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Checklist for franchisees reviewing a franchise agreement

It is essential that you carefully consider the franchise agreement before signing, as usually it is the only document that sets out your legal obligations and rights. Prior to signing you should be given a sample agreement by your franchisor to review. You should ensure that the franchisor reserves your option on the franchise for long enough for you to review the agreement properly.

You should then ask a specialist franchise solicitor to review the agreement on your behalf and report back to you, so that you understand the obligations that you face. Although the franchise agreement is usually non-negotiable in order to protect the brand and the network, it is important that you understand it prior to signing.

I have set out below a table outlining the points you should consider when reviewing the franchise agreement. This list is only intended to be a summary and to enable a brief overview.

Comprehensive	Does the agreement set out everything that you have been told? Are your obligations and payments clearly set out?
Fees	Consider both the initial fee and the ongoing fees. Are the ongoing fees fixed or do they vary as a percentage of revenue? Are there minimum fees or performance targets? What other fees/ costs may arise?
Supplier	Do you have to buy supplies from franchisor/ nominated supplier? If so, is there any certainty about prices that will be charged?
Territory	Is the territory exclusive? If so, is it clearly defined, e.g. by postcodes? What happens to website or telephone sales?
Training	What initial training will you receive? Are you entitled to further training if required?
Support	What level of support will you receive? What are the obligations on the franchisor to support your business and the brand?
Term	How long is the initial term? Can you renew the agreement? If so, how long for? Are there costs payable on renewal?
Restrictions	What restrictions are there on you on how to operate the business during the term? What restrictions are there on you after the term in relation to competing?
Exit	Does the agreement cover your death or allow you to sell the business? On what grounds can the franchisor terminate the agreement? What does the agreement say about what happens after termination or expiry?

It is vital before you sign the agreement to carry out due diligence, which means you should investigate the business. You should talk to existing franchisees to see how successful they are, how supportive the franchisor is and whether or not the franchise operates as described. Look at the franchisor's trading history. Company accounts are public documents, so you should consider getting hold of these to see if the franchisor company is profitable. Make sure that the business is suited to you and that you have similar previous experience.

Most importantly, do not rely on anything that you have been told by the franchisor that is not included in the agreement. Ask the franchisor as many questions as you want – a good, ethical franchisor has nothing to hide. Remember, if something seems too good to be true, then it probably is.