

Contractor doctor: can my client force a rate reduction during the contract?

Dear Contractor Doctor,

My contract was renewed a couple of months ago, but recently I received an email from the client stating that they require a 11% pay rate reduction effective in a couple of weeks.

Do they have the right to change my rate mid contract without my agreement, and will they have a right to refuse payment of my invoices or terminate my contract when I fight it?

Thanks

Paul Anderson

Contractor Doctor says:

You already have a signed contract which sets out the terms and conditions of your work. No one can force you to [change contract conditions midstream](#). If there is a clause in your contract that states that your wages may be reduced under certain conditions they may have a case. If not, they have no legal right to reduce your fee.

As for withholding your pay, under no circumstances may a business withhold due payment for use as a bargaining tool. If the [client holds your payments for ransom](#) you should simply hire a lawyer and sue in full court, demanding payment of the sum due and all costs.

If your contract has a termination clause, typically 30 days, then they can certainly [terminate you before the contract ends](#). There is also the chance that the client will decide to terminate you early claiming some sort of [breach of contract](#) on your part. If you think this might happen then start packing your 'escape pod' - gather evidence that you've performed well on the project. If you are challenged by the client, point to the evidence and warn them that you are prepared to defend yourself. The more likely scenario is that they will wait until renewal time, and then offer you a lower rate, which they are quite entitled to do.

Another thing to bear in mind is the changing market. After the last downturn after the dot com crash rates halved before coming back up. Lots of contractors were offered renewals with rate reductions of 20% and more. So, whilst you can call the clients bluff and tell them you will get a contract elsewhere, you might want to consider the commercial issues - have a chat with friends and get a gauge on the market before being overly stubborn on rate movements. Also, if you leave now, in 6 months time it will be coming into December, and finding a contract then may well prove very difficult indeed.

The other consideration is [IR35](#). If you are currently caught by IR35, then finding another contract that puts you outside IR35 will certainly overcome any 11% loss in rate.

Good luck with your contracting.

Kind regards

Contractor Doctor

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