

What to remember when buying a dental practice

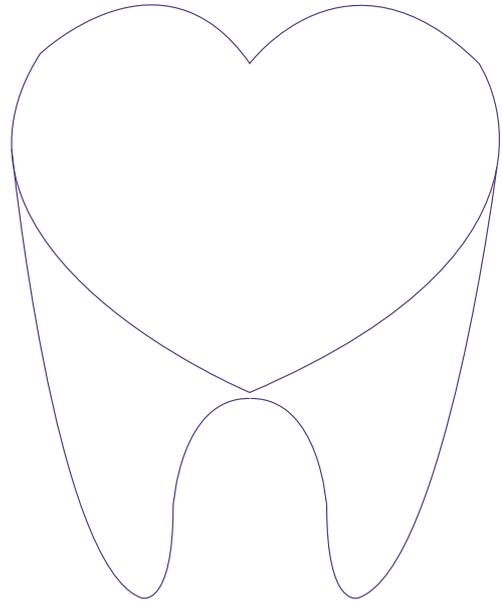
Due diligence is of paramount importance when buying any business, but when purchasing a dental practice, there are various additional factors that come into play. Examining each of the elements discussed below will help you determine the true value of a practice, comply with the statutory requirements of the UK's General Dental Council (GDC), and ascertain which warranties or indemnities will be needed in your sale and purchase agreement (SPA).

The practice

When investing in a dental practice, the first element to consider is the value of the practice itself. This means examining factors such as the practice's capitalisation of earnings, its number of patients, and its patient retention rate. To gauge the true worth of the practice, be sure to investigate whether there are any pending issues such as patient grievances or law suits, as these will incur additional costs for you after completion, unless you are given full indemnity in the SPA.

Goodwill also contributes to a business's value. Any pending liabilities may affect the practice's goodwill, as will the seller's future plans: for example, if the seller is setting up a new practice near to the one you are buying, this will detract from the practice's goodwill.

It is equally essential to verify that the practice is fully compliant with all regulations and legislation. If there are any instances of non-compliance following



completion of the transfer, you may be held responsible for these breaches.

Staff

The employees at a dental practice play a major role in regulatory compliance and maintaining goodwill. It is therefore imperative that you carefully review any performance reviews or records of patient feedback before completion, and that you know the full employment terms of any self-employed or associate employees. Similarly, you must verify that all employees are GDC registered, with up-to-date qualifications. It will also be helpful to performing their duties in line with statutory regulations.

The property

Along with the usual due diligence investigations into property, it is also critical to check that the necessary permits have been secured for the property to operate as a dental practice. Without permission from the local planning authority, you could be served an enforcement notice after the transfer, preventing the property from being used as a dental practice, which could stop trade until the situation is rectified.

As with any property purchase, a professional valuer should be engaged to check the condition, maintenance and market value of the property.

Equipment

The right equipment is essential in a dental practice.

Be sure to confirm what equipment is included in the sale, and check whether there are any leases on or against the equipment. You should then have an appraiser verify the value and condition of the equipment, and review all maintenance and repairs records. Importantly, ensure that the equipment meets all of the GDC's regulatory standards.

Contracts and insurance

Lastly, the overall value of the practice is also affected by its contracts with the NHS, suppliers, and service providers. Insurance is also key, so all policies must be examined to ensure that the practice is properly insured, with all policies in the right name, and all premiums fully paid. Care must be given when reviewing contracts to pick up any 'change of control' clauses which might allow a supplier or provider to terminate the contract on the change of ownership.

Expert guidance

Certain nuances and unique factors are inherent in the sale or purchase of any specialist business, particularly a dental practice where regulatory compliance is critical. That's why it's important to seek legal guidance from experts in your niche industry.

For more information, or for expert advice on business or personal legal issues, call us on 020 3475 6751 or via email at info@carterbond.co.uk

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“They managed to complete in 10 days what usually takes 2-3 months.”

Omer Mustafa, Director, PMD Ortho Ltd

HIGHLIGHTS

In the last few years alone we assisted clients buy and sell dental practices with aggregate value exceeding £70m
