

SETTLEMENT AGREEMENTS, WHY THE RIGHT ADVICE MATTERS



With employment rights changing and tribunal claims on the rise more employers than ever are offering settlement agreements as a means of a clean break. These are often offered as alternatives to redundancy consultation, performance improvement plans or simply where it is felt the employment relationship is not working out.

Their use is set to increase further when the law on unfair dismissal changes in January 2027, with an anticipated 6.3 million more people becoming eligible to claim.

What is a settlement agreement?

A settlement agreement is a legally binding contract between you and your employer. In simple terms, you agree not to bring legal claims against your employer (such as unfair dismissal or discrimination), and in return, you receive a financial package and other agreed terms.

Importantly, for a settlement agreement to be valid, you must take independent legal advice. That's where the right solicitor becomes essential.

Not all settlement offers are fair

It's easy to assume that what's been offered is standard or "as good as it gets". Settlement packages can vary hugely, and many initial offers are negotiable.

Whilst we cannot guarantee how each individual employer will respond, it is rare for a settlement agreement to be withdrawn simply for exploring if there is scope to increase the package. In many instances a push back on the figures may also be entirely justified.

What your employer expects in return?

Most settlement agreements include a number of promises, in addition to your agreement not to sue. These promises might include:

- Confidentiality obligations
- Non-derogatory statements
- Post termination restrictions
- Future cooperation clauses



In some cases, breach of these promises will trigger the need to repay some or all of the monies you are receiving under the settlement agreement, or could entitle your employer to withhold payment, if not already made. This could create a significant financial risk long after you've left your role.

Without careful legal advice, you may not fully appreciate:

- What counts as a breach
- How easily a breach could occur
- The scale of the repayment obligation

In some instances, the fact your employment is ending does not remove the risk of future claims arising, especially if you have made a protected disclosure or complained about discrimination.

It will be key to ensure any settlement terms do not inadvertently compromise those future claims. Once you've signed the agreement it's final and binding!

WHY CHOOSING THE RIGHT ADVISOR MATTERS

The right support should include:

- A clear explanation of your legal position and potential claims
- A review of the financial package in comparison to what a tribunal could potentially award in the event of a successful claim
- Identification of hidden risks or unfair terms
- Strategic advice on whether, and how, to negotiate
- Robust negotiation with your employer where appropriate

If something doesn't feel right, it probably isn't. And if a better deal is achievable, you need someone prepared to push for it.

We don't just review, we fight your corner

We regularly help clients:

- Increase compensation packages
- Remove or soften post termination restrictions
- Secure better references and exit terms
- Achieve outcomes that properly reflect the legal position

You only get **one chance** to get a settlement agreement right.

Settlement agreements are designed to bring certainty, but only if you fully understand and are comfortable with every term.

If you've been offered a settlement agreement and want to know where you stand, or whether you should push back, get in touch. We'll review it, explain your options, and fight for the outcome you deserve.



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