

Settlement Agreements: *Before You Sign*

What you give up, what makes the agreement binding, the money and tax,
and your time limit.

 Last reviewed: October 2026

 Acas · GOV.UK · HMRC · LRA

 England, Wales & Scotland, with a Northern Ireland slide (compromise agreements)

ukworkrights.co.uk

A legally binding contract

- You give up the right to make the claims the agreement specifically covers, usually in return for a payment.
- It is voluntary. You do not have to sign one.
- Saying "full and final settlement of all claims" is not enough: it must name the claims.

The legal conditions

- It must be in writing and relate to a particular complaint or proceedings.
- You must get advice from a relevant independent adviser on its terms and effect.
- The adviser must be insured and named in the agreement.
- The agreement must state that the legal conditions are met.

▲ WATCH OUT

Without a named, insured, relevant independent adviser, it does not stop you making a tribunal claim on those statutory rights.

Who advises, and how long you get

- The adviser can be a qualified lawyer, a certified trade union adviser or a certified advice centre worker. They must not act for your employer.
- Your employer should consider paying for the advice, but does not have to.
- The Acas Code of Practice recommends at least 10 days to consider the offer. That is a recommendation, not a fixed legal deadline.

What is taxed

- The first combined £30,000 of qualifying termination payments (such as redundancy pay and extra severance) is usually tax free.
- Notice pay, pay during gardening leave and pay you have already earned are taxed as normal.
- Legal costs your employer pays directly to your solicitor are not taxed.

Can it be used against me?

- Settlement talks usually cannot be used as evidence, under the "without prejudice" principle and section 111A of the Employment Rights Act 1996.
- Section 111A covers only unfair and constructive dismissal claims, not automatically unfair dismissal such as for whistleblowing.
- Improper behaviour, such as bullying or putting undue pressure on you, can make the talks usable as evidence.
- A confidentiality clause cannot stop you whistleblowing or reporting a crime to the police.

Your time limit

- Talking about a settlement does NOT pause the tribunal time limit.
- Most claims: 3 months less 1 day, or 6 months less 1 day where the act happened on or after 1 October 2026.
- Notify Acas within your time limit to pause the clock. An agreement reached through Acas (a COT3) does not need independent legal advice.

Compromise agreements in Northern Ireland

- They are still called compromise agreements (Article 245 of the Employment Rights (Northern Ireland) Order 1996).
- The same idea: in writing, about the particular proceedings, advice from an insured relevant independent adviser who is named.
- There is no "protected conversations" law: section 111A does not apply. Ask the LRA or a solicitor whether talks can be used as evidence.
- Most claims: 3 months less 1 day. Telling the LRA within the time limit stops the clock for up to 1 calendar month, plus up to 14 more days if both sides agree.

Frequently asked questions

Q Do I have to sign?

No. Settlement agreements are voluntary.

Q Is all of the payment tax free?

No. Usually only the first combined £30,000 of qualifying payments. Notice pay and earned pay are taxed.

Q Does negotiating stop my tribunal deadline?

No. Only early conciliation through Acas (or the LRA in Northern Ireland) pauses it.

FREE RIGHTS GUIDANCE

Check your rights *before you sign*

Get plain-English guidance on your rights and your employer's legal duties.

ACAS

0300 123 1100

[acas.org.uk](https://www.acas.org.uk)

LRA (NORTHERN IRELAND)

03300 555 300

Labour Relations Agency

CITIZENS ADVICE

England 0800 144 8848

Wales 0800 702 2020 · Scotland 0800 028 1456

ADVICE NI

0800 915 4604

Northern Ireland

UK WORK RIGHTS — FREE GUIDE

**Settlement Agreements
(England, Wales and
Scotland)**

ukworkrights.co.uk/guide-settlement-agreements-gb.html

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FREE GUIDE

Settlement Agreements (England, Wales and Scotland)

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Also: [Compromise Agreements \(Northern Ireland\)](#).