



BILL OF LADING

DEFINITION

A bill of lading is a trade document provided by a carrier to a seller/ shipper. This document acknowledges the boarding of certain goods on the ship as a cargo which is to be delivered to the consignee. The consignee is mostly already identified. The document got its name from the verb 'to lade' that means loading a cargo or goods on to a type of transportation, mostly a ship.

CONTENTS OF BILL OF LADING

A typical bill of lading contains the following information:

- Names and detailed addresses of the shipper and the receiver.
- Account numbers and PO numbers used for tracking the orders.
- Details of the ports of destination and departure.
- Special instructions to ensure swift delivery.
- Shipment date and arrival date.
- A number of units to be shipped.
- Kind of packaging used such as cartons, drums, pallets, etc.
- An accompanied note if a hazardous material is being shipped.
- Items' description, including the common name and the material of which it is made of.
- Freight classification.
- The weight of the consignment.
- The value of the item being shipped.

FEATURES OF BILL OF LADING

A bill of lading has the following three important features:

PROOF OF CONTRACT OF SHIPMENT

The bill of lading is the 'proof' of a contract of shipment between the shipper and the carrier and not the contract of shipment as many would think. It is also not a contract between the buyer and the seller. It is only the evidence of the shipment's contract to transport the cargo as decided by the buyer and the seller.

RECEIPT OF SHIPMENT

The bill of lading also acts as a receipt for goods received by the carrier in good condition from the shipper. The carrier issues the bill of lading in exchange for the receipt of the goods to be shipped.

TITLE TO THE SHIPMENT

The bill of lading gives the holder the 'title' to the shipment. The goods are transferred to the holder, who can either claim them or transfer to someone further.

TYPES OF BILL OF LADING



There are various types of bill of lading depending on the requirements of the shipment:

STRAIGHT BILL OF LADING

This is used when the goods are already paid for and are directly shipped to the customer.

TO ORDER BILL OF LADING

This is used when the goods are sold on trade credit and the shipment can be either to a distributor or the customer.

CLEAN BILL OF LADING

This is used to state that the goods were in proper condition when loaded. This is a sign off from the carrier.

SOILED BILL OF LADING

This is used when the goods are marred in any way or are damaged.

INLAND BILL OF LADING

This is used to ship goods domestically through railways or roads, but not through seas.

OCEAN BILL OF LADING

This is used to ship goods through seas, both nationally and internationally.

THROUGH BILL OF LADING

This is used in complex transactions where the shipment passes through different ways of transportation and also various centers of distribution. This bill of lading requires an ocean and inland bill of lading.

MULTIMODAL/ COMBINED TRANSPORT BILL OF LADING

A type of through bill of lading where a shipment involves at least two ways of transport.

DIRECT BILL OF LADING

This is used when the vessel used to pick up the cargo, delivers the shipment to final destination as well.

STALE BILL OF LADING

This is used when the goods reach the port before the bill of lading.

Switch Bill of Lading

What are "switch" bills of lading?

“Switch” bills of lading are a second set of bills of lading issued by the carrier (or by the carrier’s agent) in substitution for the bills of lading issued at the time of shipment. The agent who is asked to issue the second set is often at a port other than the load port. The holder of the bills may decide (for one reason or another) that the first set of bills is unsuitable, and the carrier is requested to issue switch bills to satisfy the new requirements of the bill of lading holder. Some of the reasons are:-

- the original bill names a discharge port which is subsequently changed (e.g. because the receiver has an option or the goods have been resold) and new bills are required naming the new discharge port;
- a seller of the goods in a chain of contracts does not wish the name of the original shipper to appear on the bill of lading, and so a new set is issued, sometimes naming the seller as the shipper;
- the goods were shipped originally in small parcels, and the buyer of those goods requires one bill of lading covering all of the parcels to facilitate his on-sale. Conversely one bill may be issued for a bulk shipment which is then to be split into multiple bills covering smaller parcels.

When can “switch” bills be issued?

The issuance of a second set of bills of lading is an extremely dangerous practice. The perils of having two sets of bills of lading for the same cargo in circulation are obvious and ship agents must make sure they follow these rules:

- the principal’s written authority should be obtained not only to issue switch bills of lading but also to any changes to be made to the content of the original bills of lading;
- the second set of bills of lading should only be issued if the complete first set has been surrendered for cancellation;
- The second set of bills of lading should not contain misrepresentations, e.g. as to the true port of loading, or the condition of the cargo, or the date of loading. If switch bills are issued containing misrepresentations, then the carrier and his agent (if the agent has issued the switch bills) will be at risk of claims from parties who have suffered a loss because of such misrepresentations.

Why does one ask for or require a Switch bill of lading..??

Switch bills are requested generally when there has been a change in the original trading conditions.

Some of the reasons could be:

- Goods could have been resold and the discharge port has now been changed to another port and this could have occurred as a high-seas sale..
- The seller (who could be an intending agent) does not wish the name of the actual exporter to be known to the consignee in case the consignee strikes a deal with the exporter directly.



- The seller does not want to know the buyer to know the actual country of origin of the cargo so he requests that the port of loading be shown as some port other than the one the cargo was loaded from.

Where can a bill of lading be switched?

Depending on the shipping line and their coverage, a bill of lading may be switched anywhere around the world for shipments from anywhere to anywhere.

When would a switch bill of lading be necessary?

Generally, a switch bill of lading is used to conceal the identity of the factory. Because the trader is selling the goods to the importer, the trader does not want to reveal the factory from which they are procuring the goods. Thus, the trader will often request that a switch bill of lading be used for their shipments.

Disclaimer:

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