

City redundancy packages What's the latest position?

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This time last year, the biggest winners that I had seen were those fortunate few who started work with guaranteed bonuses for the first year- which the banks had to honour in the redundancy payout. As the credit crunch has now hit for well over a year, those with guaranteed bonuses are now virtually non-existent.

For the rest, the news is broadly the same – the longer you have been employed, the more generous the banks are tending to be. An average severance package of 6 months equivalent salary being given as a redundancy package remains for those who have been employed for about 5 years or more, but this is far less where you only have 1-2 years employment. I stress that this is only an average. Some of the banks are more generous than others and it is still possible to receive a discretionary enhanced redundancy that takes your settlement to 9 months or more even where you do not have a long period of service.

Where banks are following a set formula for redundancy payments, many will pay under a policy of 1 month for every year worked, while others will only pay 2 weeks for every year. This is still far in excess of the statutory redundancy payment that you might otherwise receive, especially bearing in mind that unless you have worked 2 full years, you are not entitled to statutory redundancy in the first place.

There has been a rush by the banks over the last few months to bring redundancies forward before the bonuses are announced. This has been common practice over the last few years as most banks can avoid being contractually bound to make bonus payments if you are not employed as at the bonus payment date. There is little you can do about this, but it is nevertheless wise to check your contract to see if the banks have protected themselves in this way or not.

Some of the banks have a more human element and will go the distance to recognise, and help alleviate, the financial hardship caused by the redundancy. Some will contribute towards relocation expenses for the departing employee and provide an extension of private healthcare or for use of a company car. Others are honouring the cost of training courses where these have been booked but not yet attended. But don't expect to see such latitude without having to ask for it!

You are likely to receive a compromise agreement on your exit with the bank, which has the effect of prohibiting any future claim against them. You will need to see a solicitor to advise you on the agreement and the banks will usually contribute towards the cost of your legal advice. Again, some banks are more generous than others when it comes to this contribution of fees. The sum of £500 plus VAT is considered to be an acceptable amount, and helps your solicitor properly assess if there is reason to challenge the redundancy.

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