



Bills of Lading – What they are and why are they important

Introduction:

Bills of Lading ("BoL") are one of the most important aspects of the entire shipping process. They provide important information to all parties involved, including the transportation company and consignee.

BoL are one of the three crucial documents used in international shipment, along with a policy of insurance and an invoice.

BoL are crucial for determining the responsibilities of everyone involved and determining liability in the event that something goes wrong.

In this briefing we are taking you through everything you need to know about BoL: what they are, why they're important, and the information that they need to include.

What is a Bill of Lading?

Generally, it must be signed by, or on behalf of, the carrier by sea. Three common characteristics of a BoL are:

- (a) it constitutes a receipt for the goods shipped or received by the carrier;
- (b) it constitutes a document of title for such goods; and
- (c) it contains or evidences the contract of carriage by sea relating to the goods.

To translate the legalese, a BoL is a legal document that is given to a shipper (the party that owns the goods) by a carrier (the party transporting the goods), and details the key information about the shipment, including its contents, weight, and destination.

A BoL also contains key details about the shipping journey. The main functions of a BoL are proof of contract, obligation for delivery, and proof of receipt.

For example, a manufacturer in Türkiye ships a container of goods to a customer based in the United Kingdom. The shipping line issues a BoL, which lists the type and quantity of goods, shipper, consignee and the destination port. The customer then uses the BoL to claim the goods upon arrival.

An endorsed order BoL can serve as collateral against debt, making them a valuable financial asset for securing loans or credit.

A negotiable BoL can be used in trade finance to secure payments, financing, or credit arrangements for the shipment.

Types of BoL

Many people still think that BoL are only used for ships. However, there are several different types of bills depending on their mode of transportation including:

- **Order BoL:** used when goods are shipped before payment
- **Clean BoL:** a document that declares that there was no damage or loss throughout the shipment process



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- **Straight BoL** (also known as a consignment BoL): a binding document that indicates all shipment must go through an authorised consignee
- **House BoL**: used by freight forwarders to acknowledge receipt of their items for shipment
- **Ocean BoL**: acts as the carrier receipt to the shipper and as a collection document or invoice
- **Multimodal BoL**: used when there is more than one type of transportation mode during shipment
- **Received for shipment BoL**: a document issued by a carrier that acts as evidence of receipt of goods for shipment
- **Claused BoL**: a type of BoL that notes discrepancies, damages, or irregularities in goods
- **Surrender BoL** – a type of negotiable BoL that exporters issue. It allows the transfer of goods to the importer when the original document is presented.

Electronic BoL (eB/L) are considered the legal and functional equivalent of paper BoL's, replicating their core functions.

BoL vs Sea Waybill

If you are transporting goods via shipping lines, you might come across the words: sea waybill. These documents are used as an alternative to the BoL. The differences are that a sea waybill cannot serve as the document of title and are non-negotiable.

Why are BoL's important and what are their Main Functions?

Think of a BoL as a kind of hybrid between a contract and a receipt.

The BoL provides evidence of the agreement between parties and details the exact terms of that agreement for future reference. It can be used to settle disputes that may arise between the parties involved.

In contrast, a freight bill serves as an invoice or proof of shipping costs, highlighting the financial aspect of the shipment. The accuracy of information on the BoL is crucial, as it serves as a contract and a key document in case of disputes or insurance claims.

The BoL is also required to accompany the shipped products and be signed by the carrier, shipper and recipient. Within this role, the BoL provides proof of the goods' ownership as they travel. It's also used to transfer the ownership of those goods to the recipient upon delivery.

This happens when the recipient signs the BoL, and can therefore also be used as a confirmation of delivery.

All companies that offer transportation services need to generate BoL, as they are a legal requirement for any shipment. This can act as important documentation if anything goes wrong throughout the process. Many times, carriers hold the original BoL until they receive payment from the shipper. This protects them from getting the runaround when it comes time for payment.

By law, BoL need to be kept on file for at least 6 years in case of future issues.

What should be included in BoL and who are the Parties involved?

The BoL covers all of the most important details about the shipment.

This includes:



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- Details about all parties involved in the shipment;
- The destination of the freight;
- The terms of the shipment;
- The mode of transportation; and
- The contents of the shipment

The BoL issued must accurately list the consignee or their authorised representative to ensure proper delivery.

Perhaps the most critical point here is that the information included on a BoL needs to be accurate. It should also be reviewed by those with expertise in the field. Mistakes in the bill can be construed as deceptive conduct, and companies can face catastrophic fines for false information.

What's more, make sure to take care in identifying the purpose for which the BoL is being issued. Companies have also come under fire in the past for unintentionally producing misleading BoL. This means that care and clarity is paramount.

The best way to avoid these mistakes is to have the BoL prepared by an experienced forwarder, and seek legal advice when anything is unclear.

Final Thoughts

Although they are relatively simple documents, BoL are far more than meets the eye.

This briefing note has covered how the BoL are vital to the transparency of the entire shipping process.

They are legally important documents with the capacity to protect you and your business from fraud and misconduct from other parties.

A freight forwarder plays a crucial role in ensuring the accuracy and proper handling of BoL, which is essential for the smooth operation of your shipping activities.

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