

CommunitySpaces

Letter of Intent Guidance

A letter of intent can usually be used when your group wishes to have some work commenced by the contractor before a formal contract has been drawn up by the appropriate professional and agreed and signed up to by the parties.

There are various reasons why this situation may arise. It may be due to there being some pressure on your group to commence the works before a certain date, or it could be because there is a long lead in period for the ordering of materials.

The purpose of a letter of intent is to be binding until the main form of contract is signed up. It should not be seen as a substitute for a properly drafted form of contract, merely as a safeguard of legal rights whilst this is being finalised.

Writing the letter:

- The letter should come from your group and you should address the letter to the relevant contractor/s. You need to state that you are sending this letter of intent subject to the main contract being drawn up and signed. You should give an indication of when this will be.
- You need to clearly identify what works you want the contractor to carry out. You may want to refer to the scope of the works in the tender documents. If the letter is only intended to cover certain parts of the works then that should be clearly stated (the letter of intent should not incorporate all the terms of the main contract as a court may decide that it is in fact a complete contract).
- If there are some matters yet to be resolved for the main contractor you need to set these out.
- You need to indicate that the letter binds neither your group nor the contractor until both parties sign it.
- You should set a limit on the amount that will be paid and state that the contractor will not be entitled to any further payment.
- You should set a limit on the length of time that the letter of intent will be valid.
- You need to make it clear who is going to give instruction to the contractor in relation to the work, eg; the Project Manager. This is so there is no confusion between the group and the contractor about what

should or should not have been carried out and resulting obligations for payment.

- You need to make it clear that once the main contract is drawn up and signed that it will apply retrospectively - any payments under the letter of intent will be treated as payment on account of obligations in the main contract once this comes into force. This will help to prevent double claims for payment for work carried out.
- You need to send a copy of the letter of intent to the contractor for them to sign and return. Both the group and the contractor need to accept the terms.
- Keep a copy of the letter signed by both parties on the project file.