

## Special account rate reduced to 0.1%

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On 1/6/20 the Ministry of Justice reduced the special account rate to 0.1% (from 0.5%, which it has been since 1/7/09). The full text of the announcement is as follows:-

Reduction of interest rates for Court Funds Office special and basic accounts from today (1 June 2020).

Due to the impact of Covid-19, the Bank England reduced the base rate to 0.1% on 19 March 2020 as an emergency measure and made a decision on 07 May 2020 to maintain that rate until further notice. In response to this, the Lord Chancellor has reviewed the Court Funds Office (CFO) rates of interest payable to clients and has directed that from Monday 1 June 2020 these will change to the following:

- Special Account – reduces from 0.5% to 0.1%
- Basic Account – reduces from 0.1% to 0.05%

The Lord Chancellor has made this decision to ensure that the running costs of the CFO service can continue to be met and that a rate of interest payable to clients can still be provided throughout this period. Should the Bank of England base rate rise in the future, the Lord Chancellor will review the level of interest paid to clients further.

If you wish to discuss further, please contact the CFO on 0300 0200 199 or email [enquiries@cfo.gov.uk](mailto:enquiries@cfo.gov.uk)

You can see the original announcement at

<https://www.gov.uk/government/news/interest-rate-reductions-on-the-court-funds-office-special-and-basic-accounts>

Note some practical effects:

- More than ever defendants ought to want interim payments to be taken as on account of general damages first (because interest on general damages remains at 2%, albeit generally only from issue).
- More than ever the difference between ordinary interest and the interest awarded to a claimant who betters his/her own part 36 offer at trial will matter.

- In modest cases it is hardly worth bothering with interest after 1/6/20. At 0.1%/ year interest on recurring losses (which is generally taken as half special account rate) will run at 0.05%/ year. That means that for every £10,000 of claim, annual interest is a fiver.
- The useful table at Facts & Figures 2019/20 edition page 150 (showing cumulative special account rate over time) now has one figure in it that is inaccurate:- the very last figure on the page (for June 2020). By my reckoning with annual interest at 0.1% the monthly increase in the figures on page 150 is 0.00833%, so that 0.5 (as the addition to run interest to the end of July 2020) becomes 0.47, and the figure to the end of July would be 0.48. A new edition of Facts & Figures is due out then. Hopefully they will catch this change, but if not, the approach of adding 1/12 of 0.1% each month will continue to be required.
- It remains to be seen whether or not anyone will seek to break from the now long-established approach of using the special account rate (half the rate for recurring losses) on the basis that it is not a fair reflection of the cost of being kept out of money.

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