

# New partners

## The importance of partnership agreements.

Whenever you take on new partners, it is essential to update your practice's partnership agreement. Once signed, this will formalise your working relationships, minimising the risk of disputes in the future.

### What are the dangers of having no agreement in place?

As strange as it sounds, if you don't have a written partnership agreement, your working relationships may be subject to a piece of legislation that came in to existence during Queen Victoria's reign.

This is known as operating as a 'partnership at Will', governed by the provisions of the Partnership Act 1890 ("the Act").

Unsurprisingly, this is not an ideal position for any modern GP partnership. Although the Act addresses some of the ground required in setting up and running a partnership, it has serious limitations:

- It is outdated
- It can have unwanted or intended consequences
- It is not robust enough to cover parts of a modern partnership
- It is not industry-specific

### Further risks associated with a 'partnership at Will' include:

- **Mutual assessment periods**

The Act does not provide for such probationary periods. As such, if a new partner does not materialise into the addition that you had hoped, you will not have the ability or right to terminate their involvement.

- **Equality**

The Act automatically deems equality in the share of profits, losses and capital of all partners – including your new one.

- **Authority of partners**

There are no effective limits on the authority of a partner to enter into arrangements which bind the partnership.

- **Assets**

The Act does not adequately provide for assets which may be held by the partners individually as opposed to the partnership. It also provides limited assistance in identifying how partnership assets are to be valued and paid if a partner leaves.

- **Automatic dissolution**

Certain events, such as the bankruptcy of a partner, can trigger the automatic dissolution of the partnership. Such automatic dissolution can put your NHS contract at risk.

- **Determination**

Any partner can serve notice to end the partnership at any time.

- **Expulsion**

No partner can be expelled from the partnership by the other partners, irrespective of whether there are sound reasons to do so.

- **Retirement**

There are no provisions within the Act enabling a partner to retire without bringing the partnership to an end.

- **Leave and locum costs**

The Act does not cover these issues.

- **Restrictions and duties**

The provisions in the Act dealing with these points are non-specific and sparse.

With these risks in mind, we strongly recommend that you document the working relationship between all partners – including the new partner. By doing so, you will significantly reduce the risk of potential partnership disputes, particularly those which arise during the initial stages of taking on new partners, where their suitability – both professionally and personally – may still be under review.

## **Contact us**

If you are taking on a new partner and need to update or review your partnership agreement, BMA Law can help. Contact us for more information:

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