

FEES FOR RECOVERY OF DEBTS UP TO £100,000

The fees set out below apply where you are a business, and you are seeking to recover a **debt**. The debt might be for one or more unpaid invoices for goods or services, recovery of an overdue loan or rent. A debt is a fixed sum of money which is overdue. Claims for *compensation* for (say) breach of contract or negligence are not debts, and these fees do not therefore apply. In such cases, the compensation payable cannot normally be recovered until the amount payable has been determined by a formal legal process.

Stage (1) - a formal letter claiming repayment of the debt (before a court action is commenced)

The first step is for us to send a formal letter demanding payment within a certain period of time, failing which court action will be taken. Such a letter is often called a “**letter before action**”. This period can be chosen by you, but is typically a minimum of 7 days where the debtor is a corporate debtor. It should be 30 days in the case of an individual or a sole trader. Depending on *why* the debtor has not paid, some debtors may pay in response to this.

The fees assume you will supply us with an accurate and up-to-date statement of account. This should show the debtor’s correct name or corporate identity, contact details, the total debt and any interest claimed. The fees in the table below are applicable to debts owed by *corporate* debtors. Where a business claims a debt from an *individual* (including a sole trader), additional background detail must be included in the letter under the **Pre-action Protocol for Debt Claims** issued by the courts. Such a letter is often called a “**pre-action protocol letter**”. A further fee of £80 plus VAT is payable in addition to those shown in the table for a pre-action protocol letter to an individual or sole trader.

The fees below assume the debtor has not **disputed** the debt (as far as you know), but has simply failed to pay. Our fees for sending a letter before action to a corporate debtor are as follows:-

Debt value	Our fees (excluding VAT)
Up to £1,000	£40 plus VAT
£1,001 - £5,000	£70 plus VAT
£5,001 - £10,000	£100 plus VAT
£10,001 - £25,000	£120 plus VAT
£25,001 - £50,000	£150 plus VAT
£50,001 to £100,000	£250 plus VAT

These fees include:-

- taking your instructions
- sending a letter before action or a pre-action protocol letter
- a chasing letter, if there is no reply
- forwarding any reply onto you
- receiving payment and sending it onto you, if payment is received by us at this stage.

The fees above do not include:-

- credit searches or asset reports, to see if the debtor is worth pursuing. You may obtain these yourself via the internet. The cost of asset reports varies depending on the amount of detail sought, but they can typically cost around £300 plus VAT. Credit searches cost much less.
- an initial meeting or further advice either before or after the letter is sent to discuss options generally. All information we require for the letter will already be to hand in what you have sent us (i.e. the statement of account), so a meeting is not usually necessary. The fee for any such meeting (if requested) is charged as an extra, at an hourly rate of £230 plus VAT per hour or part hour.
- advising you on the validity of any dispute or defence which may be raised by the debtor in response to the letter at this stage.

Stage (2) - Debts pursued in the county court leading to a CCJ

If the debt is not paid in consequence of the letters sent at stage (1), the next step is to issue court proceedings. The following fees are payable to issue a **Claim Form** in the county court. These are in addition to the fees already payable for stage (1) above:-

Debt value (including interest)	Our fees (excluding VAT)	Court issue fee (payable to HMCTS - no VAT)
Up to £3,000	£120 plus VAT	£25 - £105 (in bands) ¹
£3,001 - £5,000	£200 plus VAT	£185
£5,001 - £10,000	£300 plus VAT	£410
£10,001 - £25,000	£450 plus VAT	4.5% of the claim including interest
£25,001 to £50,000	£550 plus VAT	4.5% of the claim including interest
£50,001 to £100,000	£750 VAT	4.5% of the claim including interest

Note that interest and fixed late payment compensation (where it can be claimed) may take the debt into a higher banding, with higher fees.

The above fees for this stage include drafting the necessary court papers and arranging for the county court to issue and send them to the debtor.

The fees assume you will proceed from stage (1) to stage (2) without requesting a meeting or further advice. The fee for any meeting or specific advice is not included. If requested, fees will be charged at £230 plus VAT per hour or part hour.

It often takes about a week for a Claim Form to be processed and sent by the court, and officially “served” on the debtor after the court receives the papers from us. If the debtor disputes the debt, it must say so during this stage and give reasons in a written Defence document, which the debtor must send to the court. (As to fees payable in that event, see below.)

Stage (3) – Entry of a county court judgment (the CCJ)

After a Claim Form is issued by the court:-

¹ For the exact court fees payable, see www.gov.uk/government/publications/fees-in-the-civil-and-family-courts-main-fees-ex50

- if the debtor does not return the prescribed **Acknowledgment of Service Form** to the court within 14 days from service of the Claim Form, or
- if the debtor returns that form, but does not thereafter send a written **Defence** document within a further 14 days of doing so (i.e. within about 5 weeks or so of the date of issue of the Claim Form)

we can then apply to the court to enter **Judgment in Default** (i.e. a CCJ).

- To apply for the CCJ, we charge a further fixed fee of £40 plus VAT in addition to the fees payable for stage (1) and stage (2).
- This fee of £40 plus VAT includes writing to the debtor to request payment after the CCJ is received.

The fees above do not include fees for *enforcement* processes (or advice on enforcement options) to recover the CCJ if the debtor does not pay. If the debtor still refuses to pay, the instruction of bailiffs to execute the CCJ (for example, by seizing and selling a debtor's goods) or insolvency processes may be needed, at extra cost.

Recovery of our fees and court fees from the debtor

You cannot generally recover our fees from the debtor, even if the debtor pays the debt during stage (1) or stage (2). However, this may depend on any applicable terms and conditions.

Normally, however, if the debtor pays during stage (2), the debtor must also pay:-

- the court issue fee in full, plus
- a fixed *contribution* towards our fees in bands ranging between £50 and £100, depending on the amount of the debt.

If stage (3) is reached, the CCJ will include:-

- the court issue fee in full, plus
- a fixed *contribution* towards our fees in bands ranging between £77 and £185, again depending on the amount of the debt and at what stage the CCJ is entered.

If your business is registered for VAT, you may be able to reclaim all or part of the VAT on our fees via your VAT return in the usual way. This is why we show fees exclusive of VAT payable.

Timescales?

This will depend on *why* the debtor is not paying, about which we will have no information.

- The time taken to recover payment will depend on the extent and severity of any financial problems the debtor has. If the debtor goes into liquidation or bankruptcy, your debt (along with our fees and any court fees) may never be recovered.
- If non-payment was merely an oversight and the debtor values you as a supplier, payment may be made within days of receipt of the first letter from us at stage (1).

- Assuming the debtor has no major financial problems and does not defend the debt, we often find that payment (or an instalment proposal) may be to hand within 2 to 4 weeks of the letter being sent at stage (1).
- If court action is taken, sometimes a debtor will pay during stage (2) rather than allow a CCJ to be entered against it (which harms its credit-rating). In that case, payment may typically be to hand within 5 weeks or so of issue of a Claim Form at stage (2).
- With debtors who are individuals or sole traders, because of the ***Pre-action Protocol*** referred to above, the process will take much longer. In such cases, if the debtor does not dispute the debt but is struggling financially to pay, it may be as long as 10 weeks before court proceedings can even be commenced at stage (2).
- Likewise, if enforcement action is needed because the debtor does not have the funds to pay the debt or ignores the CCJ, payment will take much longer.

Disputed or defended debts

If during stage (1) or stage (2) the debtor ***disputes*** the debt (or counterclaims on some basis against you), what is said above about fees does not apply. (For example, the debtor may dispute the quality of goods or services invoiced.) The same is true if a creditor is trying to recover payment of a debt from you, and you dispute the debt.

If the debtor disputes the debt, we will discuss any further work required with you, and provide you with revised information about further fees. This is likely to be on the basis of an hourly rate between £230 plus VAT and £250 plus VAT if more extensive work is needed. It may be on the basis of fixed fees (for example) if you merely want limited tasks to be undertaken or limited involvement.

- A defended or disputed debt usually has to be resolved by means of a court *trial*, involving disclosure of documents and witnesses etc. A trial rarely takes place sooner than 4 months after the issue of a Claim Form at stage (2).
- A one-day trial in a county court of a claim over £25,000 involving witnesses can typically cost almost £20,000 plus VAT (of which at least £2,215 will be court fees).
- With complex disputes about what happened or about the quality of goods where technical issues and experts are involved, a trial can take up to 2 years (or even longer). The costs can run to more than £100,000 plus VAT per party.
- The cost of disputes depends on the amount of work involved in preparing a claim for trial and gathering the evidence etc dealing with the disputed issues, rather than on the amount of the claim.
- Where you have issued court proceedings and you are successful in a defended claim, you can generally expect to recover a significant contribution towards your legal costs. You will not recover all fees. The recovery of legal fees in defended court actions is governed by very complex rules.

Our team

Debt recovery and disputes are handled by Michael Phillips or Joanne Davies – their qualifications, experience and hourly rates where applicable appear on the “people” menu of our website.

Depending on the volume of debts and on whether we provide you with other legal services, we may be willing to agree other fees on an individual basis. Also, the fees above may not always be applicable because of unusual circumstances in your particular case - fees will be confirmed before you instruct us.