

When death intervenes

Edwin Ross explains the importance of a written agreement underpinning shared ownership of a dental practice.

Agreements among dentists are often based on trust. The attitude tends to be: We have known each other for ages, what could go wrong? But there are plenty of things to disagree over when you share a business together and the existence of a written agreement could help protect the friendship. If death intervenes, it can also protect the family of the deceased partner.

I have recently been involved in a case which illustrates only too well the value of a legal agreement. The story began more than 12 years ago when three university friends, we will call them John, Colin and Clive, set up a practice together. The practice thrived.

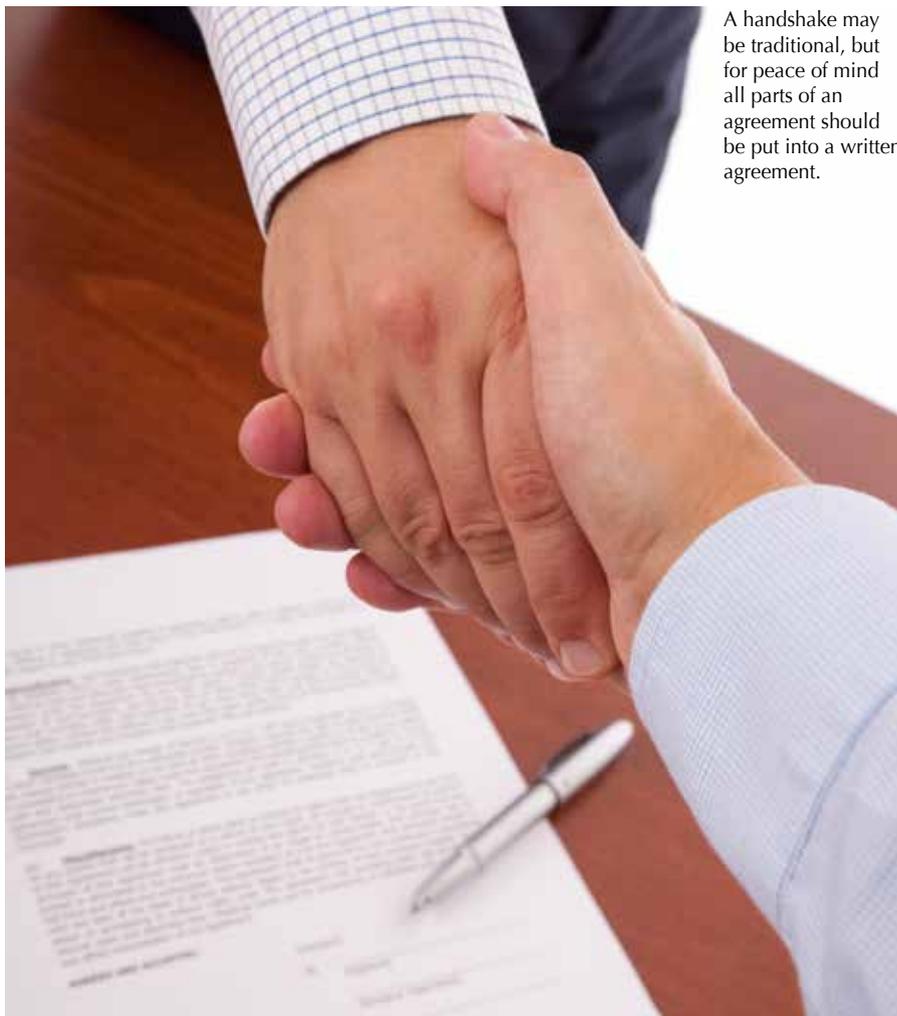
Fortunately the partners had taken good advice and life assurance policies had been created for each of them. Sensibly, the value had been increased by their Independent Financial Adviser (IFA) from time to time as the practice flourished.

The life policies had been set up in trust, so that while each partner had their life assured, in the event of one partner's death, the policy proceeds would be paid to the other two. It was understood that the policy proceeds would be used to buy out the heirs of the deceased partner. But, the jigsaw had never been completed. No written agreements were ever put in place to provide that each life policy should be used as a fund to pay out one third of the value of the practice.



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A handshake may be traditional, but for peace of mind all parts of an agreement should be put into a written agreement.

Then, suddenly, John died. The shocked widow was told by Colin and Clive that they had absorbed John's share of the practice and that they would be retaining the proceeds of the practice life insurance policy on John, a total of £600k.

This was when John's widow was referred to us for legal advice by the family accountant. Due to the absence of an agreement, and the time it took to exert moral pressure on the partners, there were eight months of uncertainty for the widow. Happily, however, this case had a successful conclusion.

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joint venturers, you need an agreement which will cover much more than just provisions that come into play on death.

The strong, clear message to all joint dental practice owners is - if you don't already have in place binding, legal agreements, then don't delay. Leaving important agreements for a later date tends to mean they will never get done.

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