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Solicitor's Approval Clauses

**By Stewart Germann of Stewart Germann Law Office
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Many agreements for sale and purchase of franchised businesses contain a solicitor's approval clause along the lines that *"This agreement is conditional upon the approval of our solicitor in all respects"*.

The intention of such a clause is not simply to allow one party to cancel the agreement after they have signed it if they no longer wish to proceed. After signature of the agreement the party having the benefit of such a clause may *"change its mind"* and not wish to proceed with the transaction. He may try to tell his solicitor who has not seen the agreement to write to the other party cancelling the agreement on the basis that the solicitor's approval condition has not been fulfilled. The other party may object to the cancellation if no reason is given and the attempted cancellation could well be invalid.

In 2008 in the case of *Reynish v Joyce* the High Court held that a solicitor is entitled to refuse approval of an agreement if there are genuine legal reasons or impediments to the bargain which the parties have made.

If you are not entirely sure that you want to enter into an agreement then don't sign it. If you want time to think about the transaction after signing the agreement you must have a specific clause drafted to cover this.

Therefore, if you want to purchase an existing franchise you should always ask your solicitor to approve any offer before you sign the agreement, and if you do not act prudently you could well cause yourself a major legal problem.