

## Costs in debt recovery cases

July 2023

**We will always liaise closely with you at the outset of any instruction to agree costs prior to undertaking any item of work.**

It is important to us that you understand upfront the costs associated with our instruction. Debt recovery cases will ordinarily be dealt with in the County Court and dependent on value, will be dealt with as below.

### Pre-Action Processes

All dispute resolution matters invariably commence with the service of a Letter Before Claim (also known as a Pre-Action Protocol Letter). The cost of drafting such letter will vary from case to case depending on complexity and value.

As a guide in respect of straightforward matters our charges for producing such a letter would be in the region of £650 to £850 plus VAT and for more complex matters more than £850 plus VAT (which will be the subject of a discussion and agreement with you).

### Small Claims Track

It is often not cost-effective for you to instruct us to act in a case which will be allocated to the [Small Claims Track](#). These cases are always dealt with in the County Court and have a financial value of not more than £10,000. Only limited costs are recoverable on such claims. The rules and procedures are designed to be less formal and more accessible to litigants in person. It is generally quicker and cheaper to bring a claim using the Small Claims Track as there is no need for substantial pre-hearing preparation and the formalities of a traditional trial. Recovery of costs is limited to:

1. fixed solicitors' costs which are the subject of a modest scale governed by the [Civil Procedure Rules](#);

2. court fees: the issue of a claim attracts a fee based on the value of the claim on a sliding scale ranging from £25 to £455. Any applications made during the case attract a fee of £255 if contested or £100 if by consent;
3. certain travel and accommodation expenses incurred attending hearings;
4. fixed sums for loss of earnings or holiday entitlement due to attending hearings (limited to a maximum of £95 per person per day); and
5. fixed sums for experts' fees.

2, 4 and 5 are known as disbursements being costs which will be incurred in addition to our firm's own costs.

As only limited costs are recoverable, parties to small claims are often not represented and the court takes this into account at all stages of the action. If we agree to act on your behalf, we will undertake this work at a charge out rate of £250 per hour plus VAT. We may also agree to cap our fees to keep the process proportionate in the context of the value of the claim.

### Fast Track

The [Fast Track](#) is the usual Track for modest claims of between £10,000 to £25,000 which are unsuitable for the Small Claims Track but do not justify the greater complexity of the **Multi Track** procedure (see below). It is designed to provide a quick and simple procedure to enable disputes to proceed quickly to trial within a short timescale. Fast Track cases should be compromised or tried within a period of 30 weeks from the allocation and the giving of directions. These types of claims will usually be heard in a County Court.

A party to a claim on the Fast Track may:

- represent themselves; or
- Instruct a solicitor or counsel.

The recovery of costs on the Fast Track are likely to be limited once the court has applied a proportionality test. The recoverable trial costs are very limited and when they increase do so by small increments only the idea being that limiting recovery in this way should act as an incentive for parties to settle lower value disputes. A summary of trial costs on the Fast Track are as follows:

Value of claim	Fast Track trial costs the court may award
Up to £3,000	£485
Between £3,000 and £10,000	£690
Between £10,000 and £15,000	£1,035
More than £15,000	£1,650

The costs for issuing a claim are 5% of the value of the claim (4.5% if issued online).

In conducting a Fast Track case, we will charge £275 plus VAT per hour. Where we engage counsel, we will liaise with counsel's clerk to provide you with a quote for the work to be undertaken. It is often more cost-effective to instruct counsel to prepare the documentation and to attend the trial. This can be dealt with on a fixed fee basis and will be a disbursement in addition to the legal costs of the firm.

## Multi Track

The [Multi Track](#) will commonly deal with cases of a value of more than £25,000. Our costs for dealing with this matter will be dependent on the fee-earner's hourly rates which are as follows (excluding VAT):

Partner (Senior)	£475 to £550
Partner	£450-500
Associate Solicitor	£350
Assistant Solicitor	£275 to £285
Solicitor Apprentice	£200 to £225
Trainee Solicitor	£225

Paralegal	£165
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In addition, it may be that counsel is instructed in this matter. Counsel's work will be charged for the specific tasks they are instructed upon and a fee in respect of that will be agreed with the counsel's clerk and with you in advance of instructions being provided. The level of counsel's fees will depend upon their seniority and the duration of the case. Counsel's fee will be a disbursement payable by this firm and will commonly in cases of this nature be in the region of £2,500 to £10,000 plus VAT for a one-day hearing (depending on complexity). The fee paid to counsel (known as the brief fee) will cover the preparation for the hearing and attendance on the first day of the case. Additional days for which counsel is engaged are charged as a "refresher fee" and range from £1,500 to £5,000 plus VAT per day.

The work undertaken in each of the above-mentioned Tracks will include the following:

- taking your full instructions;
- advising you on the merits;
- assisting you in preparing pre-action protocol letters;
- the preparation, drafting and filing of proceedings in the County Court or High Court as necessary;
- preparing for and attending case management hearings, preparing costs schedules and briefing counsel for a hearing if appropriate;
- dealing with your disclosure obligations and reviewing the respondent's disclosure;
- preparing witness statements;
- instructing counsel for the hearing;
- preparing the case for final hearing to include agreeing trial bundles and liaising with counsel and witnesses;
- attending the hearing.

## Statutory demands

A [statutory demand](#) is a useful tool in the armoury of recovering funds from a debtor. It is a written demand for payment capable of being served on an individual or a company under the various provisions of the [Insolvency Act 1986](#). The demand does not commence court proceedings. It is a precursor to a winding-up petition or

a bankruptcy petition being presented (depending on whether the debtor is a corporate entity or an individual).

### Statutory demands - individuals

This can be served where a debtor appears unable to pay a debt or has no reasonable prospect of being able to pay. The debt needs to be for a liquidated sum of more than £5,000 payable either immediately or at some time in the future and is unsecured. Once presented, if an application is not made to set it aside within 18 days, a bankruptcy petition can be presented three weeks after the statutory demand has been served. If a petition is not presented within four months after the demand was served, a fresh statutory demand will need to be served.

### Statutory demand - companies

As with a statutory demand against an individual, this can be served to support the presentation of a petition on the basis that the debtor company is not able to pay its debts as and when they fall due. Technically a winding-up petition can be presented without the service of a demand. A company will be deemed unable to pay its debts if it has failed to pay a sum exceeding £750. A company can apply to court to prevent the presentation of a petition but will need to do so within 21 days of service of the statutory demand.

### Fee quote

For the purposes of preparing and serving a statutory demand, we will undertake that task, as follows:

1. in respect of straightforward matters for a fee between £500 to £1,500 plus VAT;
2. in respect of more complex cases our charges will be with reference to the hourly rates of the fee earners dealing with this matter in the context of the documentation and instructions provided. We will in such circumstances look to agree a fixed fee with you for this purpose; and
3. in addition, there will be a fee for a process server to effect service of the demand at £100 plus VAT or £125 plus VAT for urgent service.

If the matter leads on to the presentation of a bankruptcy petition, then the following costs will apply subject to how complicated the claim is:

- costs of this firm in reviewing, preparing and drafting a bankruptcy petition - £750 to £1,500 plus VAT (subject to the same observations on complexity as we make in relation to statutory demands above);
- deposit payable on the presentation of a petition to the Court Service for managing the bankruptcy - £990; and
- court costs on issue - £280.

So far as a winding-up petition is concerned, both the costs of this firm remain the same as in the presentation of an individual bankruptcy petition. The fees however payable by way of court deposit rise to £1,600, the filing fee remains the same at £280.

For full details of our charges please see the "Charges" section of our [general terms of business](#), a hard copy of which is available on request.

**We are happy to discuss the costs in relation to any item of work undertaken by us. Contact [Qaiser Khanzada](#) today to discuss your enquiry.**

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