



Compromise Agreements

What is a Compromise Agreement?

This is an agreement which is legally binding and is used to formalise a full and final settlement between employer and employee. The consequences of an employee signing a Compromise Agreement will be that they are then prevented from bringing or pursuing a claim before an Employment Tribunal or any claim in the future.

When are Compromise Agreements Used?

A Compromise Agreement is a useful tool for an employer to terminate an employees employment without worrying about having to face a future claim.

Statutory Requirements

Compromise Agreements must comply with a number of conditions laid down by section 203 (3) of the Employment Rights Act 1996. Most importantly the agreement must be in writing and the employee must have received independent legal advice as to the effect of the proposed agreement and the effect of the employees ability to pursue their rights before an Employment Tribunal.

Important Points To Consider When Seeking Advice On A Compromise Agreement

- Tax implications of the termination payment
- Provision of a reference
- Cost contribution for the independent advice
- Reminder of existing restrictive covenants and confidentiality clauses and provision for any new clauses.
- Provision for resignation from office of Director
- Tax indemnity
- Exclude personal injury and accrued pension right claims



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Word of Warning

A Compromise Agreement is a very useful tool, however, for employers a recent case involved an employee who was presented with a Compromise Agreement but decided not to take it and instead resigned. The employee successfully argued that there had been a constructive dismissal. In this particular case the Employment Appeal Tribunal held that the invitation to resign on favourable terms clearly amounted to a 'vote of no confidence' sufficiently serious to found a claim of constructive dismissal. Employers need to choose their words carefully.

Our employment team can help you draft a Compromise Agreement or if you are an employee advise you on the consequences of signing a Compromise Agreement.

Our Costs

We will advise you as to the best way to fund your advice including fixed fees or on an hourly rate, no win no fee or legal expense insurance.

Watson Esam can also help you with

- Business law
- Employment law
- Family law
- Personal injury
- Claims and disputes
- Debt recovery
- Professional negligence
- Contested probate
- Bankruptcy
- Insolvency
- Property matters
- Charities and voluntary organisations
- Wills and trusts
- Probate
- Inheritance tax planning
- Powers of attorney



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