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## **COMPROMISE AGREEMENT**

Prior to signature this entire Agreement is without prejudice and subject to contract and cannot later be relied upon by either party should an agreement not be reached.

THIS AGREEMENT is made on the *[insert day]* day of *[insert month]* *[insert year]*

### **1. Outline**

This Agreement is intended to detail the agreed terms regarding the termination of *[Insert employee's name]* employment with *[Insert organisation name and address]*, (the Organisation).

### **2. Termination**

*[Insert employee's name]* employment *[Insert job title and date of employment contract and then select one of the following statements -*

terminated on *[Insert date]*

OR

will terminate on *[Insert date]*

The employee will receive/has received his/her normal salary and benefits up until the termination date including accrued holiday pay and work related expenses, less normal deductions for tax and national insurance. Any outstanding expenses will be reimbursed/has been reimbursed in accordance with the Organisation's usual procedures.

### **3. Complaint**

The employee believes that he/she is entitled to make the claims set out in clause 8 and has raised them prior to entering the Agreement.

OR

The employee has brought proceedings in the employment tribunal under the case number *[Insert case number]* relating to the following complaint *[Insert details of the employee's complaint against the organisation including the exact statutory provision, for example section number and the name of the Act]* and these will be withdrawn within 7 days of the date of this Agreement.

#### **4. Payments and Compensation**

**4.1** Without any admission of liability the Organisation agrees to pay the following sums owed to *[Insert employee name]* on this Agreement being signed and becoming unconditional, ("the Termination Payment").

**4.2** The sum of *[Insert amount in words and numbers, e.g. £2,000, Two Thousand Pounds]*.

**4.3** The above sum will be paid within *[Insert exact number of days, e.g. 28 days]* days of receipt by the Organisation of this Agreement signed by the employee and certified by the relevant independent legal adviser mentioned in clause 15.

OR

The above sums will be paid by the Organisation within *[Insert exact number of days, e.g. 28 days]* days of receipt of this Agreement signed by the employee and certified by the relevant independent legal adviser together with a copy of the notice sent by the employee to withdraw proceedings number *[Insert case number of the tribunal proceedings]*.

**4.4** The employee agrees to repay to the Organisation the Termination Payment received if the employee continues or starts any legal proceedings against the Organisation of the type specified in clause 8.

#### **5. Tax and National Insurance Contributions**

The Termination Payment in clause 4.2 shall be paid free of tax in accordance with Chapter 3 Part 6 of the Income Tax (Earnings and Pensions) Act 2003. Any compensation sum below £30,000 will be paid tax-free, for any amount over £30,000 the employee will be liable for basic rate income tax on the figure over £30,000. This will be deducted by the Organisation and paid to HM Revenue and Customs in accordance with the 2003 Act. For any payments that attract Employer or Employee National Insurance contributions, such contributions will be met by the Organisation. However, *[Insert employee name]* agrees to indemnify the Organisation for any tax, (other than National Insurance contributions) subsequently charged by the Inland Revenue.

#### **6. Legal Costs**

Regarding the legal costs incurred by *[Insert employee name]* in seeking independent legal advice, the Organisation will on production of an appropriate VAT invoice pay the following sum inclusive of VAT as a contribution towards legal costs, *[Insert amount in words and numbers, e.g. £500, Five Hundred Pounds, a contribution of £250 - £350 is the norm]*.

**Sample document – the remaining are clause headings only  
Full document contains all clauses**

**7. No Liability**

**8. Claim**

**9. Statutory Requirements**

**10. Offices**

**11. Organisation Property**

**12. Confidentiality**

**13. Restrictive Covenants**

**14. Reference**

**15. Independent Legal Advice**

**16. Without Prejudice**

**17. Severability**

**18. Entire Agreement**

**19. Jurisdiction**

IN WITNESS of which the parties have signed this Agreement the day, month and year first above written.

*[Insert employer name]*

*[Insert name of person signing on employer's behalf]*

*[Insert their position]*

Signature: \_\_\_\_\_

Legal Adviser's Certification

*[Insert name of employee's legal advisor organisation]*

*[Insert name of person signing on legal advisor's behalf]*

*[Insert their position]*

1. I confirm that I am a solicitor of the Supreme Court of England and Wales holding a current practising certificate.

2. I confirm that I have advised *[Insert employee's name]* of the terms and effect of the Agreement and in particular its effect on his/her ability to pursue future claims in an employment tribunal.

3. I confirm that my organisation is covered by a policy of insurance which is valid at the date the signing of this Agreement and covers the risk of a claim being made in respect of any loss arising from or consequential on the advice given by me under this Agreement.

Signature: \_\_\_\_\_

*[Insert the ex-employee's name]*

Signature: \_\_\_\_\_

#### **SCHEDULE 1 - REFERENCE**

#### **SCHEDULE 2 - LETTER OF RESIGNATION**

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