

Can my umbrella and agency change my payment terms without my agreement?

Dear Contractor Doctor,

I am a contractor and work for a blue chip client via an umbrella company and agent. I work to a day rate and am currently paid weekly.

My agent and client have told me that they have agreed my payment terms will be extended to 21 days from my invoice submission date when my contract comes up for renewal in two month's time. I have bills to pay and working for 21 days without pay will cause me financial hardship.

Are my agency and client legally allowed to change my terms without my agreement?

Thanks

Andrew

Contractor Doctor says:

The short answer, according to [Roger Sinclair](#) of contractor specialist law firm [Egos](#), is 'no'. However, in this context, the new terms are not being imposed mid-contract, so it is up to the contractor to choose whether or not to agree to the new terms.

"It's important for the contractor to understand the nature of the relationship they have with the agency and end-user client," explains Sinclair. "The client is using an agency precisely so there is no question of an employment relationship.

"And the agency will insist that a contractor uses a [limited company](#) or [contractor umbrella company](#) to further mitigate tax liability and employment risk."

The resulting chain of contracts results in a very arms length relationship contractually between contractor and client.

Digging deeper

Superficially, it might appear that the client and agency have arbitrarily agreed to change the contractor's terms without his input. However, the timing of the change in terms is crucial.

"The contractor is under contract to provide his services for another two months, which is when the client and agent propose to change the payment terms," continues Sinclair. "The agency is effectively saying to the contractor's umbrella that renewal of the contract is offered, but only on the basis of the payment terms being changed."

The contractor has the choice of having his contract renewed with the new payment terms, negotiating to have the new payment terms reduced, or choosing not to renew the contract. Importantly, he is not having new terms imposed on him mid-contract.

Risks of contracting

"Technically, none of the parties have done anything wrong and the contractor has no cause for complaint," says Sinclair. "A change of terms at renewal is an inherent risk of being a contractor, who has no employment contract or employment rights."

According to Sinclair, the contractor does not have to accept the situation: "The contractor can make the agency aware he is not happy with the proposed changes via his umbrella company and try to negotiate. He could also look elsewhere for a contract.

"However, when considering the best course of action, the contractor should think about the prevailing market conditions and the likelihood of getting a new contract in place before the offer of extending the existing contract is withdrawn."

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Roger Sinclair, Egos

Contractor Doctor

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