

Specialist Contractors Need Lower Thresholds on Project Bank Accounts!

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It has been widely reported that the Scottish Government, on public work projects, to protect subcontractors from insolvency and payment abuse, is introducing Project Bank Accounts. Clearly this is a step in the right direction. However, it does not go nearly far enough to protect Specialist Contractors from payment abuse.

Project Bank Accounts will be a requirement from October 31 on building projects over £4m and civil engineering projects over £10m in Scotland. However, we at the Confederation of Construction Specialists believe these thresholds are far too high and do little to protect the most financially vulnerable members of a Main Contractor's supply chain. It is obvious to us that there should be Project Bank Accounts operating on all projects (Government and Private) with a project value in excess of £1m.

Project Bank Accounts have been in use in England for a while and it has become apparent that they are not the panacea to stopping payment abuse as there is too much 'wiggle' for Main Contractors. For those who do not think that Main Contractors intentionally abuse the supply chain, then the article in the Construction Enquirer 6/10/2016 may enlighten you about how deliberate and widespread payment abuse really is. "Stirling-based Robertson Group is predicting main contractors will have to rebalance margins as project bank accounts become commonplace on public sector work in Scotland...Indeed, in construction, if the intended project bank account process promoted by the public sector is pursued across the industry, the additional profit element required to operate such a scheme will require a rebalancing of margins within the industry." I will leave you to contemplate why introducing a system that will help protect subcontractors from payment abuse will cause the industry to rebalance margins.

For over 30 years the Confederation of Construction Specialists has been supporting construction specialist companies. By providing contract training courses, professional advice and contractual guidance, the Confederation of Construction Specialists enables specialist companies to optimise the ways in which they operate contractual arrangements when dealing with main contractors or clients.

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