

EXCESSIVE CHARGES & DISPROPORTIONATE SANCTIONS



AT-A-GLANCE GUIDE

Terms that allow you to impose disproportionately high charges on your customers for breach of contract are likely to be unfair.

There is unlikely to be any objection to terms which, in plain language, make your customers pay for the **financial losses** they have directly caused where they are at fault.



Another kind of financial sanction that could be unfair is imposing a disproportionate cancellation charge on your customer if **they decide to pull out** of the contract early.

Other kinds of over-severe sanctions may also be unfair. For example, terms that allow you to use an enforcement method which could lead to a violation of your customer's privacy or property rights.

TIPS FOR WRITING **FAIR** TERMS

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



You clearly explain how charges, which are payable when your customer is at fault, are determined.



The amounts you ask for are **reasonable**. For example, consider your **actual losses**.



Words like “indemnify” and “indemnity” are avoided – these are legal jargon and customers are unlikely to properly understand them.

BE CLEAR UP-FRONT ABOUT ANY CHARGES YOUR CUSTOMER HAS TO PAY IF THEY ARE AT FAULT AND HOW THESE ARE DETERMINED.

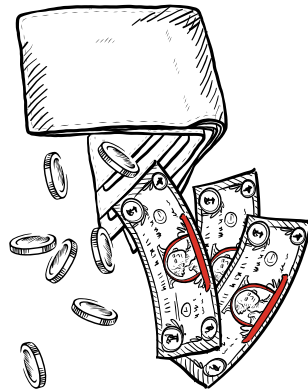
TERMS THAT MAY BE UNFAIR INCLUDE:



Allowing the business to decide how much is charged when the customer is in breach of the contract.

EXAMPLE

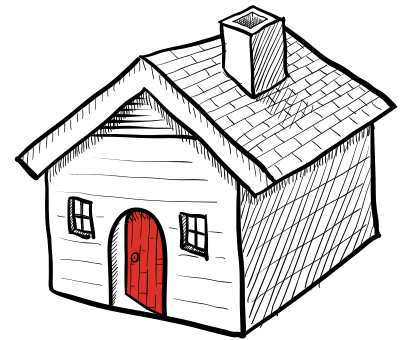
|| Failure to comply with the terms of this agreement may incur a charge, which will be determined by the Company. ||



Making a customer pay in full if they cancel early without taking into account any savings to you for not having to complete the contract or being able to sell to another customer.

EXAMPLE

|| If you cancel this contract early, you must still continue to make all outstanding payments to us as per our agreement. ||



Threatening sanctions which can not, in reality, be imposed in the way indicated.

EXAMPLE

|| In default of payment we may enter the premises at any time to repossess the goods. ||



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.