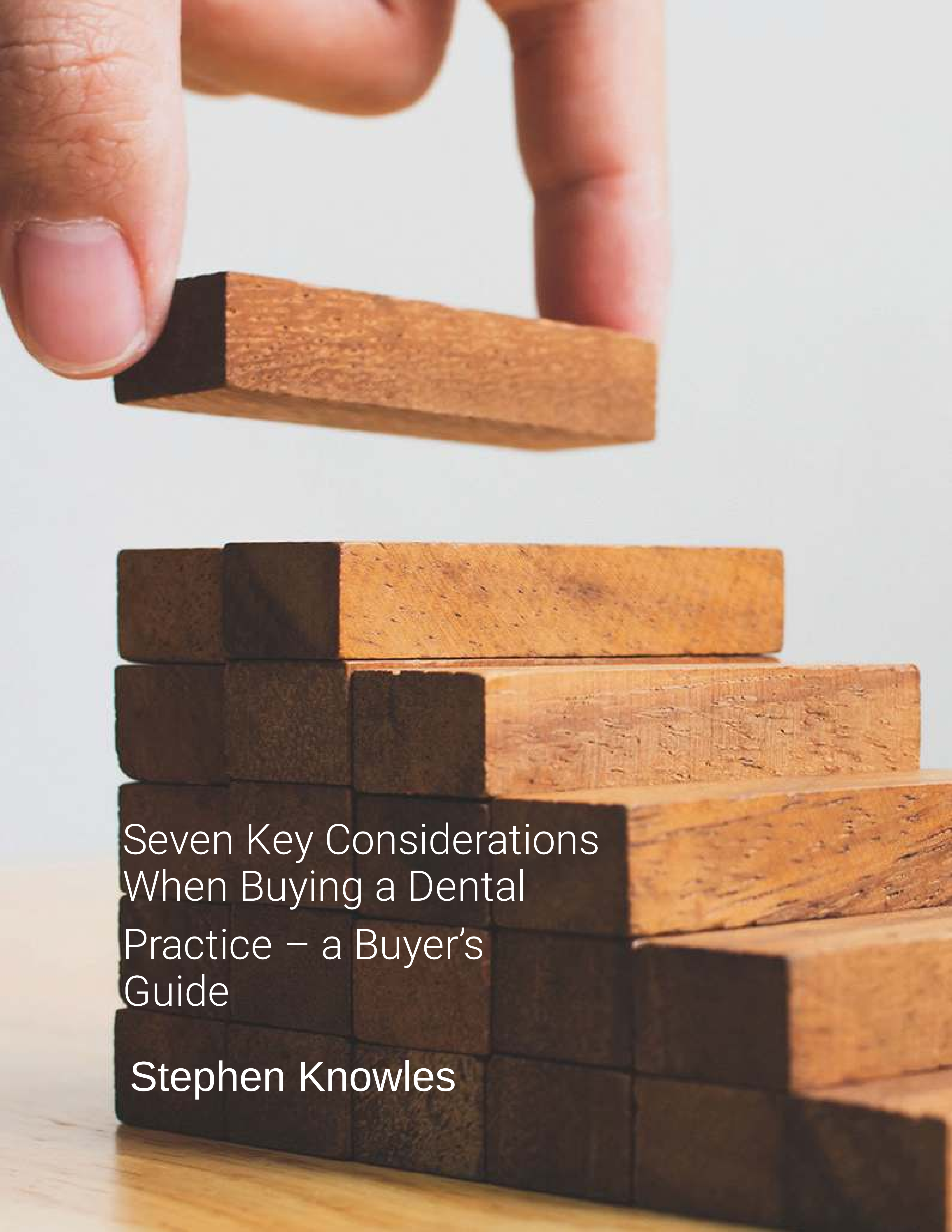

Seven Key Considerations When Buying a Dental Practice – a Buyer's Guide

Stephen Knowles

Seven Key Considerations when buying a dental Practice – a Buyer's Guide

Buying a dental practice (especially if it is your first purchase) can be daunting. The legal team at PFM Dental Legal are specialist in this area and can assist with every step of the process. In this guide we set out some of the key considerations to have in mind at the outset of the transaction.

1. Get your structure sorted as early as possible. Are you going to buy as a sole trader, in partnership with other people, and in either case, will you be using a limited company? Take advice regarding the advantages and disadvantages of each option at the earliest opportunity. The required CQC applications will be affected by your choice and your chosen lender's required security will also be affected by your choice. Severe delay can be caused by "switching track" mid purchase;
2. Will you be paying for the Goodwill in "one go" at Completion or are you considering paying a portion of the payment at a later point in time – perhaps contingent upon the Seller remaining at the Practice as an associate and subject to a fees target? The Seller will want as much of the purchase price payable at Completion as possible so discussions around deferred payments should take place at the earliest opportunity to avoid the transaction either stalling or aborting.
3. Budget carefully for the costs of the transaction itself. Clearly the price to be paid for the dental practice itself will occupy a buyer's mind but do not under-estimate the other fees and expenses involved which will include:-
    1. Lender's fees and valuation costs;
    2. Accountancy and financial adviser's fees
    3. Your own lawyer's fees (see below for details of fixed fees);
    4. Stamp Duty Land Tax
    5. Property searches
    6. Landlord's legal fees if a leasehold property is involved
4. Surround yourself with dental specialist advisers. Obviously, these should (ideally) be from the PFM Group! However, a dental specialist accountant, financial adviser and lawyer will save time, point out the pitfalls involved with the purchase and, if needs be, tell you the deal is, or is not, right for you. Non dental specialists are often cheaper, but take far longer and often overlook essential regulatory requirements;

5. Thorough Due Diligence. The phrase "Buyer Beware" applies as much to dental practice purchases as to other commercial transactions. As such you need to consider carrying out the following types of due diligence work:-
    1. Financial – investigating previous accounts, management accounts and fees records of the Practice – including UDA/UOA performance if NHS
    2. Staff – investigating the terms of employment/engagement of the employed and self-employed persons in the Practice. Are there written terms in place? Are these up to date and suitable for your requirements post completion? Are the self-employed persons genuinely self-employed or is there a risk of them actually being employees or workers under Employment Law? Are there any ongoing HR issues in the Practice?;
    3. Regulatory – Are there appropriate CQC registrations in place? If so, has the Practice passed a recent inspection? Is the Practice compliant with all other regulatory requirements?
    4. Property. Consider a full condition survey undertaken by your own surveyor. The lender's survey is unlikely to be a detailed condition report and may miss expensive required repairs. Does the Seller have in date Electrical Inspection Condition Reports, asbestos reports and fire risk assessments?
6. Ensuring that the Sale Agreement contains adequate protection for you. When the Sale Agreement is drafted the points the Buyer needs to consider include:-
    1. Adequate warranties and indemnities from the Seller so that key issues discovered by the due diligence are protected in the Buyer's favour;
    2. Taking a retention to guard against defective treatments undertaken by or on behalf of the Seller coming to light after Completion
    3. Adequate and enforceable non-compete restrictions imposed on the Seller.

7. Don’t underestimate the time it takes to complete the purchase. Few practice purchases finish in less than five months and many can take between nine to twelve months to finish – particularly if the due diligence finds “issues”. Also, your lender’s security requirements can take time to resolve; particularly if security is required over residential properties which already have a prior mortgage over them. If you are working elsewhere the timing of your notice in your current position can be critical and do not hand in your notice too early.

PFM Dental Legal offer a free no-obligation consultation to discuss your proposed purchase. Fixed fees for the practice purchase are also available.

Please call Stephen Knowles on 01904 521270 or email at

Stephen@pfmlegal.co.uk

www.pfmdental.co.uk

With more than 15 years’ experience of helping dentists with their commercial legal needs, Stephen focuses on getting the job done quickly, correctly and with the minimum of fuss. When we ask our clients for feedback, they always praise the way he combines comprehensive knowledge of the sector with a friendly, approachable personality. Stephen is a director of PFM Dental Legal and leads the legal team.