



TECH BUSINESS

News for the Technology industry

Welcome to the April 2017 edition of Tech Business, a new regular newsletter from PKF Littlejohn's Technology team, providing a round-up of the main developments in accounting and general market matters.

Commercial disputes – it's time for change

Recent research from the Federation of Small Businesses (FSB) suggests there were at least 3.4 million commercial disputes between 2010 and 2015. So what should you do if your tech business is heading towards a showdown with an employee, supplier, customer or competitor?

Pursuing a commercial dispute has tended to be a costly, lengthy and risky undertaking for most tech businesses.

It's not hard to see why. Your lawyers will typically bill you based on the amount of time they spend working for you. Given that the average litigation case is around 18 months, it's not uncommon for these bills to spiral to the level of the damages that you're claiming.

Even if you can find a lawyer to act for you on a fixed, capped or 'no win no fee' basis, you'll still have to pay up front for disbursements such as court fees, barristers and expert witness fees within a climate where court fees have increased significantly and recovery of costs for the winning party has reduced drastically.

Add to that the risk that you could be liable for at least some of the defendant's costs as well as your own if you lose the case.

And finally, the typical tech company doesn't have the managerial capacity to stay on top of the paperwork and processes associated with a dispute as well as remaining focused on the day-to-day running of the business.

It's hardly surprising, then, that many technology companies and other growing businesses decide against pursuing a claim and reluctantly write-off what they're owed. Indeed, evidence shows that the number of county court judgments against businesses is on a downward trend, leading to suggestions that businesses are failing to get adequate 'access to justice'.

How can you avoid the pitfalls?

So what can tech companies do to minimise the risk of getting involved in a dispute? And how should they manage any disagreements that do arise?

Agree expectations from the start

Many disputes arise from the fact the parties didn't take time to discuss their expectations at the start of the process. Invest time up front in clearly defining your objectives, responsibilities, standards etc to prevent a lack of understanding from becoming an issue later on

Document as much as possible

Having a paper trail of important decisions can act as a reminder of the agreements that have been made, providing evidence that can help to bring both sides back on track. The longer and more complex the project, the more important it is to have detailed records. Comprehensive paperwork is also likely to help your case, should the issue ever make it to court

Address issues before they escalate

The old adage that 'a stitch in time saves nine' applies here. A potentially tricky conversation early on can prevent a problem from growing into complex legal case that will cost everyone involved considerable time and money

Be firm but fair

Your business is important to you so nobody expects you to give in at the first sign of a disagreement. But don't let your emotions cloud your judgements. Don't make things personal. Step back from the situation and ask an impartial observer for their views.

Be prepared

Taking your case to litigation should be a last resort – but that doesn't mean it shouldn't be given serious consideration. Often the threat of legal action can make the other side reconsider. If you feel that the other party is unlikely to change their mind, it may be time to seek to legal advice.

Introducing a smarter alternative to traditional litigation

If you're at the point where you're considering legal action, take the time to consider your options. There is now an alternative to the traditional litigation process – and it's called Escalate. Escalate recognises the importance of cash flow to your business and understands that you want to minimise risk; that's why it offers:

- No financial risk – you don't pay out unless we reach a successful settlement
- No initial outlay - Escalate pays for all of the up-front costs
- Rapid results – we aim to get your money back in just three months; if we can't settle quickly, Escalate has the financial backing to support you all the way to a High Court resolution
- A fixed fee – complete transparency from the start
- No restrictions on the types of cases we tackle – bad debt, contractual, negligence etc
- Not just current or future cases – Escalate can go back to disputes that are up to three years old.

To find out more about how Escalate could help you, contact **Chris Clay** on +44 (0)20 7516 2266 or cclay@pkf-littlejohn.com, or **Alan MacRae** on +44 (0)20 7516 2265 or amacrae@pkf-littlejohn.com

We hope you've found this issue useful. If anyone within your business would like to receive future issues, please send their details to Cathy Brown (cbrown@pkf-littlejohn.com)

Our specialist team is here to help. If you would like advice on any of the issues discussed in this newsletter, please contact one of our Technology team.



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