

House of Commons: Written Statement (HCWS1717)

Ministry of Justice

Written Statement made by: **The Lord Chancellor and Secretary of State for Justice (Mr David Gauke)** on 15 Jul 2019.

Justice update

Earlier today, I notified the market via the London Stock Exchange group that I would today lay a Statutory Instrument to change the discount rate applicable to personal injury lump sum compensation payments in England and Wales, to minus 0.25%. The new rate will come into force on 5 August 2019, in line with the statutory timetable set out by the Civil Liability Act 2018 (“the Act”).

Under the Damages Act 1996, I, as Lord Chancellor, have the power to set a discount rate which courts must consider when awarding compensation for future financial losses in the form of a lump sum in personal injury cases. The legal framework was changed by the Civil Liability Act 2018.

The new framework makes clear that claimants must be treated as ‘low risk’ investors. Under the Act I, as Lord Chancellor, must conduct a review and determine whether the rate should be changed or kept unchanged within 140 days of beginning the review and including the day on which the review starts. I started the review on 19 March 2019, and in conducting this review, I consulted the Government Actuary and HM Treasury.

The Government Actuary provided an analysis of dual rates – this would involve a lower short term rate and then a higher long term rate after a ‘switchover’ period. Although I consider their analysis interesting with some promising indications, I do not consider it appropriate, noting the lack of quantity and depth of evidence required, to adopt a dual rate for this review. The potential of the dual rate to be appropriate for future reviews is one that I will consider in more detail.

A full statement of reasons, explaining how I have decided upon this rate, will be placed in the Libraries of both Houses.