



SEDGWICK LEGAL

SETTLEMENT AGREEMENTS

WHAT IS A SETTLEMENT AGREEMENT?

A Settlement Agreement is an agreement between an employer and employee where the employer makes a payment to sever their employment to the employee and in return the employee agrees not to take any claims he may have against the employer to an Employment Tribunal. It brings about a clean break.

Settlement Agreements used to be called Compromise Agreements.

HOW MUCH IS THE PAYMENT?

The payment is normally broken down as follows; -

- Wages or salary up to the date when the employment comes to an end. This is taxable
- Holiday pay, also calculated up to the date the employment finishes. This is also taxable
- Payment in lieu of notice. In some instances this can be paid tax free
- Bonuses and commissions that are outstanding
- Unpaid expenses
- Compensation for loss of office is the payment made to the employee as compensation for them losing their job and the first £30,000 is tax free.

Arrangements should also be made for the return of property belonging to the employer such as a company car, a laptop, keys and so on, unless there has been a prior agreement with the employer to the contrary that you may keep the property for an agreed period of time once your employment has been severed.

WHO PREPARES THE SETTLEMENT AGREEMENT AND WHO PAYS THE COSTS?

The employer will usually arrange for the Settlement Agreement to be drawn up and is responsible for any costs involved.

In order for the Settlement Agreement to be valid the employee must receive advice from a suitably qualified advisor. The advisor will advise on the merits of the employee's claim and whether the severance payment is reasonable (if we believe the severance payment is not reasonable then we will challenge the payment to ensure that we get you the best possible payment). He will also advise on the impact of any restrictive covenants on the employee's future employment, the position over a reference and all other aspects of the Settlement Agreement. To ensure that this is done and that the Severance Agreement is valid the employer will usually offer to pay a contribution to the costs involved. This will usually be sufficient to pay the costs in full.

If you are looking for Employment Solicitors in North Manchester that will be there to support you then look no further than Sedgwick Legal.

Please contact Roger Dennerly at roger.dennerly@sedgwick-legal.co.uk or call 0161 653 5299.

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