

Friends Fall Out When Agreements Not Formal

“Doing business with friends can be fraught with danger, as a recent case illustrates,”

It involved two men, one of whom was building a house for himself and his fiancée. He wanted to have some complex electrical devices built into the house and entered into discussions with his friend (who is a builder), who advised him that the work required would cost in the region of £15,000.

The details had been agreed by the end of 2001 and there was a costed schedule of works at that point. As is not at all unusual, as time passed the house owner changed the specification and added extra items to it. It is clear that as this was occurring, neither of the two men put the changes that had been authorised and their cost implications into proper written form, with the predictable result that at the end of the project, the bill presented was for more than £15,000 and a dispute arose.

The homeowner refused to pay the extra amount and the matter ended up in court. The hearing took three days, the cost of which must have been similar to the value of the original contract. In court, it was accepted that some of the changes warranted extra payment as ‘variations’ or ‘extras’. Additionally, there was no complaint about the quality of the workmanship: the dispute was over the cost and the cost alone.

In essence, the claimant’s case was that it was a design and build contract with reasonable remuneration for labour and materials supplied. The defendant’s case was that it was a fixed price contract for £15,000 and that almost all of the extras should have been accommodated within that price.

The court ruled that the contract was not a fixed price contract and awarded the claimant a modest extra sum.

The essential point is that the case only arose because, being friends, the two men did not agree things formally as they went along, each assuming that their view of the circumstances was also held by the other. When this turned out to be incorrect, a falling-out was predictable.

The moral of the story is that if you value your friendships, it is doubly important to make sure that you have all the necessary paperwork in place if you do decide to do business with friends. It is a mistake to rely on the fact of your friendship to prevent a disagreement.

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