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 due to prolonged absence due to ill health or death need to be taken into consideration with details of the shares of capital and profit, and the responsibilities of all parties detailed for consideration with details of the death need to be taken into account.

Many practitioners are unaware that without a current up-to-date agreement, legally the partnership will fall into the category of a ‘partnership at will’, subjected to outdated statutory provisions which may not reflect the wishes and interests of all those involved.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 agreement to leave and so on. And of course, it is always easier to confront these issues with a clear head in an unbiased manner rather than after a disagreement has already arisen.

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‘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.’

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Even if a partnership agreement has already been put into a PCT 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.

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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 will help to make sure the procedure is as pain-free as possible.

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.

About the author
Raymond Goodman, Senior Partner Ray Goodman is a Member of the Association of Specialist Providers for Dentists (ASPD), legal member of NASDA (National Association of Dental Accountants) and included on the BDA list of recommended dental solicitors. He has a comprehensive understanding of the commercial and professional objectives of Dental Practices, along with the relevant legal requirements. In his spare time, Ray has ambitions to be the next Eric Clapton.

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

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