

Legal Costs Cover (LCC) Guide Series

The Club has produced a series of Legal Costs Cover (LCC) guides for Members to explain several common disputes.

Safe ports

Both time and voyage charterparties will normally place charterers under an obligation to order the ship to proceed to ports which are safe. Safe port disputes are normally complex and fact sensitive. We set out some of the principles a court or arbitration tribunal will usually apply when considering such claims.

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Off-hire issues

Unless otherwise provided in the charterparty, the charterer is under an obligation to pay hire from the time the vessel was delivered to them, until the time of redelivery. However, it is usually the case that the parties have agreed to certain circumstances which would allow charterers to

stop paying hire for specific periods of time. This guide provides some general guidance for owners and charterers on off-hire issues.

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Laytime & demurrage

Laytime and demurrage are two of the most fundamental principles applicable to voyage charterparties. This guide will set out a basic summary of what they are and how they operate in practice. Whilst the position can vary from jurisdiction to jurisdiction, the following principles govern the construction of the relevant incorporation clauses under English law and are set out for guidance purposes only.

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Exercising the right of withdrawal

The right of withdrawal is one of the remedies available to shipowners who have time chartered their vessel, when their charterer fails to pay hire promptly and in full. The right can have significant consequences upon the shipowner unless it is carefully considered beforehand and exercised correctly. Therefore, this guide provides a summary of the way such right appears in practice, how it is exercised and what consequences arise from its application for both the shipowner and charterer.

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Liens

Liens are an important tool in the maritime industry, defined as ‘the right to take another’s property if an obligation is not discharged’. Liens are a remedy available to a shipowner to secure claims against a charterer when there has been a breach of contract, most usually non-payment or short payment of hire. Liens are ‘in rem’ claims meaning they concern the property, i.e. the vessel and/or its cargo. The property itself is treated as the wrongdoer although it naturally forces the owner of such property to act. This guide provides some general guidance for owners and charterers on the effectiveness of liens and some other self-help remedies.

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Incorporation of the charterparty terms into bills of lading

In the commodity trade, when goods are carried on a chartered vessel it is common practice to include a clause in the bills of lading incorporating some or all of the terms of the charterparty. It should be borne in mind that a bill of lading remains a separate contract from the charterparty, the terms of which are incorporated and so the question ‘whether a cargo claim is subject to bill

of lading or charterparty terms' often arises. Due to its significance, the construction of the clause incorporating those terms into bills of lading has given rise to extensive judicial consideration. Whilst the position can vary from jurisdiction to jurisdiction, the following principles govern the construction of the relevant incorporation clauses under English law and are set out for guidance purposes.

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Formation of the contract: What happens when the fixture is on 'subject to...'?

It is common practice in the chartering trade for vessels to be fixed "on subs", but what does this mean and when does a legally enforceable contract actually come in to being? This guide looks at this commercial practice and explores the legal consequences when contracts are negotiated in this way.

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Arbitration & mediation

English law allows for several different forums to resolve disputes, as an alternative to litigation in court. Given the costs and resource requirements of court proceedings in England and Wales, these Alternative Dispute Resolution (ADR) methods are now actively encouraged by the courts. This guide looks at arbitration and mediation in particular.

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