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To: Transport Industry Operators

What's FCR

We have received some enquiries from our forwarder clients about the FCR e.g. what is FCR? How many types of FCR are there? What are the uses of FCR? We would like to discuss these in this issue.

The FCR is quite a special document in the forwarder industry.

It has a number of different names e.g. Forwarder Cargo Receipt, Forwarder Certificate of Receipt... However, the name is not so important. What is important is: what a particular FCR is i.e. what are the purposes and functions of a particular FCR. Not like the bill of lading (which basically has a standard in the shipping industry being a receipt of cargoes, the best evidence of the contract of carriage, and a document of title to the cargoes), the FCR has basically no customary standard in the industry. Every FCR is different. You have to look at each and every FCR to find out what a particular FCR exactly is. Anyway, the FCR can be one of the following:

1. receipt of cargoes;
2. receipt of cargoes plus contract of carriage; or
3. receipt of cargoes plus contract of carriage plus document of title to the cargoes.

1. Receipt of cargoes

If a particular FCR is only a receipt of cargoes, it is simple and the FCR is the confirmation given by the forwarder that the cargoes have been received by the forwarder from the shipper (some FCRs may use the other terms like supplier, vendor...; however, this does not matter as it is just to describe the name of the party from whom the forwarder has received the cargoes). That is all. The shipper may then use the FCR as evidence to prove to the consignee (which normally should be the buyer of the cargoes) that the forwarder has received the cargoes. For such a kind of FCR, it is specified in the FCR that the forwarder's client is the consignee and that the forwarder received the cargoes on behalf of the consignee. There is no contract between the forwarder and the shipper. In other words, once the forwarder has received the cargoes, it means that the consignee has received the cargoes. The consignee may then pay the cargo value to the shipper in accordance with the terms of the sale of goods contract. The forwarder will then listen to the consignee's instructions as to how to deal with the consignee's cargoes. For example, the consignee may ask the forwarder to store the cargoes for several months pending further instructions, or the consignee may ask the forwarder to deliver the cargoes to some other party at the place of receipt... However, the consignee will normally ask the forwarder to ship out the cargoes to the consignee, and the forwarder may further have its own Bill of Lading or the shipping company's Bill of Lading issued to the consignee as the contract of carriage and document of title to the cargoes, depending on the consignee's requirement.

2. Receipt of cargoes plus contract of carriage

This type of FCR has the important function of being a contract of carriage i.e. the forwarder as carrier has received the cargoes from the shipper, and carries the cargoes to the destination for delivery of the cargoes to the consignee without the need of presentation of the original FCR by the consignee i.e. the FCR is not a document of title to the cargoes. This is also a common type of FCR in the market. The shipper agrees with the forwarder as carrier that the forwarder shall deliver the cargoes to the consignee without the need of presentation of the FCR by the consignee. In case of any cargo claims e.g. loss of, damage to the cargoes, the forwarder as carrier shall base on the FCR contract terms to assume liability to the shipper and the consignee.

3. Receipt of cargoes plus contract of carriage plus document of title to the cargoes

This kind of FCR is just like a B/L i.e. it has all the three functions of being a receipt of cargoes, contract of carriage, document of title to the cargoes. This type of FCR is not common in the shipping industry because it requires the consignee to surrender the FCR to the forwarder's destination agent for taking cargo delivery at the destination. If the shipper and the consignee really need a document of title to the cargoes for the cargo delivery, they will choose the widely used document of the B/L rather than the FCR. Having said that, if this type of FCR having the function of document of title to the cargoes is used, the forwarder needs to be very careful, and should warn and give very clear instructions to its destination agent that the original FCR must be surrendered to the destination agent by the consignee in exchange for cargo delivery. Otherwise, it is very easy to see cargo misdelivery cases happen because the forwarder's agent may have misunderstanding and then follow the usual market practice of releasing the cargoes to the consignee without the presentation of FCR by the consignee. This will have serious consequences to the forwarder, which has to be liable for paying the cargo misdelivery claim of the shipper which is holding the FCR in its hands. In conclusion, this type of FCR should not be issued (if possible) because it is very risky, and easier to cause confusion and misunderstanding and then cargo misdelivery claims. If the shipper and the consignee require a document of title to the cargoes, it is better for the forwarder to issue its Bill of Lading to them.

Please feel free to contact us if you have any questions about the FCR.

Simon Chan

Director

E-mail: simonchan@smicsl.com

Richard Chan

Director

E-mail: richardchan@smicsl.com

23/F, Excel Centre, 483A Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong
香港九龍荔枝角青山道 483A 卓匯中心 23 樓 Tel: 2299 5566 Fax: 2866 7096

E-mail: gm@smicsl.com Website: www.sun-mobility.com

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