



SEMAPHORE

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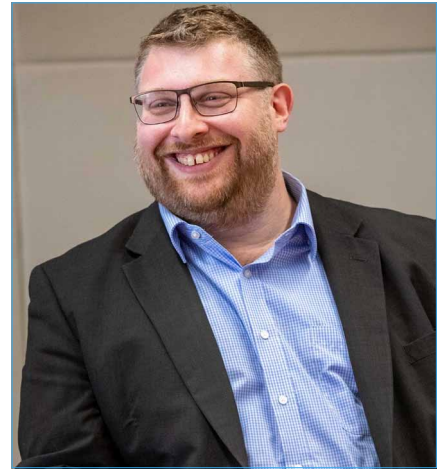
Broker Error Leads to Out-Of-Court Settlement

Transport sector professional indemnity insurance provider, the International Transport Intermediaries Club (ITIC), has highlighted the need for clear lines of communication between ship brokers and owners following a recent US\$45,000 settlement of claim.

The claim came after a shipowner initially requested “free despatch”, which implies no compensation for quick operations. However, due to a critical communication error by the broker, the request was inaccurately recorded as “half despatch” in the recap document.

The incident involved a shipbroker who typically represented charterers in trades where “half despatch” agreements – where the shipowner compensates the charterer at half the demurrage rate for early completion of ship operations – were common.

Owners were quick to point out the mistake and a stand-in broker substituting for the original broker agreed that owners had asked for “free despatch” terms. However, the stand-in then failed to update the charterers or amend the recap document accordingly.



ITIC claims director Max Brattman

This oversight led to a situation where, after the voyage, the charterers expected to be compensated under the terms of “half despatch” while the owners adhered to the “free despatch” condition.

When the owners refused to pay the expected despatch, the charterers sought compensation from the broker. In reality, the owner should have paid the despatch and then they should have sought a recovery from the broker.

However, as it was obvious they would be successful in such a claim, it was deemed prudent just to settle the matter directly with the charterer for US\$45,000 to avoid higher legal costs and potential litigation. This was reimbursed by ITIC.

Following the incident, ITIC claims director Mark Brattman stressed the importance of accurate and clear communication in maritime contracts to prevent such costly disputes.

“This case serves as a critical reminder of the need for meticulous attention to detail during all phases of negotiation and agreement,” he said.

“It is critical to ensure that all parties – including temporary replacements – are fully aware of the terms the parties intend to agree, which is essential to avoid misunderstandings and expensive legal claims.

“We recommend that brokers receive regular training on contract terms specific to their trade operations and encourage the use of checklists and double-verification processes to avoid similar errors.”

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