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I've Been Offered a Settlement Agreement by my employer – What Happens Next?

By Gill Reid, Head of Employment

What is a settlement agreement?

Settlement Agreements are legally binding agreements which can be used to waive employment claims which you may have against your employer. Typically, they are offered in redundancy situations where an employer is restructuring or closing the business and your employment is being terminated where the employer wants to avoid an unfair dismissal claim.

The Settlement Agreement will state the financial compensation offered and may also include other terms, eg about the confidentiality of the Agreement.

Usually, you can agree the wording of a reference which will be included within the terms of the Settlement Agreement for future employers.

Do I need to obtain legal advice on a settlement agreement?

Yes. You will be required to take independent legal advice about the terms of the Settlement Agreement. It is usual for your employer to pay a contribution towards your legal costs for taking this advice.

Can I negotiate the terms?

Settlement agreements are voluntary, you do not have to agree to the terms initially offered to you. You can negotiate, or you may prefer that we carry out the negotiations for you. You must be given a reasonable period to consider the terms of the agreement. ACAS recommends at least 10 calendar days.

What if I don't sign the settlement agreement?

If your employment continues, your employer may decide to terminate your contract using an alternative method to a settlement agreement and you could end up with nothing. Once a valid Settlement Agreement has been signed, you will not be able to sue your employer for any claims referred to as settled in the Settlement Agreement.

Can I request a settlement agreement?

Either you or your employer can start a discussion about the possibility of entering into a Settlement Agreement. If you have raised a grievance, or feel that the working relationship has broken down, you can ask for a discussion 'off the record'. Your employer may already be aware of the situation influencing your decision and will welcome the opportunity to settle the matter without it being taken further to an employment tribunal. It is advisable to seek early legal advice about your position and you can then decide whether to broach the subject with your employer. You can do this personally or you can ask us to write a letter on your behalf, setting out your potential claims which can be more effective.

What do I do next?

If you are offered a Settlement Agreement or you would like to initiate discussions about an exit from your employment linked to a Settlement Agreement, please contact our experienced Employment Solicitor, Gillian Reid on **01904 528223** or email at **gir@hethertons.co.uk**. Gillian specialises in Employment Law and is a trusted advisor to both employers and employees.

The above is not intended to provide advice.

