



Members Share Their Expertise: Matthew Lea on Retention Funds Riverside Escrow Limited

It is common for business acquisitions to contain one or more of the following elements: i) deferred consideration; ii) retention funds (e.g. against warranty and indemnity claims); or iii) an earn out. Whilst the three elements differ in their nature, they all have one thing in common and that is they require funds to be released following completion of the acquisition, either on an agreed date or on the fulfillment of certain criteria (e.g. a warranty claim).

By requiring retention funds to be held in escrow following completion the buyer has comfort that the funds will be available if a deduction from the retention sum is necessary in connection with a post-completion claim against the seller. The buyer also has comfort in that it knows the funds will not be released until the necessary conditions have been fulfilled.

Conversely, a seller will have reassurance that the buyer has the necessary funds to complete a transaction if any deferred consideration or earn out sums are held in escrow.

Escrow can be used in a variety of other situations, including:

- 1) corporate financing and the raising of capital;
- 2) sales of high value property at a distance;
- 3) charity and fundraising events;
- 4) the holding of settlement funds relating to disputes;
- 5) loans where release of the loan money is conditional on a future event or is to be paid in installments; or
- 6) real estate and other property related transactions.

In our experience, clients often choose to place funds in escrow in the UK as they get peace of mind with the protection offered to them by the high level of financial regulation and consumer legislation in the UK.

We would be pleased to provide further information relating to escrow and we are always happy to discuss upcoming projects with you and your clients so please do not hesitate to contact us. Riverside Escrow provides secure, high quality and cost effective escrow services. Our service is used to provide security and certainty to transactions as we act as a third party in holding funds or property until it can be released on the terms agreed by the parties to a transaction.

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