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A Guide to Selling a Dental Practice



Whether you are retiring, relocating or just selling your practice, you should speak at a very early stage to your accountant and solicitor who will help you to structure the sale correctly. If the sale is your first sale, the process can be a little daunting but a good solicitor and accountant will guide you through the process smoothly.

The dental sector is regulated and therefore you will not only need to deal with the usual sale of business matters, but you will also need to deal with the matters specific to dental practices. For example, your buyer needs to be CQC registered and registration can take several weeks so this will need to be taken into consideration when negotiating with the buyer. Not all NHS dental contracts can be transferred and it is important to have a clear understanding at the very beginning of what you can sell and transfer and what you cannot as there is no point agreeing a sale price only to discover later on that the price included something which you cannot sell and transfer, hence the price may need to be reduced.

We are here to guide you through the process from the very beginning and below is a short summary of the steps to be taken when selling a dental practice. The steps below are not exhaustive but will give you some idea about the process of selling your dental practice.

Step 1 – Initial Advice



You should speak to an accountant and a solicitor prior to agreeing a sale of your practice. You need to know how much your practice is worth and you need to know what to agree with the potential buyer if for example you are behind with your UDAs, remedial notices have been served on you or your lease is due to expire shortly.

You will need to understand what you can sell and transfer to the buyer, generally speaking GDS (General Dental Services) contracts are transferable but PDS (Personal Dental Services) contracts are not, an experienced dental solicitor will be able to provide further guidance.

If you are incorporated, you will need to decide whether you wish to sell shares or assets of your limited company. A dental solicitor will explain to you the legal pros and cons of both from not only the general commercial point of view but also the regulatory point of view i.e. how to transfer an NHS contract held by a limited company but before you make a decision on how to proceed you should speak to your accountant as there are other pros and cons you need to consider from a tax point of view.

If you own the freehold property from which the practice operates you should consider whether you wish to sell the freehold to the buyer if you would prefer to retain the freehold and grant a lease to the buyer.

If any equipment you are using is subject to a leasing or hire purchase arrangement, the buyer will require that such arrangement is settled on or before completion otherwise the practice purchase price may need to take into consideration outstanding leasing and hire purchase arrangements.

You will need to think about your future plans - what are you proposing to do once you sell the practice? Do you still want to practice dentistry? Are you relocating? The sale and purchase agreement will restrict your activities post completion.

Step 2 – Collate Documents



A buyer will want to know what he or she is buying but you are not obliged to volunteer the information, it is up to the buyer to ask. Once you have agreed the sale, the buyer's solicitor will be instructed to carry out a due diligence exercise. This means that the buyer's solicitor will issue a questionnaire enquiring about various matters relating to your practice and you will need to provide the answers, so the sooner you start collating the documents, the better. Your solicitor will guide you through the process, advise on completion of the questionnaire and prepare formal replies. Often the buyer's enquiries relate to the following matters, although not all of the items below will be applicable in respect of each sale and the list below is not exhaustive:

Employees of the practice

- You will need to provide information relating to your employees such as contracts of employment, details of any pension schemes, insurance certificates, immunisation certificates, details of any on-going employment litigation

Self-employed at the practice

- The buyer will require copies of contracts with self-employed individuals such as hygienists and associates and copies of their immunisation and insurance certificates

Regulatory

- You will need to provide a copy of the CQC certificate and any inspection reports, the buyer will need to review your NHS contract together with any variations, remedial notices or other relevant correspondence and pay statements

Private plans

- The buyer may need to know details of any private work you do and details of the private plans may be required

Property

- If the practice operates from a leasehold property, a copy of the lease and any variations to the lease will be required by the buyer
- There are many other documents which legally you will be obliged to provide whether you operate from a leasehold property or not for example an asbestos management plan or report and an energy performance certificate

Fixtures and fitting, equipment

- The buyer will need to see copies of X-ray warranties, gas certificates, electrical certificates and any finance agreements- if such agreements are to remain in place following completion

Step 3 – Find a Buyer and Agree the Terms of the Sale



Step 4 – Due Diligence Process



- The buyer's solicitor will issue a due diligence questionnaire usually dealing with matters set out in Step 2
- You will need to provide replies

Step 5 – Documentation and Obtaining Consents



- A sale and purchase agreement will need to be drafted, negotiated and agreed. Various ancillary documents may also be necessary for example if you are incorporated and you are selling shares, a stock transfer form may be required
- If the property is leasehold you may need to obtain the landlord's consent to assign your lease to the buyer
- If you own the property and you wish to retain it following completion, a lease between you and the buyer will need to be negotiated

Step 6 – Between the Exchange and Completion



- The relevant notices need to be served in order to transfer the NHS contract to the buyer
- The CQC registration in the name of the buyer needs to be finalised

Step 7 – Completion

Whether you choose Band Hatton Button or another law firm to act on your behalf, you should make sure that your solicitor is not only an experienced commercial property solicitor but also has the required level of experience to deal with the commercial and corporate issues relating to the sale of businesses and on regulatory matters relating to sales of dental practices. Dentistry law is complex and certain procedures must be followed in order to achieve successful completion.

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