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TURNBULL HILL LAWYERS

## THE LEGAL COSTS

This information brochure has been created to assist you understand the way legal costs work and, in particular, the difference between "**party/party**" costs and "**solicitor/client**" costs.

### Key Terms

"solicitor/client costs"	<u>Total</u> legal costs charged to a client for legal services provided by a solicitor.
"party/party costs" (ordinary costs)	"Standard" legal costs that the court orders a party to pay, or which another party has agreed to pay, as part of the terms of settlement of a court case ("as agreed or assessed").
"indemnity costs"	Similar to party/party costs, though generally permits greater scope of recoverable work – generally ordered in instances either as agreed between the parties, or ordered as a penalty against another party
"solicitor/client cost gap"	The difference between solicitor/client costs and party/party or indemnity costs – the "gap" payment.
"premium payment" (uplift fee)	The additional amount payable on professional fees dependent upon the outcome outlined in the Conditional Client Services Agreement.

In the event you are successful in your Court action, a contribution may be made towards your legal costs from an estate or the other party, but this contribution will not always cover 100% of your total legal costs. To explain how this usually works, we have used the Medicare analogy below:

### An explanation using the Medicare analogy

As an example, if a doctor (ie. **us**) charges \$100 for a service, Medicare (ie. **the estate or other party**) may contribute \$60, and the patient (ie. **you**) funds the 'gap' of \$40.

In the legal world, the doctor's \$100 fee is called "**solicitor/client costs**", and the \$60 contribution from Medicare is called "**party/party costs**" (or if "**indemnity costs**" may be eg. **\$75 contribution – depending on the order**).

Because the contribution from Medicare does not cover the full cost of the service, the difference needs to be paid by you. This difference, is called the "**solicitor/client cost gap**".

The **“solicitor/client cost gap”** is often funded from the proceeds of the Court action, provision from an estate, or from your own personal resources.



The amount of money able to be recovered for **“party/party costs”** is often around 60-70% of your **“solicitor/client costs”**. **“Indemnity costs”** is generally a higher percentage, though does not include any **“premium payment”** – which is a separate agreement between client and solicitor.

## Other things to consider

If a party is successful, ordinarily they will be able to recover their **“party/party costs”** from the other party. Where the Court action involves a deceased estate, **“party/party costs”** are often paid from estate assets. **“Indemnity costs”** are awarded in special instances – generally being more than **“party/party costs”**.

If a solicitor is acting on a conditional basis, or on a "no win, no fee" basis, if a **premium payment** is to be charged, the amount of the premium payment is not recoverable as **“party/party costs”** or **“indemnity costs”**. The premium payment is charged based on a calculation of the solicitor/client costs.

Most disbursements, like Barrister's fees, Court filing fees and other expenses properly incurred in pursuing the Court action are recoverable as **“party/party costs”**.

**“Party/party costs”** are intended to reimburse one party, usually the successful party, for legal costs which they have incurred being involved in the Court action. Because Court action is expensive, and there are risks for all parties, early settlement of disputes can often reduce risks and legal costs.

## OUR TEAM



**Warwick Gilbertson**

**Partner**

E: [wgilbertson@turnbullhill.com.au](mailto:wgilbertson@turnbullhill.com.au)



**Adrian Corbould**

**Lawyer**

*Accredited Specialist*

E: [acorbould@turnbullhill.com.au](mailto:acorbould@turnbullhill.com.au)



**Justine Aubin**

**Lawyer**

E: [jaubin@turnbullhill.com.au](mailto:jaubin@turnbullhill.com.au)



**Kaylyn Lyle**

**Paralegal**

E: [klyle@turnbullhill.com.au](mailto:klyle@turnbullhill.com.au)



**Mary Windeyer**

**Lawyer**

E: [mwindeyer@turnbullhill.com.au](mailto:mwindeyer@turnbullhill.com.au)



**Amy Warden**

**Secretary**

E: [awarden@turnbullhill.com.au](mailto:awarden@turnbullhill.com.au)