

## Compromise Agreements

### Should I be afraid?

By Philip Landau

A Compromise Agreement is a legally binding agreement either following the termination of your employment, or to bring it to an end. It is recognised by statute and is the only way you can validly 'contract out' of bringing any future claim against your employer. It usually provides for a severance payment, in return for which you agree not to pursue any claim you may have to an employment tribunal. You must take independent advice from a lawyer on the agreement for it to be valid and your employer will normally pay for the cost of this.

Banks are now increasingly using compromise agreements as a mechanism for preventing possible future complaints to a tribunal. Even where a bank is confident that they have followed a fair process, they will prefer the employee to sign a compromise agreement to ensure there is no comeback afterwards. You will often be asked to sign a Compromise Agreement even though you are only receiving a redundancy payment in line with the bank's own policy. Of course, if there is any suggestion of the bank not having followed a fair process or where there has simply been a breakdown in the relationship with an employee, the banks are likely to insist an agreement is entered into, subject of course to the terms of departure having been first agreed.

So, should you be worried about signing away your rights in this way? Whilst it is the case that compromise agreements can be written in very legalistic language and can refer to sections of Acts and Regulations which you may never have heard of, most are fairly standard. As long as the severance pay you are receiving is properly reflected in the agreement, and there are no unusual onerous terms, you should not be too worried.

In fact, being presented with a compromise agreement can be a good thing. Not only is there certainty of payment within an agreed timescale (usually 14 days from the date of termination or the return of the signed agreement), but the agreement will confirm the first £30k if a redundancy/severance payment can be tax free. It is useful to have this recorded in a legal document for Revenue purposes. You also get the chance to have a reference attached to the agreement - which binds the bank when references are requested from future employers. This is very useful where an employee may have left under a cloud and is exposed to a negative reference being supplied after having left the bank. And, here is perhaps the best benefit, a good employment lawyer (like myself!) may be able to challenge the amount being offered under the agreement and negotiate an increase. Although there is no 'open cheque policy' operated by the banks, they can be receptive to a request for an enhanced payment if there is a reasoned argument properly put. The incentive by the bank, of course, is that they will know there is no 'coming back for more' by that employee after the agreement is signed. That is why you need to choose your legal adviser carefully!

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**For further information, please contact:**

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or call 020 7357 9494 for a free consultation on this or any other employment law issue.