

THE CLASS ACTIONS  
LAW REVIEW

Editor  
Richard Swallow

LAWREVIEWS

# THE CLASS ACTIONS LAW REVIEW

The Class Actions Law Review

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THE CLASS ACTIONS  
LAW REVIEW

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# CONTENTS

PREFACE.....	v
<i>Richard Swallow</i>	
Chapter 1 AUSTRALIA.....	1
<i>Beverley Newbold, Julia Avis and Rafael Aiolfi</i>	
Chapter 2 AUSTRIA.....	11
<i>Holger Bielez and Paul Krepil</i>	
Chapter 3 BELGIUM.....	21
<i>Hakim Boularbah and Maria-Clara Van den Bossche</i>	
Chapter 4 BRAZIL.....	32
<i>Sérgio Pinheiro Marçal and Lucas Pinto Simão</i>	
Chapter 5 CHINA.....	40
<i>Zou Weining, Wang Libua, and Chen Mingqing</i>	
Chapter 6 ENGLAND & WALES.....	48
<i>Richard Swallow and Peter Wickham</i>	
Chapter 7 FRANCE.....	62
<i>Erwan Poisson and Constance Ascione Le Dréau</i>	
Chapter 8 GERMANY.....	71
<i>Henning Bälz</i>	
Chapter 9 HONG KONG.....	80
<i>Mark Hughes and Kevin Warburton</i>	
Chapter 10 IRELAND.....	88
<i>Sharon Daly and April McClements</i>	

## Contents

---

Chapter 11	ISRAEL.....	96
	<i>Hagai Doron and Uriel Prinz</i>	
Chapter 12	ITALY.....	109
	<i>Gianfranco Di Garbo and Gaetano Iorio Fiorelli</i>	
Chapter 13	JAPAN.....	118
	<i>Yuriko Kotani and Haig Oghigian</i>	
Chapter 14	NETHERLANDS.....	124
	<i>Jan de Bie Leuveling Tjeenk and Bart van Heeswijk</i>	
Chapter 15	NORWAY.....	136
	<i>Andreas Nordby</i>	
Chapter 16	PORTUGAL.....	144
	<i>Nuno Salazar Casanova and Madalena Afra Rosa</i>	
Chapter 17	SOUTH AFRICA.....	152
	<i>Jonathan Ripley-Evans and Fiorella Noriega Del Valle</i>	
Chapter 18	SPAIN.....	162
	<i>Alex Ferreres Comella, Agustín Capilla Casco and Cristina Ayo Ferrándiz</i>	
Chapter 19	SWITZERLAND.....	169
	<i>Martin Burkhardt</i>	
Chapter 20	UNITED STATES.....	170
	<i>Timothy G Cameron, Lauren R Kennedy and Daniel R Cellucci</i>	
Appendix 1	ABOUT THE AUTHORS.....	181
Appendix 2	CONTRIBUTING LAW FIRMS' CONTACT DETAILS.....	193

# PREFACE

Class actions and major group litigation can be a seismic event not only for large commercial entities but for whole industries. Their reach and impact mean they are one of the few types of claim that have become truly global in both importance and scope.

There are also a whole host of factors currently coalescing around the litigation space that increase the likelihood and magnitude of such actions, where very significant sums are now routinely at stake. These factors include the political change in Europe and North America, which has already begun to impact the regulatory sphere, as for the first time in decades, there is a shift towards protectionism and greater regulatory oversight. Advances in technology not only change our understanding of the world but also result in new and ever more stringent standards, offering the potential for significant liability for those who fail to adhere to such protections. Finally, ever-growing consumer markets of greater sophistication in Asia and Africa add to the expanding pool of potential claimants.

It should therefore come as no surprise that claimant law firms and third-party funders around the world are becoming ever more sophisticated and active in promoting and pursuing such claims, and local laws are being updated so as to facilitate such actions before the courts.

Despite this, or perhaps because this is an areas that, although much anticipated, has only relatively recently been recognised as a real and present threat, any comprehensive study has to date not existed. This first edition therefore aims to step into this void, by providing practitioners and clients with a single overview handbook to which they can turn for the key procedures, developments and factors in play in a number of the most important jurisdictions.

**Richard Swallow**  
Slaughter and May  
London  
May 2017

# IRELAND

*Sharon Daly and April McClements*<sup>1</sup>

## I INTRODUCTION TO CLASS ACTIONS FRAMEWORK

There is no legislative framework in Ireland to facilitate class actions. However, multiparty or multi-plaintiff litigation does occur and is often brought by way of ‘representative actions’ and ‘test cases’.

The legal basis for representative actions is set out in the Rules of the Superior Courts,<sup>2</sup> which provide that where numerous persons have the same interest in a cause or matter, one or more persons may sue or be sued or may be authorised by the court to defend a matter on behalf of or for the benefit of all interested persons. In addition to this legal basis, various statutory provisions allow for a person or persons to sue in a representative capacity. By way of example, Section 28 of the Civil Liability Act 1961 allows an action for damages to be brought where death is caused by a wrongful act, neglect or default. The action may be instituted by the personal representative of the deceased or by all or any of the dependants ‘for the benefit of all the dependants’.<sup>3</sup>

The basis for test cases is the inherent jurisdiction of the court to make directions in respect of the trial of proceedings and the duty of the court to ensure that its resources and the resources of parties to litigation are not inappropriately wasted by unnecessary duplication. Consequently, where a number of cases have similar issues it is possible for one case to be selected as a test case and the subsequent cases to be stayed pending resolution of the test case.

Multiparty litigation commonly arises in financial services litigation, particularly in cases involving the misselling of a financial product to a large number of consumers. Cases involving latent defects in buildings caused by the use of pyrite in the construction process that involve multiple litigants have also been brought by way of representative actions or test cases. Other examples of multiparty litigation in Ireland include claims relating to army deafness, contaminated blood products and tobacco-related illnesses.<sup>4</sup>

The Law Reform Commission has previously recommended (as part of its Report on Multi-Party Litigation in 2005), that a formal opt-in procedure be introduced. However, such a structure is yet to be implemented.

The question of shareholders or unitholders in collective investment vehicles having jurisdiction individually and collectively through representative actions was considered in

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1 Sharon Daly and April McClements are partners at Matheson. The authors would like to thank Valerie Sexton for her contribution to this chapter.

2 Rules of the Superior Courts Order 15 r 9.

3 Law Reform Commission Consultation Paper on Multi-Party Litigation (Class Actions) 2003.

4 Law Reform Commission Consultation Paper on Multi-Party Litigation (Class Actions) 2003.

the *Thema Shareholder* litigation in Ireland. The court held that the correct plaintiff was the company and dismissed the actions brought by the shareholders. It did so on a number of grounds, including the rule in *Foss v. Harbottle*. A copy of the ruling is available on courts.ie.

## II THE YEAR IN REVIEW

Litigation funding is often considered in the context of multiparty litigation. As the law currently stands in Ireland, professional third-party funding is prohibited on the basis that it offends the rules of maintenance and champerty that exist under the Maintenance and Embracery Act (Ireland) 1634. While professional third-party funding arrangements are unlawful in this jurisdiction, the Irish courts have found that third parties who have a legitimate interest in proceedings, such as shareholders or creditors of a company involved in proceedings, can lawfully fund them, even when such funding may indirectly benefit them. Therefore, funding of representative actions by the class members does not offend the laws of maintenance and champerty, as the class has a pre-existing legitimate interest in the litigation.

The impact of the 1634 Act was considered by the High Court in Ireland in a number of cases between 2013 and 2015 and was considered again in 2016 in the context of the legality of professional third-party litigation funding in the case of *Persona Digital Telephony Ltd & Another v. Minister for Public Enterprise & Other*. In that case an application was made to assess the legality of a third-party funding agreement. The plaintiff, Persona Digital Telephony Limited, was unable to fund the proceedings. A professional third-party funder from the UK was prepared to enter into a litigation funding arrangement. The plaintiff sought a declaration from the High Court that the litigation funding arrangement did not constitute an abuse of process or contravene the rules on maintenance and champerty.

While the High Court had some sympathy for the plaintiff, it affirmed that both maintenance and champerty are part of Irish law and are torts and criminal offences. The High Court found that to permit a litigation funding arrangement by a third party with no legitimate interest in the proceedings would necessitate a change in legislation and this could not be done by the High Court. This decision was unexpected, given some *obiter dicta* comments from the High Court in a judgment approving ATE insurance to the effect that the laws have to be interpreted in the context of modern social realities (*Greenclean Waste Management Ltd v. Leahy* [2014] IEHC 314). Further, the High Court in *SPV OSUS Limited v. HSBC Institutional Trust Services (Ireland) Limited, HSBC Securities Services (Ireland) Limited, Optimal Investment Services, SA and Banco Santander, SA* indicated that litigation funding could be deemed by the court to be legitimate in future as reflecting 'modern social realities'. The plaintiff, Persona Digital Telephony Limited, appealed the decision of the High Court.

Given the issues of public importance raised in the case, the Supreme Court allowed the plaintiff to bypass, or 'leapfrog', the Court of Appeal in order to have the appeal heard directly by the Supreme Court itself. The decision of the Supreme Court is expected in 2017. A finding by the Supreme Court that professional third-party litigation funding is lawful would have an impact on multiparty litigation where often the plaintiffs concerned lack the means to provide the funding required to maintain the representative action or test case.

The decision in *SPV Osus Ltd*, referred to above, which addressed the issue of maintenance and champerty, came before the Court of Appeal in January 2017 for consideration of a related issue, litigation trafficking. In this case a fund, Optimal Strategic US Equity Ltd (SUS) was entitled to make a claim in the US bankruptcy proceedings of Bernard Madoff.

In order to allow investors in the fund to trade their share in the bankruptcy claim (which is allowed in the US), SUS set up a special-purpose vehicle SPV OSUS Ltd (SPV) and assigned the bankruptcy claim to it. The majority of the original investors in SUS swapped their shares for shares in SPV and then traded the shares in SPV to distressed debt hedge funds. SPV then issued proceedings in Ireland against the custodian to the fund claiming an entitlement to the net asset value of the investments of SUS as at 30 November 2008.

The custodian challenged the standing of SPV to bring proceedings on the basis that the assignment was contrary to public policy, and should not be enforced for reasons of maintenance and champerty. The High Court upheld the custodian's claim, holding that the transaction was void, contrary to public policy, and constituted trafficking in litigation.

The Court of Appeal gave judgment on 2 March 2017 upholding the ruling of the High Court in full and dismissing the claim as trafficking in litigation. The Court confirmed that, under the rules of champerty, an assignment is unenforceable unless one or more of the exceptional circumstances apply that would grant it legality (for example, an assignment of a bare cause of action that is incidental to the property transferred, or the assignment of a debt), none of which applied in this case. The Court further ruled that there was no requirement to prove an improper motive under the principles of maintenance and champerty.

The judgment of the Court of Appeal acknowledged that public policy has to move with the times, and that commercial practices, which change with the times, must be taken into account.

### **III PROCEDURE**

As mentioned above, multiparty litigation in Ireland may proceed by way of 'representative action' or 'test case'. There is no formal class action procedure in Ireland. A representative action arises where one claimant or defendant, with the same interest as a group of claimants or defendants in an action, institutes or defends proceedings on behalf of that group of claimants or defendants.

Representative actions will typically arise where the class either has a pre-existing relationship with the main party, or where the class is relatively small. Due to this, the more common approach to multiparty litigation in Ireland is usually the test case.

A test case can arise where numerous separate claims arise out of the same circumstances. By way of example, in 2008 the Commercial Court was faced with more than 50 individual shareholder claims related to the fraudulent investment operations run by Bernard Madoff. The Commercial Court exercised its inherent jurisdiction in deciding to take forward a small number of cases initially, as test cases. In this instance, it was decided that two cases by shareholders and two cases by funds would be heard sequentially as a first step and the Court stayed the other claims pending the resolution of the four test cases.

A similar approach was adopted by the Irish Commercial Court in relation to claims for the misselling of financial products that were initiated by over 200 claimants against ACC Bank in 2010. Five claimants' cases were heard as test cases and the remaining claimants agreed that 'the outcome of the litigation will determine the result of their claims, subject to the possibility of a separate trial on particular and unusual facts different to those in issue in these proceedings.'

## **i Types of action available**

In order to bring a representative action there must be ‘a common interest, a common grievance and relief in its nature beneficial to all.’<sup>5</sup> There is sufficient ‘common interest’ where the dispute involves joint beneficial entitlement to property, such as customary rights or corporate shareholdings. In contrast, the courts have refused to extend the representative procedure to actions founded in tort, a point emphasised by the Supreme Court in *Moore v. Attorney General (No. 2)*. Notwithstanding this pronouncement, courts have occasionally entertained representative actions founded in tort where the relief sought is injunctive. There is an analogous prohibition on representative actions against individuals for breach of constitutional rights.<sup>6</sup>

Test cases are not limited to any particular types of action. However, in practice these procedures are typically utilised in tort actions where a negligent act or misrepresentation has affected a number of people who wish to have their rights vindicated. For example, claims for the misselling of financial products will often involve an allegation that the financial service provider committed the torts of misrepresentation or negligent misstatement.

The following limitation periods apply to the various causes of action:

- a* Tort claims: six years from the date of accrual of the cause of action.
- b* Contract law: six years from the date of breach.
- c* Claims for liquidated sums: six years from the date the sum became due.
- d* Personal injuries under negligence, nuisance or breach of duty: two years from the date of the cause of action accruing or the date the claimant first had knowledge, if later.
- e* Land recovery: 12 years from accrual of the right of action.
- f* Maritime and airline cases: two years from the date of accrual of the cause of action.
- g* Defamation: one year from the date of accrual of the cause of action.
- h* Judicial review: the claim must be brought promptly and in any event within three months of the date of the cause of action (the court can extend this period if there is a good reason).

The period during which mediation takes place in a cross-border dispute to which the Mediation Directive applies is excluded from the calculation of the limitation periods.

The Law Reform Commission’s Report on Limitation of Actions 2011 discusses the limitation of all actions (although property claims are excluded). The Law Reform Commission recommended the introduction of a limitation period of two years, to run from the date of knowledge of the claimant for ‘common law actions’ (breach of duty, negligence, contract and nuisance). The ‘date of knowledge’ is the date from which the claimant knew or ought to have known of the cause of action and ‘knowledge’ includes both actual and constructive knowledge. Interestingly, an ‘ultimate’ limitation period of 15 years was also recommended. It was proposed that this would run from the date of the act or omission giving rise to the cause of action and there would be statutory discretion to extend this limitation period. It should be noted, however, that the proposals put forward by the Law Reform Commission are not binding and to date none have been implemented.

It is anticipated that the Financial Services and Pensions Ombudsman Bill 2016 will be enacted in 2017. Of particular significance for regulated financial service providers is that the Bill proposes to revise the limitation period for bringing complaints to the Financial Services

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5 *Duke of Bedford v. Ellis*.

6 Law Reform Commission Consultation Paper on Multi-Party Litigation (Class Actions) 2003.

Ombudsman (FSO) in certain circumstances. Currently, the FSO has no jurisdiction to investigate complaints where the conduct complained of occurred more than six years before the complaint is made. The FSO has no discretion to extend this limitation period. The new time limit proposed extends the limitation period for consumer complaints in respect of ‘long-term financial services’. The definition of a long-term financial service captures products or services where the maturity or term extends beyond six years, and is not subject to annual renewal.

The proposed revised limitation period for complaints in relation to long-term financial services is either: six years from the date of the act or conduct giving rise to the complaint; or, three years from the earlier of the following two dates:

- a* the date on which the consumer making the complaint first became aware of the said act or conduct; and
- b* the date on which that consumer ought to have become aware of that act or conduct.

For other short-term financial services, the limitation period of six years is unchanged.

It must be anticipated that multiparty litigation, by way of complaints made to the FSO, could arise as a result of the change to the limitation period.

## **ii Commencing proceedings**

In order to litigate the various actions set out above, a person must have sufficient interest in the subject matter of the action. Provided a person has sufficient standing, that person may institute proceedings. Alternatively, in respect of representative actions, where a claimant or defendant has the same interest as a group of claimants or defendants in an action he or she may institute or defend proceedings on behalf of that group of claimants or defendants.

In order to commence proceedings by way of representative action, an application must be made to the court for an order permitting the claimant or defendant to bring or defend the proceedings on a representative basis. The application for such an order will be grounded by an affidavit that lists each of the interested parties who have agreed to be represented in the proceedings. Each member of a class has to ‘opt-in’; that is to say that the court must be satisfied that each individual has authorised the main party to represent them. Where the claimant or defendant sues in a representative capacity, the endorsement of claim is required to show the capacity in which the party is suing or being sued.<sup>7</sup> There is a strict requirement that the parties must have the same interests in the same proceedings as opposed to merely similar or ‘common’ interests. Any judgment or order in the action will usually then bind all claimants or defendants represented.

In order to commence proceedings by way of a test case, each party must institute its own case and then one party becomes the benchmark by which the remaining cases are resolved. Importantly, however, each case is judged on its own merits (by a judge alone) and the fact that causation is proved in the context of one case does not necessarily guarantee the same outcome in all subsequent cases unless the facts, liability issues and causation are identical. The Irish courts take great pains to ensure that each case is judged on its own merits, and this is seen to benefit defendants, as plaintiffs are put to the expense of having to fully prove their case despite the fact that numerous similar (but not necessarily identical) cases may have already been determined. In reality, however, if there has been a negative

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<sup>7</sup> Rules of the Superior Courts Order 4 r 9.

finding against a defendant in a test case and liability has been established, where there are numerous similar cases yet to be heard, a defendant (or its insurers) will attempt to settle the outstanding claims unless they can be distinguished in terms of liability, causation or fact from the test case.

### iii Procedural rules

The average length of proceedings in the High Court (from issue to disposal), is two years approximately. This can vary, however, depending on the complexity and urgency of the case.

The High Court has a separate commercial division, known as the Commercial Court. This specialist court has extremely stringent case management procedures in place and judgment is generally delivered quite promptly. According to the Commercial Court's own statistics, 90 per cent of cases that come before it are concluded within one year.

### iv Damages and costs

In representative actions, the plaintiff is entitled only to declaratory and injunctive relief.<sup>8</sup>

The test case plaintiff will have their award of damages judged on the merits of their individual case.

Damages can be compensatory or punitive, for example:

- a* General damages: compensation for loss with no quantifiable value, such as pain and suffering.
- b* Special damages: compensation for precise financial loss, such as damage to property.
- c* Punitive (exemplary) damages: awarded to punish the behaviour of a defendant (rarely awarded).
- d* Nominal damages: awarded where the claimant has been wronged but has not suffered financial loss.

The level of damages that may be awarded is determined by the court before which the action is brought; claims up to a value of €15,000 are dealt with by the District Court, while the Circuit Court deals with claims with a value between €15,000 and €75,000 (the upper limit is €60,000 for personal injuries cases). Any claim with a value in excess of €75,000 is heard by the High Court, which has an unlimited monetary jurisdiction. Choosing the correct court is a particularly important step for a claimant as one can be penalised as to costs by a court, where they receive an award of damages that does not meet that court's jurisdictional threshold. Provided that court is also of the opinion that the action could have been taken in a lower court, it is permitted to award the typical costs of the lower court action.

As noted previously, subsequent litigation following a test case is often settled on the basis of the test case outcome and, in such circumstances, an award of damages does not fall to be considered by the court.

While there are no specific costs rules applicable to multiparty litigation, costs 'follow the event'<sup>9</sup> in this jurisdiction (i.e., the successful party is entitled to recover its costs from the unsuccessful party). Costs are ultimately a matter of discretion for the court, however, and although this 'loser pays' rule is the norm, it is becoming more common for issues-based cost awards to be made. It should also be noted that costs in this jurisdiction are usually awarded

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8 Law Reform Commission Consultation Paper on Multi-Party Litigation (Class Actions) 2003.

9 Rules of the Superior Courts Order 99 Rule 1 (4).

on a 'party-party basis'. This means that the successful party is only entitled to recover the costs reasonably incurred by them in prosecuting or defending the litigation. Recoverable costs are usually anywhere between 50 and 75 per cent of the total costs incurred.

Irish lawyers are expressly prohibited from charging fees by reference to a percentage of damages awarded. Litigation lawyers are permitted, however, to enter into arrangements known as 'no foal, no fee' or 'no win, no fee' arrangements. These are conditional arrangements with clients, where any payment made at all by the client to the solicitor is conditional on the success of the case. No foal, no fee arrangements are more common in individual personal injuries claims than in commercial cases.

Multi-plaintiff litigation can also arise in the form of complaints made to the Financial Services Ombudsman (FSO). The FSO is a quasi-judicial body tasked with resolving disputes outside of litigation. While parties to complaints to the FSO are permitted to be legally represented at each stage of the complaints process, the costs of such representation are a matter for the party who incurs the costs to bear himself or herself and the FSO is not empowered to award costs.

#### **v Settlement**

There are no rules of court to be followed in multiparty litigation in Ireland. Where multiparty litigation is brought by way of a test case, the test case effectively becomes the benchmark by which the remaining cases are resolved. However, because the subsequent claimants and defendants, are not parties to the original litigation, they are not bound by the result of the test case and are not party to any settlement agreement entered into in the test case. Although not bound by the result, the test case has an effect by virtue of the doctrine of precedent. Therefore, the benefits of the original ruling may be extended to cases involving factual situations identical to those of the test case. As a result of this, subsequent litigation is often settled on the basis of the test case outcome.

Where multiparty litigation is brought by way of a representative action, since representation extends to all aspects of the legal proceedings, including settlement, the representative has autonomy over the way in which the litigation is conducted, subject to the expectation that he or she will act in the interests of the class. Generally any judgment or order in the action will bind all persons represented at the direction of the court. Representative actions therefore presuppose a level of confidence between the representative and the members of the class.<sup>10</sup>

A settlement agreement between parties to litigation is a binding contract and, subject to the ordinary rules of contract law, the parties are free to choose to enter into and agree the terms of a settlement agreement. Court sanction is not required for a settlement save where the case is one in which money or damages are claimed by or on behalf of an infant or a person of unsound mind suing either alone or in conjunction with other parties.<sup>11</sup>

## **IV CROSS-BORDER ISSUES**

The European Commission has previously recommended that all Member States adopt collective redress schemes, for both injunctive and compensatory relief. This Recommendation

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10 Law Reform Commission Consultation Paper on Multi-Party Litigation (Class Actions) 2003.

11 Rules of the Superior Courts Order 22 rule 10.

was published on 11 June 2013 and deals with ‘mass harm situations’. ‘Mass harm situations’ are defined as those where two or more natural or legal persons claim to have suffered harm from the same illegal activity carried out by another person (whether natural or legal), in breach of their EU rights.

Other issues discussed in the Recommendation include: funding, legal fees and legal costs, standing to bring a representative action; cross-border disputes; alternative dispute resolution and damages. Although the Recommendation is not binding, it can be applied to shape future legislation in the area.

When it comes to forum shopping, Ireland may be seen as a less attractive option for class actions due to the lack of a legal framework facilitating class actions; however, in numerous *forum non conveniens* challenges to jurisdiction in New York and Florida, the US courts have dismissed US class actions in favour of Ireland.

## V OUTLOOK AND CONCLUSIONS

More than 10 years has now passed since the Law Reform Commission recommended that a formal procedural structure be put in place to deal with multiparty litigation; however, this recommendation has yet to be implemented and does not form part of the government’s current legislative programme. The absence of a formal structure does not seem to have impeded multiparty litigation in this jurisdiction and, in the absence of legislative reform, it can be anticipated that multiparty litigation will continue to proceed on the basis of test cases for the foreseeable future.

Multiparty litigation and litigation funding are issues that go hand in hand as plaintiff lawyers claim that the absence of rules permitting litigation funding restrict their clients ability to obtain access to justice. The law on litigation funding in Ireland has been subject to considerable clarification in recent years, and the Supreme Court’s decision in the *Persona Digital* case, which is expected in 2017, will have a significant impact on multiparty litigation in Ireland, irrespective of its outcome.

## ABOUT THE AUTHORS

### SHARON DALY

*Matheson*

Sharon Daly heads the insurance disputes team within the commercial litigation and dispute resolution department, which is described by *The Legal 500* as 'second to none' with Sharon being personally commended for her ability to respond creatively to complex issues.

Sharon and her team have been involved in some of the most significant commercial litigation before the Irish courts in the last 10 years, including defending a major financial institution in a multibillion, multi-jurisdictional dispute arising from investment in Bernard L Madoff's business. Sharon also acted for insurers in the largest property damage dispute to come before the Irish courts in relation to the liability of hydro-electrical dams and flood damage arising therefrom.

Sharon and her team advise a wide range of clients on insurance issues including policy holdings, coverage, policy disputes and defence of large complex claims. Sharon and her team also advise on regulatory issues for insurers and support commercial transactions for insurers buying and selling their businesses.

As a member of Matheson's Brexit Advisory Group and a council member of the Dublin Chamber of Commerce, Sharon is working with government and other key stakeholders to encourage UK-based multinationals to relocate to Dublin in order to facilitate the growth of Dublin as a leading global business centre, building on Brexit and beyond.

### APRIL MCCLEMENTS

*Matheson*

April McClements is a partner in the insurance disputes team within the commercial litigation and dispute resolution department. April is a commercial litigator and specialises in insurance disputes. April is recommended by *The Legal 500* as a leading individual for insurance.

April advises insurance companies on policy wording interpretation, complex coverage disputes (in particular relating to financial lines policies), D&O claims, professional indemnity claims, including any potential third party liability, and subrogation claims. April has extensive experience of managing professional indemnity claims for professionals, including insurance brokers, architects and engineers, for a variety of insurers. She has also been involved in obtaining High Court approval for various insurance portfolio transfers and schemes of arrangement arising from reorganisations or mergers and acquisitions involving life, non-life and captive insurers. April also works in the area of general commercial litigation

with a particular focus on contractual disputes, most of which are litigated in the Commercial Court. She is also a strong advocate of ADR and has acted for clients in mediations and arbitration.

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