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The importance of open communication to avoid unnecessary costs: Complete Ceiling and Partitioning Systems Ltd v DE1 Ltd [2024] EWHC 2800 (TCC) (06 November 2024)

[Complete Ceiling and Partitioning Systems Ltd v DE1 Ltd \[2024\] EWHC 2800 \(TCC\)](#)

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Key Words:

Adjudication Enforcement, Stay of Enforcement, Insolvency, Balance Sheet Insolvency, Overriding Objective, Pre-Action Conduct, Duty to Act Reasonably, Costs, Adverse Costs Order, Confidential Financial Information.

Summary

This case concerns an application for summary judgment to enforce an adjudicator's award. The Defendant did not dispute the enforceability of the award but sought a stay of enforcement due to concerns about the Claimant's solvency, citing filed accounts indicating balance sheet insolvency. Initially, the Claimant refused to provide further financial information, prompting the Defendant to apply for a stay. However, the Defendant withdrew its application once the Claimant disclosed detailed financial data demonstrating solvency. The court's key issue was the allocation of costs for the enforcement and stay applications.

Key Themes:

1. **Enforcement of Adjudicator's Award:** *The judgment reaffirms principles for enforcing adjudicator's awards.*
2. **Stay of Enforcement Due to Insolvency:** *The judgment considers when a stay may be granted based on concerns about the claimant's ability to repay if the award is later challenged.*
3. **Obligation to Disclose Financial Information:** *The case examines the claimant's obligation to disclose financial data to address solvency concerns and avoid litigation costs.*
4. **Overriding Objective and Reasonable Conduct:** *The judgment highlights the importance of reasonable conduct aligned with the Overriding Objective to save costs and court resources.*

Background

An adjudicator awarded the Claimant £94,921.10 plus interest and costs. The Defendant expressed concerns about the Claimant's ability to repay if challenged, citing its recent accounts showing financial deterioration and balance sheet insolvency [1, 8-11]. The Claimant refused further disclosure, arguing that Defendant bore the burden of proving insolvency [14]. Enforcement proceedings followed, and the Defendant applied for a stay [19-21]. In response to the application, the Claimant provided detailed financial documents, including management accounts and a statement from its accountant, alleviating the Defendant's concerns. The Defendant then withdrew the stay application [3, 4, 26-28].

Legal Issues and Analysis

The core issue was whether the Claimant was required to disclose financial information to the Defendant before formal legal proceedings, given the Defendant's concerns about insolvency and potential wasted costs.

Claimant's Position: The Claimant argued there was no general obligation to disclose confidential financial information to assist the Defendant in deciding whether to seek a stay, citing *Farrelly (M&E) Building Services Ltd v Byrne Brothers (Formwork) Ltd* [EWHC 1186] [33-35, 39, 45-47].

Defendant's Position: The Defendant contended that, under the Overriding Objective, the Claimant should have disclosed financial information to prevent unnecessary costs, as the filed accounts indicated insolvency [40].

Court's Analysis:

1. **No General Obligation:** The court reaffirmed there is no general duty to disclose confidential financial information, especially in "fishing expeditions" [43-46, 52].
2. **Evidence of Insolvency:** However, the court distinguished this case, noting the Claimant's accounts provided clear evidence of insolvency, warranting the Defendant's request [47-49, 53].
3. **Reasonable Conduct by Defendant:** The court found that the Defendant acted reasonably by seeking information and referring to legal precedents before applying for a stay [56, 57, 60].
4. **Unreasonable Conduct by Claimant:** The court criticised the Claimant for refusing to provide information and pressing for enforcement despite the Defendant's legitimate concerns, deeming this conduct unreasonable and contrary to the Overriding Objective [52, 53, 61, 62].

Conclusion

The court concluded that the Claimant should have disclosed the requested financial information earlier to avoid unnecessary costs. Although the Claimant succeeded in enforcing the adjudicator's award, no order for costs was made due to its unreasonable conduct in not addressing the Defendant's concerns before litigation [62-64].

Key Takeaway:

The judgment highlights the need for reasonable and transparent conduct in adjudication enforcement, particularly when insolvency concerns arise. While there is no general obligation to disclose financial data, a refusal to engage with legitimate concerns can influence cost decisions. Open communication can help parties avoid unnecessary legal expenses [55, 56, 62-64].

Ratio Decidendi & Obiter Dicta:

Ratio:

1. **The Overriding Objective:** The court underscored CPR 1.3, which requires parties to assist in achieving the Overriding Objective, including minimising expense and using court resources efficiently [55, 56].
2. **Duty to Act Reasonably:** This duty applies to pre-action conduct, obligating parties to behave reasonably to avoid unnecessary costs and hearings [55, 56].
3. **Claimant's Insolvency:** The Claimant's accounts clearly indicated insolvency, justifying the Defendant's request for further financial information to assess repayment risks [49, 52].
4. **Defendant's Reasonable Conduct:** The Defendant reasonably sought clarification by requesting financial information and referencing legal authorities before seeking a stay [52, 60].
5. **Claimant's Unreasonable Conduct:** The Claimant's refusal to provide information and insistence on enforcing the award despite the Defendant's reasonable concerns was deemed contrary to the Overriding Objective [56, 57, 61].

When a defendant raises legitimate concerns about a claimant's solvency, supported by publicly available information, and acts reasonably in seeking clarification, a claimant's refusal to engage or provide information may lead to an adverse costs order, even if the claimant ultimately enforces the adjudicator's award.

Parting Thoughts

The judgment in Complete Ceilings and Partitioning Systems Ltd v DE1 Limited highlights the importance of open communication to avoid unnecessary costs. While a claimant's confidentiality regarding financial information is acknowledged, this right is not absolute. When a defendant raises reasonable solvency concerns, claimants should proactively address these concerns by providing relevant financial information. This aligns with the Civil Procedure Rules' Overriding Objective, which promotes efficient and cost-effective dispute resolution. Failure to engage constructively can result in adverse cost orders, even if the claimant successfully enforces the award. The court encourages a collaborative pre-action approach to minimise legal expenses and court time.

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