



TT Live – Series 1: episode 1 – 11/11/2020 Abandoned and uncollected cargo

Mitigating the risks

Mike Yarwood, Managing Director Loss Prevention is joined by Manos Karanikolas, Senior Claims Executive, to discuss the risks and challenges surrounding uncollected or abandoned cargo.

Mike: “Welcome to this first edition of TT Club’s Podcast TT Live. In this session, we are going to focus on the subject of uncollected cargo and my colleague Manos Karanikolas, Senior Claims Executive at TT Club, joins me.

Uncollected cargo is a perennial challenge for freight forwarders and NVOCC operators, resulting in considerable costs on container demurrage, detention, storage and disposal costs. Aside from the purely monetary risks, incidents of uncollected cargo demand a significant management resource to resolve and have the potential to affect commercial relationships.

Inevitably, there are many potential causes of cargo remaining uncollected or being abandoned, however, often the resultant cost and headache lands in the lap of a freight forwarder or logistics operator. It could be a problem in the sale contract process, such that title to the goods is uncertain. It could be that the consignment is no longer wanted or there could be more sinister underlying reasons such as attempting to import counterfeit, non-compliant or prohibited goods that can remain uncollected when the import outlet fails or the shipment has caught the attention of the authorities.

Avoiding uncollected cargo incidents can be challenging, however, management controls and mitigation strategies can assist in reducing the frequency of incidents. Early identification of the risk and being empowered to mitigate the consequences will reduce exposures. All incidents are complex and will incur costs, prevention is therefore better than managing the incident effectively once it has happened. Crucial to prevention is maintaining management procedures to identify shipments, which present a heightened risk and taking evasive action to protect your business...

In this session, we will explore the risks, the red flags which stakeholders should be mindful of and outline mitigation strategies that can be considered to manage these incidents when they do occur.

Manos, welcome and thank you for joining us for this session. This is an important topic and at some point, is likely to affect many freight forwarders, NVOCC’s and other stakeholders in the supply chain.”

Manos: “Hello Mike and thank you for inviting me to the Club’s first podcast. Indeed as you have mentioned this has long been a challenge for the stakeholders in the supply chain. I have handled many of these cases in the past and I believe that whilst they cannot be completely avoided, they can definitely be mitigated if the right procedures are implemented. It’s a pleasure that you are giving me the opportunity to address some of my thoughts on the mitigation of any potential exposure.”

Mike: “Thank you. While we will address mitigation of exposures in the event of being faced with an uncollected cargo later, perhaps an appropriate starting point should be to consider how stakeholders could identify potential risks and prevent exposure in the first place. Prevention of course being better than cure.



Manos, in your experience, what red flags exist which stakeholders may be able to identify during the initial booking stages for shipments, which might assist in preventing exposure to uncollected cargoes?”

Manos: “It is prudent to implement sufficient management controls so that proactive steps can be taken to prevent the problem. It is worth collating data in relation to: ‘risky’ uncollected cargo hotspots; non-reliable customers; commodities most likely to be abandoned; and Low value voluminous commodities (waste)
Once the problematic trade routes or areas with frequent uncollected cargo incidents are identified, the relevant departments (commercial and operations) need to be made aware, such that informed decisions may be taken regarding any bookings that present heightened risk. Certain socio-political circumstances (such as sanctions) might also influence the level of risk in certain jurisdictions.”

Mike: “In the event that despite procedures being in place, a booking is accepted for a risky shipment, what actions should stakeholders take to minimise the risks at destination?”

Manos: “In the event that the business is accepted, it is advisable to establish early contact with local agents and correspondents at the port of discharge, seeking their support and advice as to how to minimise the risk. It is also prudent to keep up-to-date with trends and developments at the destination. Consignees that have failed to collect their shipments in a timely fashion in the past are more likely to be repeat offenders; future bookings for the same client should be scrutinised and potentially declined.”

Mike: “You mentioned commodities most likely to be abandoned, how do stakeholders develop knowledge about which cargoes are more prone to remain uncollected.”

Manos: “The most frequent problematic shipment types include personal effects, scrap and/or waste (metals/paper), used tyres, used computer equipment and, inevitably, illegal trades, such as wildlife trafficking and counterfeit products.

Other red flags may include the shipper being a natural person with few material assets and instances where the sale of cargo has not been finalized at the point of shipping (shipped to the order of). Once identified, an informed commercial decision to decline or allocate additional operational attention to the shipment can be made.”

Mike: “Why do freight forwarders become embroiled in these disputes, after all they are not always named contractually in the bill of lading? Why is the issue not handled between the shipping line and the consignee?”

Manos: “TT Club’s experience has shown that the freight forwarder is usually brought into such a dispute by the shipping line, typically seeking to recover their losses, either because the forwarder is mentioned as shipper or consignee on the ocean bills of lading or because it arranged the booking. The freight forwarder may be the only entity that is traceable – and likely to have liability insurance, increasing the prospects of recovering the costs. While the forwarder should always check the definition of “Merchant” on the ocean bill of lading, typically this is broad and consequently entitles the shipping line legally to demand payment from the forwarder.

Where liability is concerned, the first step will be to establish the forwarder’s contractual position regarding the shipment, particularly whether it is acting as “agent only” for the shipper, in which case it may be able to avoid liability. If the forwarder has contracted directly with the shipping line and issued a house bill of lading (and therefore appears on the master bill of lading as shipper) then it is likely to have a contractual liability towards the shipping line for any associated costs.”

Mike: “As a freight forwarder, how can I identify potential problems at an early stage?”



Manos: “Good record keeping and management control over shipments in transit are crucial. All stakeholders should maintain electronic systems to monitor arrival dates and the associated free periods. Management information (MI) can then be developed to visualize the status of key milestones, such as surrender of bills of lading, as leading indicators of potential issues.”

Mike: “In the event that milestones are breached and it appears that a cargo may remain uncollected, what actions should freight forwarders take and when?”

Manos: “A shipment is deemed ‘uncollected’ when the consignee has manifested no intention to take delivery of the cargo after a reasonable period. Typically, this would be in line with the agreed ‘free’ period. This emphasizes the importance of early identification and proactive management. Once the free period has expired, stakeholders are exposed to demurrage/detention costs and/ or plug in fees, which can rise rapidly.

When a cargo is identified as being at risk of remaining uncollected, it is prudent to take immediate action to mitigate exposure to costs. Talk to both the shipper and consignee, calling on them to come forward and pay any outstanding charges and to clear the cargo.

It is noteworthy that under a bill of lading contract, even though the shipment has commenced, the shipper retains certain contractual responsibilities, including payment for freight and general indemnity to the carrier. As a result, the shipper should be contacted when seeking solutions or redress, in addition to the consignee.

The shipper and the consignee need to be put on notice about the situation, and given a short deadline to collect the goods and settle any costs that have already accrued. Formal notification must be sent immediately after the expiry of the ‘free time’ and any provided deadline, explaining the parties’ rights and obligations under the contract of carriage and/or other incorporated trading conditions, specifically warning that any further delay or failure to take delivery will result in legal proceedings.

Always bear in mind that as far as low value commodities are concerned, the associated costs can quickly exceed the commercial value, merely increasing the likelihood the shipment remains uncollected.”

Mike: “Quite often, the parties involved inform the freight forwarder that all is in hand and a resolution is imminent, what advice would you give in that situation?”

Manos: “Reassurances may be given, but the logistics operator should remain on full alert until the problem has actually been resolved. Management controls in monitoring progress will be vital in keeping a close eye on developments.”

Mike: “Notifying the relevant parties and demanding action be taken on some occasions will influence an expedient resolution to the matter. However, in circumstances where the parties appear to take no further action and the cargo remains uncollected, what then?”

Manos: “If, notwithstanding the aforementioned steps, the cargo interests fail to take action, clear instructions must be sought from the customer (often the shipper), such as changing the name of the consignee, modifying the destination of the shipment or arranging the re-export of the goods to the port of loading.

It is prudent to be consistently transparent about outstanding or continuing charges. Alert the parties to their contractual obligations and the carrier’s rights.

Ensure that any local agent or branch maintains full and clear records of all costs that are incurred and communications in relation to the uncollected shipment, keeping the shipper and consignee fully apprised.

During the course of any negotiations with cargo interests, take steps to explore options to minimise storage and other costs. It is also prudent to ensure that the shipper and the consignee receive regular updates on the breakdown of accrued/accruing costs.

When such situations arise, forwarders should consider that cover might be provided under their liability insurance and take steps to notify the insurer at the earliest opportunity. TT Club provides global claims assistance through its own offices, its network partners and correspondents; such local expertise often facilitates alternative solutions and minimises costs.”

Mike: “Is there anything else that the prudent freight forwarder/NVOCC should be doing at this time to protect their interests?”

Manos: “Whilst this is ongoing, the freight forwarder could seek to mitigate demurrage/detention costs as far as reasonably practicable. Consult and explore options with the carrier and local agent as appropriate. Alternative storage solutions could be more cost effective.

In some jurisdictions, there may be an obligation on the NVOCC to notify the authorities after the expiry of 30 days that the concerned parties have not come or are unlikely to come forward to collect the cargo.”

Mike: “Having continually pressed for a quick resolution, the cargo remains uncollected, what are the appropriate escalation steps to take?”

Manos: “Close attention should be paid to any responses and progress towards resolution, giving a second formal notice no later than 45 days after the date of discharge if required.

A final notice must be issued within three months (in some jurisdictions this can vary up to six months) from the date of discharge. At this point, be explicit that inaction will leave no option but for the NVOCC/carrier to notify the relevant Port Authority requesting it to take necessary measures, that may include sale or disposal, and that any and all costs incurred in this regard will also be to the customer’s account.”

Mike: “What if a decision is made by cargo interests to formally abandon the cargo?”

Manos: “It may be that the cargo interests reach a decision to abandon the cargo. Where this occurs, it is prudent to seek to secure letters of abandonment from both the shipper and the consignee, including a clear undertaking that they are jointly and severally responsible for all accrued costs.

It is prudent not to arrange the sale/destruction of uncollected cargo without the prior approval of the shipper or consignee – and always consult with your liability insurer. If the shipper and/or consignee agree to abandon the unclaimed cargoes, ensure that this intention is confirmed in writing with specific agreement to fully indemnify you under a letter of indemnity, and that the original bill of lading is returned.

It will be necessary to arrange an inspection of the cargo to ascertain its condition and decide whether to proceed with disposal or salvage sale. The shipper and the consignee should ideally grant clear approval to deal with the shipment; otherwise, a court order may be necessary. Once a letter of abandonment on behalf of the cargo interests has been obtained, it should be passed to the relevant authorities prior to proceeding with the destruction or the auction the goods.

After the final notice is sent, it will generally be necessary to issue to the authorities a ‘Letter of Abandonment of Cargo’ on behalf of the shipper and/or consignee, requesting the authorities to allocate a date for disposal or auction the cargo.”



Mike: “Manos, thank you for sharing your expertise, do you have any final thoughts or considerations that freight forwarders/NVOCC’s should be mindful of when faced with cases of uncollected cargo?”

Manos: “Freight forwarders should be mindful that there might be jurisdictional challenges in handling these cases and it may be prudent to obtain a local legal opinion before proceeding to protect your business from unexpected surprises.”

Mike: “In conclusion, implementing well considered due diligence and management controls, focused on early identification and taking action immediately, can prove critical when handling cases of uncollected or abandoned cargo. While the recommendations in this discussion provide useful general guidance, each case has to be considered on its own merits. The simple message is to be proactive and seek assistance from local experts for specific advice and practical recommendations.

Thank you once again to our guest speaker, Manos Karanikolas and thank you for listening. Please tune in next week, when we will be speaking to Andrew Watson Steward considering the differences between cargo and liability insurance.”