PROCUREMENT, LEGAL, AND FINANCE

SaaS contract red flags to catch before signing

The clauses that cost buyers later: auto-renewal traps, the SSO tax, uncapped price uplifts, usage overage, weak data-export terms, and limited liability.

Most SaaS contracts are vendor-paper, drafted to resolve every ambiguity in the vendor's favour.

WHAT'S INSIDE

6 steps in this guide

01

Auto-renewal and notice windows

Auto-renewal clauses with a short cancellation-notice window (often 60-90 days before term end) quietly re-commit you for another year. Diarise the notice date the day you sign, and negotiate a shorter notice window or a non-auto-renewing term.

02

The SSO tax

Many SaaS vendors gate single sign-on behind a premium tier - charging extra for a baseline security control. If SSO matters to you (it should), confirm which tier includes it before you price the deal, not after.

03

Uncapped renewal price increases

An uncapped renewal uplift is an open-ended cost. A 10% annual uplift roughly doubles the price over seven years. Cap the increase contractually - it is the single highest-value SaaS term to negotiate.

04

Usage overage and true-ups

Usage-based pricing can spike. Confirm the overage rate, whether there's an alert or auto-pause before you blow the budget, and how true-ups are calculated and billed.

05

Weak data-export and exit terms

Confirm you can export your data in a usable, non-proprietary format, at what cost, and on what timeline after termination. Vague exit terms are lock-in by another name.

06

Liability caps and indemnities

A liability cap set at a few months' fees offers little protection if the vendor causes a serious breach. Review the cap, the carve-outs, and the indemnities - especially for data and IP - against the risk the system actually carries.

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Buyer-side procurement intelligence

PUT THIS TO WORK

Walk into every evaluation with the vendor's own playbook.

- A vendor-proof scope, issued before any proposal
- Gap analysis scoring every proposal against your scope
- A risk-weighted interrogation kit for the vendor meeting
- Scope-drift detection across proposal versions

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