



# BILLS OF LADING

## COMMON PROBLEMS AND BEST PRACTICE

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The bill of lading (B/L) remains a vital part of shipping goods by sea and provides the following functions:

1. A document of title, providing evidence of ownership of the goods described
2. A receipt for goods received by the carrier
3. Evidence of a contract of carriage between shipper and carrier.

Correctly completing and handling the B/L is imperative to reduce the carrier's risk of liability for cargo related claims.

### COMMON ISSUES 'CLEAN' BILLS OF LADING

A master may be requested to sign only 'clean' B/L. A clean B/L is required by some banking facilities to provide credit etc. Difficulties arise when the goods supplied for carriage are not in the condition described in the B/L. However, the master should only sign B/Ls that provide an accurate description of the goods carried. To sign otherwise may amount to a misrepresentation, possibly rendering owners liable for any cargo claims in relation to this cargo and would potentially prejudice the owners' P&I cover in relation to the cargo affected. Accepting a letter of

indemnity (LOI) from the shipper or charterer may provide owners with some protection as a substitute for any loss of P&I cover, but will not remove liability exposure.

Some charterers may claim that the owner must instruct the master to sign a clean bill, based on the charterparty wording. However, this wording has been challenged, and it is the charterers' responsibility to provide goods that match the description of the B/L.

Any clauses in relation to the condition of the goods should be added to the B/L before signature, otherwise goods that match the description should be supplied.

### QUANTITY OF THE GOODS

A situation may arise where the quantity of goods supplied does not match that declared on the B/L. Many B/Ls are printed with 'weight, measure, quantity, quality, conditions, contents & value unknown', or similar. While this shows that the figures supplied are those provided by the shipper and not the carrier, it can only be relied upon if determining the quantity accurately is not feasible. For example, a cargo of 100 packages can easily be confirmed, whereas 30,000 MT of bulk cargo is difficult to determine accurately.

Regardless, if the master finds that the supplied figures do not match the ships calculations or tally, then the ships figure should be entered on the B/L. The shippers may reject a claused B/L, resulting in a dispute and often pressure being applied to the master and shipowners to sign the B/L as is. In this circumstance, shipowners will have to make a judgement on the costs of dispute. Each situation is different, and we would recommend seeking advice from the Club as required.

### ELECTRONIC BILLS OF LADING (E-B/L)

The use of e-B/Ls through paperless trading systems continues to grow. There are advantages to the use of e-B/Ls, such as the improved speed of transfer or the apparent improvement in security.

The International Group of P&I Clubs has assessed paperless trading systems offered by the leading suppliers and has approved several systems. If an unapproved system is used, Club cover will only respond after the Member shows that the liability would have arisen even if a paper B/L had been used. The most recent Club circular on the subject, including the latest list of approved systems, can be found on the Britannia website.

The bill of lading is an important document. There are various situations when a shipowner cavomissions when producing and handling bills of lading. Providing clear guidelines to ships masters, can help to reduce problems.

**PLEASE CONTACT THE CLUB IF YOU ARE EVER UNSURE OF THE CORRECT ACTION TO TAKE.**

### CHECK POINTS

There are other points to confirm when handling B/Ls:

- Check that the B/L incorporates the Hague or Hague-Visby rules, usually in the form of a clause paramount
- Do not sign a B/L if blank or only partially completed. The exception to this is when an Early Departure Procedure has been agreed with the charterer or shipper
- Confirm the correct port and date of loading is shown
- Any carriage instructions inserted should be checked against other documents (mate's receipts, voyage instructions, shipping order). If in doubt, the master should clarify them with the shipper and the shipowner
- Check the B/L is on the form stipulated by the charterparty or the ordinary form for the trade
- Check that the terms of the applicable CP are incorporated in the B/L and the CP incorporation clause is inserted as applicable
- Avoid general wording (e.g "other conditions as per CP" or "CP terms and conditions incorporated therein") and to ensure proper incorporation, the following wording should be included: "all terms, clauses, conditions and warranties including the arbitration, choice of law, time bar and time limitation clauses of the CP dated .... are hereby incorporated in this BL"
- Do not amend a set of B/Ls after they have been issued
- Do not re-issue a set of B/Ls if an earlier set is already issued. Before doing this confirm that the original set of B/Ls has been cancelled or destroyed
- Confirm the stated number of original B/Ls match the number of bills presented for signature
- Sign only in the designated signature space or, if none, at the bottom of the B/L face and NOT elsewhere (signing next to the shipper's description may be interpreted as confirming the description).
- Retain a copy of the signed B/L marked/stamped "non-negotiable copy" for comparison with the original B/L presented for delivery
- Do not accept deck cargo, unless the B/L is clearly marked as 'CARRIED ON DECK AT SHIPPERS RISK' or similar
- Do not discharge goods without presentation of an original B/L. This should only be done upon receiving an acceptable LOI from the receiver
- Seek clarification when instructed to discharge at a different port from that printed on the B/L.