

## How Brexit is likely to impact buyer-supplier contracts

There are potential implications for rights and obligations in a contract, particularly with supplier contracts that could run beyond the exit date from the EU. These are set out below.

- All contracts have the potential to contain clauses relating to people, delivery of goods and services and pricing that rely on the established legal framework provided by the EU. The legal enforceability of current commercial contracts should not generally be affected by Brexit. Enforceability issues will likely only arise where the operation of a particular contract was wholly or largely dependent on the on-going operation of particular EU legislation in the UK.
- Many pre-Brexit contracts will have been drafted on the assumption of the UK's membership of the EU. Contracts are unlikely to include commercial levers and mechanisms that will deal effectively with the specific issues that arise out of any future relationship between the UK and the EU. Therefore, an audit should be conducted of current contracts to identify which are subject to UK laws. In some instances, buyer-supplier contracts may need to be annulled and renegotiated. Some of the more prominent contract risks involve external factors such as currency fluctuations.
- Common risks stemming from a no-deal Brexit, especially for long-term contracts, include issues such as whether exchange rates are hedged, and the impact of exchange rate fluctuations on contract pricings.
- It is unclear whether existing EU contractual dispute resolution provisions will be valid when the UK leaves the EU. UK contracts referring to EU law or the need for access to the EU may require re-negotiation or amendment.

You should also be aware that suppliers at all levels of the supply chain might want the right to change contract terms if they are unable to fulfil their obligations. An example of this could be, in the case where tariffs are prohibitive or manufacturing of components from the UK cannot continue if "rules of origin" have changed for Northern Ireland firms exporting into the EU.

*Read the following document to find out more.*

Clyde & Co LLP (2018) "Brexit: maintaining supply chain resilience (Online Report), available at [https://www.clydeco.com/uploads/Files/J444577\\_-\\_Resilience\\_Campaign\\_-\\_Brexit\\_Post-Event\\_Report\\_Update\\_Oct18\\_FINAL.pdf](https://www.clydeco.com/uploads/Files/J444577_-_Resilience_Campaign_-_Brexit_Post-Event_Report_Update_Oct18_FINAL.pdf)  
Accessed 26th Jan 2019.