

Legal Offices

10 Blackfriars Street,
Perth PH1 5NS
Tel (01738) 637311

13 Ward Road,
Dundee DD1 1LU
Tel (10382) 200000

14 Comrie Street,
Crieff PH7 4AZ
Tel (01764) 655151

Property Shops

42-44 St John Street,
Perth PH1 5SP
Tel (01738) 630222

13 Ward Road,
Dundee DD1 1LU
Tel (10382) 200301

14 Comrie Street,
Crieff PH7 4AZ
Tel (01764) 670077

Compromise or Settlement Agreements

A Compromise or Settlement Agreement is an Agreement to refrain from issuing or continuing proceedings for a variety of claims including unfair dismissal, sex, disability or race discrimination, non-payment of the minimum wage, contraventions of the Working Time Regulations etc.

In order for a Compromise Agreement to be binding and enforceable the following conditions must be satisfied:

- The agreement must be in writing.
- It must relate to the particular complaint or proceedings (e.g. unfair dismissal)
- The employee must have received advice from a relevant independent advisor on the terms and effect of the agreement (usually a solicitor).
- The advisor must have professional indemnity insurance in place.
- The agreement must identify the advisor.
- The agreement must state that the conditions regulating Compromise Agreements under the relevant Acts are satisfied.

Content

- Compromise Agreements often contain clauses regarding the following:-
- Confidentiality.
- An indemnity by the employee regarding any potential tax liability.
- A discharge of all claims arising out of employment (i.e. including court claims - pension rights and personal injuries claims are usually excluded).

Advantages for the employee

- A method of obtaining a quick settlement.
- Avoids risk of losing a tribunal case.

Disadvantages for the employee

- The employee may give up a potentially larger claim against their employer.

Advantages for employer

- The employer knows the exact cost of the settlement and is not exposed to the risk of a tribunal awarding more.
- Avoids publicity

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Disadvantages for employer

- The employer usually has to pay a higher sum than they may think the employee is entitled to.
- Legal fees are normally partly paid by the employer (but there is no legal obligation to do this.)

For more information or to discuss your requirements, contact:

alanmatthew@millerhendry.co.uk

emmaallan@millerhendry.co.uk

Always take legal advice!

These comments are provided for guidance only. Each situation has to be examined on its own merits and you should not, therefore, rely upon the above without taking specific legal advice in relation to any particular matter.