

ASSESSMENT OF COSTS IN THE BRAVE NEW WORLD

EIGHTH LECTURE BY LORD JUSTICE JACKSON IN THE IMPLEMENTATION PROGRAMME

KPMG FORENSIC'S LEEDS LAW LECTURE 2012

1. INTRODUCTION

- 1.1 The text of this lecture is being distributed at the start of tonight's meeting. The paragraphs of the lecture are numbered for ease of reference during the "Open Forum" later this evening.
- 1.2 <u>Civil Litigation Costs Review Final Report.</u> The Civil Litigation Costs Review Final Report¹ ("FR") was published in January 2010. The FR recommendations have been endorsed by the Judicial Executive Board and broadly accepted by the Government.
- 1.3 <u>Implementation programme.</u> Some FR recommendations require primary legislation. The necessary Bill is now before Parliament. If approved by Parliament, it may come into force in this year or perhaps somewhat later. Other recommendations in the FR require rule changes, rather than primary legislation. It is intended that these rule changes will come into force on the same date as the Act. The rule amendments are currently being drafted, then presented to the Rule Committee for approval and then held in escrow until the "big bang" date. A Judicial Steering Group ("JSG") chaired by the Master of the Rolls is overseeing implementation on behalf of the judiciary.
- 1.4 My role. As a member of the JSG I have been asked to take a proactive role in promoting and assisting with the implementation of the FR. This role includes (a) assisting with the drafting of rule amendments and (b) helping to explain the forthcoming reforms to court users. I am therefore grateful to KPMG for inviting me to deliver their Annual Law Lecture. I shall take this opportunity to explain the reforms which lie ahead in relation to assessment of costs.
- 1.5 <u>Relevant chapters of Costs Review Final Report.</u> The process of assessing recoverable costs is dealt with in FR chapters 44 and 45. Chapter 44 deals with summary assessment and chapter 45 deals with detailed assessment.

¹ See http://www.judiciary.gov.uk/Resources/JCO/Documents/Reports/jackson-final-report-140110.pdf

2. SUMMARY ASSESSMENT OF COSTS

- 2.1 Form N260. Form N260 is the document upon which each side sets out a summary of its costs in advance of any hearing where costs are likely to be summarily assessed. This form came in for considerable criticism during the Costs Review. The information which it provides about work done on documents (usually a major item) is too sparse. Some of the other pieces of information provided are unnecessary or unhelpful. I therefore recommended that a revised form should be prepared in order to address these shortcomings.
- 2.2 <u>Preparation of revised form N260.</u> I have prepared a revised draft of form N260 in consultation with the Senior Costs Judge, the Association of District Judges and others. This is attached as Appendix 1. It is intended that this form will be introduced as from the general implementation date.
- 2.3 <u>Guideline hourly rates</u>. The guideline hourly rates to be used in summary assessments of costs are set by the Master of the Rolls, acting on the advice of the Advisory Committee on Civil Costs. Concerns have been expressed as to whether this mechanism is satisfactory. I have recommended that in future guideline hourly rates should be set by a Costs Council, chaired by a judge of suitable experience. As to membership of the Costs Council, my recommendations are as follows:

"If a Costs Council is set up, it should be chaired by a judge or other senior person, who has long experience of the operation of the costs rules and costs assessment. It is appropriate for the Costs Council to include representatives of stakeholder groups. However, its membership should not be dominated by vested interests. It is important that all members be of high calibre and appropriate experience, so that the recommendations of the Costs Council will be authoritative. The Costs Council, like the Civil Procedure Rule Committee, should include a consumer representative. It should also, in my view, include an economist and a representative of the MoJ. It is unrealistic to expect the Costs Council to act on the basis of consensus, because of the conflicting interests which will be represented within it. The chairman will sometimes act as mediator and sometimes as arbitrator between opposing views, so as to ensure that fair and consistent recommendations are made on costs levels."

2.4 If such a Costs Council is set up, it could operate as a subdivision of the Civil Justice Council and be serviced by the secretariat of the Civil Justice Council. Thus the overall result would be one less QUANGO and an improved arrangement for setting guideline hourly rates. It is not yet known if this recommendation will be implemented.

3. DETAILED ASSESSMENT

- 3.1 <u>Recommendations to improve the procedure for detailed assessment.</u> Chapter 45 of the FR makes the following recommendations for improving the procedure for detailed assessment and incentivising parties towards reasonable litigation conduct:
- "5.10 <u>Interim payments.</u> The Costs PD should provide that whenever the court makes an order for costs to be assessed, the court shall also order an interim payment on account of costs, unless there is good reason not to do so. It would be going too

-

² FR chapter 6, para 2.4

far for the rules to make an order for interim payment automatic. For example, there may be doubt about the right to any further costs or there may be a real prospect of a set off at a later stage.

- 5.11 <u>Points of dispute and points of reply.</u> Both points of dispute and points of reply need to be shorter and more focused. The practice of quoting passages from well known judgments should be abandoned. The practice of repeatedly using familiar formulae, in Homeric style, should also be abandoned. The pleaders on both sides should set out their contentions relevant to the instant cases clearly and concisely. There should be no need to plead to every individual item in a bill of costs, nor to reply to every paragraph in the points of dispute.
- 5.12 In order to achieve the required approach to points of dispute and points of reply I propose that sections 35 and 39 of the Costs PD be amended as set out in appendix 10 to this report.
- 5.13 <u>Compulsory offers.</u> PP should be required to make an offer when it serves its points of dispute. The offer may be contained in the points of dispute or in a separate document. The sum offered may be more or less than the amount of the interim payment ordered by the court.
- 5.14 Offers. The Part 36 procedure should apply to detailed assessment proceedings. The "14 day" provision in Costs PD paragraph 46.1 should be repealed. 5.15 Costs of detailed assessment proceedings. The default position should remain as set out in CPR rule 47.18. However, if PP makes an offer which RP fails beat, then the normal consequence should be that RP pays PP's costs after the date when the offer expired. Likewise RP should be rewarded for making a sufficient offer, which PP rejects. The reward should be enhanced interest and indemnity costs in respect of the assessment proceedings.
- 5.16 <u>Time for appeal.</u> Time for appeal should start to run from the conclusion of the final hearing, unless the court orders otherwise. There will be some occasions when it would be appropriate for the court to order otherwise. For example, it may be sensible for an appeal against a decision on preliminary issues to proceed before the full detailed assessment takes place."
- 3.2 <u>Implementation</u>. The Rule Committee has accepted these recommendations. It has approved appropriate amendments to the Civil Procedure Rules ("CPR") and the Costs Practice Direction. These are set out in Appendix 2. These amendments will come into force on the general implementation date.
- 3.3 Longer term proposals. FR chapter 45 also makes recommendations for (a) the creation of a new form bill of costs and (b) the development of software which will automatically generate schedules of costs or bills of costs at different levels of generality, according to the client's or the court's requirements.³ The Association of Costs Lawyers ("ACL") has set up a Jackson Working Group to take these proposals forward. The working group produced an excellent interim report in October 2011. The working group is currently developing an interim format for bills of costs, which will need to be piloted. This aspect of the reforms, therefore, is very much work in progress.

4. PROVISIONAL ASSESSMENT

4.1 <u>The procedure.</u> Provisional assessment is a procedure whereby the court provisionally assesses costs on paper. If either party is dissatisfied, it can seek an oral hearing. However, that party will pay the costs of that exercise if it does not achieve a substantial improvement upon the provisional assessment. This procedure has been used successfully in Hong Kong since 2nd April 2009.

-

³ See chapter 45 paras 5.3 to 5.8

- 4.2 <u>Recommendations in Costs Review Final Report.</u> Chapter 45 of the FR contained a recommendation that provisional assessment in respect of bills up to £25,000 should be piloted at one of the larger court centres outside London. If the pilot proved successful, the intention was to introduce this procedure nationally.
- 4.3 The pilot. The Provisional Assessment Pilot began on 1st October 2010 and completed its first year on 30th September 2011. The pilot is continuing for a second year, but monitoring has been less intense since 1st October 2011 because of other pressures on court staff. The pilot is running at Leeds, Scarborough and York County Courts. The vast majority of cases under the pilot have proceeded at Leeds. May I take this opportunity to thank all practitioners, court staff and judges who are participating in the pilot. Your co-operation is much appreciated.
- 4.4 <u>Procedures adopted in the pilot.</u> The procedures for PA adopted in the pilot are set out in Practice Direction 51E. In essence any bill of costs, in which the base costs claimed are £25,000 or less, is assessed on paper by the district judge, who then produces a "provisional assessment" of the amount of costs due to the receiving party. If either party is dissatisfied, it can request an oral hearing. If that party achieves a result at the oral hearing which is better by 20% (or more) than the provisional assessment, it may recover (subject to any offers that have been made) the costs of the oral hearing. If it fails to achieve that degree of success, it pays the costs of the oral hearing. The two regional costs judges conducting the pilot are DJ Bedford and DJ Hill.
- 4.5 Results from the first year of the pilot. The great majority of all provisional assessments were carried out at Leeds. Therefore data collection and analysis has centred on that court. 119 cases entered the pilot at Leeds. Of those case 19 settled at an early stage and 100 proceeded to provisional assessment. Out of those 100 cases there were 17 requests for an oral hearing, but only two cases actually proceeded to an oral hearing. In neither of those two cases did the party who sought a hearing achieve an improvement in its position of 20% or more. Thus the requesting parties had to pay the costs of the two oral hearings. One of those cases subsequently went on appeal. The circuit judge allowed the appeal on one ground relating to hourly rates. A full report on the first year of the pilot is being published separately.
- 4.6 <u>Benefits of provisional assessment.</u> The principal benefits of provisional assessment appear to be the following:
- (i) The process is quick and simple. It thus enables many parties, who would normally be put off by the expensive and convoluted process of detailed assessment, to obtain a judicial assessment of bills. Thus the process addresses one major complaint about costs which was repeatedly pressed upon me during the costs review.
- (ii) The figures which are assessed or agreed following provisional assessment are likely to be fairer than settlements negotiated in circumstances where neither party can face going through the process of normal detailed assessment.
- (iii) The process is far cheaper for the parties than traditional detailed assessment, because (save in rare cases) they avoid the costs of preparing for and attending a hearing. Indeed, unlike traditional detailed assessment, it is cost effective. DJs Hill and Bedford estimate that the savings for the parties are at least £4,000 per case. This is because the case usually ends after the PA and thus the parties avoid a half day or one day hearing.

- 4.7 <u>Benefits of the pilot.</u> There have been two main benefits of the pilot. First, it has enabled an objective assessment of the process to be made. Secondly, it has been possible to try out some detailed rules and to identify shortcomings or areas where the rules can be improved. These matters will be addressed in the drafts which I shall present to the Rule Committee.
- 4.8 Next steps. The Senior Costs Judge, DJ Bedford, DJ Hill and I have now prepared draft rule and practice direction amendments with a view to introducing provisional assessment on a national basis as from the general implementation date. I shall present these to the Rule Committee for consideration at its meeting on 3rd February. I hope that the Rule Committee will accept this proposal either then or at some time in the future.

5. CONCLUSION

- 5.1 The context of these reforms. The Costs Review was set up because of concern about the mounting costs of civil litigation. My terms of reference required me to review the whole landscape of civil litigation and to make proposals to promote access to justice at proportionate cost. Self-evidently, the task of controlling litigation costs involves more than just tinkering with the costs rules, important though that exercise is. Therefore the changes to the procedures for assessing costs, as outlined in this lecture, must be seen in the context of the bigger picture.
- 5.2 <u>The bigger picture</u>. The FR sets out a package of interlocking reforms, which collectively are designed to control costs and promote access to justice. These two objectives go hand in hand, although not all lawyers see it that way. Those who wish to look at the wider picture are referred to FR chapters 1 to 43 and to the other lectures in this series.⁴ Thank you for your attention tonight.

Rupert Jackson 25th January 2012

⁴ All of which are published on the Judiciary website http://www.judiciary.gov.uk/

Statement of Costs In the (summary assessment) Court Judge/Master Case Reference Case Title [Party]'s Statement of Costs for the hearing on (date) (application/trial/appeal) Description of fee earners* (A) (name) (grade) (hourly rate claimed) (B) (name) (grade) (hourly rate claimed) (C) (name) (grade) (hourly rate claimed) (D) (name) (grade) (hourly rate claimed) Attendances on (party): Personal attendances hours at £ £ (A) (number) (B) (number) hours at £ £ £ (C) (number) hours at £ (D) (number) hours at £ £ Letters out/emails (A) (number) hours at £ £ £ hours at £ (B) (number) (C) (number) hours at £ £ hours at £ £ (D) (number) Telephone hours at £ £ (A) (number) (B) (number) hours at £ £ hours at £ £ (C) (number) (D) (number) hours at £ £ Attendances on opponents (including negotiations): Personal attendances hours at £ (A) (number) £ £ hours at £ (B) (number) (C) (number) hours at £ £ (D) (number) hours at £ £ Letters out/emails (A) (number) hours at £ £ hours at £ £ (B) (number) £ (C) (number) hours at £

(D) (number)

£

hours at £

Attendance on others:

Personal attendances				
(A) (number)		hours at £	£	
(B) (number)		hours at £	£	
(C) (number)		hours at £	£	
(D) (number)		hours at £	£	
Letters out/emails				
(A) (number)		hours at £	£	
(B) (number)		hours at £	£	
(C) (number)		hours at £	£	
(D) (number)		hours at £	£	
Telephone				
(A) (number)		hours at £	£	
(B) (number)		hours at £	£	
(C) (number)		hours at £	£	
(D) (number)		hours at £	£	
,				
Site inspections etc:				
(A) (number)		hours at £	£	
(B) (number)		hours at £	£	
(C) (number)		hours at £	£	
(D) (number)		hours at £	£	
Work done on documen	ıts. as set oı	nt in schedule:	£	
	,			
Attendance at hearing: (A) (number)		hours at £	£	
(B) (number)		hours at £	£	
(C) (number)		hours at £	£	
(D) (number)		hours at £	£	
(E) Fixed costs			£	
(A) (number)		hours travel and waiting time £	£	
(B) (number)		hours travel and waiting time £	£	
(C) (number)		hours travel and waiting time £	£	
(D) (number)		hours travel and waiting time £	£	
l				
			Sub Total £	

^{* 4} grades of fee earner are suggested:

(A) Solicitors with over eight years post qualification experience including at least eight years litigation experience.

(B) Solicitors and legal executives with over four years post qualification experience including at least four years litigation experience.

(C) Other solicitors and legal executives and fee earners of equivalent experience.

⁽D) Trainee solicitors, para legals and other fee earners.

[&]quot;Legal Executive" means a Fellow of the Institute of Legal Executives. Those who are not Fellows of the Institute are not entitled to call themselves legal executives and in principle are therefore not entitled to the same hourly rate as a legal executive.

				Brought for	rward £	
Counsel's fees (name)	(year of call)					
Fee for [advice/conference/documents]					£	
Fee for hearing	3				۱ ۲	
Other expenses						
Court fees					\mathfrak{L}	
Others						
(give brief					£	
Description)					'	
Total					£	
Amount of VA	T claimed				ı	
	On solicitors and o	counsel's fee	es		£	
	On other expenses	3			£	
				Grand Total	£	
The costs stated above do	not exceed the costs w	hich the	(party)			
(party) is liable to pay in respect of the work which this statement covers. Counsel's fees and other expenses have been incurred in the amounts stated above and will be paid to			\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \			
the persons stated.						
Dated			Signed			
	Nai	me of Partne	r sionino			

Schedule of Work Done on Documents

Item	Description of work (one line only)	(A) hours	(B) hours	(C) hours	(D) hours	Total £
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
Total						£
1 Otal						2

APPENDIX 2

AMENDMENTS TO CPR PARTS 44 AND 47

CPR PART 44

Amend rule 44.3 (8) to read:

"Where, following a hearing, the court orders a party to pay costs subject to detailed assessment, it shall order that party to pay a reasonable sum on account of costs, unless there is good reason not to do so."

CPR PART 47

Add at the end of rule 47.14:

"(8) If an assessment is carried out at more than one hearing, then for the purposes of rule 52.4 time for appealing shall not start to run until the conclusion of the final hearing, unless the court orders otherwise."

Delete rules 47.18 and 47.19 and substitute:

- "47.18 (1) The general rules about costs contained in Parts 36, 43 and 44 apply to the costs of detailed assessment proceedings, as if "claimant" means receiving party and "defendant" means paying party.
- (2) The court will summarily assess the costs of detailed assessment proceedings at the conclusion of those proceedings, unless otherwise ordered.
- 47.19 Unless the court otherwise orders, interest on the costs of detailed assessment proceedings shall run from the date of the default, interim or final costs certificate, as the case may be."

AMENDMENTS TO THE COSTS PRACTICE DIRECTION ("CPD")

Amend paragraph 4.1 of the CPD to read as follows:

"SECTION 4 FORM AND CONTENTS OF BILLS OF COSTS

4.1

A bill of costs may consist of such of the following sections as may be appropriate:

- (1) title page;
- (2) background information;
- (3) items of costs claimed under the headings specified in paragraph 4.6;
- (4) summary showing the total costs claimed on each page of the bill;
- (5) schedules of time spent on non-routine attendances; and
- (6) the certificates referred to in paragraph 4.15.

If the only dispute between the parties concerns disbursements, the bill of costs shall be limited to items (1) and (2) above, a list of the disbursements in issue and brief written submissions in respect of those disbursements."

Paragraph 8.6 of the CPD is deleted. To avoid confusion, the subsequent paragraphs

should retain their present numbering.

Delete paragraphs 35.2 and 35.3 of the CPD and substitute:

- "35.2 Points of dispute must be short and to the point. They must follow Precedent G in the Schedule of Costs Precedents annexed to this Practice Direction, so far as practicable. They must:
- (1) identify any general points or matters of principle which require decision before the individual items in the bill are addressed, and
- (2) identify specific points, stating concisely the nature and grounds of dispute. Once a point has been made it should not be repeated but the item numbers where the point arises should be inserted in the left hand box as shown in Precedent G.
- 35.3 The paying party must state in an open letter accompanying the points of dispute what sum, if any, it offers to pay in settlement of the total costs claimed. The paying party may also make an offer under Part 36."

The existing paragraphs 35.6 and 35.7 of the CPD are deleted.

Delete section 39 of the CPD and substitute:

- "39.1 A reply served by the receiving party under rule 47.13 must be limited to points of principle and concessions only. It must not contain general denials, specific denials or standard form responses.
- 39.2 Whenever practicable, the reply must be set out in the form of Precedent G."

Insert after paragraph 40.5 of the CPD:

"40.5A Unless the court otherwise orders, if the only dispute between the parties concerns disbursements, the hearing shall take place in the absence of the parties on the basis of the documents filed and the court will issue its decision in writing."

Sections 45 and 46 of the CPD are deleted. The subsequent sections should retain their current numbering.

Precedent G, which is one of the precedents annexed to the CPD, should read as follows:

"SCHEDULE OF COSTS PRECEDENTS PRECEDENT G

IN THE HIGH COURT OF JUSTICE 2000 B 9999

QUEEN'S BENCH DIVISION

OXBRIDGE DISTRICT REGISTRY

BETWEEN

Claimant WX

and

Defendant YZ

POINTS OF DISPUTE SERVED BY THE DEFENDANT

Point 1 General point	Rates claimed for the assistant solicitor and other fee earners are excessive. Reduce to £158 and £116 respectively plus VAT.			
The second of th	Receiving Party's Reply			
	weterving I arty's kepty			
	Costs Officer's Decision			
7.1.0				
Point 2 Point of principle	The claimant was at the time a child/protected person/insolvent and did not have the capacity to authorise the solicitors to bring these proceedings.			
	Receiving Party's Reply			
	Costs Officer's Decision			
Point 3 (6), (12), (17), (23), (29), (32)	(i) The number of conferences with counsel is excessive and should be reduced to 3 in total (9 hours).			
(20), (20),	(ii) There is no need for two fee earners to attend each conference. Limit to one assistant solicitor in each case.			
	Receiving Party's Reply			
	Costs Officer's Decision			
Point 4 (42)	The claim for timed attendances on claimant (schedule 1) is excessive. Reduce to 4 hours.			
	Receiving Party's Reply			
	Costs Officer's Decision			
Point 5 (47)	The total claim for work done on documents by the assistant solicitor is excessive. A reasonable allowance in respect of documents concerning court and counsel is 8 hours, for documents concerning witnesses and the expert witness 6.5 hours, for work done on arithmetic 2.25 hours and for other documents 5.5 hours. Reduce to 22.25 hours.			
	Receiving Party's Reply			

	Costs Officer's Decision			
Point 6 (50)	The time claimed for preparing and checking the bill is excessive. Reduce solicitor's time to 0.5 hours and reduce the costs draftsman's time to three hours.			
	Receiving Party's Reply			
	Costs Officer's Decision			

Served on	[date] by	•••••	[name]	[solicitors for]] the
Defendant."	_				

Please note that speeches published on this website reflect the individual judicial office-holder's personal views, unless otherwise stated. If you have any queries please contact the Judicial Office Communications Team.