

The Beneficiaries of 'Pay-if-Paid' Clauses in Construction Contracts

In construction law, general contractors have largely negotiated a shift in the distribution of risk away from the general contractor and to the subcontractor with the inclusion of "pay-if-paid" contractual clauses," writes **Dana Chaaban** in Shutts & Bowen's **Construction Law Blog**.

Writing for the Florida firm, Chaaban explains that such clauses make the general contractor's receipt of payment from the owner a condition precedent to the general contractor's ultimate payment to the subcontractors. Absent such a provision, general contractors bear the risk of an owner's potential insolvency.

Subcontractors have sought to circumvent contractual "pay-if-paid" provisions by bringing claims against both the general contractors and their sureties who may guarantee payment.

Chaaban discusses some cases on the subject.

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