Doubtful disputes: Romans 14, v 1

Ray Goodman discusses how to deal with business disagreements

In any partnership, the modus operandi of every partner who maintains a business relationship is different. However amicable the founding arrangement may have been between business associates, the unforeseen accidents of life can all too often intervene to provoke disharmony or unexpected conflicts of interest.

Complications
The early retirement of a partner through ill health, or an untimely death, are common instances which introduce partnership complications in the absence of a comprehensive agreement drawn up by a legal professional. In the event of a dispute in either of these situations, when no alternative detailed agreement exists the Partnership Act decrees that dissolving the partnership is the only course.

In the case of a disputed dental partnership, the practice’s premises, assets and equipment would have to be sold and the business terminated, with all the additional complications for the remaining partner(s) of dealing with staff redundancies and compensation payments, cancelling contracts and assuming responsibility for any liabilities such as debts or overdrafts. The business’s tax position could also be compromised, and even if the practice was salvageable much goodwill would have been lost.

Partnership Act
Specific to dentistry are NHS Primary Care Trust (PCT) contracts, which may stipulate that should a contracted party fail to leave the practice during the contract period, then the contract is automatically terminated. This contract proviso is also included in the Partnership Act. Whilst it is possible to prevent this happening, the procedure is costly and time consuming, and without a legally binding agreement in place a disadvantaged partner is powerfully placed to cause disruption simply issuing a notice of dissolution. It is also worth noting, from another perspective, that in the present economic climate PCTs are seizing every opportunity to re-negotiate dental contracts in their own interest.

If a partner should decide to leave the practice before reaching retirement age, through ill health, changed family circumstances or for career ambitions for example, a partnership agreement should cover the division, entitlement and responsibility of each individual. For example, a partner’s capital assets, debts, other liabilities and payment of any tax outstanding. Such an agreement will also include directions on how to deal with a partner who is under performing, and the procedure for expanding the partnership.

Business Security
Nothing delivers greater peace of mind than certainty. A properly constituted partnership agreement is the strongest guarantee of business security, as it unequivocally sets out the rights, obligations and responsibilities of each partner in the event of a disagreement or an unexpected shift in the status quo. The mere existence of the agreement is a powerful disincentive for aberrant conduct, and it offers an ever ready reference to resolve a dispute should it ever be required.

However harmoniously colleagues normally work together, inevitably over time there may be occasions when disagreements occur or unforeseen events arise. A partnership agreement provides a means of positive, impartial resolution when such disputes do arise, and is especially valuable at times of major upheaval, such as a death, retirement or a change of business focus.

The advantages of having such an agreement in place cannot be overstated, as those who have suffered the expensive consequences of disputes within less formal business associations will quickly testify. A specialist dental law firm, such as Goodman Legal, will have the industry knowledge to draft an agreement which precisely suits your own practice’s circumstances.