

Coronavirus Business Update: Renewals and Debt

Should we provide a refund to our customers?

A customer should normally be offered a refund for any services they have already paid for but are not being provided by a business or which the customer is not allowed to use because of the government public health measures. However, although some sites are closed or access is restricted, the main service of caravan storage is still being provided. We therefore do not consider that refunds should generally be necessary. Of course from a practical point of view it will come down to your businesses relationship with a particular customer as to whether you feel it appropriate to issue a refund.

Can the customer terminate their agreement?

Under CaSSOA's standard terms of conditions, either the customer or you as the storage business can serve one month's notice of termination for any reason. If the customer terminates before the end of the initial storage period then under the contract you may be able to charge reasonable administration fees for processing such termination. We do not consider it likely that a customer will be able to terminate the agreement earlier because of Covid-19 where the main service of caravan storage is still being provided.

Should we agree payment holiday requests?

This is not something that you are legally required to do.

However, if your customers are genuinely have difficulties paying the annual rent for storage of their caravan, it may be appropriate to look to agree a payment holiday which can allow a customer to stop their payments for a set period of time (usually 3 months). You should make sure that the agreement is clearly documented so there is no confusion about what you have agreed.

This will come down to your individual business as to whether you wish to agree payment holidays

Should we be renewing agreements?

If you are still providing the service to the customer and the customer wishes to sign up to a further period of storage then there is no reason not to renew.

The tricky situation is where a customer wants to remove their caravan but is unable to, for example if they are self-isolating or are unable to travel for another reason (e.g. it is prohibited unnecessary travel). Our advice would be to seek to agree a short term agreement with these customers to cover the storage until such time as the caravan can be removed.

What if annual rent is overdue?

If annual rent becomes overdue then you should provide your customer notice that the payment has become overdue and allow them 30 days to remedy the situation. Upon the expiry of the 30 days' notice if payment has not been received then you can look to terminate the agreement as it would be possible to argue there has been a material breach of the contract. However, in the current circumstances it may not be appropriate to do this except in the most extreme situation. We would suggest trying to reach a sensible compromise with your customer.

What happens if the customer fails to pay or remove their caravan?

In the current climate it may in order to comply with government guidance not be possible for a customer to collect their caravan following the termination of the agreement. If this situation presents itself then it will largely be a commercial decision for your individual site as to whether you wish to enforce the contract and look to sell their caravan (the outstanding arrears should be deducted from the proceeds of sale, as well as any reasonable costs incurred and the remaining balance paid to the customer) or agree new terms with the customer as to how both parties feel the situation can be resolved.