



# Periodical payments

Traditionally, financial compensation awards have taken the form of a one-off lump sum payment. Changes in the law mean that compensation can now be a lump sum, periodical payments or a mixture of both.

## What are periodical payments?

Periodical payments are regular tax-free payments which are guaranteed for the life of the claimant. They will usually increase each year in line with the Retail Prices Index or other relevant Indices so that they keep pace with rises in the cost of living.

## Why were periodical payments introduced?

Periodical payments were introduced because it was widely felt that lump sum awards were unsatisfactory, invariably resulting in the claimant receiving too little or too much compensation.

Lump sum awards involve an element of 'crystal ball gazing' as predictions have to be made about the claimant's likely life expectancy, future needs and investment returns. It also means that the claimant's future income is dependent on successfully protecting or investing their lump sum.

Periodical payments produce greater certainty. They ensure that an award will never run out before the need is exhausted or result in a windfall to a chance beneficiary. They also mean that all the long-term worries about investing for the future are transferred from the claimant to the defendant.

## Do periodical payments apply to all cases?

Periodical payments potentially apply to all cases which include future loss, irrespective of the size of the award. However, the administrative and other expenses of setting up and maintaining periodical payments are unlikely to be justified in smaller cases. Also, the disadvantages associated with lump sums are less significant in small and medium-sized cases.

## At what stage do periodical payments need to be considered?

It is important to consider the option of periodical payments early in a case and we will ensure that you receive expert financial advice at the appropriate stage. The cost of obtaining the financial advice is included within the claim.

## Who funds the periodical payments?

The defendant funds the payments, either with their own money or by purchasing an annuity from a life insurer. Prior to making an order for periodical payments, the court must be satisfied that the defendant is able to afford what tends to be a long-term obligation.

“ I would like to say RJW were very professional and very caring. ”  
**Client testimonial**

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**We pride ourselves on our fair fee structure – there is no charge for the initial consultation and we guarantee that you will receive 100% of any compensation awarded.**

Find out more  
**If you would like to know more about periodical payments and how RJW can help, please do not hesitate to contact us.**

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