

# 5 fundamental details to include in your Service Agreement



WORDS BY  
Shalini Nandan-Singh  
[hello@loveyourlegals.com.au](mailto:hello@loveyourlegals.com.au)  
[www.loveyourlegals.com.au](http://www.loveyourlegals.com.au)

**Having worked closely with various service providers, I understand the undeniable significance of having well-crafted contracts in place. A small business service provider must be dynamic and constantly evolving, and it is easy to fall into the trap of informal agreements or handshake deals. However, relying on such arrangements can pave the way for expensive misunderstandings and disputes in the future.**

There are several critical reasons why having a contract is an absolute must for service providers. Let's shed light on fundamental areas to address in every client contract to ensure a smooth and secure business relationship.

Let's start with why contracts are essential in the first place. In short, a contract is a legal document that sets out the terms of the agreement between two parties. It establishes expectations, responsibilities and obligations, and can help prevent misunderstandings and disputes. When it comes to service provision, an effective contract can protect both you and your client by outlining what services you will provide, what the client will pay, and what will happen if either party breaches the agreement.

Now, let's turn to the five crucial areas that I recommend you cover in any contract with clients in the service provider industry:

## 1. SCOPE OF WORK

The scope of work is a critical component of any contract. It sets out precisely what services you will provide and what is expected of your client. This section should be as detailed as possible and include timelines, deliverables, and any specific requirements or expectations. It is also a good idea to include a provision allowing changes to the scope of work, with clear guidelines for how those changes will be requested and approved.

*Example: Let's imagine an interior designer, named Emily, who offers various services, including space planning, furniture selection, and colour consultations. In her contract, Emily outlines the specific services she will provide for each client project and the expected completion timeline. She also includes a provision that allows for minor adjustments to the scope of work if the client's needs change during the project, ensuring clear communication and mutual agreement.*

## 2. PAYMENT TERMS

The payment terms section outlines how much the client will pay for your services and when those payments are due. It should clearly state your fees, any additional costs or expenses, and the preferred payment methods. Consider payment schedules, such as upfront deposits or instalment payments, to ensure a smooth financial arrangement.

*Example: In her contract, Emily specifies her interior design fees and the accepted payment methods. She also includes details about any additional costs related to materials or furniture purchases, clearly outlining the client's responsibility for these expenses. Furthermore, Emily establishes a payment schedule, with an initial deposit required before starting the project and subsequent payments due at specific project milestones.*

## 3. INTELLECTUAL PROPERTY

Service provision often involves the creation of intellectual property, such as design concepts, plans, and creative assets. The intellectual property section of the contract should address who will own any intellectual property created during the engagement and what rights the client will have to use that property. It is also essential to include provisions regarding confidentiality and non-disclosure of proprietary information.

*Example: Emily's contract specifies that she retains ownership of any design concepts and plans developed during the project. However, she grants the client a license to use and display the final designs for their intended purpose. Additionally, Emily includes a confidentiality provision to protect any sensitive information shared during the project, ensuring that client privacy is respected.*

## 4. LIABILITY AND INDEMNIFICATION

The liability and indemnification section of the contract addresses what will happen in the event of a dispute or legal claim. It should outline the limits of your liability and any indemnification provisions that require the client to defend and hold you harmless in the event of a claim. Consult with a lawyer to ensure this section is comprehensive and protective.

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*Example:* In her contract, Emily includes a limitation of liability clause that defines the extent of her liability for any damages arising from her services. She also includes an indemnification provision that states the client will indemnify and hold her harmless from any claims or losses resulting from the client's use of the design or services. This helps protect Emily from potential legal disputes and ensures that both parties understand their responsibilities in the event of a claim.

## 5. TERMINATION AND CANCELLATION

Finally, the contract should address what will happen if either party decides to terminate the engagement before its completion. This section should outline the circumstances under which either party may terminate the agreement and what will happen to any work or payments already made. It is important to include provisions for how the parties will handle any transition or wind-down of the engagement to ensure a fair and smooth process.

*Example:* Emily's contract includes a termination clause allowing either party to terminate the agreement in case of a material breach or if the project is no longer feasible. It also specifies the consequences of termination, such as the client's obligation to pay for services rendered up to the termination date and the return of any unfinished work or materials. This provides clarity and protects both Emily and her clients in case the engagement needs to end prematurely.

In addition to these five key areas, other provisions may be relevant depending on the specifics of the engagement. For example, if you work with clients in highly regulated industries, you may need to include provisions related to compliance with applicable laws and regulations. It is essential to tailor your contract to the unique requirements of your service provision business.

Having a contract in place is critical for service providers working with clients. A well-drafted contract can protect both you and your client by setting clear expectations and obligations, which can help prevent misunderstandings and disputes. Remember to consult with a lawyer to ensure your contract is legally sound, compliant with Consumer Law and tailored to your specific needs as a service provider.

***If you need assistance in drafting a legally robust contract customised for your service provision business, I can help. My custom drafting service includes an intensive coaching session to understand your business processes, the legal framework you need to operate within, and advice on any other legal or business issues you may have. [Contact me today](#) to start creating a contract that protects your interests and promotes a successful client relationship. ■***

***TIP: Download my [FREE Service Provider Contract Checklist](#) for further tips on creating an effective client contract that covers all essential aspects of your service provision business.***

