

U.K. Finance Firms Rely on Basic Non-Compete Clause, Survey Says

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Almost 60 percent of U.K. financial services companies use standardized non-compete agreements in employment contracts, making it difficult to prevent workers from taking clients with them when they leave, according to a law firm survey.

Faegre Baker Daniels LLP said 83 percent of respondents used some form of restrictive covenant, with 59 percent using a standardized contract. The report, released March 16, surveyed 116 businesses in the U.K., including banks, brokers and insurers.

“A significant number of employers are using off-the-shelf covenants and that is when they are going to run into difficulties,” said Alex Denny, a lawyer at the firm’s London office, referring to the narrow scope of the basic agreements. “They understand the importance of having covenants but may not have given much thought beyond that.”

Non-compete agreements, known as restrictive covenants in the U.K., are used to block an individual, or group of employees, from taking business with them to a new job. They are often enforced when large teams, with strong client relationships, move to a competitor.

Just under 30 percent of respondents to the survey said they thought any breaches of non-competition clauses went unchallenged by employers.

“Many companies threaten to enforce restrictive covenants, but legal action can make a company look weak because the claim emphasizes the importance of the person leaving,” said Ronnie Fox, Principal at Fox, (www.foxlawyers.com). . “On the other hand, in the case of a big team move that could cause real damage to the company, legal proceedings make good sense.”