



myerson

Myerson **Dispute Resolution**

Our Guide to Partnership Disputes

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Welcome

A solid partnership is built on strong values such as trust, reliability, mutual respect, aligned values, loyalty and honesty. Where these values are upheld, partners can effectively collaborate and work harmoniously towards their shared goals. However, in the absence of these values, misunderstandings and disagreements may arise, potentially escalating into a dispute that threatens the success and longevity of the partnership.

At Myerson, we understand the complexities of modern life and the importance of taking care of your business interests which is why we take great pride in being the trusted adviser that partners turn to for expert partnership advice.

Why Myerson?

At Myerson, our expert solicitors are here to listen, help you and have years of experience in dealing with complex partnership disputes. Throughout the litigation process, we will make sure you are informed, confident and prepared.

We are proud to be ranked as **'Top Tier'** in the prestigious international directory **The Legal 500**, and commended by The Times **'Best Law Firms 2022'**. Therefore, you can rest assured you will receive a high quality and truly personal service.

Myerson is also the Manchester and Cheshire law firm member for the MSI Global Alliance, a top 20 ranked, leading, international association of independent professional firms. If your partnership dispute involves an international element, we can call upon the expertise and knowledge of our fellow MSI members to ensure that our client's global interests are protected.



Partnership Disputes

What is a partnership?

A partnership is formed when two or more partners mutually agree to formally collaborate, sharing responsibilities, profits and losses. This is often, but not always, recorded in a written partnership agreement.

There are a variety of different partnership structures, including general partnerships, limited liability partnerships (LLP) and limited partnerships. Each has its own distinguishing features and operates differently.

A limited liability partnership has its own separate legal identity from its members, whereas general partnerships and limited partnerships do not have their own separate legal identity.

The law which governs LLPs is a mixture of partnership and company law, whereas general partnerships and limited partnerships are governed primarily by the Partnership Act 1890.

How do partnership disputes arise?

In all types of partnerships, disputes amongst partners are common and can cause great difficulty in the future operation of the partnership. Whilst some disagreements may be minor and easily resolved, others may create situations where partners are unable to continue operating the business, potentially requiring one or more partners to seek legal advice.

Common reasons for disputes often derive from the following:

- Differences of opinion over the management and direction of the partnership.
- A clash of personality.
- Divergence between partners in their commitment to the partnership business.
- A breach of a partner's duties including conduct issues, and issues surrounding partners' drawings.
- Disagreements regarding partnership assets.



As a partner, what should I do first?

Depending on the type of partnership, a partner should check the partnership's constitutional documents – in the case of a general partnership, there may be a partnership agreement or partnership deed, and in the case of a limited partnership, there may be a limited partnership agreement, but that is not always the case.

Many general and limited partnerships are set up informally with no governing documents, in which case the default provisions of the Partnership Act 1890 will apply without modification.

An LLP will almost always be governed by an LLP agreement, which will set out the main rules governing the conduct of the partnership and the partners. Ordinarily, such documents will include provisions specifically governing the steps to be taken by the partners in resolving disputes, which can save significant costs and resources.

What are my options to resolve my partnership dispute and prevent any further dispute in the future?

Resolving any partnership dispute will ultimately depend on the nature of the partnership and dispute. Once the partnership's constitutional documents (if any) have been considered, you will need to understand your rights and options and any limitations imposed by any constitutional or contractual documents.



If there is a partnership agreement, this may dictate the process to be followed, and a failure to comply with such process may pose difficulties. Court proceedings for a declaration or an order dissolving a general partnership may ultimately be necessary if matters cannot be resolved through agreement between the partners, but often, disputes are able to be resolved by agreement between the partners, allowing the partnership to continue albeit with one or more outgoing partners.

To avoid future partnership disputes, it is important to formulate a clear partnership agreement, defining each partner's individual responsibilities, share of ownership and capital contributions. Maintaining open and honest communications is vital, alongside holding regular meetings to manage business matters. Establishing mutual respect and fostering an open and honest culture may encourage partners to address any issues before a dispute arises. Proactive management, accounting for the illness, death or incapacity of a partner, alongside new or exiting partners may help ensure disagreements in the operation of the business don't arise.

What is the process of issuing proceedings in respect of a partnership dispute?

If a dispute cannot be resolved amicably between the partners, the only remaining option may be to initiate court proceedings.

Typically, the litigation process involves:

Review - Conducting a thorough examination of the partnership documents and evaluating the strength of any potential claim.

Pre-Action Correspondence - Engaging in formal correspondence prior to initiating legal proceedings, outlining the dispute, the legal basis of the claim, the remedies sought, and proposing alternative dispute resolution to pursue an early settlement



Issuing Proceedings – Submitting a claim form (the formal document to commence legal action) along with particulars of claim, which detail the factual and legal basis of the claim.

Case Management – Following the Court's directions for completing steps and procedural requirements leading up to the trial.

Disclosure – Identifying and exchanging documents under the parties' control that are relevant to the issues in dispute.

Witness Evidence – Gathering statements and testimony to support or defend against a partnership dispute.

Expert Evidence – Obtaining specialised evidence from an independent third-party expert to strengthen a claim.

Trial – Presenting legal arguments before a judge, including examining and cross-examining witnesses, and receiving the Court's decision on the case.

How much does it cost to bring a claim?

Partnership disputes can be complicated and costly. We will discuss costs with you in detail prior to undertaking any work on your behalf and ensure that you are kept updated as to costs at frequent intervals as the matter progresses.

In most cases, a negotiated settlement is reached between the partners, often via mediation, which saves substantial costs and provides greater flexibility to structure the proposed transaction on favourable terms and in a tax-efficient manner.



Why instruct Myerson?

At Myerson, we recognise that every partnership dispute is different and from time-to-time, disputes between partners will inevitably arise.

In some cases, court proceedings might be the only way to resolve matters. However, in other cases, a better outcome can be achieved by agreement between the partners.

Our team includes specialist lawyers from both our litigation and corporate & commercial departments, with extensive expertise in business structures, including partnerships.

By working collaboratively across departments, we ensure each client receives a tailored strategy that delivers the most effective approach to resolving disputes.



You're in safe hands!

If you would like further information about how we can help you, or if you have any questions, please don't hesitate to contact a member of our **Dispute Resolution Team** today.

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