



**Birmingham Peoples  
Centre**

Putting People First

## Settlement Agreements

Sometimes after a claim has been started the other side does not want to go into a full scale legal dispute with you. In this situation they may want to settle with you before any tribunal hearing through a 'Settlement Agreement'.

A settlement agreement is a written agreement between you and you're (ex) employer to end your relationship or end the claim through a negotiated settlement. This will usually involve your employer paying you a sum of money and in return you agree to end your claim. The agreement will normally also contain some other agreements with regards to confidentiality and a reference for you. ACAS has provided guidance on settlement agreements and a link to this guidance can be found on the main web-page.

The agreement will be a written document where the wording has been agreed by both sides' legal advisors or with the help of an ACAS Conciliation Officer. If you are approached by the other side and they inform you that they want to settle always call us and we will give you further advice and support. However, as a baseline what you will need to consider is: How much money you want from the other side and it has to be a reasonable amount relative to your claim. Within what timescale payment will be made. You will need to agree what reference you will get and the wording of it and agree to any confidentiality clauses the other side wants in the agreement.

If the amount of money you get for loss of earnings is below £30,000 then you will not have to pay any tax on it. If the amount is over that then you will be liable for any tax. You do not have to pay tax on any award that you get for 'Injury to Feelings'.

Our advice is that you should always reach a settlement agreement that is recorded by ACAS in a document entitled a COT3. This document is sent to all the parties to read, sign and date and it then becomes a binding and legally recognised document.



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