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**Construction disputes leap by almost a third during the credit crunch**

- Price squeeze fuelling supply chain disputes

The number of construction disputes to have been forced into arbitration has leapt by almost a third (31%) during the credit crunch, according to figures obtained by Sweet & Maxwell, the leading legal information provider.

Arbitration is a legal technique for the resolution of disputes outside the courts. The parties to a dispute refer it to an arbitrator by whose decision they agree to be bound. The majority of construction disputes are now resolved via arbitration.

There were 1018 construction disputes in 2009, compared to 779 in 2007, the year when the credit crunch began. The figures represent the number of applications which have been made to appoint specialist dispute resolvers.\(^1\) Sweet & Maxwell says that the increase in the number of applications for construction dispute arbitrators is likely to reflect a similar rise in the number of construction disputes to have reached or been settled before arbitration.

![Number of construction disputes sent to arbitration, 2007-2009](image)

Sweet & Maxwell says that the slump in the housing market and fall in demand for commercial space has dented developers' margins. The increase in the number of construction disputes is likely to be because developers have come under pressure to reduce costs. Developers have squeezed main contractors on prices, which has resulted in subcontractors further down the supply chain also being squeezed. This has

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\(^1\) Applications to the Royal Institute of Chartered Surveys to appoint dispute resolvers
made it much harder for construction companies to meet their contractual obligations, therefore triggering disputes.

Sweet & Maxwell says that in some cases these disputes will have been caused by parties simply not having been paid as cashflow and funding problems have become more acute in the property sector during the recession.

Sweet & Maxwell says that disputes relating to cashflow issues, where one party is simply trying to sit on cash for as long as possible, have risen markedly during the recession. There has also been a significant rise in the number of cases brought by administrators in which developers, contractors and subcontractors have become insolvent.

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Notes to Editors:

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