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### Premises Share

#### Question:

A year ago I joined partnership and have now been offered a former partner's 24 per cent share in our 10-year-old, purpose-built surgery. The former partner obtained a valuation of the whole building of £660,000. I am being asked to take over the equivalent mortgage share of £127,000 at 9.65 per cent on an interest-only basis until 2030.

I have also been asked to pay another £30,000 for the increase in value of the premises share over the last decade. Currently, reimbursement from the PCT relating to the premises share is £920 a month, while monthly interest payments are £960. Is this offer a fair one?

#### Answer:

I cannot comment on the specific offer without full details. In general, however, in a straight forward situation where notional rent based on the current market rent assessment by the district valuer is being received, there is no automatic reason you should take on the actual loan of the retiring partner.

If a cost rent is being reimbursed, on the other hand, there are strong reasons why it might be reasonable for you to do so – even if the interest rate is higher than the market rate, as you would then be able to receive the cost rent. This is based directly on the interest rate and so should cover the interest payable.

GP partners also consider getting an incoming doctor to take on board the actual loan if there are high early redemption penalties involved and they want to protect the retiring partner.

If you proceed, ensure a new partnership agreement is put in place so that when you retire you can pass on your premises share on the same terms.