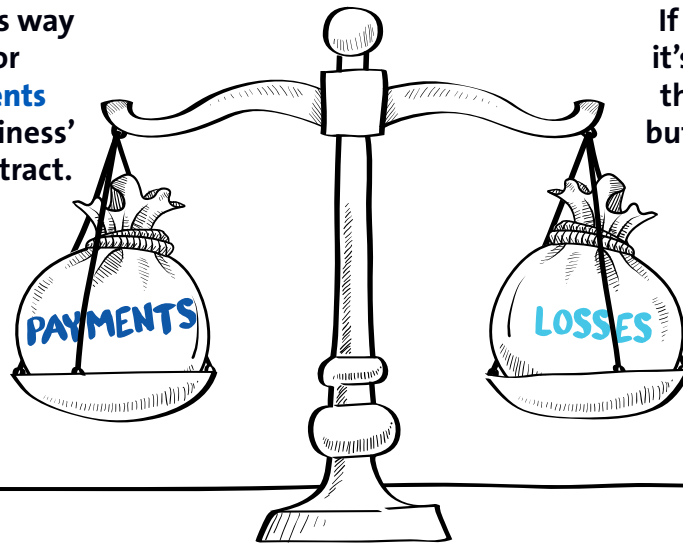


DEPOSITS, ADVANCE PAYMENTS & CANCELLATION CHARGES

AT-A-GLANCE GUIDE

EXPLAINED

Deposits are a customer's way of reserving your goods or services. **Advance payments** help you to pay your business' actual costs during a contract.



If your customer cancels and it's not your fault, you've got the right to protect yourself, but what you keep must take into account what your business is **actually losing** as a result. It must not be excessive.

A term saying no refund is available in any circumstances is likely to be unfair. Where there is no fault by your customer and the contract is ended by you, your customer may well have a right to a refund.

TIPS FOR WRITING **FAIR** TERMS

For example, your terms are more likely to be fair if:



DEPOSITS AND ADVANCE PAYMENTS

- a deposit is just to reserve the goods/services and is no more than a small percentage of the total price
- advance payments reflect your expenses in carrying out the contract, and leave customers with a reasonable amount to still pay on completion
- you hold any advance payments in a secure scheme so they are safely held until any dispute with a customer is resolved.



CUSTOMER CANCELLATIONS

- customers don't lose large advance payments they've paid up-front if they cancel, in all circumstances
- when you are not at fault, you only seek to recover losses that you have reasonably incurred
- you set non-refundable advance payments or cancellation charges so they reflect a genuine estimate of what you will lose directly because of the customer cancellation.

BE CLEAR WITH CUSTOMERS UP-FRONT ABOUT YOUR DEPOSITS, ADVANCE PAYMENTS AND CANCELLATION CHARGES. PROVIDE DETAILS OF WHEN THESE ARE REQUIRED AND WHY.

TERMS THAT MAY BE **UNFAIR** INCLUDE:

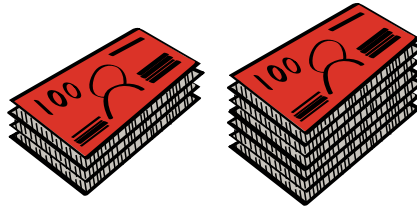


Making any substantial advance payments or deposits non-refundable, regardless of the customer's reason for cancelling.

EXAMPLE

|| If you cancel your event, we cannot provide a refund in any circumstances. ||

COSTS + GROSS PROFIT



Keeping payments to cover your costs and loss of profit when this could mean you get compensated for the same loss twice.

EXAMPLE

|| If you cancel this contract without justification, you must reimburse all of our expenses together with the anticipated gross profit had the contract been completed. ||



Keeping all of a customer's advance payments if they cancel when you are not at fault, even though you could reasonably reduce your losses (eg by re-selling what they have ordered and paid for).

EXAMPLE

|| If you cancel your trip, all advance payments are non-refundable regardless of the time of cancellation. ||



HAVING CLEAR AND FAIR TERMS IN YOUR CONTRACT WILL

- **SAVE YOU TIME**
- **HELP PREVENT DISPUTES AND REPUTATIONAL DAMAGE**
- **PROTECT YOUR BUSINESS IF SOMETHING GOES WRONG**

WANT TO KNOW MORE

[Introductory guide](#) – click here for an overview of some of the key things you need to know about unfair terms.

[Individual guides](#) – see our other guides on contract terms that may be unfair.