

Retention of Title (ROT)

The legal position when selling goods is that ownership of the goods passes to the buyer at the time stipulated in the contract of sale. In the absence of any contrary provision title will pass on delivery.

A Retention of Title (ROT) clause in your sales contract will state that ownership of the goods will not pass to your customer until certain conditions are met, most importantly payment – SO YOU RETAIN OWNERSHIP UNTIL FULL PAYMENT RECEIVED. This can be a real protection if your customer becomes insolvent.

If you do not already have an ROT clause, then we can review your terms and conditions of business and help you to draft appropriate clauses. Having seen ROT from the other side we can provide practical advice.

A well drafted ROT clause means you own the goods you have supplied and this gives you priority over secured and unsecured creditors of your customer if it fails to pay for the goods because it is insolvent.

For an ROT clause to be effective, it must be incorporated into your customer contract, ideally by written agreement.

Whilst an ROT clause is no substitute for a proper credit control system, it will give some security in relation to the credit offered.

A well-drafted clause is likely to achieve:

- The right to enter the buyer's premises without trespassing to confirm the existence of goods;
- The ability to recover goods stored at the buyer's premises which can be identified as the seller's, possibly to the extent of all sums owed by the buyer to the seller;

Where a customer enters liquidation or administration, any supplier with the benefit of a ROT should notify the administrator or liquidator of its claim to retain title to goods immediately. If possible and reasonably practicable, the supplier should arrange a visit to the insolvent company's premises to identify the goods.

The onus is on the supplier to prove its ROT claim to the satisfaction of the administrator or liquidator so it is important that a supplier acts promptly.

If you are interested in finding out more please call Stephen Hobson - 07979 507 954.

Further details of the services we offer, the types of cases we have dealt with and a variety of blogs and other information can be found [here](#).

The business recovery team

The team comprises seven full time specialists. Principal people are:



Stephen Hobson

Partner in charge of the firm's business recovery department since 1992 after 10 years with a national firm in London. Chartered Accountant, and Licensed Insolvency Practitioner since 1987.



Lucinda Coleman

Director, Chartered Accountant and Licensed Insolvency Practitioner. Business recovery specialist since 2006.



Nick Harris

Manager, Chartered Accountant and Licensed Insolvency Practitioner. Business recovery specialist since 2008.

The remaining three professional staff, two of whom are CPI qualified, have a collective experience in business recovery of over 35 years.

This document seeks to address general tax and financial issues and whilst due care has been taken in its preparation, no responsibility for loss incurred by any persons acting, or failing to act, as a result of any material in this publication can be accepted by Francis Clark LLP. Specialist advice should always be sought in relation to your own circumstances.

24/11/14_N



Francis Clark has seven offices in the South West: **Exeter, Plymouth, Salisbury, Taunton, Tavistock, Torquay and Truro.**

Please visit www.francisclark.co.uk for contact details of your nearest office.

Francis Clark LLP is a limited liability partnership, registered in England and Wales with registered number OC349116. The registered office is Sigma House, Oak View Close, Edginswell Park, Torquay TQ2 7FF where a list of members is available for inspection and at www.francisclark.co.uk. The term 'Partner' is used to refer to a member of Francis Clark LLP or to an employee or consultant with equivalent standing and qualification. Registered to carry on audit work in the UK and Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.