

## How contractors should handle contract renewals

Are contractors obliged to accept a renewal?

"The short answer is, no, never, under no circumstances," says [David Royden](#), a lawyer specialising in contract law with Laytons Solicitors in Manchester.

### No Legal Obligation

That is the basic concept from a legal point of view, but of course there may be business reasons which may induce you to renew a contract. You may simply want to maintain a good business relationship with the agency or the client. You may simply enjoy the work and wish to continue even under less advantageous conditions.

What is important is to understand that you have no legal obligation under any circumstances. If you haven't committed in writing to continuing the project, you don't have to.

Agents will tell you anything in order to get you to continue, but you don't have to believe them. Suppose the agent says that your failure to renew will cause the project to fail? "Not your problem," Royden says, "the agent should have foreseen that and signed you up for longer in the first place. You are not responsible for the project beyond what you have committed to in your initial contract."

Just be careful to respect the notice period in your contract and make sure that you've sent the letter or fax, or whatever is required, in time.

### Start Negotiating Early

What if you are considering renewing, but aren't sure? Start [negotiating your renewal](#) well before the end of the term of your contract. You want to avoid a situation where you are working on the same project without having sewn up the terms for renewal. In that case, the agency could claim that you'd agreed to whatever terms they had made in practice. If you haven't agreed to renewal terms, notify the client that you are planning to stop work. That will probably get the agency in more of a mood to negotiate the new contract.

“ Contractors are never obliged to renew contracts ”

David Royden-Laytons Solicitors

"You can revisit every aspect of the contract before you renew," Royden reminds us.

### Can Agents Block Your Renewal?

Suppose, though, that you are happy with a project, and you want to renew, on the very same terms?

But things have changed for the agent involved. For whatever reason--perhaps because the agent is no longer on the client's preferred supplier list--the agent wants to increase the margin earned on the project. So the agent says that the agency "will not let you renew" unless you agree to a pay cut, or to another change in terms and conditions.

"Well, just as you have no obligation to renew, neither does the agency," says Royden. Just be prepared to start negotiations early, and notify the client. Often the client will pressure the agency to change its attitude if the client likes your work.

But often, agents will wish to keep you on the project, and will provide inducements to get you to renew. One such inducement is to offer to 'make the contract outside of [IR35](#).'

“ You can revisit every aspect of a contract before you renew ”

David Royden-Laytons Solicitors

This is one bait that you should probably not take. Your status regarding IR35 isn't really determined by a given contract. It is determined on your relative independence, how you run your company, whether or not you work determined hours, what control you exercise, etc.

"You don't just go in or out of IR35 just like that. Are you running an independent company, for example? No one can offer you a change of status with a stroke of a pen," Royden says.

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