EP The Exit Pack

FREE GUIDE

17 Things You Can Negotiate in a UK Settlement Agreement

The offer on the table is rarely the best they will do. Here is what is actually on the table, before you sign.

Read before you reply

Written from 30 years on both sides of the table. Grounded in current UK employment law. General guidance, not legal or tax advice.

Read this first

You have been offered a settlement agreement, or you have been told one is coming.

Most people think there is one thing to negotiate. The money. There is not. There are at least seventeen.

Here they are. Each one is a lever. Some put more in your pocket. Some cost the employer nothing but are worth real money to you because of the way they are taxed. Some are not about money at all. They protect your name and your next job.

This is a free list to show you the shape of the room. It is general guidance, not legal or tax advice. The full method, the maths, and the letters that ask for each of these sit in the Settlement Counter Offer Kit. There is a link at the end.

One rule before you start. Do not sign anything and do not name a number until you have read the whole list.

The money levers

1. **The headline compensation sum.**
   The ex-gratia payment is the obvious one. It is also the one the employer expects you to focus on, because it is the one they have already decided. The first offer is rarely the last. Treat it as an opening position, not a final figure.

2. **How the payment is split.**
   A settlement is not one payment. It is a mix of several, and each is taxed differently. How the total is divided between taxed and tax-free elements changes what reaches your bank. The same headline number can be worth thousands more or less depending on the split. This is the single most overlooked lever.

3. **The £30,000 tax-free band.**
   The first £30,000 of a genuine ex-gratia termination payment is free of income tax. Make sure the agreement uses that band properly, and that payments which could sit inside it are not mislabelled as something taxable.

4. **The notice pay.**
   Whether you work your notice, take it as pay, or have it rolled into the settlement changes the tax and the total. Notice pay is generally taxed in full, so how it is handled matters. Do not let it be waved through.

5 **Employer pension contributions.**

A payment into your pension is one of the most efficient levers there is. It can cost the employer the same as cash, but reach you without the tax that cash above the tax-free band carries. For anyone in their forties or fifties, this is often worth more than extra cash.

6 **Outplacement support.**

Career coaching or outplacement from a recognised provider is tax-free. You can ask for a bigger budget. It costs the employer the gross amount and costs you nothing in tax.

7 **The employer's contribution to your legal fees.**

The employer usually pays for the independent legal advice you are required to take, typically £500 to £1,500 plus VAT. You can ask for that contribution to be higher, and you should make sure it is paid direct to your solicitor, not reimbursed to you, so it stays tax-free.

8 **Bonus, commission, and incentive pay.**

Any bonus or commission you have earned, or would have earned, is on the table. So is the treatment of a scheme you are part-way through. Do not let earned money be quietly dropped because the exit is happening.

9 **Share options and long-term incentives.**

If you hold options, shares, or an LTIP, your leaver status decides what you keep. Good leaver or bad leaver is negotiable, and the difference can be large. This is often the biggest number in the room and the one people forget.

10 **Repayment clauses waived.**

Training costs, relocation, or a sign-on bonus with a clawback clause can all be written off as part of the deal. If you are about to be chased for one, negotiate it away.

11 **The termination date.**

The date your employment ends is a lever. It can affect a bonus payment, share vesting, pension, holiday accrued, and which tax year the payment lands in. Moving it by a few weeks can be worth money.

The protection levers

12 **An agreed written reference.**

Agree the exact words of your reference and attach them as a schedule to the agreement, so the employer is bound to them. A reference is not a payment, so it is not taxed, and it protects your next job.

13 **The announcement wording.**

How your exit is described, internally and externally, is negotiable. Agree what colleagues, clients, and LinkedIn will be told. Silence and a clean line are worth having.

14 **Mutual non-disparagement.**

Confidentiality usually runs one way, binding you. Make it mutual. The employer should be bound not to bad-mouth you just as you are bound not to bad-mouth them.

15 **Restrictive covenants.**

Post-termination restrictions, on where you work next and who you can approach, have value to the employer. That means releasing or narrowing them has value to you. Trade it.

16 **Continued benefits.**

Private medical cover, life cover, or a company device can be continued for a period, or kept. Some are taxable and some are not, so check each one, but they are all askable.

17 **The tax indemnity wording.**

Settlement agreements usually ask you to indemnify the employer for any tax due. Read that clause. Understand what you are agreeing to carry. This is one to raise with your own adviser before you sign.

What to do now

Go back through the list and mark the three that apply to you most. Those are where your leverage sits.

Then do not sign. Take the independent legal advice the agreement requires, and use these seventeen points to shape what you ask for.

Not legal advice. This is a free guide from The Exit Pack. It is general guidance, not legal advice and not tax advice. It cannot take account of the facts of your own case. A settlement can be structured in ways that carry real tax consequences, and getting it wrong can cost you money. Before you agree anything, take advice from a qualified employment solicitor and a qualified tax adviser. Written from 30 years on both sides of the table, and to the law in force now, including the Employment Rights Act 2025 changes staged through 2026 and 2027.