



COMPANIES TRADING OVERSEAS FACE MINEFIELD UNDER NEW REGULATIONS

Companies who do business abroad are being warned to check the small print following the introduction of new regulations for transactions between European Union countries.

The Rome 1 Regulation has been introduced to clear up any confusion over which country's laws will apply to a contract where the buyer and seller are in different countries.

But experts are reporting that it's a new minefield for UK businesses, because the laws of two countries may be very different when applied to a contract.

For business to business contracts, parties can continue to agree and stipulate which country's laws will apply, but if no governing law is stipulated, the Regulation provides rules for deciding which law applies.

In the case of selling to consumers in other countries, although the contract can specify the law that is to apply, there are now certain circumstances where consumers will be able to claim all the consumer protections given to them by the law of their home country.

Under the new law, this local consumer protection will apply if the seller has commercial activities in the consumer's home country or if the seller directs its commercial activities to that country, for example by offering a French or German version of its website content.

This means that companies may find themselves dealing with completely different requirements to comply with local law and in many instances those could be much tougher. For example in some countries, supplying defective goods may incur a penalty as well as replacement of the goods.

Simon Dakin, Corporate & Commercial Director at Actons said: "The Rome 1 Regulation makes it even more important to make sure that the governing law is expressly stated in any contract. Clearly written contracts make it fairly straightforward for any business to business contracts, but for companies with international sales to individuals, for example over the internet, are seriously affected by this.

"We believe a large number of companies selling online will be caught by the new definition. If they are, then they have some stark choices if they don't want to be caught out by acting in ignorance of the local laws. It means getting legal advice on the consumer laws of each country, and then deciding whether to continue trading with consumers in those countries."

For further information and advice, please contact **Simon Dakin** on **0115 9 100 200** or email simon.dakin@actons.co.uk.