

Dismissing a Senior Executive

An executive director, who is employed by a company, has the same employment rights as any other employee. This means that he or she can claim compensation for redundancy, unfair dismissal, wrongful dismissal or breach of contract. If they suspect that their dismissal is because of discrimination, they may also be able to claim for this.

A company may also have to address the following tricky issues:

- removal as a director of the company;
- transfer of any shares held by the director;
- dealing with any share options;
- obtaining shareholder approval for any compensation payments; and
- safeguarding the business after the director leaves.

In order to defend a claim of unfair dismissal, a company will need to show that it followed a fair procedure and that it acted reasonably in all the circumstances. The only fair reasons for dismissal are based on conduct, capability, illegality, redundancy or some other substantial reason justifying dismissal.

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Dismissing an executive without notice, in the absence of a fair reason can be a costly exercise. The maximum amount of compensation that can be awarded by an employment tribunal for unfair dismissal is £85,200.

Of more concern, compensation for discrimination is unlimited and may also include an element for injury to feelings.

Often, a compromise agreement can be used to settle all employment claims that an employee has or may have against their employer. In return for giving up their rights to claim compensation, the director usually negotiates a payment from the company.

The dismissal of a director is usually a very delicate situation and legal advice at an early stage will help avoid expensive litigation claims.

Ware & Kay LLP

good on paper, even better in person

Contact us

Ware & Kay's specialist, Gill Wilkinson, has extensive experience in all aspects of employment law. Contact her on 01904 716000 or gillian.wilkinson@warekay.co.uk.

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