IMPACT LAWYERS

Settlement Agreement:
3 Questions to Ask Before You Sign

A practical guide for employees who have been offered a settlement agreement.

Received a settlement agreement from your employer?
Before you sign, make sure you understand what you are being offered, what rights you may be giving up and what options you have.

This guide covers three questions:

• **1. Is this fair?** Understanding the financial package and your wider circumstances.

• **2. What am I giving up?** Understanding the claims and obligations covered by the agreement.

• **3. Should I sign it?** The practical points to consider before making a decision.

1. Is This Fair?

There is no standard settlement figure that applies to every employee. The value and terms of an offer need to be considered in the context of your individual circumstances.

Things to check include:

• **Salary and notice:** Check how your notice period will be dealt with and whether any notice payment is included.

• **Holiday:** Check whether accrued but untaken holiday is addressed.

• **Bonus and commission:** Consider whether any contractual or discretionary bonus or commission arrangements need to be dealt with.

• **Settlement payment:** Identify the additional payment being offered and how it is described in the agreement.

• **Potential claims:** The circumstances of your departure may affect the value of potential employment claims and therefore the context in which the offer should be considered.

• **Legal fees:** Check whether your employer is offering a contribution towards the cost of obtaining independent legal advice.

Remember: A settlement agreement is negotiated between the parties. You do not necessarily have to accept the employer's first proposal.

2. What Am I Giving Up?

A settlement agreement can be used to settle specific employment claims. Once an agreement is validly entered into, you may be prevented from bringing the claims identified in it.

Pay particular attention to:

• **Claims being waived:** Read the list of claims carefully and make sure you understand what is covered.

• **Confidentiality:** Check what you can and cannot say about the agreement, your employer and your departure.

• **Restrictive covenants:** Look for obligations that may continue after your employment ends.

• **Reference:** Check whether an agreed reference is included and what form it will take.

• **Company property and information:** Understand what you must return and any continuing confidentiality obligations.

• **Announcements:** Check whether the agreement says how your departure will be communicated.

The exact effect of these provisions depends on the wording of your agreement and your circumstances. This is one reason independent legal advice is important.

3. Should I Sign It?

A settlement agreement is voluntary. You do not have to accept the proposed terms simply because your employer has presented them to you.

Before signing, consider:

• Have I understood every important term?

• Do I understand which employment claims I may be giving up?

• Have my contractual entitlements been properly addressed?

• Is the proposed financial package appropriate in the circumstances?

• Are there terms that could affect my future employment?

• Is there anything I want to negotiate?

• Have I received independent legal advice?

Acas recommends, as a general rule, allowing at least 10 calendar days to consider the formal written terms and obtain independent advice, although what is reasonable can depend on the circumstances.

For a settlement agreement to validly waive the relevant employment claims, the worker must receive advice from an appropriate independent adviser.

A Simple 3-Step Approach

1. SEND	**2. UNDERSTAND**	**3. DECIDE**
Send your agreement to an employment lawyer for review.	Understand the payments, claims and ongoing obligations.	Decide whether to accept, negotiate or take another course of action.

Need Help With Your Settlement Agreement?

Impact Lawyers' employment lawyers can review your settlement agreement, explain the key terms and advise you on your options. Where appropriate, we can also assist with negotiations.

24-hour response.

GET STARTED: www.impactlawyers.co.uk

Important: This factsheet is provided for general information only and does not constitute legal advice. Every settlement agreement and employment situation is different. You should obtain advice on your individual circumstances before signing.

Information checked against Acas guidance available at the time of publication. Website team should confirm legal wording and publication date before publishing.