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WHEN CLIENTS DON'T PAY

WHAT BUSINESS OWNERS MISS

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What Most Business Owners Miss About Payment Terms

And How It Costs Them Later

Questions while reviewing? Email hello@lexalia.au or book a 15-min chat

You have payment terms in your contracts. Clients know when invoices are due. But when someone doesn't pay, you discover your terms don't actually give you the leverage you need.

This isn't about clients being difficult. It's about the gap between basic payment clauses and provisions that actually protect your business when cash flow problems arise. Most standard contracts miss several key protections that make the difference between straightforward recovery and expensive, uncertain collection efforts.

This guide highlights what gets overlooked in typical payment terms and why those gaps matter when you're trying to get paid.

OVERLOOKED CONSIDERATION 1: Payment Trigger Clarity

Vague Completion Terms

Most contracts say something like "payment due 30 days after completion" or "invoice on delivery of services." The problem emerges when you and your client have different views about what "completion" or "delivery" actually means.

You think the work is complete when you've delivered the report, design, or service as scoped. Your client thinks completion means after they've reviewed it, requested changes, and approved the final version. Both interpretations seem reasonable, but they create completely different payment timelines.

Without clear definition of what triggers the payment clock, you're left negotiating the basics when you should be getting paid. This ambiguity extends payment timelines and gives clients unintentional leverage to delay.

> The consequence: *What you thought was a 30-day payment term becomes 60 or 90 days while you debate whether the work is actually "complete." Your cash flow planning based on 30 days becomes unreliable.*

Milestone-Based Payments Without Clear Triggers

Breaking work into payment milestones is smart. But if those milestones aren't tied to objective, documented events, you face the same ambiguity problem at each phase.

"Payment after Phase 1" needs to specify exactly what Phase 1 includes, what deliverables trigger the invoice, and whether client approval is required before moving forward. Without this clarity, milestone payments offer less protection than they appear to provide.

> The reality: *Effective milestone terms specify exact deliverables, clear acceptance criteria or timeframes, and what happens if acceptance is delayed or disputed. Your contract should remove room for interpretation about when each payment becomes due.*

OVERLOOKED CONSIDERATION 2: Enforceable Late Fees

Generic or Missing Late Fee Provisions

Many contracts either omit late fees entirely or include vague terms like "late fees may apply." Some specify percentages without considering whether those rates are legally enforceable or commercially reasonable.

Late fees serve two purposes: they compensate you for the cost and inconvenience of chasing payment, and they create financial motivation for clients to pay on time. But if your late fee provision isn't properly structured, it might not be enforceable when you actually need it.

Courts can refuse to enforce penalty provisions that are disproportionate to actual loss. A 5% monthly late fee might be enforceable. A 20% monthly fee probably isn't. If you haven't specified reasonable late fees in your terms, you're left arguing about appropriate compensation after the fact.

> Why this matters: *Enforceable late fees need to be specified in advance, calculated reasonably, and documented in your standard terms. Adding them after an invoice goes unpaid is significantly less effective than having them established from the start.*

OVERLOOKED CONSIDERATION 3: Rights Over Work Product

Automatic Transfer of Deliverables

Standard contracts often transfer ownership or rights to work product upon completion, not upon payment. This means you've handed over valuable deliverables while payment remains outstanding.

For intellectual property, designs, reports, code, or creative work, retaining ownership until payment is made gives you meaningful leverage. The client needs what you've created. If they can't use it until they pay, payment typically follows.

But this only works if your contract explicitly states that ownership or license rights don't transfer until payment is received in full. Without this provision, you've given away your leverage before securing payment.

> The consequence: *Once the client has full access to and ownership of your work, your leverage to encourage payment drops significantly. They have what they need. Your invoice becomes less urgent to them.*

PPSR Registration Rights for Goods

If you supply goods on credit or retain ownership until payment, you can register your interest on the Personal Property Securities Register. This registration gives you priority over other creditors if your client becomes insolvent.

Without PPSR registration, even though your contract says you retain ownership, other secured creditors might have superior rights to your goods. When the client's business fails, you lose both payment and the goods you supplied.

But PPSR protection only works if your contract explicitly establishes retention of title and you actually register your interest. Most businesses miss both requirements, leaving their goods completely unprotected when client insolvency occurs.

> The reality: *PPSR registration is straightforward once you know about it, but it requires proper contract terms and timely registration. This protection is particularly valuable for suppliers who extend credit or deliver before payment.*

OVERLOOKED CONSIDERATION 4: Suspension Rights

No Right to Pause Work

When a client isn't paying, continuing to work makes the problem worse. You're investing more time and resources while the unpaid amount grows. But without suspension rights in your contract, stopping work might put you in breach of contract.

Suspension provisions should specify when you can pause work (for example, if invoices remain unpaid for more than 14 days), what notice you'll provide, and what happens to timelines and deliverables when work is suspended.

These terms protect both parties. The client knows exactly what triggers suspension, giving them clear motivation to maintain payment. You have documented grounds to stop work before losses mount, without risking contract breach claims.

> Why this matters: *Suspension rights change the dynamic from you chasing payment while continuing to work, to the client needing to resolve payment to get work moving again. This shifts leverage in your favour when it matters most.*

OVERLOOKED CONSIDERATION 5: Termination for Non-Payment

Inability to Exit Without Liability

Some client relationships deteriorate to the point where you need to terminate the engagement entirely. But if your contract doesn't give you clear termination rights for persistent non-payment, ending the contract might expose you to liability for incomplete work or breached commitments.

Termination provisions should specify the circumstances that permit termination (such as invoices unpaid for 30+ days despite written notice), the notice required, what happens to work in progress, and how final accounts are settled.

Without these terms, you're caught between continuing to work for a non-paying client or risking breach of contract claims if you stop. Neither position is sustainable for your business.

> The consequence: *Clear termination rights give you a documented exit strategy when payment issues persist. You can end the relationship, retain payment for work completed, and avoid ongoing disputes about incomplete obligations.*

IMPORTANT NOTE

This guide highlights key provisions that many business contracts overlook. Every situation involves unique circumstances, relationships, and commercial considerations. These observations are based on patterns seen in practice, but your specific situation requires professional advice tailored to your business, your clients, and your industry context.

READY TO STRENGTHEN YOUR PAYMENT TERMS?

Understanding what's missing from typicalpayment terms isthefirst

step. The next step is building these protections into your contracts so they're in place before payment issues arise.

Whether you're dealing with current payment problems or want to prevent them in future work, I can help you review your contract terms and ensure they actually support getting paid. That includes payment trigger clarity, suspension and termination rights, deliverable retention provisions, and PPSR registration where applicable.

Ready to discuss how these provisions apply to your business contracts? Contact Jackie Atchison at LexAlia Property & Commercial Law to explore how your payment terms can better protect your cash flow.

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