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Statement made by

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Statement

I would like to inform the House that this government intends to take action to mitigate the impact of the 2023 Supreme Court judgment in *PACCAR* and implement proportionate regulation of third-party litigation funding agreements (LFAs).

Third-party litigation funding plays a vital role in ensuring access to justice. It enables people to bring complex claims against better-resourced organisations, which they could not otherwise afford. Sir Alan Bates, for instance, has spoken openly about how without such funding he could not have brought his claim against the Post Office. The Supreme Court judgment in *PACCAR* introduced significant uncertainty about whether LFAs remain valid and the regulatory regime that applies to them. This uncertainty could be preventing significant numbers of claimants from accessing justice.

LFAs are also used in high-value commercial cases where there is a power imbalance between parties or where parties do not wish to use limited capital resources on legal proceedings. Therefore, this uncertainty also risks undermining the competitiveness of England and Wales as a global hub for commercial litigation and arbitration, both of which bring significant benefit to the UK economy.

However, concerns have been raised about whether LFAs are always fair and transparent for the claimants using them. This has led to calls for greater regulation of the litigation funding market, which currently operates under a system of voluntary self-regulation. This is why, while it is crucial to act swiftly regarding *PACCAR*, I have taken the opportunity to consider litigation funding in the round.

I would like to thank the Civil Justice Council (CJC) for their comprehensive and wide-ranging review of litigation funding published earlier this year. Since its publication, my officials and I have carefully considered its recommendations.

I am pleased to announce the government's intention to accept the CJC's two primary recommendations. Firstly, we will legislate to clarify that LFAs are not Damages Based Agreements, with prospective effect. This will mitigate the effect of the *PACCAR* judgment and improve access to justice by reassuring funders that LFAs can be used to fund cases. Secondly, we will introduce proportionate regulation of LFAs. This will improve transparency and fairness for claimants. We will introduce legislation when parliamentary time allows.

It is our priority that legislation removes the uncertainty introduced by the *PACCAR* judgment and ensures that the litigation funding sector works fairly and efficiently for all. Once we have implemented these two changes, we will consider the CJC's wider litigation funding recommendations in detail and announce any further changes in due course.