



Ship Managers: Signing purchase orders 'as agents only'

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To: **Ship manager members of ITIC and their insurance brokers**

Ship managers need to be cautious when signing purchase orders. In the current shipping market, ITIC is witnessing an increase in the number of claims being made by suppliers against ship managers because some owners are not settling their bills. The supplier pursues the manager on the basis that the purchase order creates a contract directly between the supplier and the manager. It is therefore crucial that the manager ensures that the purchase order clearly states that he is acting as agent for the owner when ordering supplies.

You should not state that these supplies are 'for the account of XYZ Shipmanagement Company'. If this wording is used in your purchase orders, it should be changed immediately, as it indicates that you are ordering supplies in your own name and, therefore, you take the credit risk.

ITIC recommends the following:

1. At the top of the purchase order include the following words:

'Please invoice this order to: --- (name of owner or bareboat charterer etc) c/o XYZ Shipmanagement Company Limited';

2. When you sign off the purchase order it should be in the following style:

'for XYZ Shipmanagement Company Limited as agents only for and on behalf of --- (name of owner/bareboat charterer)'.

The use of the word 'agent' alone may not be sufficient. That is merely descriptive of your business. In order to avoid liability you should alter the printed words to provide 'as agents only' always followed by the identity of your principal.

It is important to state in what capacity you are acting, not only on purchase orders but in all communications with your clients and suppliers, whether that is by letter, fax or email. You should automatically sign off as agent for your principal.

If ship managers make their agency status clear in this way, you should avoid problems if the ship owner does not pay his bills. Although it will not prevent a supplier trying to sue you, it will make it very difficult for him to prove that he did not know with whom he was contracting and that he must look to the ship owner and not you for payment.

If you would like your purchase orders checked by the Club, you should contact the Managers by emailing itic@thomasmiller.com.

Yours faithfully,

Stuart Munro, Director
ITIM Co. Ltd., managers of
International Transport Intermediaries Club Ltd