

Are you a Principal or a Contractor receiving requests for payment on construction projects?

Construction Update

Most construction contracts these days are caught under the *Construction Contracts Act* ("the Act").

According to this *Act*, every time you receive a request for payment, you must think very quickly. Are you happy with the payment sum requested? Are there things you are not happy about? Is the work running late or are there defects?

You may not know that under the *Act*, unless your contract says otherwise, you only have 14 days to respond to the **payment request** by saying how much you are prepared to pay, or rejecting it outright. If you do not do this, you have to pay the claim in full. Essentially, you lose your right to challenge the payee's right to full payment of their claim if they decide to take your non-payment to adjudication.

This is very important because it means you may be forced to hand over sums following an adjudication and then have to chase to get that money back.

The moral of this story is – be vigilant in responding to any request for payment that you receive within this 14 day deadline (unless your contract says otherwise). Follow up any oral response you make in writing.

Disclaimer: This publication is intended to provide general information only and should not be relied upon as legal advice. If you require legal advice on a matter please contact us.

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Who does this affect?

Contractors and principals in the construction industry will be affected by the *Construction Contracts Act*.

Article Highlights

- Contractors and principals have 14 days to respond to a payment request.
- You may risk your right to challenge the requested amount and have to pay in full.
- Follow up any oral response you make in writing.



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