

Appendix B

Councils warn over 'no win no-fee' compensation claims

LGA press release 11 August 2014

Government is being urged to clamp down on opportunistic 'no-win no-fee' compensation claims which are draining taxpayers' money from schools and important local services, council leaders say.

The Local Government Association (LGA), which represents councils in England and Wales, is warning that claims for often trivial or minor incidents risk having a detrimental impact on road repairs and education budgets. Many of these claims arise from lawyers talking people into making a claim with the offer of free legal fees.

The cost of compensation claims related to the condition of roads last year amounted to £31.6 million, once staff time for processing them had been factored in. This amount of money is equivalent to the cost of filling more than 600,000 potholes. It comes at a time when councils are tackling budget cuts while trying to fix a £12 billion backlog in road repairs which has arisen as a result of decades of underfunding from successive governments.

Recent figures showed that compensation claims related to incidents in schools amounted to £2.7 million last year, with the total cost to local authorities reaching £6 million once claimants' expensive legal fees were added.

The £6 million paid out is equivalent to the government funding allocation for the teaching of 1,300 pupils.

While councils and schools will have insurance policies in place to cover payouts, the number and cost of these claims will be reflected in insurance premiums.

Cllr Peter Fleming, Chairman of the LGA's Improvement Board, said:

"It is absolutely right that compensation is made available to people with genuine cases. But councils have feared for a long time that some lawyers are clogging up the system with spurious claims from people just chancing their arm.

"The vast majority of lawyers do a commendable job. However, there is a small but significant minority of opportunistic lawyers leeching away money which would be much better spent improving our schools and fixing our roads. Some of the claims being made and fees being charged beggar belief.

"Popular local services like leisure facilities, children's centres and pothole repairs are likely to bear the brunt of funding cuts over the next two years. At a time when councils are contending with the biggest cuts to local service budgets in living memory, the extra burden of spurious compensation claims poses a real threat to councils' ability to protect the services people value most.

"Public safety is a priority for local authorities who take seriously their responsibility to avoid these types of claims occurring in the first place by ensuring people do not come to any harm.

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"All too often the only real winners are the lawyers whose huge legal fees can dwarf the compensation payouts received by their clients.

"Government has already gone some way towards reforming no-win no-fee claims, but we need a further and fuller overhaul of the system to stop opportunistic lawyers lining their pockets at the public's expense."

Notes for editors

1. The Legal Ombudsman's report on No-Win No-Fee, published earlier this year, concluded that: "The no-win, no-fee model has played its part in fostering a culture of ambulance chasing and fraudulent claims which has inadvertently driven up insurance premiums."

[Complaints in focus: 'no win, no fee' agreements](#)

2. The average cost of filling a pothole for local authorities in England last year was £52. Compensation payouts related to damaged roads, including the cost of staff time to process them, amounted to £31.6 million.

[Asphalt Industry Alliance](#)

3. The schools block per pupil unit of funding for England in 14-15 is £4,555. £6 million would pay for the revenue cost (teaching and non-teaching) of 1,300 pupils.

See link to Excel document below:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/331673/DSG_allocations_spreadsheet_2014_to_2015_final.XLS

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