

What's in a partnership?



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What's in a partnership? The answer, quite often, is a lot. Long established business partnerships can build up large portfolios of assets over the years. In most cases it is easy to tell whether they are partnership assets or not but what if it is not clear?

One of the great things about partnerships is their potential simplicity. You don't need a document to form a partnership, you just need to have two or more people working together with shared risks and profits. In these circumstances the venerable Partnership Act 1890 will step in and provide a framework under which the arrangement can be governed or analysed if there is any dispute between the partners.

Because of this, many partnerships never get round to properly documenting the agreement between the partners. When all is going well this is not a problem but can make for expensive litigation if a dispute arises about whether or not something is a partnership asset.

In the absence of an express agreement that an asset is or is not a partnership asset, the court will look at all of the facts of the case in order to determine the true position. This can involve a detailed analysis stretching back over a number of years and require extensive witness evidence. Such an exercise is expensive and inevitably introduces uncertainty into the outcome.

So, if your partnership does hold any valuable assets, it is always best to clearly record what their status is and how they are shared between the partners. Ideally, this should be in a partnership deed or written agreement. Otherwise, any written document setting out the position that is approved, or at least not disputed, by all the partners, will reduce the chances of a dispute happening and, if it does, significantly reduce the costs of fighting it.



How we can help

If you'd like advice on resolving a dispute concerning a partnership or company, please contact our [commercial disputes](#) team.

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