



Eatons

Guidance on Letters of Intent

Letters of intent are widely used in the building trade, because it is normal for both developer and contractor to wish to make progress on a building project without having to wait until the formal contractual arrangements have been fully agreed.

However, letters of intent are fraught with possible pitfalls and have led to a procession of cases coming before the courts.

The best way to ensure their successful use is to take advice to ensure the drafting of any documentation is as tight as possible.

Following yet another recent case dealing with a dispute (this time involving more than £1 million) over work done under letters of intent, the court has issued guidance over their use.

The recommendations are that any letter should:

- state clearly whether it is intended to be binding or non-binding;
- state what the rights of the respective parties are in the event that a formal agreement is not subsequently reached. In particular, care should be taken to ensure that the method of dealing with any dispute and the effects of termination are clearly set out;
- set out whether it is intended to constitute a contract under the Construction Act (and if it is not so intended, care should be taken that the wording does not unintentionally create such a contract); and
- set out any financial, time or other limits which apply to the work done by the contractor under the letter of intent.

We can assist you in making sure that your letters of intent create only the rights and obligations that you intend.

**Contact Jeremy Parker, Tel: 01274 728 327
for advice on any commercial property matter.**

EATONS SOLICITORS

THE OLD LIBRARY,
34 DARLEY STREET,
BRADFORD,
BD1 3LH.

T: 01274 728 327
F: 01274 305 056

ASPECT COURT,
47 PARK SQUARE,
LEEDS,
LS1 2NL.

T: 0113 246 0444
F: 0113 394 4101

49-51 PEGHOLME,
WHARFEBANK BUSINESS
CENTRE, ILKLEY ROAD,
OTLEY, LS21 3JP.

T: 08456 446 006
F: 08456 446 005