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Dentists who jointly own or manage a dental prac-
tice with the intention of returning a profit have effectively formed a business partnership, in exactly the same way as traders in any other sphere of commercial activity. However, unlike most entrepreneurs in other areas, many dental practitioners work together on something of an ad hoc basis, without hav-
ing a legally binding partnership agreement in place. Experience has shown that allowing this kind of relationship to develop, per-
haps almost unnoticed between friends or colleagues can lead to problems in the future.

De facto, legally recognised business partnerships can occur by default even without signed agreements, and dentists need to be wary of inadvertently forming associations with can be so interpreted, as potential disputes may be difficult to resolve and provoke rancour, expense and stress even when there has been initial good will on both sides.

A detailed partnership

Dentists are notoriously busy, and usually preoccupied with treating patients, clinical paperwork or PCT red tape, and specific busi-
ness arrangements with work colleagues are easily, and all too often, taken for granted. This laissez faire approach, however comfortale at the time, is fraught with risk; a brief time-out to draw up a detailed partnership document will make no difference to day-to-day relationships but may save possibly endless, and always costly, disputes from arising in the future if circumstances or at-
titudes change.

Partnerships which have evolved as a result of informal professional association and with no detailed legal agreement are covered by the Partnership Act of 1890, which necessarily is concerned only with broad gen-
eralities and fundamental principles.

Typical omissions, for exam-
ple, are dealing with the removal of a partner whose behaviour has become unacceptable, or the detailed resolution of particular disputes. Since the modus oper-
andi of every dental practice is different, the Partnership Act is inevitably an inappropriate, blunt instrument when applied to the individual needs of discrete den-
tal partnerships.

However amicable the found-
ing arrangement, there have been disagreements between business associates, the unforeseen accidents of life can all too often intervene to provoke disharmony or unexpected con-
flits 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 ei-
ther 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 deal-
ning with staff redundancies and compensation payments, can-
celling contracts and assuming responsibility for any liabilities such as debts or overdrfts. The business’s tax position could also be compromised, and even if the practice was salvageable much good-
will would have been lost.

Partnership Act

Specific to dentistry are NHS Primary Care Trust (PCT) con-
tacts, which may stipulate that should a contracted partner die or 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 disaffected partner is powerless placed to cause disruption by simply issu-
ing 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 indi-
vidual’s share of fees, own capital assets, debts, other liabili-
ties and payment of any tax out-
standing. 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 agree-
ment is the strongest guarantee of business security, as it un-
equivocally 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 ab-
errant conduct, and it offers an ever ready reference to resolve a dispute should it ever be required.

However harmoniously col-
leagues normally work together, inevitably over time there may be occasions when disagree-
ements occur or unforeseen events arise. A partnership agree-
ment provides a means of posi-
tive, impartial resolution when such disputes arise, and is especially valuable at times of major upheaval, such as a death, retirement or a change of busi-
ness focus.

The advantages of having such an agreement in place can-
not be overstated, as those who have suffered the expensive con-
sequences of disputes within less formal business associations will quickly testify. A specialist dental law firm, such as Goodman Le-
gal, will have the industry knowl-
edge to draft an agreement which precludes any such disputes, and is especially valuable at times of major upheaval, such as a death, retirement or a change of busi-
ness focus.

About the author

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