

18 October 2019

Tom Winter
Ministry of Housing, Communities and Local Government
2 Marsham Street
Westminster
London, SW1P 4DF

by email & post tom.winter@communities.gov.uk

Dear Mr Winter,

Further Consideration of Compulsory Purchase Interest Rates Consultation

I write on behalf of the Compulsory Purchase Association ('CPA') to follow up the Government's response to the Compulsory Purchase Interest Rates Consultation issued in May 2018, which closed in June 2018.

The CPA responded to this consultation and are very interested to understand when the Government intends to publish a response to this consultation and introduce an appropriate interest rate which would apply to both settlement of compensation generally and late payment of advanced payments.

As the Government's own consultation acknowledged, the current rate of interest at 0.5% below the Bank of England Base rate, results in no interest being payable and *creates "little financial incentive for acquiring authorities to settle compensation promptly"* and furthermore that compensation *"diminishes in real terms"*.

The CPA's membership sees the hardship that this causes to many claimants on a day to day basis. They rarely come across claimants who are in *"the financial position to forego compensation for a prolonged period without this having a material impact on their business or livelihood"*.

Practitioners acting for both claimants and acquiring authorities want to see this change effected, to ensure interest is paid on both Advanced Payments and Compensation. It is considered essential in order to improve the system, incentivise acquiring authorities to settle claims more promptly and make the system fairer and faster for all. The continued failure to deliver this change due to concerns about gaming of CPO compensation by an extreme minority, if at all, is causing hardship to the vast majority of claimants.

Furthermore parliamentary sanction has already been given to the introduction of a penal compensation rate for late advanced payments in s196(3) of the Housing and Planning Act 2016 and subsequent government consultation confirmed that a penal rate 8% above the BoE base rate would be taken forwards. This can obviously be avoided by acquiring authorities by paying advanced payments on time, in circumstances where they are in control of the level of these payments i.e. being based upon 90% of their own assessment of compensation and not dependent upon agreement with the claimant. Similarly in respect of settlement of compensation the Government has already indicated that it intends to introduce an interest rate of 2% above the BoE base. In the circumstances we do not understand the reasons why the implementation of the interest rates has been delayed for well over a year beyond the close of the last consultation.

Accordingly the CPA would be most grateful for an update from Government as to when they intend to publish their response to this latest consultation and move forwards with the introduction of interest payments.

Yours sincerely