

# Claim Focus

October 2025



## Background:

An Insured, who was recruitment and labour hire provider, initiated debt recovery proceedings against a client for an unpaid invoice. The client refused to pay, and counter claimed alleging misrepresentation, poor recruitment practices, and security breaches due to placement of an unsuitable candidate who transmitted confidential information from the Host Employer to the on-hired employee's personal email.



## Allegations:

The Insured's client alleged the provider breached the agreement by failing to provide suitable candidates, misrepresenting recruitment methods, and causing security risks through candidate misconduct.



## Claimed Losses:

The Claimant was **seeking over \$3m in losses** as follows:

**Recruitment fees:** the Claimant asserts that the recruitment **invoices of \$27,964.20** was not payable due to the Insured's false representation that it was the exclusive recruiter for the role.

**Financial Impact:** the Claimant alleges that it incurred significant costs due to the EA candidate's actions **totaling \$130,997.80** including gross pay (\$15,460.60), onboarding costs (exceeding \$5,000), security and auditing costs (\$75,000), termination costs (\$2,573), and equipment costs (\$5,000).

**Lost Investment Opportunity:** the Claimant alleges that it **lost a US\$2 million fund investment opportunity** due to the candidate's failure to respond to emails.



## Exclusion Analysis – Clause 6.11 (Contractual Liability)

Although the allegation was based in contract, being a contractual warranty, FTA's investigations revealed that no warranty was provided. Even if it had been, liability would likely arise independently of the contract. Therefore, the Contractual Liability exclusion was **not triggered**. **Indemnity** was granted subject to Clause 6.18 – Fees, Charges or Other Remuneration.



## Investigation and Settlement:

Upon investigation by FTA's claims handlers the Claimant was for the most part unable to substantiate it's claimed losses by any evidence, particularly the loss of opportunity claim. FTA worked with the Insured and Claimant to negotiate an early resolution and minimise costs. The claim was ultimately resolved for a significantly lower amount than initially claimed, including both parties agreeing to walk away and bear their legal own costs.



## Key Takeaways for Brokers:



**Agreements are Important:** Being able to point towards a written and clear retainer agreement was vital in pushing back on the claimant's claim of a warranty.



**Client Allegations:** Clients may raise unfounded claims, careful client selection is key.



**Invoice Early:** Issue and collect invoices promptly before further work is undertaken to help avoid disputes and to stop clients using unpaid invoices as a bargaining tool against you.



**Resolve Early:** Early resolution strategies are crucial to minimise exposure to unsubstantiated costs.

## Contact Us:

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