

# How to prevent and manage disputes

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Most of the time contracting work goes smoothly but sometimes things go wrong. Learn how to prevent problems when you enter into a contract, and what to do if you have a dispute.

## Prevent disputes

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Getting your contract right at the start of your business relationship will mean fewer problems later on.

Whether your contract is verbal or written, if you agree to provide a product or service for money, you've entered into a contract. You're promising to provide the product/service and the buyer/hirer is promising to pay you. Unless you have proof to show what was agreed at the beginning of the business relationship, you may not be able to challenge it successfully later on.

A written contract gives both parties more certainty and clarity than a verbal contract. This is because a verbal contract depends on understandings and memories about what was agreed.

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**[Before you enter into a contract, read our information on negotiating a good contract.](#)**

→ [HOW TO NEGOTIATE A GOOD CONTRACT](#)

## Steps to manage disputes

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Many problems can be solved simply and quickly by considering the other person's point of view and giving them time to consider your point of view.

Sometimes things get more complicated and a problem turns into a dispute. Often disputes are about things that affect your business bottom line, such as:

- unpaid invoices

- disagreements about the quality of the work or product
- a clause in the contract

Before you take action, follow the 5 steps to manage the dispute:

- Step 1 - understand and identify the dispute
- Step 2 - talk to the other party
- Step 3 - write to the other party
- Step 4 - ask for help from a third party
- Step 5 - go to court

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[Go the Australian Small Business and Family Enterprise Ombudsman \(ASBFEO\) website to learn more about the 5 steps to manage a dispute.](#)

 AUSTRALIAN SMALL BUSINESS AND FAMILY ENTERPRISE OMBUDSMAN

### Example: how a problem can arise from a misunderstanding

Lachlan signed a contract with Maria to clean the offices of ReCall Ltd for 7 hours every Saturday. Maria came into the office on Monday and was upset to find that her office had not been vacuumed. Maria assumed that Lachlan hadn't cleaned any of the ReCall offices and so did not pay the next invoice he submitted.

Lachlan hadn't cleaned Maria's office that Saturday because he had spent extra time cleaning up another room where there had been a company party. He didn't tell Maria what had happened as he assumed she knew about the party. So he was surprised when Maria did not pay his next invoice.

The problem clearly arose from a misunderstanding. If Lachlan and Maria sit down and discuss the situation they'll be able to resolve their problem without having it escalate into a dispute.

## Read next

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[If negotiation doesn't work, find out your options for resolving a dispute.](#)

→ HOW TO RESOLVE DISPUTES

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[Understand the contracts you enter into and what to consider before you sign.](#)

→ HOW TO UNDERSTAND CONTRACTS