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STATUTORY INSTRUMENTS

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**2013 No. 609**

**LEGAL SERVICES, ENGLAND AND WALES**

**The Damages-Based Agreements Regulations 2013**

*Made* - - - - *13th March 2013*

*Coming into force* - - *1st April 2013*

The Lord Chancellor in exercise of the powers conferred by sections 58AA(4) and (5) and 120(3) of the Courts and Legal Services Act 1990(1), having consulted in accordance with section 58AA(6) of that Act, makes the following Regulations, a draft of which has been laid before and approved by resolution of each House of Parliament in accordance with section 120(4)(2) of that Act.

**Citation, commencement, interpretation and application**

1.—(1) These Regulations may be cited as the Damages-Based Agreements Regulations 2013 and come into force on 1st April 2013.

(2) In these Regulations—

“the Act” means the Courts and Legal Services Act 1990;

“claim for personal injuries” has the same meaning as in Rule 2.3 of the Civil Procedure Rules 1998(3);

“client” means the person who has instructed the representative to provide advocacy services, litigation services (within section 119 of the Act) or claims management services (within the meaning of section 4(2)(b) of the Compensation Act 2006(4)) and is liable to make a payment for those services;

“costs” means the total of the representative’s time reasonably spent, in respect of the claim or proceedings, multiplied by the reasonable hourly rate of remuneration of the representative;

“employment matter” means a matter that is, or could become, the subject of proceedings before an employment tribunal;

“expenses” means disbursements incurred by the representative, including the expense of obtaining an expert’s report and, in an employment matter only, counsel’s fees;

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(1) 1990 c.41. Section 58AA was inserted by section 154 of the Coroners and Justices Act 2009 (c.25) and was amended by section 45 of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (c.10).  
(2) Section 120(4) was amended by section 154(3) of the Coroners and Justice Act 2009 and sections 44(5) and 45(12) of the Legal Aid, Sentencing and Punishment of Offenders Act 2012.  
(3) S.I. 1998/3132, to which there have been amendments not relevant to these Regulations.  
(4) 2006 c.29.

“payment” means that part of the sum recovered in respect of the claim or damages awarded that the client agrees to pay the representative, and excludes expenses but includes, in respect of any claim or proceedings to which these regulations apply other than an employment matter, any disbursements incurred by the representative in respect of counsel’s fees;

“representative” means the person providing the advocacy services, litigation services or claims management services to which the damages-based agreement relates.

(3) Subject to paragraphs (4), (5) and (6), these Regulations shall apply to all damages-based agreements entered into on or after the date on which these Regulations come into force.

(4) Subject to paragraph (6), these Regulations shall not apply to any damages-based agreement to which section 57 of the Solicitors Act 1974<sup>(5)</sup> (non-contentious business agreements between solicitor and client) applies.

(5) In these Regulations—

- (a) regulation 4 does not apply; and
- (b) regulations 5, 6, 7 and 8 only apply,

to any damages-based agreement in respect of an employment matter.

(6) Where these Regulations relate to an employment matter, they apply to all damages-based agreements signed on or after the date on which these Regulations come into force.

### **Revocation of 2010 Regulations and transitional provision**

2.—(1) Subject to paragraph (2), the Damages-Based Agreements Regulations 2010<sup>(6)</sup> (“the 2010 Regulations”) are revoked.

(2) The 2010 Regulations shall continue to have effect in respect of any damages-based agreement to which those Regulations applied and which was signed before the date on which these Regulations come into force.

### **Requirements of an agreement in respect of all damages-based agreements**

3. The requirements prescribed for the purposes of section 58AA(4)(c) of the Act are that the terms and conditions of a damages-based agreement must specify—

- (a) the claim or proceedings or parts of them to which the agreement relates;
- (b) the circumstances in which the representative’s payment, expenses and costs, or part of them, are payable; and
- (c) the reason for setting the amount of the payment at the level agreed, which, in an employment matter, shall include having regard to, where appropriate, whether the claim or proceedings is one of several similar claims or proceedings.

### **Payment in respect of claims or proceedings other than an employment matter**

4.—(1) In respect of any claim or proceedings, other than an employment matter, to which these Regulations apply, a damages-based agreement must not require an amount to be paid by the client other than—

- (a) the payment, net of—
  - (i) any costs (including fixed costs under Part 45 of the Civil Procedure Rules 1998);and

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<sup>(5)</sup> 1974 c.47. Section 57 has been amended by section 98 of the 1990 Act and sections 117 and 221 of, and Schedule 16 to, the Legal Services Act 2007 (c.29).

<sup>(6)</sup> S.I. 2010/1206.

- (ii) where relevant, any sum in respect of disbursements incurred by the representative in respect of counsel's fees,  
that have been paid or are payable by another party to the proceedings by agreement or order; and
  - (b) any expenses incurred by the representative, net of any amount which has been paid or is payable by another party to the proceedings by agreement or order.
- (2) In a claim for personal injuries—
- (a) the only sums recovered by the client from which the payment shall be met are—
    - (i) general damages for pain, suffering and loss of amenity; and
    - (ii) damages for pecuniary loss other than future pecuniary loss,  
net of any sums recoverable by the Compensation Recovery Unit of the Department for Work and Pensions; and
  - (b) subject to paragraph (4), a damages-based agreement must not provide for a payment above an amount which, including VAT, is equal to 25% of the combined sums in paragraph (2)(a)(i) and (ii) which are ultimately recovered by the client.
- (3) Subject to paragraph (4), in any other claim or proceedings to which this regulation applies, a damages-based agreement must not provide for a payment above an amount which, including VAT, is equal to 50% of the sums ultimately recovered by the client.
- (4) The amounts prescribed in paragraphs (2)(b) and (3) shall only apply to claims or proceedings at first instance.

**Information required to be given before an agreement is made in an employment matter**

- 5.—(1) In an employment matter, the requirements prescribed for the purposes of section 58AA(4)(d) of the Act are to provide—
- (a) information to the client in writing about the matters in paragraph (2); and
  - (b) such further explanation, advice or other information about any of those matters as the client may request.
- (2) Those matters are—
- (a) the circumstances in which the client may seek a review of costs and expenses of the representative and the procedure for doing so;
  - (b) the dispute resolution service provided by the Advisory, Conciliation and Arbitration Service (ACAS) in regard to actual and potential claims;
  - (c) whether other methods of pursuing the claim or financing the proceedings, including—
    - (i) advice under the Community Legal Service,
    - (ii) legal expenses insurance,
    - (iii) pro bono representation, or
    - (iv) trade union representation,are available, and, if so, how they apply to the client and the claim or proceedings in question; and
  - (d) the point at which expenses become payable; and
  - (e) a reasonable estimate of the amount that is likely to be spent upon expenses, inclusive of VAT.

**Additional causes of action in an employment matter**

6. In an employment matter, any amendment to a damages-based agreement to cover additional causes of action must be in writing and signed by the client and the representative.

**Payment in an employment matter**

7. In an employment matter, a damages-based agreement must not provide for a payment above an amount which, including VAT, is equal to 35% of the sums ultimately recovered by the client in the claim or proceedings.

**Terms and conditions of termination in an employment matter**

8.—(1) In an employment matter, the additional requirements prescribed for the purposes of section 58AA(4)(c) of the Act are that the terms and conditions of a damages-based agreement must be in accordance with paragraphs (2), (3) and (4).

(2) If the agreement is terminated, the representatives may not charge the client more than the representative's costs and expenses for the work undertaken in respect of the client's claim or proceedings.

(3) The client may not terminate the agreement—

- (a) after settlement has been agreed; or
- (b) within seven days before the start of the tribunal hearing.

(4) The representative may not terminate the agreement and charge costs unless the client has behaved or is behaving unreasonably.

(5) Paragraphs (3) and (4) are without prejudice to any right of either party under general law of contract to terminate the agreement.

Signed by authority of the Lord Chancellor

13th March 2013

*Helen Grant*  
Parliamentary Under Secretary of State  
Ministry of Justice

## EXPLANATORY NOTE

*(This note is not part of the Order)*

These Regulations prescribe the requirements with which a damages-based agreement (“DBA”) must comply in order to be enforceable under section 58AA of the Courts and Legal Services Act 1990 (c.41) (“the Act”).

DBAs are a type of ‘no win, no fee’ agreement under which a representative (defined in these Regulations as a person providing the advocacy services, litigation services or claims management services to which the DBA relates) can recover an agreed percentage of a client’s damages if the case is won (“the payment”), but will receive nothing if the case is lost.

Prior to amendment by the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (c.10), section 58AA of the Act only provided for the regulation of DBAs used in employment matters. The effect of the amendment, subject to exceptions, is to permit and regulate the use of DBAs in all civil litigation.

These Regulations apply to all DBAs, including those which relate to employment matters, entered into or signed on or after the date on which they come into force. However, section 58AA(9) of the Act provides that, where section 57 of the Solicitors Act 1974 (c.47) applies to a DBA (other than one relating to an employment matter), it is not unenforceable only because it does not satisfy the conditions in section 58AA(4), under which these Regulations are made. Accordingly, article 1(4) excludes those DBAs to which section 57 of the Solicitors Act 1974 applies from the scope of these Regulations. Further, the effect of regulation 4 is limited to all DBAs other than those which relate to employment matters, whereas regulations 5, 6, 7 and 8 only apply to DBAs in respect of employment matters.

Regulation 2 revokes the Damages-Based Agreements Regulations 2010 (SI 2010/1206), which applied only to employment matters and which will continue to have effect in respect of any DBA relating to an employment matter signed before the date on which these Regulations come into force. However, these Regulations make similar separate provision in respect of employment matters.

Regulation 3 applies to all DBAs and specifies the requirements of a DBA.

Regulation 4, which applies to all DBAs other than those which relate to employment matters, provides that the payment from a client’s damages shall be the sum agreed to be paid (which, where relevant, will include any disbursements incurred by the representative in respect of counsel’s fees) net of any costs (including fixed costs), or sum in respect of counsel’s fees, payable to the representative by another party to the proceedings.

Regulation 4 also provides that:

- in a claim for personal injuries, the amount to be paid by a client, including VAT, must not be greater than 25% of the combined total of the damages recovered by the client in the proceedings for pain, suffering and loss of amenity and pecuniary loss (other than future pecuniary loss), net of any sums recoverable by the Compensation Recovery Unit. The 25% cap will only apply to claims or proceedings at first instance; and
- in any other claim or proceedings to which these Regulations apply, the amount of the payment, including VAT, must not be greater than 50% of the sums ultimately recovered by the client. The 50% cap will only apply to claims or proceedings at first instance.

Regulations 5, 6, 7 and 8 apply only to DBAs in respect of employment matters.

Regulation 5 specifies the information that a representative must provide before a DBA is made.

Regulation 6 specifies that additional causes of action can be added to the agreement by written and signed amendment.

Regulation 7 provides for the maximum amount that is payable to the representative from a client's damages under a DBA in respect of an employment matter, so that the amount of the payment, including VAT, must not be greater than 35% of the sums ultimately recovered by the client in the claim or proceedings.

Regulation 8 states that the terms and conditions of an agreement that provide for the termination of the DBA in an employment matter must comply with the following requirements: if the agreement is ended then the representative cannot charge more than his or her costs and expenses for the work done in respect of the client's claim or proceedings; the client may not end the agreement at particular stages; the representative may not end the agreement unless the client has been or is being unreasonable; nothing in regulation 8 prevents a party from exercising a right under the general law of contract to terminate the agreement, for example for misrepresentation or fundamental breach.