



Factsheet for Employees

Settlement Agreements.....what you need to know

What is a settlement agreement?

If your employment is coming to an end or has just ended you may be offered a settlement agreement. A settlement agreement is a legally binding document that sets out your compensation for leaving employment in return for waiving your employment rights.

What is in a settlement agreement?

- The agreement will state the full breakdown of the payments you will receive on termination and when you will receive them;
- It will provide for confidentiality both in terms of your employer's trade secrets, confidential information and business affairs and also the existence and terms of the agreement itself;
- There may be a clause in the agreement which prevents you and your employer from making derogatory comments about the other;
- There will be a long list of laws in the agreement under which you will agree not to bring a legal claim, you should not be concerned by this. The agreement is intended to be in full and final settlement of all claims and the employer needs to list all of these to be able to enforce the agreement; and
- There may be a reference clause which binds the employer to give an agreed reference about you on request from future employers.

What do you have to do?

It is a condition of the agreement that you seek the advice of an independent solicitor who can review the agreement, ensure you are receiving your statutory entitlement, advise you on the terms and on any claims you may have, answer any queries and make any necessary amendments. Once the settlement agreement has been agreed, the settlement agreement must be signed by you, the employer and by the independent solicitor so that it is legally binding.

How much will this cost?

Your employer will usually make a contribution to cover the cost of legal fees which generally include minor amendments to the agreement. Contributions are typically £200 - £350 + VAT. Therefore, in most circumstances, you do not have to pay any legal costs.

Do I have to sign it?

There is no legal obligation on you to sign the agreement. However, bringing an employment tribunal claim in respect of your termination of employment can be a costly and lengthy process with no guarantee that you will win. At Red Kite Law we will ensure that the settlement agreement offered to you is legally sound, fair and adequately compensates you for the termination of your employment.

For more information contact us on 01646 683 222 or email: hrenquiries@redkitelaw.co.uk