



# Settlement agreements explained

We look forward to seeing you at your appointment, which can be done face to face or over the telephone. During the appointment we will advise you on your Settlement Agreement. Normally, these appointments last about 45 minutes.

If the background to your Settlement Agreement is complicated, you may want to send us an email in advance of your appointment with a short summary or chronology of what's happened. This will help the appointment to run smoothly.

In advance of your appointment, we have created a general guide to Settlement Agreements, which we hope you'll find useful.

## How do Settlement Agreements work?

A Settlement Agreement is a legally binding contract between you and your Employer which represents a full and final settlement of any legal claims you may have now or in the future against your Employer. This is subject to certain limited exceptions which we will discuss with you at the appointment.

In exchange for agreeing not to bring any claims against your Employer, you will normally receive a compensation payment, which will be set out in the Agreement.

As a general rule, compensation of up to £30,000 for loss of employment can be paid tax free. The amount of tax you will have to pay will depend on how the payment is structured under your Settlement 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.

A Settlement Agreement should include the payment to you of any contractual entitlements (such as holiday pay or notice) that you are due before you leave. The Agreement will often place obligations on you including returning company property, keeping the Settlement Agreement confidential and not speaking badly about your Employer. At the appointment, we will advise you on any specific obligations that apply to you.

## Do you need to pay for legal advice on your Settlement Agreement?

It is a legal requirement that you get independent legal advice on your Settlement Agreement so your Employer will normally contribute towards the costs of this advice.

In most cases this means you will not pay anything and we will invoice your Employer directly. However,

if you require us to carry out additional work (such as negotiating an increase to the compensation or drafting changes to the Agreement) or if our meeting lasts for more than one hour, then the cost of this additional work will need to be paid for by you, unless your Employer agrees to pay the difference. If necessary, we can discuss this at the appointment and we will, of course, not incur any costs to you unless agreed in advance.

If your Employer does not agree to meet your legal fees, you will be liable for our fees. You should also be aware that if you decide not to sign the Settlement Agreement, then your Employer is unlikely to make a contribution to your fees, in which case you will remain responsible for the full amount.

### When is your Settlement Agreement binding?

The Settlement Agreement becomes binding once it has been signed by you, your Employer and your legal adviser. It can be withdrawn by your Employer at any point until it becomes binding, although it is rare that this happens.



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