Property + Commercial Law

SERVICES AGREEMENTS

5 CRITICAL QUESTIONS

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5 Critical Questions Before Finalising Your Service Agreement

Essential Considerations for Service-Based Businesses

Time needed: 15-20 minutes

If you're running a service-based business, you've probably worked from email exchanges, brief proposals, or verbal discussions about what you'll deliver. These informal arrangements feel efficient until expectations diverge—clients assume additional deliverables are included, payment timing becomes unclear, or ownership questions emerge about finished work.

This guide highlights five critical questions to address before finalising your service agreement. These aren't just legal considerations—they're practical business questions that affect how smoothly your client relationships run and how effectively you can manage disputes when they arise.

Use these questions as preparation for professional documentation rather than replacement for it. Every business situation has unique elements requiring tailored advice, but thinking through these considerations helps you understand what matters for your specific services.

When to Use This Guide

Use this before: Finalising service agreement terms with new or existing clients

Best completed: During early business planning or when reviewing current client documentation

Five Critical Questions

QUESTION 1

What happens when clients request changes to scope mid-project?

Most service engagements evolve from initial scope. Clients develop new ideas, projects become more complex than anticipated, or business circumstances change. Without a clear process for handling these variations, you face difficult conversations about whether additional work is included in your original fee or requires separate payment.

Consider how variations are requested and approved. Do clients need to submit written change requests? Who has authority to approve scope changes? How are additional fees calculated—hourly rates, percentage of original fees, or negotiated amounts? What happens to delivery timelines when scope expands?

A marketing consultant engaged for social media strategy might face mid-project requests for content creation, paid advertising management, or additional platform coverage. Without variation provisions, the consultant struggles to charge for this substantial additional work. With clear mechanisms, both parties know exactly how changes are handled, approved, and priced.

> Why this matters: *Scope creep is the most common service agreement problem. When variation processes aren't documented, you're negotiating whether additional work is "included" rather than simply following agreed procedures for handling changes.*

QUESTION 2

Who actually owns the intellectual property when work is complete?

Intellectual property ownership causes disputes months or years after service engagements end. Under general legal principles, the party creating work typically owns copyright unless there's agreement otherwise. This means you might retain ownership of materials you create—but clients frequently assume they're buying full ownership rights when they pay for your services.

Consider what happens to different types of materials. Do you transfer full ownership of finished deliverables to clients upon payment? Do you retain rights to standard templates, methodologies, or frameworks you use across multiple clients? Can clients modify your work, commercialise it, or license it to others? Do you want attribution or portfolio rights?

A graphic designer creating brand identity materials needs clarity about what clients own versus what the designer retains. Finished logos might transfer to clients, but the designer may want to keep original concept sketches, design processes, or underlying creative approaches used across different client projects. Without documentation, these distinctions become impossible to enforce when disputes emerge.

> Why this matters: *IP disputes are particularly problematic because ownership questions often arise long after payment is made and work is delivered. A brand identity you created may become considerably more valuable as the client's business grows, creating retrospective disputes about who can use, modify, or license the materials.*

QUESTION 3

What actually triggers your right to payment—and what happens if it's late?

Vague payment terms like "payment on completion" create confusion about timing, what constitutes completion, and consequences for late payment. Different parties may have genuinely different understandings about when payment becomes due and what triggers that obligation.

Consider specific payment mechanics. Is payment due upfront, on milestone completion, monthly, or net 30 days from invoice? If you're paid in instalments, what triggers each payment—time periods, deliverable completion, or client approval? What happens if payment isn't made on time—interest charges, work suspension, or termination rights? How are expenses beyond standard fees handled?

A business consultant working on a six-month engagement might structure payment as 30% upfront, 40% at three-month review, and 30% on completion. This improves cash flow whilst giving clients predictable payment points. But "completion" needs definition—is it delivery of all scheduled sessions, achievement of specific business outcomes, or something else? Without precision, reasonable disagreement becomes inevitable.

> Why this matters: *Payment disputes consume considerable time and often damage business relationships even when eventually resolved. Clear payment terms—including specific timing, instalment structures, and late payment consequences—make enforcement straightforward rather than contentious.*

QUESTION 4

How can either party exit the relationship if it's not working?

Business relationships don't always work as planned. Client priorities change, working relationships become difficult, or projects lose relevance to business objectives. Both parties need clarity about exit options, required notice periods, and what happens to work-in-progress and outstanding payments.

Consider termination mechanics. Can either party exit with notice, or only in specific circumstances like material breach? How much notice is required—30 days, 14 days, immediate in some situations? What happens to partially completed work—does the client pay for everything done to termination date? Do they receive work-in-progress? What about return of confidential materials or cessation of licence rights?

A web developer three months into a six-month website build might face client requests to terminate due to changed business circumstances. Without termination provisions, difficult questions emerge: Does the developer keep the full contracted fee? Only payment for work completed? Does the client receive partially built website components? Clear documentation prevents these disputes by establishing expectations from the start.

> Why this matters: *Termination provisions protect both parties. Service providers need rights to exit relationships where clients don't pay or where working relationships become unworkable. Clients need clarity about ending engagements if services don't meet expectations. Without documentation, exit becomes contentious rather than managed.*

QUESTION 5

What liability exposure do you face if work is delayed, disrupted, or not used as intended?

Service providers face potential liability when work doesn't proceed as planned. Projects delay due to client approval problems. External factors disrupt delivery. Clients modify your work and create problems you didn't cause. Without appropriate liability provisions, you're exposed to claims disproportionate to fees you're actually receiving.

Consider realistic risk allocation. Should you be liable for delays caused by client failure to provide information? For problems arising from client modifications to your delivered work? For consequential losses like business interruption or lost profits that exceed your service fees? Should liability be limited to fees paid under the agreement?

A business coach providing executive coaching services might have clients who don't achieve hoped-for business outcomes despite receiving all contracted sessions. Liability provisions clarify the coach's obligation is providing sessions with reasonable skill and care, not guaranteeing specific business results. This proportionate approach protects the coach from unreasonable claims whilst acknowledging genuine professional obligations.

> Why this matters: *Proportionate liability provisions protect legitimate business interests whilst maintaining fair client relationships. Without these provisions, you're exposed to claims that may far exceed the value of services you provided, creating business risks that make certain client engagements commercially unviable.*

IMPORTANT NOTE

These questions highlight key considerations for service agreements, but every business situation is unique. Your specific services, client relationships, and business model require tailored advice addressing circumstances beyond general guidance. Use these questions as preparation for professional documentation rather than replacement for it.

READY TO FINALISE YOUR SERVICE AGREEMENT?

Next Steps: From Questions to Documentation

You've now considered five critical questions affecting how your service agreements work. These aren't just legal technicalities—they're practical business considerations that affect daily operations, client relationships, and your ability to manage disputes when they arise.

Working with experienced commercial law support helps ensure your documentation addresses these questions appropriately for your specific services. This isn't about maximum legal protection regardless of commercial reality—it's about practical agreements that protect legitimate interests whilst maintaining the flexibility needed for good business relationships.

Ready to discuss how these considerations apply to your specific business? Contact Jackie Atchison at LexAlia Property & Commercial Law to explore what your service agreement should include and how it can be structured to match your actual working processes.