

March 19, 2026

## Laing O'Rourke v Shepperton Studios [2026] EWHC 612 (TCC): A Defective Payment Notice Need Not Derail a Pay Less Notice

[Laing O'Rourke Delivery Ltd v Shepperton Studios Ltd \[2026\] EWHC 612 \(TCC\)](#)

**Date:** 16 March 2026

**Judge:** Simon Lofthouse KC sitting as a Deputy Judge of the High Court

### **Key Words:**

*Adjudication Enforcement, Payment Notices, Pay Less Notices, Part 8 Proceedings, Construction Contracts, Interim Payments, Set-off, Stay of Execution, Insolvency, Parent Company Guarantee, Contractual Construction, Gross Valuation*

### **Summary**

In *Laing O'Rourke Delivery Limited (LOR) v Shepperton Studios Limited (SSL)*, the High Court (TCC) addressed LOR's application to enforce an adjudicator's decision awarding them £5,627,275.11 plus VAT [1-4]. The core dispute revolved around the validity of a Payment Notice and a Pay Less Notice issued by SSL under a building contract [3, 6]. The court ultimately ruled that while SSL's Payment Notice was invalid, its Pay Less Notice was valid, meaning SSL was entitled to make its stated deductions [30, 40]. Consequently, the court enforced the adjudicator's decision but for a reduced sum of £3,198,660.64 plus VAT and declined to grant SSL a stay of execution [41, 68].

### **Key Themes:**

1. **Adjudication Enforcement and Part 8 Proceedings:** *The interaction between standard enforcement proceedings (Part 7) and parallel proceedings for declaratory relief (Part 8) concerning short points of contractual construction [6-8].*
2. **Validity of Payment Notices:** *The strict contractual requirements for detailing the calculation of gross valuations in interim payment cycles [25-28].*
3. **Severability of Pay Less Notices:** *Whether a mathematically flawed or un-detailed starting figure (drawn from a defective Payment Notice) invalidates an otherwise adequately detailed Pay Less Notice [33, 36-38].*
4. **Set-off of Multiple Adjudications:** *The court's refusal to allow a party to set off un-enforced prior adjudication decisions against a current enforcement action [48-51].*
5. **Stays of Execution (Insolvency):** *The principles surrounding granting a stay of payment due*

*to a claimant's insolvency, and the mitigating effect of a Parent Company Guarantee [52, 57, 67].*

## Background

LOR applied for an interim payment (Application 45) of £5,627,275.11 [4]. In response, SSL issued Payment Notice 045, identifying a gross valuation but offering no breakdown of how that sum was calculated, concluding a net sum of £2,420,516.84 was due [19]. SSL then issued Pay Less Notice 045, detailing deductions for liquidated damages, utilities, and catering, bringing the balance to zero [19-21].

The adjudicator, Mr. Mark Entwistle, found in LOR's favour, ruling that both notices were invalid because they did not set out the basis on which the sum had been calculated [1-3]. He ordered SSL to pay the full £5.6 million applied for [4]. LOR brought proceedings to enforce this decision, while SSL advanced four primary defences:

1. The adjudicator was clearly wrong regarding the notices, and SSL had commenced parallel Part 8 proceedings to prove this [5-6].
2. Even if the Payment Notice was invalid, the Pay Less Notice remained valid, meaning the award should be drastically reduced [6].
3. Five other prior adjudications between the parties had determined LOR was not entitled to most of the money, which should act as a set-off [6].
4. A stay of execution should be granted because LOR was effectively insolvent [6].

## Legal Issues and Analysis

1. **Validity of the Payment Notice:** The judge agreed with the adjudicator that SSL's Payment Notice was invalid [29-30]. The contract required the notice to state the basis on which the sum was calculated [14]. SSL argued that providing a single gross valuation figure was sufficient, but the court ruled that the contract mandated a breakdown of how the gross valuation itself was calculated [23, 28]. A failure to do so rendered the notice defective [29-30].
2. **Validity of the Pay Less Notice:** The judge **disagreed** with the adjudicator regarding the Pay Less Notice. The adjudicator believed that because the initial gross sum was invalid, the entire Pay Less Notice calculation was contaminated and thus invalid [33-34]. However, the judge ruled that the failure to detail the gross valuation does not automatically contaminate the Pay Less Notice [36-37]. Because SSL had provided sufficient detail regarding the specific sums it sought to deduct (liquidated damages, utilities, etc.), it was entitled to rely on the Pay Less Notice to deduct those sums from LOR's default application amount [38-40].
3. **Setting-off Prior Adjudications:** SSL attempted to rely on five previous adjudications to reduce its liability [41-43]. The judge rejected this defence because SSL had not brought separate, formal proceedings to enforce those five decisions [49]. Allowing SSL to effectively defend the current enforcement based on un-enforced prior decisions would be an impermissible set-off [50-51].
4. **Stay of Execution (Insolvency vs. Guarantee):** SSL requested a stay of execution, arguing LOR was insolvent and relying on parental support [52-53]. While the judge found LOR's own evidence of financial stability insufficient to prevent a stay [57], the presence of an irrevocable, continuing Parent Company Guarantee governed by English law provided adequate security [64, 66]. This guarantee displaced the prima facie entitlement to a stay, as SSL was protected if LOR ultimately had to repay the funds [67-69].

## Conclusion

The court partially enforced the adjudicator's decision. By determining that the Pay Less Notice was valid despite the invalidity of the Payment Notice, the court allowed SSL's deductions [39-41]. The judge ordered SSL to pay LOR £3,198,660.64 plus VAT (the original £5,627,275.11 application minus the £2,428,614.47 validly deducted in the Pay Less Notice), alongside contractual interest [40-42]. SSL's application for a stay of execution was denied due to the security offered by LOR's Parent Company Guarantee [67-69].

### **Key Takeaway:**

*The most critical takeaway from this judgment is that a **defective payment notice does not necessarily invalidate a subsequent pay less notice**. If an employer fails to provide the required breakdown for a gross valuation in a payment notice, the contractor's application sum becomes the default amount due; however, if the employer subsequently issues a pay less notice that adequately details the specific deductions it intends to make, those deductions will still be legally valid and enforceable against the contractor's default application sum [36-38].*

### **Parting Thoughts**

*This decision is a tidy reminder—delivered with judicial restraint rather than theatrics—that construction payment machinery is less a blunt instrument and more a set of interlocking gears. Break one, and the whole thing doesn't necessarily explode; it just grinds in a slightly more expensive direction.*

*SSL's Payment Notice failed the basic test: if you assert a number north of £367 million, the court expects more than a shrug and a total. The contractual requirement to explain how the figure was reached was not decorative—it was the point. No breakdown, no validity. On that, the adjudicator and the Court were perfectly aligned.*

*But the real twist—because there is always one—is that this failure did not infect everything downstream. The Pay Less Notice, unlike its defective cousin, actually did the job: it explained the deductions with sufficient clarity. And that, said the Court, is what matters. The contractual regime is not a moral purity test; it is functional. If the Pay Less Notice tells the other party what is being deducted and why, it survives—even if it starts life resting on a mathematically dubious foundation.*

*SSL's more ambitious manoeuvres fared less well. Attempting to smuggle in five prior adjudications as a de facto set-off without enforcing them was, in essence, trying to spend money that hadn't been banked. The Court declined the invitation. Adjudication remains "pay now, argue later," not "pay now, but only after we've aggregated every dispute we've ever had."*

*As for insolvency, SSL nearly had a point—until it ran headfirst into a properly drafted Parent Company Guarantee. That guarantee did what vague assurances and letters of comfort could not: it provided real security. The spectre of insolvency, so often a reliable route to a stay, was quietly neutralised.*

*The result is commercially pragmatic and legally precise. LOR does not get the full £5.6 million windfall, but nor is SSL permitted to weaponise procedural imperfections into total avoidance. The court trims the award to what the contract—properly applied—actually supports: £3.19 million plus VAT.*

*The lesson is disarmingly simple. If you issue a Payment Notice, show your workings. If you issue a Pay Less Notice, explain your deductions. And if you plan to rely on other adjudications, enforce them first—because in this arena, half-measures are not clever; they are just expensive.*

**#ConstructionLaw #AdjudicationEnforcement #PaymentNotices #PayLessNotices #TCC**

**#HighCourt #ContractLaw #ConstructionContracts #StayOfExecution #Insolvency  
#LaingORourke #SheppertonStudios #Part8Proceedings #DisputeResolution #LegalUpdate  
#CaseLaw #DDAlegal**

## **Authorities**

### **Case Law:**

#### 1. Adjudication Enforcement and Parallel Part 8 Proceedings

1. *Elements (Europe) Ltd v FK Building Ltd* [2023] EWHC 726 (TCC) — Relied upon to consider whether it would be "unconscionable" for the court to enforce an adjudicator's decision without regard to strong parallel Part 8 arguments. It discusses the criteria from the TCC Guide regarding when short points of construction can be decided in a Part 8 claim alongside a Part 7 summary judgment enforcement application.
2. *Hutton Construction Limited v Wilson Properties (London) Ltd* [2017] EWHC 517 (TCC) — Establishes the exception to standard adjudication enforcement. It outlines the specific factors required to allow a Part 8 claim to disrupt enforcement: the issue must be short, self-contained, require no oral evidence, and be "obviously wrong" or beyond rational justification such that it is unconscionable to ignore.
3. *A&V Building Solutions Ltd v J&B Hopkins Ltd* [2023] EWCA Civ 54 — Endorses the proper approach to parallel proceedings and affirms the principles in *Hutton* and the TCC Guide outlining the restrictive criteria for allowing Part 8 applications to interfere with Part 7 enforcements.
4. *Structure Consulting Limited v Maroush Food Production Limited* [2017] EWHC 962 (TCC) (the judgment is on Westlaw) — Outlines the general rule for parallel proceedings: the judge should usually give judgment on the enforcement claim first and then, to the extent possible, endeavor to sort out the Part 8 proceedings.
5. *Merit Holdings Ltd v Michael J Lonsdale Ltd* [2017] EWHC 2450 (TCC); [2017] 174 Con LR 92 — Cited as a warning against the over-liberal and inappropriate use of Part 8 claims in adjudication enforcement cases.
6. *Victory House General Partner Limited v RGB P&C Limited* [2018] EWHC 102 (TCC) — Cited as providing a further warning against the over-liberal use of Part 8 proceedings.
7. *Macob Civil Engineering Ltd v. Morrison Construction Ltd* [1999] EWHC Technology 254 (12th February, 1999), *Bouygues (UK) Ltd v Dahl-Jensen (UK) Ltd* [2000] EWCA Civ 507 (31 July 2000), and *Carillion Construction Ltd v Devonport Royal Dockyard* [2005] EWHC 778 (TCC) (26 April 2005) — Referenced as establishing the foundational principles of adjudication enforcement ("pay now, argue later"), which would be undermined if minor errors were allowed to routinely disrupt enforcement.

#### 2. Contractual Interpretation

1. *Arnold v Britton* [2015] UKSC 36 — Serves as the primary authority relied upon for the principles of contractual interpretation. It establishes seven key factors, heavily emphasizing that the primary importance lies in the natural language of the provision. It notes that commercial common sense should not undervalue the language used, and courts should not rewrite poorly advised contracts to assist an unwise party.
2. *AG Belize v Belize Telecom* [2009] UKPC 10, [2009] 1 WLR 1988 at [16] — Relied upon for the strict principle that the court has no power to improve or add an impermissible "gloss" to the instrument it is called upon to construe.
3. *Aberdeen City Council v Stewart Milne Group Ltd* [2011] UKSC 56, 2012 SCLR 114 — Cited within the *Arnold v Britton* extract as an example of the court giving effect to the parties' clear intentions when a subsequent event occurs which was not originally contemplated

by the contract's language.

4. *Chartbrook Ltd v Persimmon Homes Ltd* [2009] UKHL 38, [2009] 1 AC 1101 — Cited within the *Arnold v Britton* extract regarding the limits of relying on surrounding circumstances in interpretation.
5. *Wickman Machine Tools Sales Ltd v L Schuler AG* [1974] AC 235, 251 — Cited within the *Arnold v Britton* extract regarding the proper application of commercial common sense.
6. *Antaios Cia Naviera SA v Salen Rederierna AB (The Antaios)* [1985] AC 191, 201 — Cited within the *Arnold v Britton* extract regarding commercial common sense.
7. *McHale v Earl Cadogan* [2010] EWCA Civ 14, [2010] 1 EGLR 51, para 17 — Cited within the *Arnold v Britton* extract for the principle that a court should not bring within general words anything that does not clearly belong there.

### 3. Payment Notices and Adjudication Set-Offs

1. *S&T (UK) Limited v Grove Developments Limited* [2018] EWCA Civ 2448 — Relied upon for two distinct principles: firstly, that the lack of detail on the face of a payment notice can potentially be cured if breakdown documents are incorporated by express reference; secondly, that a party can only reclaim the difference between a notified sum and the "true value" once the initial notified sum has actually been paid.
2. *HS Works Limited v Enterprise Managed Services Limited* [2009] EWHC 729 (TCC) — Establishes the legal test for allowing the set-off of separate adjudication decisions. The judgment explicitly relies on this case to rule that a party cannot set off un-enforced adjudications against a current enforcement action; separate enforcement proceedings must be brought for each decision.

### 4. Stays of Execution and Insolvency

1. *Wimbledon v Vago* [2005] EWHC 1086 (TCC) — Sets out the primary principles regarding a stay of execution of an adjudication judgment. Specifically relied upon for establishing the *prima facie* starting point that a stay of execution will usually be granted if the claimant is in insolvent liquidation or undisputed insolvency.
2. *One Hyde Park Ltd v Laing O'Rourke Construction South Ltd* [2026] EWHC 155 (TCC) — Referenced regarding the "commercially amoral" conduct of a parent company choosing to withdraw support and pull the plug on a subsidiary at a late stage of proceedings.

## **Legislation:**

### 1. Civil Procedure and Adjudication Enforcement

1. **Civil Procedure Rules, Part 8 (Alternative Procedure for Claims)** — The judgment extensively discusses the application of Part 8 proceedings, which are used to seek declaratory relief on short, self-contained points of contractual construction. The primary legal principle relied upon is that parallel Part 8 proceedings should not routinely disrupt the standard enforcement of an adjudicator's decision. A Part 8 claim will only be allowed to pre-empt or interfere with summary judgment enforcement if the issue requires no oral evidence and the adjudicator has made an error that is so clear it would be "unconscionable" for the court to ignore.
2. **Civil Procedure Rules, Part 7 (How to Start Proceedings - The Claim Form)** — Part 7 represents the standard procedural route utilized by the Claimant to enforce the adjudicator's decision via an application for summary judgment. The legal principle highlighted is the court's general policy of usual expedition for Part 7 adjudication enforcement claims ("pay now, argue later"), which should take precedence and proceed without disruption unless the strict and exceptional criteria for a parallel Part 8 claim are met.

## 2. Arbitration Appeals

1. **Arbitration Act 1996 (Section 69)** — This statute is mentioned only briefly in the context of summarizing a party's argument from a cited case (Elements referencing Hutton). The legal point discussed was whether the requirement for a Part 8 applicant to show an adjudicator's decision was "obviously wrong" imposed a higher threshold burden equivalent to the strict standard required to successfully appeal an arbitrator's decision under Section 69 of the Arbitration Act 1996. The court clarified that the principles governing Part 8 adjudication challenges do not intend to impose such a higher statutory "test" equivalent to arbitration appeals.

### **Legal Texts & Commentary:**

#### 1. Adjudication Enforcement and Part 8 Procedure

1. **The Technology and Construction Court (TCC) Guide (October 2022)** — The judgment relies heavily on paragraphs 9.4.4 and 9.4.5 of the TCC Guide, which dictate the strict procedural approach to handling parallel Part 8 proceedings (for declaratory relief) in the context of standard Part 7 applications to enforce an adjudicator's decision.
  1. **The Principle of Limited Interference:** The Guide establishes that standard adjudication enforcement should not be routinely disrupted by Part 8 claims. It outlines a strict three-pronged test for when a Part 8 claim can act as a pre-emptive response to enforcement: (a) the issue must be short and self-contained; (b) it must require no oral evidence or elaboration beyond what can be provided at an interlocutory hearing; and (c) the adjudicator's error must be so clear that it would be "unconscionable" for the court to ignore it on a summary judgment application.
  2. **Avoiding Duplication:** Paragraph 9.4.4 of the Guide is cited to emphasize that parties should avoid the duplication of effort and extra costs of separate proceedings by having sensible discussions and raising all issues in a single action.
  3. **Limits of the Guide's Application:** The judgment explicitly limits the application of paragraph 9.4.5, ruling that it only applies to the treatment of Part 8 proceedings concerning points of contractual construction, and cannot be relied upon to justify setting off separate, un-enforced adjudication decisions against a current enforcement action.

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CIArb Arbitration Panel Member since 2006

CIC Adjudication Panel Member since 2010

FIDIC Adjudication Panel Member since 2021

ICE Adjudication Panel Member since 2021

Law Society Panel Arbitrator

RIBA Adjudication Panel Member since 2018

RICS Adjudication Panel Member since 2006  
RICS Dispute Board Registered since 2013  
TECSA Adjudication Panel Member since 2012

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