

Contractors may lose out as IT recruiter goes into administration

After failing to agree new terms with one of its largest creditors last week, IT and banking specialist recruiter Greatfleet was placed into administration, and parts of the business have already been sold off.

As the banking sector – a major area for IT and other contractors – tightens its belt, Greatfleet has become another casualty and administrators [Leonard Curtis](#) will be looking to sell further parts of the business to raise cash for the creditors.

Trend developing

As the economy continues to show signs of weakening, contractors clearly need to keep a close eye on how much their agencies and clients owe and at what point they should make a stand and request payment.

If a major player such as Greatfleet cannot convince its creditors that the underlying business is sound, then many smaller agencies must be feeling the pinch, too.

Late payments and interest charges

If a contractor is regularly paid late, this may be symptomatic of a more serious underlying problem with the client or agency, but may simply mean their finance policies are to push payments out as far as possible.

Should [late payment](#) be deliberate, contractors can charge interest on debts older than 30 days, unless the contractor specifies different terms. The interest entitlement is 8% over the 'official dealing rate', so could soon mount up.

When the client or agency withholds payment

In addition to late payments, contractors may find themselves subject to late or non-payment of invoices for other reasons, such as over [equipment said not to have been returned](#), or if the [client or agency is holding the contractor to ransom](#) over something like a non-disclosure agreement or [restrictive covenant](#).

If the contractor has done the work and handed over a signed timesheet, then the agency or client cannot withhold payment. Should there be an issue over equipment not returned, then the client would have the right for compensation if the contractor can be proved to have lost or damaged the equipment.

However, for most contractors this would not amount to a month's work and the contractor is entitled to claim the outstanding payment through the courts.

Sign of the times

Should areas of the economy continue to worsen, it is possible that incidences of agencies and clients deliberately not paying invoices or paying late are likely to increase.

Contractors can credit-check potential clients and agencies to ensure they are entering into a contract with a business that is financially stable. This can be done online at relatively little cost, and this cost can prove a small investment if weeks or months of wages could be lost as a result of not doing such a check.

It is probable that the number of agencies and clients going into administration may increase, which could be bad news for contractors who don't keep a close eye on invoicing promptly and having a system in place for chasing the payments they are owed.

When a company is facing closure and a debt manager, such as a receiver or liquidator, is called in, then contractors, who are likely to be among the smaller creditors, tend to be low on the list when it comes to dividing up any cash that's left. So the time to protect yourself is well before they might go into administration; preferably before you even sign the contract.

Published: Wednesday, August 06, 2008

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