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Personal Injury Discount Rate Adjusted to -0.25%

The government announced that the new discount rate will increase from -0.75% to -0.25%.

On Monday the Ministry of Justice revealed changes to the Ogden Discount Rate.

When victims of injuries accept lump sum compensation payments, the figure they are awarded is adjusted through a calculation called the Discount Rate. The government reveals that “this is to reflect the interest they can expect to earn by investing such payments, as well as the effects of tax, expenses and inflation on these returns.”

The Civil Liability Act 2018 required the Lord Chancellor to conduct a review of the rate and decide whether or not it should be altered.

The move, which has been largely welcomed by the legal sector, was informed by a public 'Call for Evidence' which took into account a wide range of views from different parts of the industry.

Despite widespread criticism from the insurance industry, insurers are likely to gain up to £320m a year as a result of the changes to the discount rate. In fact, the government made it clear that insurers were the net beneficiaries of these changes.

Lord Chancellor and Justice Secretary David Gauke said: “It is vital victims of life-changing injuries receive the correct compensation - I am certain this is the most balanced and fair approach following an extensive consultation.”