Ministry of Justice

Lord Bellamy KC
Parliamentary Under-Secretary of State for Justice

Steve Brine MP
Chair, Health and Social Care Committee
House of Commons
London
SW1A 0AA

MoJ Ref: TN102397

17 January 2023

Dear Steve,

PERSONAL INJURY DISCOUNT RATE: PUBLICATION OF A CALL FOR EVIDENCE ON EXPLORING THE OPTION OF A DUAL/MULTIPLE RATE

I am writing to inform you that I have today made a Written Ministerial Statement on the publication of a Call for Evidence on exploring the option of introducing a dual or multiple Personal Injury Discount Rate (PIDR).

The PIDR is important in supporting the principle that claimants who suffer serious, life-changing personal injuries receive full damages, including for their future financial needs. Compensation is designed to ensure that claimants are, as far as is possible, put back in the same position they would have been before their accident.

The PIDR is the percentage figure used to help calculate how much a compensator (usually an insurer or body such as the NHS) pays to a claimant in the form of a lump sum, and it is assumed that claimants will invest the lump sum and accrue a return on that investment. The PIDR represents what the real rate of return on this investment is expected to be.

Since 2001 the PIDR has always been set as a single rate. However, the legislation governing the PIDR (the Damages Act 1996) does not limit the Lord Chancellor and there is flexibility to allow for dual or multiple rates. During the last PIDR review in 2019, the Government Actuary provided analysis and developed a working model for consideration regarding adopting a dual PIDR.

However, the then Lord Chancellor felt that there was a lack in the quantity and depth of evidence available at that time to conclude that a dual rate was more appropriate than a single rate. He did though commit to Parliament to seek additional evidence on this issue to inform the expert panel who will advise the Lord Chancellor on the next PIDR review. On this note you may be interested to know that the recruitment process for this expert panel is now underway, as the next review of the PIDR must be commenced by 15 July 2024.

The attached Call for Evidence is being issued in response to that commitment to seek additional evidence and it will run for 12 weeks closing on 11 April 2023. We will produce a response document summarising the key submissions and evidence provided by stakeholders following the completion of the exercise, and I will write to you again when this is published.

I should also say that it is not the purpose of this Call for Evidence to decide whether there should be a change from a single to a dual or multiple PIDR. Instead, the intention is to seek evidence and expert opinion on the pros, cons, effects and impacts of a change to a dual or multiple PIDR approach.

With this in mind, I can also confirm that all submissions, analysis and evidence provided by respondents will also be provided to the expert panel for their consideration as to whether switching to a dual/multiple option is a viable option to be put to the Lord Chancellor as part of the next review.

Kind Regards,

Christopher Bellamy

LORD BELLAMY KC