

***CONSTRUCTION RISK CHECKLIST > Post-construction > Manage Disputes Over Final Payment***

**Managing Disputes Over Final Payment**

The best way to manage a final payment dispute is to prevent it from happening in the first place.

Most disputes at the end of a project do not arise from a single issue. They are usually the result of a series of small problems that were not addressed throughout the build. Unclear contracts, undocumented variations, poor communication, unrealistic client expectations and inadequate records often combine to create disagreement when the final invoice is presented.

This is why a good risk management process throughout the project is so important.

Builders who follow a structured project risk checklist are far less likely to experience payment disputes. Key steps include pre-qualifying the client, using a written contract, issuing compliant payment claims, obtaining written approval for variations, maintaining clear communication, documenting progress, conducting quality inspections and completing a formal practical completion process.

**Final Payment Dispute Prevention Checklist**

- 1. Client pre-qualified and funding verified.**
- 2. Written contract signed before work commenced.**
- 3. Deposit held to be applied to the final payment.**
- 4. Escrow/electronic trust account used for all transactions.**
- 5. Variations approved in writing.**
- 6. Payment claims issued under the Construction Contracts Act.**
- 7. Regular client communication and progress updates.**
- 8. Site meetings and decisions documented.**
- 9. Practical completion walkthrough completed.**
- 10. Defects list agreed and documented.**

**11. Practical Completion Certificate signed.**

**12. Handover documents provided.**

**13. Final invoice issued promptly.**

Even with good processes, disputes can still occur.

If a client raises concerns about the final payment, the first step is to identify the actual issue. Is it a quality concern, an alleged defect, a variation dispute, a cashflow issue or simply a misunderstanding? The solution will often depend on understanding the real cause of the disagreement.

Builders should remain professional, avoid emotional responses and focus on the facts. Contracts, variation approvals, site photos, meeting notes, payment claims and handover records can all be valuable evidence.

Where minor defects are identified, it is often sensible to agree a clear rectification plan and timeline. However, builders should be cautious about allowing alleged defects to become a reason for withholding unrelated amounts that are properly due. Under the Construction Contracts Act clients are not allowed to do this, provided they have been issued with CCA compliant payment claims.

If the dispute cannot be resolved directly, early intervention is often beneficial. This may include negotiation, mediation or obtaining specialist advice. For example, members of The Building Hub have access to dispute support services that can help assess the situation, identify available options and improve the likelihood of a successful outcome before matters escalate.

Retentions can also become a source of disagreement. Where retentions are held, both parties should clearly understand the conditions for their release. Builders should remember that subcontractors also have legal rights in relation to retentions and are entitled to prompt release once contractual requirements have been satisfied.

Most final payment disputes are not won at the end of the project. They are won through the systems, records and communication maintained throughout the build.

The most successful builders understand that every contract, variation approval, payment claim and site meeting contributes to the same objective: ensuring that when the final invoice is issued, there are no surprises.