



Eatons

Court Adopts Broad Brush Valuation of Business on Divorce

On divorce, the valuation of a family business is often a highly emotional and contentious issue, so it was unsurprising when the divorce of a couple after 15 years of marriage led to an acrimonious dispute over the value of their successful restaurant business.

The ex-husband valued the total assets (including the business, which he had run for 33 years) at £4.2 million.

His ex-wife placed a valuation on the assets of £7.6 million, valuing the business at £5.3 million. She sought 50 per cent of the net assets plus school fees for the children. Her ex-husband offered 42 per cent of the net assets (£1.7 million), although this offer was later reduced.

Both produced expert witnesses to back up their respective valuations of the business, which was the main point of dissent. The experts differed, but the main point of contention was whether the valuation should be based on a multiple of six times 'maintainable earnings' or nine times.

The judge relied on evidence of transactions in similar circumstances and ruled that the multiplier should be 6.5. He commented that the valuations of experts were of 'doubtful utility' because they are a matter of opinion and experts' opinions differ. He therefore adopted a broad brush approach. Since there were insufficient resources for a 'clean break' arrangement to be financed, he ordered that the wife should receive £1.45 million plus periodical payments of £60,000 annually, child maintenance of £20,000 per annum and the cost of the school fees.

Says Liz Williams, Head of Family and Matrimonial Law, "Few aspects of the financial arrangements in a divorce can be as contentious as the value of a family business and it is by no means uncommon for quite unrealistic values to be put forward. In many cases, the best overall result is achieved by the use of a single joint expert and sensible negotiation."

Contact Liz Williams for advice on all Family and Matrimonial Law matters, on Tel: 01274 728 327.

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