The impact of the Personal Property Securities Act 2009 (Cth) on subcontractors and suppliers

Registering your interest in a project bank account on the Personal Property Securities Register (PPSR) may protect you in the event of a contractor’s insolvency. The following information is important for any subcontractor or supplier being paid through a project bank account (PBA).

About the Act

The Personal Property Securities Act 2009 (Cth) (the Act) is a law that dictates how security interests in personal property are managed.

Under the Act a single national register (the Personal Property Securities Register or PPSR) has been established to record instances where a business or individual (the “holder”) has a security interest over the personal property of another party (the “grantor”).

Registering a security interest on the PPSR is necessary to maintain the protection the holder has under it in the event that the grantor becomes insolvent.

What the Act covers

The Act covers security interests in personal property.

The term ‘security interest’ broadly means an interest in personal property taken to secure payment of debt or performance of another obligation. Rights under a trust can be a security interest.

The Act covers most kinds of personal property, including money held in a bank account.

How the Act may affect subcontractors or suppliers that are paid through a project bank account

It is very likely that the enhanced rights which a project bank account (PBA) provides mean a subcontractor or supplier paid through the PBA has a security interest in money in the PBA that relates to the subcontractor or supplier. This includes both the regular progress payments and any retention amounts.

The importance of registering a security interest

Due to the PPSA and insolvency law, it is important that a subcontractor or supplier register its likely security interest in money in a PBA on the PPSR, in order to maintain its protection in the event of head contractor insolvency. If the subcontractor or supplier fails to properly register on the PPSR, its enhanced rights in any money held for it in the PBA are at significant risk of being lost in the event of head contractor insolvency. In such a case, the subcontractor or supplier would be ranked as an unsecured creditor for that money.

A dedicated website with information about the register is available at www.ppsr.gov.au

Seek independent advice and support

This document contains general information and is not legal advice. Subcontractors or suppliers that are paid through a PBA are strongly encouraged to seek their own early independent advice and support relevant to their circumstances from a lawyer or PPSA specialist about:

a) the PPSA
b) their ability to register any security interest in moneys held or passing through the PBA
c) the timely and proper registration of their likely security interest in the PBA on the PPSR.