

Hamilton Pratt Question & Answer

What is the most important aspect of a Franchise Agreement?



The agreement needs to be fair! This may seem an odd thing to say because franchise agreements are the most one sided agreements – always in favour of the franchisor and not the franchisee - but franchisors must accept obligations which are enforceable and not vague obligations to provide assistance, guidance, and advice. Further, franchisors should not be able to change important obligations, such as the payment of fees by putting them in the manual – which the franchisor can always change.

Along with these guiding principles, the franchise agreement should last for at least five years and franchisees should have the “automatic” right to renew on at least two occasions, franchisees should be able to sell their franchise to a purchaser approved by the franchisor without paying substantial fees, in an ideal world (for franchisees) an exclusive territory would be granted and any minimum performance obligations must be achievable.

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