

LETTERS OF UNDERTAKING AND GETTING IT RIGHT

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Introduction – the Letter of Undertaking and Court security

The Letter of Undertaking – inexpensive, expedient, & acceptance

General Issues – Who is the beneficiary?

- **What is the cause of action covered?**
- **Chosen Court – sufficiency of security,**
 - **disputes under the LOU**
- **Time limitations – final appeal**
 - **limitation of cause of action**
 - **time limitation of LOU itself**
- **Precipitating event for payment under the LOU**

FSL Trader

- **does dispute arise out of the LOU or out of the claim?**
- **Infelicitous expressions and word usage – eg “Liberty to apply”**
- **Is there an actual undertaking to increase or decrease security?**

Is there a solution – increase or decrease of security?

- **Agreement of the parties**
- **Chosen court for disputes – identify dispute areas**
- **Sanctions in the event of default or breach**
- **Limitation to any increase to value of the ship**