

## Contracting direct with the client: advantages and disadvantages

Contractors who have the opportunity to contract direct with their clients can enjoy great benefits, such as much more control over contracts. However, there are pitfalls, and not being paid is the least of them.

By taking some simple steps, contractors can maximise the benefits of working direct for the client rather than through an agent, and reduce the downside risk that the direct relationship can bring.

Contracting direct is not for every contractor, as good agents work quite hard for their contractors and take on a lot of the risk, such as marketing, chasing payment from the client and acting as a buffer between client and contractor.

### Dealing direct with the client

The first challenge for contractors who want to work direct for the client is to find one that deals directly with contractors. Even though very few contractors are self-employed and the vast majority work through [contracting limited companies](#), [contractor umbrella companies](#) or other trading vehicles, clients want as many intermediaries between them and the contractor.

A client's fear is that a worker, whether they are contractor, agency worker or self-employed, qualifies for [employment rights](#) and the risks and costs that come with being an employee. Agents are another layer between the client and contractor, and that is often the primary reason many clients opt to pay more and work through an agent.

However, there are clients out there who are prepared to take on contractors directly, and this can work for both parties – clients can reduce costs; contractors can have a greater influence on their contracts.

### Advantages to contracting direct

Right at the outset, when talking to a client about contracting direct, the contractor has much more control over the process. Dealing with a client via an agency can be frustrating, as all communication is second hand, and the agency negotiates directly with the client.

But going direct, the [contractor negotiates their rate](#) and there is no agency margin to pay for. In a perfect world, this practice benefits both the client and contractor. As there is only one contract, rather than the upper level and lower level contracts when an agency is part of the deal, the contractor can negotiate a contract that suits them and the client. In particular the contractor and client can agree on a contract that is at a much reduced risk of being within [IR35](#).

### Disadvantages of contracting direct

The biggest risk of contracting directly with the client is getting paid. Agencies are in the business of providing people to do a job, and paying them, generally, on a time basis at the end of each week (or month) right on the nail, because that's what their workers expect.

Clients, who are generally large corporations or public sector departments, are used to paying suppliers, who are generally other companies, as and when it suits them. Many large businesses in the UK think it's good financial management not to pay suppliers until the supplier starts making a fuss. This is also supposed to impress shareholders, with the company's management showing shareholders how tough they are in protecting company money.

Unfortunately for contractors, they are a long way down the food chain in the eyes of most large companies' finance departments. They can wait up to 120 days to get paid, precisely because they are just another supplier and not employees. And although the government has introduced laws to ensure suppliers are paid on time, the sad truth is that they are routinely ignored.

Most agents have standard paperwork that they send to contractors when a new contract is being discussed. Contractors will ask for some amendments and will negotiate with the agent. With no agent the contractor has to run the risk of signing up to a client's standard contract (many of which are IR35 death-traps) or paying their own legal advisors to draft a contract. This, of course, costs money.

Clients might want to work direct with the contractor, but insist the contractor works through their preferred agency to maintain distance from an employment law perspective, or because they simply want one bill at the end of the month for all the contractors working for an agent, rather than multiple bills direct from contractors. This is fine as long as the client understands that the contractor's rate is what they say it is and any agency fees are on top of this.

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And whichever route the contractor takes – agency or client – IR35 is always a threat, so [IR35 contract reviews](#) are money well spent.

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