A number of companies within the Carillion group have been placed in compulsory liquidation. The Official Receiver has been appointed as liquidator, with support from PwC. It has been confirmed that there is no prospect of any return to shareholders.

Given the size of Carillion, the UK’s second-biggest construction company, with 43,000 employees and contracts on a wide range of projects, including a number of flagship infrastructure projects, this will inevitably have a significant impact on the UK construction sector as a whole.

Official advice from PwC is:

“Unless advised otherwise, all agents, subcontractors and suppliers should continue to work and provide goods and services as normal, under their existing contracts, terms and conditions.

You will get paid for goods and services you supply from the date of the Official Receiver’s appointment onwards. Over the coming days we will review supplier contracts and we’ll contact you concerning these soon. Goods and services you supply during the liquidation will be paid for. A letter will be sent to suppliers shortly containing further instructions.”

Our view is that any firm that has exposure to a Carillion group company must carefully assess its position. PwC’s statement that “you will get paid for goods and services” only applies for work from today. A creditor might be in a better position if it were to terminate its contract (though this will depend on the termination provisions and its particular circumstances).

We suggest the following:

1. Immediately conduct an internal review of your exposure to Carillion, its subsidiaries and related joint ventures.

2. Collate all contractual documentation to enable you to review your legal options.

3. Be extremely cautious if asked to enter into a new contract with the liquidator:
   
   (i) pay close attention to the contractual terms, and consider whether to enter into the contract at all;

   (ii) seek to negotiate favourable terms around payment: ensure that the payment timeframe is short, that you have a right to suspend
and terminate for non-payment, avoid granting the liquidator/Carillion the right to set-off your fees against amounts due under other contracts, and if supplying materials, incorporate an effective retention of title clause; and

(iii) avoid agreeing contractual novation provisions, or if these are incorporated, seek to incorporate a requirement for your consent to novation of the contract.

4. If already in a contract with Carillion, ensure that payment notices are served on time. This is essential for maintaining your contractual entitlement to payment. If you are not paid, consider whether you have a right to suspend for non-payment or under contractual insolvency provisions.

5. Keep a close eye on developments, as these may occur rapidly, PwC have set up a website, [https://www.pwc.co.uk/carillion](https://www.pwc.co.uk/carillion), and you should monitor this as well as the news.

6. Where collateral warranties are demanded by third parties on existing contracts where you are employed by Carillion, carefully consider whether you are obligated to grant these, as you may be able to resist providing them if you are not paid.

7. There may be an opportunity to renegotiate unfavourable contractual terms with the liquidator or if a new entity buys a part of the Carillion business with which you have contracted.

8. Depending on your contractual terms, consider whether you can suspend any intellectual property licences. This might put you in a strong negotiating position with the liquidator.

9. Consider whether there are any contracts that you may wish to ‘take over’ from Carillion; if so, approach the liquidator to discuss.

10. Where you have appointed sub-contractors on a Carillion project, make sure you review those terms and consider what action needs to be taken.

If you have any queries in relation to the above, or any concerns in relation to the Carillion liquidation and issues arising out of it, please contact James Hutchinson on +44 (0) 20 7469 0408 or at [j.hutchinson@beale-law.com](mailto:j.hutchinson@beale-law.com).

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