



Performance Bond Requirements On The Decrease For Smaller Construction Contracts

September 21, 2015

September 21, 2015 - PRESSADVANTAGE -

But even in a boom, there can still be a bust, warns DRS Bond Management

UK leading Surety specialist DRS Bond Management is noting a marked decrease in the insistence for building contractors to have to comply to Performance Bond requirements for projects up to £1.5 million in value.

But with many building contractors still cash strapped after the lean times of the recession, this may be storing up trouble.

A Performance Bond is typically for 10% of the contract sum, to cover losses incurred by the beneficiary following a breach of contract, including the insolvency of the contractor.

Many building contractors are still managing out cash flow shortages created by the recession. This is not through any apparent weakness in the company's management, as many companies have full order books. It is because of payment lags in the system.

Projects taken on during the recession have typically been won on considerably reduced margins. With many building contractors suffering from the endemic late payment practices of the sector on these legacy projects, cash is being stretched to the maximum in the fight to win new and more lucrative projects.

With building contractors potentially walking this cash tightrope, DRS is urging Principals to continue the good practice of requiring Performance Bonds to mitigate the risk of insolvency. This is not only prudent for the Principal, but also prudent for the sector in protecting against any form of a crash.

Chris Davies and Fiona Recker, Joint Managing Directors, DRS Bond Management, said:

“Many building contractors still need to be hydrated with cash after the recession. The world may be more buoyant and optimistic but insolvency is still the spectre at the feast. Performance Bonds are simply best practice. Even in a boom, there can still be a bust.”

About DRS Bond Management

DRS Bond Management is one of the UK's leading independent Surety specialists. Their unique Bonding process and long-standing collaborative relationships with leading Sureties means that they ensure that every DRS Surety solution is as unique as the business it is required for.

DRS arranges Surety solutions for a vast range of bonding needs, including; Performance Bonds, Retention Bonds, Advance Payment Bonds, Highways Bonds, NHBC Bonds, Bid Bonds, Duty Deferment Bonds, Rural Payment Agency ("RPA") Bonds, Waste Resources Action Programme ("WRAP") Bonds, Transfrontier Shipment of Waste Bonds, Restoration Bonds, Letter of Credit Replacement Guarantees. From SME to plc, from alternatives to bank guarantees, to innovative solutions for insurance captives, DRS is at the forefront of the growth and application of Surety, both in the UK and on a global platform. For more information, visit <http://drsbonds.co.uk/products/performance-bonds.php> as well as <http://drsbonds.co.uk/products/retention-bonds.php>.

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For more information about DRS Bond Management, contact the company here: DRS Bond Management
Chris Davies chris.davies@drsbonds.co.uk DRS Bond Management Limited Park House 22 Park Street Croydon Surrey CR0 1YE "

DRS Bond Management

"DRS Bond Management is one of the UK's leading independent Surety specialists. Many different types and sizes of companies need to meet bonding requirements. Every situation is different."

Website: <http://drsbonnds.co.uk>

Email: chris.davies@drsbonnds.co.uk



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