

OnPoint

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A Legal Update from Dechert LLP

Increase in UK Compensation Limits

From 1 February 2013 the maximum compensation that the Employment Tribunal can award for unfair dismissal (save in the exceptional cases such as whistleblowing, where no cap applies to the compensatory award) will increase, as will the weekly wage figure for calculating statutory redundancy payments.

The Employment Rights (Increase of Limits) Order 2012 will come into force on 1 February 2013. As a result, for dismissals in respect of which the effective date of termination falls on or after 1 February 2013:

- a week's pay (for the purposes of calculating the basic award in unfair dismissal cases and statutory redundancy payments) will be capped at £450 - the current limit is £430; and
- the maximum compensatory award for unfair dismissal will be capped at £74,200 - the current limit is £72,300.

Calculation of unfair dismissal awards

Compensation awarded for unfair dismissal claims is made up of two strands: the basic award and the compensatory award:

- The basic award is calculated by applying a formula based on age, length of service and a week's pay. As a result of the increase in a week's pay, the maximum total basic award will from February be capped at £13,500.
- The compensatory award is not based on a formula and is designed to compensate the employee for the loss that he/she has suffered. As a result of the increase in the maximum compensatory award, the maximum unfair dismissal award (basic plus compensatory) will be capped at £87,700.

Various other statutory compensation limits are also increased from February. Further details are available in [The Employment Rights \(Increase of Limits\) Order 2012 \(PDF\)](#).

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