

Contractor doctor: can agencies change the rate of pay mid-contract?

Dear Contractor Doctor,

I'm in a 6 month contract which stipulates an agreed hourly rate under PAYE regime. After 4 months, I receive a letter from my agency asking me to sign a new contract effective immediately with a reduced hourly rate because holiday pay is being deducted.

The letter cites "European law on holidays?"

The new contract also requires that I commit for another six months. Can the agency change the rate of pay in the middle of a contract, and force me to sign on for longer? There's also the chance of a full-time job here so I really don't want to agree to the new contract.

Thanks

D Martin

Contractor Doctor says:

First of all, let's get rid of the silly stuff. The United Kingdom is not governed by "European Law" - all the laws that matter in this country are made by parliaments - English, Welsh, and Scottish. The European Union does make laws which this country has to adapt and implement in the parliaments. Unless parliament adapts European legislation on holidays, and so far as I know it hasn't - there is no change in the law. And that goes for all other European countries too!

Now for the question of signing a new contract. You have no obligation to do so. You already have a signed contract which sets out the terms and conditions of your work. No one can force you to change those conditions.

Says David Vincent, a lawyer with the London-based legal consultancy [Lawsped](#): "In the absence of a contract term or other agreement to the contrary, an agency cannot force a reduction in rates other than through commercial pressures such as alluding to reduced future opportunities or even threatening to [terminate the contract](#) itself if such rights are provided. In these circumstances the agency is behaving in an unprofessional manner."

So, is there a clause in your contract that states 'your wages may be reduced under certain conditions?' If not, the agency has no legal right to reduce your fee. Nor can the agency oblige you to renew the contract.

There is one other factor you should consider: can the agency terminate you? What does your contract say about notice for termination? The agency could choose to end the contract if it has the right to do so. It doesn't sound like that's a concern for you specifically, but you should be aware of it.

You mention that the client has offered you a job. This is a separate issue, but you should be aware that your contract with the agency may prohibit you from taking the job. Such a clause is called a '[restrictive covenant](#),' and it could make you liable for damages if you violate it. Check the contract to see if it's there.

Good luck with your contracting!

Contractor Doctor

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