why Do I Need Contracts?

A contract gives you a sound legal base for your business, and some guarantee that you're going to get paid for your work without you having to ask the customer for payment in advance. In the event of a dispute, the contract lays down what th...

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A contract gives you a sound legal base for your business, and some guarantee that you're going to get paid for your work without you having to ask the customer for payment in advance. In the event of a dispute, the contract lays down what the agreement was so that you can point to it and say what was agreed. If you ever end up having to go to court (let's hope you won't), the contract is what the judge's decision will be based on.

Without a contract, you leave yourself vulnerable and open to exploitation. Someone could claim that the terms they agreed with you were different to what you say they were, or that they never signed up for anything at all and so they won't pay. It's especially common to see big businesses mistreat small ones, thinking that they won't have the knowledge or the money to do anything about it. Essentially, contracts take away your customers' ability to hold non-payment

over your head, and give you the ability to hold it over theirs instead.

Written and Verbal Contracts.

It is important to point out the distinction in the law between a verbal (spoken) contract and a proper, written one. A verbal contract is binding in theory, but in practice can be very hard to prove. A written contract, on the other hand, is rock-solid proof of what you're saying.

You might think that you're never going to get into a dispute with your customers, but it's all too common to find yourself in a little disagreement. They will often want to get you to do some 'small' amount of extra work to finish the job or make it better, not realising that doing so would completely obliterate your profit margin.

For this reason, you should be very wary of doing anything with nothing but a verbal contract. On the other hand, if you were incautious or too trusting and only got a verbal contract, it could still go some way towards helping you, especially if there were witnesses.

Won't It Be Expensive?

Written contracts don't necessarily need to be formal contracts, which are drawn up by a lawyer with 'contract' written at the top and signed by both parties. These kinds of contracts are the most effective, but can be expensive to have produced, not to mention intimidating to customers.

The most common kind of written contract, oddly enough, is a simple letter. If you send a customer a letter (or, indeed, an email) laying out your agreement before you start work, and they write back to agree to it, that is enough to qualify as a written contract, with most of the protections it affords.

If you are doing high-value work for some clients, though, it could be worth the time and trouble of having your lawyer write a formal contract, or at least of doing it yourself and getting a lawyer to look it over. Formal contracts will give you more protection if the worst happens, and there's nothing to stop you from making it a one-off expense only by re-using the same contract for multiple customers.

Contracts for Small Purchases: the Terms and Conditions.

Obviously it would be silly to expect everyone who buys some \$10 thing from you to sign a contract, or write back indicating their agreement to your terms. In

this situation, you should have a statement of the 'terms and conditions' that your customer is agreeing to by buying from you, and they should have to tick some kind of box indicating their agreement before you send anything.

Luckily, it isn't usually so necessary to be paranoid about contract law with small purchases anyway, since customers will be paying you first and receiving the goods or services afterwards, not the other way around. If you plan to offer any kind of payment plan or other long-term agreement, of course, this should always be backed up with a signed contract.