

## Causes of Contract Disputes

Disagreements are sometimes inevitable, and they frequently occur during the execution or performance of a contract. While there are many possible causes, here is a list of the most frequent.



### 1. Misunderstanding or Misinterpretation of Contract Terms:

While this is one of the most common issues in a dispute, it usually has deeper roots – for example, that the relationship has broken down or one party does not want to fulfil its obligations. It typically arises in the form of disagreements over obligations, rights, or the scope of work. Note also that the misunderstanding or misinterpretation may arise as a result of communications associated with the contract, either before or after its signature.

### 2. Breach of Contract:

This occurs when one party claims that the other party has failed to fulfil its contractual obligations. Breaches can be minor or material, leading to different possible remedies, but both can result in disputes if the parties cannot agree on a resolution.



### 3. Failure to Perform:

A failure to perform may not always constitute a formal breach. For example, a party might claim that it resulted in a right of delay or that it was covered by Force Majeure.

### 4. Contract Ambiguities:

Ambiguities arise when a contract term lacks clarity and specificity about the duties, responsibilities, and expectations of the parties involved, allowing more than one interpretation.



### 5. Fraud or Misrepresentation:

This arises when a party claims that the contract was signed based on deliberately false statements, representations or dishonest or unlawful practices.

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### 6. Changes in Circumstances:

Changes in business conditions, market situations, affordability or legal requirements can impact the feasibility or desirability of the contract as originally agreed, leading to disputes over modifications or terminations.



### 7. Poorly Drafted Contracts:

Contracts that are poorly written or incomplete can lead to disputes due to omissions, such as clear guidelines and terms. This may include missing clauses that address dispute resolution, changes in project scope, or delays.

### 8. Payment Disputes:

Disagreements over payment are common causes of contract disputes since it is clearly a highly sensitive topic for both parties. Issues may relate to when and whether a payment is due, rights of retention or delay and payment for changes or amendments. Often such disagreements occur in the context of acceptance provisions or obligations to pay for partial completion and may also relate to bonus or performance payments, usage charges, return of deposits, or reimbursements.



### 9. Quality of Goods or Services:

Disputes often arise over the quality or specifications of goods delivered or services provided, when one party feels that what was delivered does not meet the contract specifications or quality standards.

### 10. Intellectual Property Right:

In contracts involving licensing or use of intellectual property, disputes can arise over the use, ownership, or scope of the intellectual property rights.



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