Partnership agreements and dissolution

Ray Goodman talks partnerships

Running a successful dental practice with another clinician or registered dental professional involves numerous legal issues that need to be properly considered, discussed and incorporated into a suitable agreement. Of course, we all enter into professional partnerships with the best intentions, but unfortunately sometimes despite all our efforts, things do not always work out as we had planned.

Even if your business partnership has been happily built on mutual trust, understanding or even friendship, all eventualities should never be ruled out. To avoid ending up in a sticky legal situation or leaving your dependants in a mess, the importance of having a clear, up-to-date partnership agreement in the dental practice cannot be overstated. As all dental professionals will appreciate, prevention is better than cure.

So which aspects should be discussed with your business partner(s) and drawn up into a written agreement? Situations such as expulsion and retirement, prolonged absence due to accident or ill health and even when a partnership will fall into the category of a ‘partnership at will’, subjected to outdated statutory provisions which may not reflect the wishes and interests of all those involved. What’s more, a ‘partnership at will’ can also be dissolved with immediate effect by any partner, possibly even resulting in the termination of the contract. Likewise, if a partner in a ‘partnership at will’ retires or dies, this also has the effect of dissolving the partnership as a whole, the results of which can be potentially devastating for the remaining partner or partners. Astonishingly the provisions of the Partnership Act 1890 that provide the implied terms in a partnership at will contain no provision enabling the expulsion of a delinquent partner.

A watertight agreement drafted by an expert in dental law is not only a legal asset, but also a financial one. In the event of a tax dispute with the Inland Revenue, having an agreement in place will give your practice credibility and will be evidence of the arrangements in place.

Even if a partnership agreement has already been put into place, it is essential to keep it updated. It is worth taking extra care when a new member joins the partnership, as unless the agreement is renewed in a timely manner, the partnership at will situation arises once again and the worst-case scenario will no longer be recognised as a valid legal document. A qualified solicitor can help properly draft and amend partnership agreements and avoid the perils of a serious dispute occurring or an expensive civil litigation in the courts.

However, it is a sad fact that some partnerships do fail, and in this situation it is important to be aware of the proper steps and precautions that need to be taken in order to ensure that neither party gets their fingers burnt. Without provisions in a Partnership agreement to the contrary, a notice of dissolution can be issued by any partner and without the need to state their reason for doing so. Once already begun, the process cannot be reversed without the consent of all partners.

When faced with dissolution, the settlement of shared finances is a priority. Firstly, any liabilities are paid, then capital, and in the event of a shortfall, debts will be payable by the partners personally according to their partnership share. Deciding what should happen to your business in a worst-case scenario can be an arduous task fraught with difficulties and disagreements. Good legal assistance can smooth the way to ensure that everything is processed quickly and fairly. From the drafting of contracts to dealing with partnership dissolution, solicitors such as Goodman Legal – Lawyers for Dentists can help properly draft and incorporate the prior agreement will no longer be recognised as a valid legal document. A qualified solicitor can help properly draft and amend partnership agreements and avoid the perils of a serious dispute occurring or an expensive civil litigation in the courts.

For more information please contact Ray Goodman, Goodman Legal, Lawyers for Dentists on 0151 707 0090, email rng@goodmanlegal.co.uk or visit www.goodmanlegal.co.uk

The key to a successful practice is prevention, trust and understanding.