



# Counting the cost of poor business contracts

How to avoid the pitfalls  
and protect your profits



**Attwaters**  
Solicitors



## Better business contracts, better business outcomes

A solid contract can make the difference between turning a profit or making a loss.

As business relationships and regulations become more complex, contracts can help reduce risks, boost revenues and protect reputations.

Despite their growing importance, business contracts can be difficult to get right – especially as terms and conditions become more intricate. Only 39% of Business owners say their contracts are effective in delivering the desired outcome<sup>1</sup>.

This practical guide from the Attwaters Business Law team looks at five common contract pitfalls and how to prevent them from impacting your company's profit and performance. If you need more advice, get in touch today. We offer a free 30-minute consultation and a friendly and supportive local service.

### Sources

<sup>1</sup>World Commerce & Contracting, July 2025 - <https://info.worldcc.com/contract-management-aug-2025>

### **| Pitfall #1: Using generic templates**

*Why does it matter?* Every business is unique and that means every contract needs to be unique too. Although there are some basic terms and conditions that will apply to most businesses, this doesn't mean you can rely on a free one-size-fits-all template. Key elements, such as liabilities, deliverables and unforeseen risks, are rarely covered sufficiently in generic contracts. It's also possible that free templates will not have been updated to reflect new laws, trading regulations or consumer rights.

*What's the cost?* If a contract is missing key elements, you could find your business exposed to added risk and expense. For example, you might have to provide additional services free of charge or cover another party's losses. There's also the cost to your reputation if a contract fails to adhere to current legislation, which could result in customer disputes or compliance breaches.

*How can I fix it?* Contract wording needs to be tailored to your business – from service descriptions and warranty policies to complaints processes and data protection obligations. The Attwaters Business Law team has cross-sector expertise and can help create robust and relevant contracts that contain the right regulations and safeguards for your unique circumstances.



## **Pitfall #2: Neglecting payment terms**

*Why does it matter?* Cashflow is fundamental to every business. If you grant extended payment terms, such as 60 or 90 days, to customers, you could be putting your own finances at risk. If a contract doesn't specify a process or penalty for delayed payments, unscrupulous customers could take even longer to settle their bill.

*What's the cost?* Late or unpaid invoices could derail expansion plans and push your business into debt, resulting in costly loans. A customer's fortunes can change dramatically over the course of a project or contract. If they become insolvent before an invoice is paid, then you might never be paid.

*How can I fix it?* Review the payment terms in your contracts to make sure the wording is clear and enforceable. If you've not already done so, consider requesting deposits or advanced/staged payments for large projects to reduce your financial risk. Remember to add a clause about charging interest on any late payments. If you're unsure on the legal wording, contact the Business Law team at Attwaters today for a free initial consultation.

## **Pitfall #3: Leaving liabilities uncapped**

*Why does it matter?* Exclusions and liability limitations are included in business contracts as a way to minimise potential losses if a relationship or service doesn't go as planned. This enables you to apply a maximum financial cap on your liability in the event of a contract breach.

*What's the cost?* Without this cap, the other party could demand that you cover all the losses incurred due to the breach, which could run to thousands of pounds. You will probably need to engage a solicitor, which will cost more money. The financial burden could not only damage but destroy your business.

*How can I fix it?* There are various rules and principles that influence what can be legally excluded or limited, so it's a good idea to seek expert advice. If you include a badly drafted clause in your business contracts, it might not be binding. The team at Attwaters can advise on how best to limit your liabilities and future-proof your business.

## **Pitfall #4: Omitting dispute resolution provisions**

*Why does it matter?* A missed deadline. A faulty product. A sub-standard service. They can all result in disagreements, which can be stressful and time-consuming. Adding a dispute resolution clause to a contract can prevent court cases, for example by mandating that arbitration must be attempted first.

*What's the cost?* Without the right dispute resolution provisions, you could end up locked in an expensive legal battle. If the matter goes to court, you could have to pay damages, which might be prohibitive depending on the legal jurisdiction. A dispute can also undermine your company's reputation and relationships, preventing you from winning future business.

*How can I fix it?* Dispute resolution clauses need to be clear and enforceable, so it's important to seek legal advice. You can still change a dispute resolution clause after a contract has been signed as long as both parties agree to the amendment.

## **Pitfall #5: Overlooking worst case scenario protections**

*Why does it matter?* Life doesn't always go as planned – and that's where 'force majeure' provisions come into play. Think global pandemic, natural disaster or cyberattack. Business contracts need to allow for unexpected events that might impact your ability to meet service levels or deadlines.

*What's the cost?* If force majeure provisions are not broad enough, you might still be legally required to fulfil your contractual obligations even though it's not commercially viable. Fail to deliver and there could be financial penalties to pay due to a breach of contract.

*How can I fix it?* Check what is covered by any existing force majeure clauses in your contracts. Are you sufficiently protected against unforeseeable or uncontrollable events? Remember to think about scenarios that might be unique to your business, for example a supply issue with a critical component.

# Meet the team

The Attwaters Business Law team combine city-quality service levels with a common-sense approach.

Our partner-led team provides commercially-focused advice designed to help your business thrive.



## **Nabila Begum, Solicitor**

Nabila specialises in business and commercial law, with extensive experience drafting, negotiating and advising on commercial contracts across a wide range of industries and sectors.

Having worked both in-house and in private practice, she brings valuable first-hand insight into the practical challenges faced by business owners and directors. Commercially minded and solutions-driven, she delivers clear advice that safeguards businesses while supporting profitability.

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## **Mark Stigwood, Partner**

Mark leads the Corporate & Business Law team at Attwaters, with extensive experience drafting complex commercial contracts to support a variety of transactions and business operations. He also works closely with clients as part of the project team on multifaceted tender initiatives.

Solutions-focused and bringing a wealth of operational and commercial insight, Mark provides the guidance clients need to navigate today's evolving legal and regulatory landscape.

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## We can help you

Whether you're creating a new contract or refreshing an old one, Attwaters can provide practical support. Book a free consultation with a member of our growing team to find out how we can assist with your business contracts.

Contact us on **0330 221 8855** or via email at **enquiries@attwaters.co.uk**.

### Where we are

■ Hertford ■ Ware ■ Loughton ■ Harlow (by appointment only) ■ London (by appointment only)

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