

Compromise Agreements for Employees

Employment

Compromise Agreements are useful documents and are used by employers in a variety of situations. If you have been given a compromise agreement by your employer, you may have lots of unanswered questions. We hope you find our FAQs useful. Should you wish to make an appointment to see one of our specialist employment lawyers so discuss your compromise agreement, please call 0800 923 2062 and we will be happy to arrange an appointment.

What is a compromise agreement?

A compromise agreement is a legally binding agreement between you and your employer in which you agree not to bring claims against your employer in exchange for a compensation payment. Usually compromise agreements are offered when the employment relationship is coming to an end, however occasionally compromise agreements can be used by an employer as a mechanism to introduce changes to your contract of employment.

Why do I need to see a Solicitor?

For a compromise agreement to be valid you must be independently legally advised. We are completely independent of your employer and anything you discuss with us will remain confidential.

What settlement can I expect to receive under a compromise agreement?

There are a number of factors that we will take into account when considering if the terms of the settlement are acceptable. Each case is different and therefore you should not compare yourself to someone else you know who may also have been given a compromise agreement. We will review your contract of employment to ensure you receive what you are contractually entitled to receive. Please ensure you bring a copy of your contract of employment with you to our meeting.

Will I have to pay tax on the settlement I receive?

The amount of tax you will have to pay will depend on how the settlement is structured under the compromise agreement. We will be able to review the payments being made to you and advise, in line with current legislation, whether tax will be payable. As a general rule, up to £30,000 can be paid tax free as compensation for loss of employment.

When will my employment come to an end?

The date upon which your employment will end will be set out in your compromise agreement. If the date is not acceptable to you then we may be able to negotiate an alternative termination date with your employer.

What if I am not happy with the offer that has been made?

If the amount on offer is not acceptable to you, we can advise you in relation to your options. We can discuss what you might expect to receive by further negotiation, or as a last resort what potential claims you may be entitled to bring in an employment tribunal, taking into account all the costs and consequences of progressing a potential claim.

Will I have to pay any legal fees?

It is usual practice that your employer will make a contribution towards for your legal fees and pay us directly. Our minimum charge for advising in respect of compromise agreements is £250+VAT. This fee will apply where our meeting lasts one hour or less and in cases where you decide to sign the agreement at the end of our meeting. If any negotiation is required or you are not in a position to sign the agreement at the end of our meeting, additional fees will apply. We will advise you of the fees which are likely to be payable during our meeting.

Will I be entitled to receive a reference from my employer?

There is no legal obligation on your employer to provide you with a reference in a compromise agreement. However, it may be possible to negotiate a reference as part of the compromise agreement.

Can I bring any employment claims after I have signed a Compromise Agreement?

You cannot bring any claims in relation to your employment rights in a court or employment tribunal once you have signed a Compromise Agreement.