

WRITTEN MINISTERIAL STATEMENT

Department for Constitutional Affairs

Compensation Bill

Parliamentary Under Secretary of State for Constitutional Affairs (Baroness Ashton of Upholland):

“The Compensation Bill has been published today.

The Bill will provide better safeguards for consumers of claims management services and will reassure those concerned about possible litigation that the law of negligence takes the social value of activities into account and that they will not be found liable if they adopt reasonable standards and procedures.

The Bill sets out the proposed legislative framework for the regulation of claims management services to provide effective protection for consumers and to tackle the bad practices that have been a common feature of the claims management sector. Regulation will be applied to initially to areas where consumers are most at risk - personal injury, criminal injuries compensation, employment, housing disrepair and claims for redress in relation to the mis-selling of financial products such as endowment policies.

The Bill will provide for regulation that is effective, proportionate to the risk involved, and creates the minimum burden necessary. The Bill will deliver a level playing field of consumer protection so that whomever a consumer seeks advice and assistance from they can expect a quality service and proper mechanism for redress if a problem arises.

The Bill will make it an offence for claims management services to be provided by persons who are not authorised under the new regulatory regime or who are not already fully regulated by another regulator such as the Law Society or the Financial Services Authority.

The Bill will provide for the Secretary of State to appoint or establish a body to regulate the claims management sector. Regulatory responsibility will only be given to a body that is competent, has appropriate governance and other management arrangements in place and will provide benefits to consumers. If no suitable body can be appointed or established, the Secretary of State will regulate directly.

The Bill's provision on negligence reflects recent judgments of the higher courts. It makes clear that when considering a claim in negligence, in deciding what is required to meet the standard of care in particular circumstances, a court is able to consider the wider social value of the activity in the context of which the injury or damage occurred. It provides that the court can have regard to whether requiring particular steps to be taken to meet the standard of care might prevent a desirable activity from being undertaken or might discourage people involved in providing the activity from doing so.

The Bill forms part of a wider programme of work which is being taken forward across Government, and in partnership with stakeholders, to tackle perceptions that can lead to a disproportionate fear of litigation and risk averse behaviour; to find ways to discourage and resist bad claims; and to improve the system for those with a valid claim for compensation.”