

# Selling for free – marvellous or is it?

**Lis Hughes** discusses why paying commission on a sale can make you better off when the dust has settled

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'Wow, that is wonderful news', I exude on the phone to my dental sales agent. I've just accepted an offer for my dental practice and feel fabulous.

I engaged an agent to find me a buyer for my dental practice and the great news is I don't have to pay them a penny in

commission as they get the buyer to pay. Couldn't be better! I accepted an offer of £1,100,000 and saved more than £20,000 in commission – I still feel fabulous.

However, your deal has yet to complete, so consider this:

1. The agent had a preferred list of buyers who agree to pay a fee for access to your practice – this could've been no more than two to three potential buyers. Is this likely to get the best price or could more be achieved with a wider audience?
2. The bank valuation comes in below the agreed sale price and the agent doesn't push back hard as they are acutely aware the buyer is paying them a commission. A clear conflict of interest that could cost you on your final sale price.
3. If the buyer can pay your agent a fee, why not add this to the purchase price and you pay the agent? Removes all conflict of interest and the result is the same.

Ultimately, you cannot serve two masters and under the Law of Agency you have a duty of care to your client.

Being engaged by the vendor and taking a commission payment from the buyer creates a grey area that has left many a vendor not feeling that fabulous come the end of the transaction.

The scenario is based on a true story. This client ended up with a completed sale price of £1,425,000, which, even after the commission due, ended up some £300,000 better off. **D**

**IF YOU WOULD** like to know more, call Lis Hughes on 07968 191816.

## PRACTICE ONE – HOME COUNTIES

**Practice type** – this is a fully private practice occupying the first floor of an end of terrace property situated within the centre of a busy market town. It is being sold as leasehold, with 15 years remaining on a 20-year lease. The sale is to facilitate the retirement of the principal. There are great public transport links and a municipal car park nearby.

**Practice gross** – the gross income is in the region of £180,000, and has been generated by the principal working three days a week, supported by two part-time nurses/receptionists.

**Price achieved** – a price of £250,000 was achieved, which was in excess of the asking price.

**Agent's comments** – this practice has provided a steady income to the principal for many years as a single surgery practice. There is a second surgery, which has basic equipment, and there is a definite opportunity for the new principal to grow the practice, particularly as the area is under an enormous house building programme.

## PRACTICE TWO – GREATER LONDON

**Practice type** – this is a two-surgery predominantly NHS practice, which occupies a two-storey property, on a very busy town centre. There is a mix of local shops and residential properties. The practice is being sold as leasehold and to facilitate the retirement of the current principal.

**Practice gross** – the gross income at this practice was in the region of £250,000, of which 95% is NHS-GDS contract and 5% is private. The reconstituted profit shows a very healthy 46% and the income has been generated by the principal working five days a week, an associate working two days a week. The team is supported by three part-time nurses and two part-time receptionists.

**Price achieved** – a price of £650,000 was achieved, in excess of the asking price.

**Agent's comments** – this practice has been established for more than 50 years and, until now, there has been no attempt to introduce any significant private income. There is definite chair space available as the practice is only open four days a week. The new principal is looking to increase the turnover, and the ratio to 70% NHS and 30% private within the next two years.

## PRACTICE THREE – CAMBRIDGESHIRE

**Practice type** – this is a mainly private three-surgery practice, which has been established over 50 years. The practice is being sold as leasehold with a 20-year term. The principal is selling due to relocation and it is run as a limited company. It is being sold as a share sale. The practice is situated on a high street location, with residential properties close by.

**Practice gross** – the gross income is in the region of £550,000, and is a mix of 10% NHS-GDS contract and 90% private. The practice gross is generated by the principal working full time, two associates working a combined two days a week and a hygienist working three days a week. They are supported by a full-time and part-time receptionist, and three part-time nurses.

**Price achieved** – a price of £500,000 was achieved, in line with the asking price.

**Agent's comments** – the departing principal has not taken on any new patients for the past two years and has admitted his interest in developing the practice had stagnated for a number of years. This suits the incoming principal who has a number of marketing ideas he wants to introduce and develop in the practice.

## PRACTICE FOUR – SUSSEX

**Practice type** – this is a two-surgery, mixed practice occupying a well-maintained, three-storey detached building based in a vibrant market town. It is being sold as leasehold, with ample street parking nearby.

**Practice gross** – the gross income is in the region of £200,000, and is 40% NHS-GDS contract and 60% private. The principal works four days a week, and is supported by a full-time nurse and a full-time receptionist.

**Price achieved** – a price of £300,000 was achieved, which was just below the asking price.

**Agent's comments** – this practice is located in an incredibly beautiful part of the country and the incoming principal had been looking to move his young family into this area, which was the key driver for the purchase. This is a classic example of perfect buyer and perfect seller, when both parties found a successful outcome.

