



Informing Progress - Shaping the Future

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The Continued Rise of Mass Litigation and Its Economic Impact on the UK

Mass litigation continues to be the subject of much discussion and debate as concerns over its impact on innovation and investment highlight potential consequences for businesses, consumers and the broader economy.

A recent report published by the free market thinktank European Centre for International Political Economy (ECIPE), *Impact of Increased Mass Litigation in the UK*, highlights a significant surge in collective litigation across Europe, especially in the UK. This trend has transformed what was once a niche legal mechanism into a rapidly growing business model and reshaped legal and economic landscapes.

Rapid Growth

The UK stands apart from the rest of Europe regarding the speed with which mass litigation has established itself. It has transitioned from recording fewer than 10 cases in 2014 to 47 in 2024, the highest total in Europe. Factors suggested as among the key drivers include greater awareness of environmental, social and governance (ESG) issues, the development of the Competition Appeal Tribunal (CAT) regime and a maturing claimant bar.

However, this escalation owes as much to an ecosystem of specialist law firms, claims-management companies and litigation funders, who collectively have turned group action into a distinct business model that now extends beyond its traditional areas like banking and

pharmaceuticals to include areas identified by the UK government as critical for economic growth such as advanced manufacturing, life sciences and digital services.

Characteristics of these industries include long development cycles, which require investment stability and regulatory clarity to pursue successfully. As legal uncertainty intensifies, domestic and international investors may pause, and high-growth British firms could face dampened valuations and elevated compliance and insurance costs.

Economic Drag vs. Consumer Redress

The promises of collective action, namely greater consumer redress and corporate accountability, are being undermined by soaring costs. There is growing frustration across the legal and business communities surrounding the widening disparity between the escalating costs associated with mass litigation and the proportion awarded to claimants.

While often promoted as a tool for delivering collective justice, concerns are mounting that litigation funders, legal fees and administrative costs are absorbing a significant share of mass claim recoveries. As a result, many claimants receive only a modest fraction of the total settlement, prompting calls for greater transparency and reform to ensure that the primary beneficiaries of collective actions are the individuals they are intended to serve.

As an example, the initial High Court Group Litigation Order (GLO) claim against the Post Office in December 2019, part of the Horizon settlement, saw £57 million awarded to 555 sub-postmasters. However, approximately £46 million was diverted in legal and funder fees, leaving claimants with compensation amounting to a little over £20,000 each. While this is a complex case involving multiple schemes that has since seen an increase in claimants and payouts, this illustrates the disproportionate costs mass litigation can bring compared to the levels of redress to the individuals affected.

Similarly, in the landmark *Merricks v. Mastercard* case, the High Court approved a £200 million collective settlement in May 2025 to resolve a claim brought on behalf of around 44 million UK consumers. However, the CAT divided the settlement into three distinct pots; only £100 million was allocated for consumers in Pot 1. Pot 2 was to pay the Funder's costs, estimated in the region of £45 million and Pot 3 comprised the remainder of the settlement, including the Funder's return. If the average of 5%-10% of individuals claim from Pot 1, individual payouts would be in the region of £45 but could be as low as £2.27 if the whole class makes a claim.

Economic Implications

Using economic modelling that applies 30% of the current mass litigation costs in the US, the ECIPE report suggests costs for the UK economy could reach £18 billion. Furthermore, a lack of investor confidence could wipe £11.2 billion in market capitalisation from innovative UK businesses; this is over half the £20.4 billion R&D budget for 2025/26 highlighted by the government in its Autumn Statement, part of a record-level spending review extending to 2030.

While collective claims mechanisms can play a vital role in improving access to justice, their sharp increase risks distorting the intended balance between claimant rights and fair process. There is growing concern that an overly permissive environment may encourage opportunistic litigation, place unnecessary strain on the courts, and create uncertainty for businesses. This uncertainty can, in turn, deter investment, disrupt commercial planning and increase the cost of doing business in the UK.

Future Outlook

The surge of mass litigation in the UK raises considerations for government, legal professionals, businesses and consumers. While collective action provides individuals with a greater voice and promotes increased corporate accountability, unchecked expansion risks imposing unsustainable legal costs, slowing innovation and undermining economic resilience.

Policymakers and regulators must strike a balance that empowers claimants without compromising the UK's competitiveness and prospects for growth. Therefore, the Civil Justice Council's (CJC) review of litigation-funding frameworks is timely and recommends several measures that would preserve access to justice while insulating the economy from disproportionate legal burdens.

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