

Factors the court will take into account when deciding how to distribute assets on a divorce or dissolution

Overview:

When deciding how to distribute a couple's assets and income the court has to apply a checklist of factors set by statute. The relevant statute is section 25 of the Matrimonial Causes Act 1973. These factors will need to be applied in every case, regardless of whether you are engaged in court proceedings or negotiating your own settlement. These are often called the Section 25 factors, which the court will take into account when deciding how to distribute assets upon divorce or dissolution.

The expression 'spouse' in this factsheet will also mean civil partner. The various options apply for couples that are undergoing divorce or dissolution proceedings and therefore where it refers to a marriage it will also apply to a civil partnership.

Section 25 (1)

Section 25 (1) requires the court to have regard to all the circumstances of the case, with the first consideration being given to the welfare of a minor child of the family who has not attained the age of 18. A child of the family is defined as a child of both parties to the marriage or civil partnership, and any other child (not being a child placed with those parties as foster parents by the local authority or voluntary organisation) who has been treated by both parties as a child of their family. This will therefore include step-children.

The circumstances of the case can include a past, present or future circumstance. A relevant circumstance could be one of the parties remarrying, forming a civil partnership, cohabitation or the existence of an agreement between the parties.

Section 25 2(a)

Section 25 (2) contains the following checklist of factors:

Section 25 2(a) - The income, earning capacity, property and other financial resources which each of the parties to the marriage has or is likely to have in the foreseeable future, including in the case of earning capacity any increase in that capacity which it would in the opinion of the court be reasonable to expect a party to the marriage to take steps to acquire.

This requires a spouse's current as well as their future income and earning capacity to be considered. For example if one spouse is near to retirement then the change in their income as a result, would need to be taken into consideration. Moreover if one spouse refuses to seek employment when they have the opportunity to work then this would need to be taken into consideration.

Examples of future financial resources can include provision under a will or entitlement to a personal injury compensation award.

Section 25 2(b)

The financial needs, obligations and responsibilities which each of the parties to the marriage has or is likely to have in the foreseeable future.

Financial needs will include the housing and income needs of the spouses and their children. In relation to obligations and responsibilities the court will take into consideration any legal obligations which it is impossible to withdraw from. This will therefore include mortgages, loan repayments and Child Maintenance Service payments.

The courts will usually make a distinction between "hard debts" (these being sums owed to banks etc) and "soft debts" (these being sums owed to relatives or friends).



Section 25 2(c)

The standard of living enjoyed by the family before the breakdown of the marriage.

Wherever possible the court will attempt to give the spouses the same standard of living enjoyed before the marriage breakdown and will also attempt to ensure that the standard of living for one party does not deteriorate to a greater extent to that of the other.

Section 25 2(d)

The age of each of the spouses to the marriage and the duration of the marriage.

The age of the spouses is relevant to their earning capacity and will also impact on their mortgage raising ability.

Generally where there has been a long marriage it is appropriate to achieve an equal division of the assets, whereas if there has been a short childless marriage it is usually appropriate to put the spouses back in the positions they were in prior to marriage and only the assets acquired during their marriage to be shared equally.

Although the court may only have regard to the period between the marriage and the breakdown when considering the length of the marriage, case law has suggested that where a couple move seamlessly from cohabitation to marriage it is unrealistic and artificial to treat the periods differently. Equally in this same case it was held that it was unrealistic to treat the period of estrangement “conducted under the umbrella of a divorce petition” as part of the duration of the marriage.

Section 25 2(e)

Any physical or mental disability of either of the parties to the marriage.

This will be relevant to a spouse’s income and earning capacity.

Section 25 2(f)

The contributions which each of the spouses has made or is likely in the foreseeable future to make to the welfare of the family, including any contribution by looking after the home or caring for the family.

Contributions can include property acquired prior to marriage or by way of inheritance as well as contributions by way of income and earnings. This section also makes it clear that there should not be a distinction between the roles of home maker and bread winner.

Section 25 2(g)

The conduct of each of the spouses, if that conduct is such that it would in the opinion of the court be inequitable to disregard it.

Financial misconduct by a spouse may be taken into account, but the hurdle that you have to jump to be successful is high. If you are asking the court to add back money spent by one spouse, to be successful with such an argument the expenditure must be “wanton and reckless”.

For non-financial conduct to be taken into account it must be grave.

“The fact that a divorce has been issued on adultery or unreasonable behaviour will not generally amount to conduct which will affect the financial division.”

The fact that a divorce has been issued on adultery or unreasonable behaviour will not generally amount to conduct which will affect the financial division. This is the same for a dissolution petition issued on the basis of unreasonable behaviour.

The spouses’ conduct in relation to the proceedings may also be taken into account. For instance, if one spouse has not complied with the court timetable or complied with their duty of disclosure, the court may take this into account when making their final order or make an order that the spouse who has displayed bad conduct to pay some or all of the legal costs of the other spouse.

Section 25 2(h)

In the case of proceedings for divorce or nullity of marriage the value to each of the spouses to the marriage of any benefit which, by reason of the dissolution or annulment of the marriage, that spouse will lose the chance of acquiring.

This factor is most frequently relied upon when the loss of pension benefits on retirement is an issue.

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