

# Compensation Awarded to a Minor

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## Introduction

You have received this booklet because you are the court appointed guardian of a minor (a child under 18) who has received a compensation award.

Compensation awarded to a minor by the High Court or the County Court is not paid directly to them. Instead, the court instructs the Court Funds Office to manage the funds in the best interests of the minor, until they reach majority (i.e. until they turn 18 years of age).

## Guardian's Guide

### How are the funds managed?

The total amount held on behalf of each minor is referred to as the individual's 'fund'. On receipt of an award, the Court Funds Office will make an initial assessment of how the fund should be managed. The aim of this assessment is to ensure that minors are provided with an investment service which is appropriate to their individual needs. The assessment is based on the size of the award, the length of time the fund is likely to remain in court and the needs and circumstances of the minor (for example the cost of health care or educational needs).

As part of the assessment, you may be requested to provide additional information in order to ensure that all needs have been considered. Once the assessment is complete, investment proposals will be drawn up to be presented to the Court for formal approval. Contracted stockbrokers assist the Court Funds Office to ensure a professional investment service. You will be advised of the investment proposals that are presented to the Court, but please note that the final decision on investments rests with the Court.

**It is important that any request for additional information is returned promptly, as a delay in making the initial investment may significantly reduce the potential return on the fund.**

### How will the funds be invested?

Some of the fund may be invested in government stocks (gilts) and/or company shares (equities). A portion of the fund will always be maintained as a cash deposit to cover any short term spending requirements or unexpected needs. The different types of investments are explained in more detail below:

### **Government stocks (gilts)**

Gilts are regarded as very low risk investments, with a guaranteed return. Fixed interest gilts will not provide any capital growth, meaning the value of the gilt will not increase but as they are backed by the government, they are viewed as very secure. Interest is paid on the amount of money invested and is lodged into the deposit account.

### **Company shares (equities)**

Investments in equities have the potential to produce high returns over a period of time, but also carry greater risks as the value of the investment can decrease as well as increase. Investing in equities aims to achieve long term capital growth (an increase in the value of the initial award) for the minor as well as entitling them to income in the form of share dividends. Any dividends received are lodged into the deposit account.

Stocks and shares are held by our contracted stockbroker in electronic form. This means that there is no need for us to hold physical share certificates.

### **Where are the cash deposits held?**

The Court Funds Office is required by law to lodge cash deposits with the UK Debt Management Office (DMO), which is a government agency. Therefore it is not possible to invest cash deposits with any other institutions, such as high street banks. However, all cash deposits lodged with DMO are guaranteed by HM Treasury.

### **What is the rate of interest on the cash deposits?**

The rate of interest applied to cash deposits is set by the Lord Chancellor and is subject to regular review. Interest is credited to the minor's funds at the end of November each year without deduction of tax. Details of the current interest rate can be found on the Northern Ireland Courts and Tribunals Service website at [www.courtsni.gov.uk](http://www.courtsni.gov.uk).

### **Are the funds safe?**

As stated above, the funds held as cash deposits are fully guaranteed by HM Treasury. However, funds invested in gilts and equities are not guaranteed. Funds invested in gilts are not fully guaranteed, but as they are backed by the government, they are viewed as safe investments.

**Any funds invested in equities will be subject to fluctuations in value. However, investments will only be made in equities to achieve long term gains (greater than five years). Therefore you should not be alarmed if the value of your fund does fall when measured over a shorter period of time.**

### **What happens if the minor's needs or circumstances change?**

You should inform the Court Funds Office of any changes as soon as they occur. This will enable the contracted stockbroker to review any investments held and consider whether they are still appropriate.

The Court Funds Office will maintain periodic contact with you, as guardian, to obtain updates on the minor's circumstances. Where adjustments to investments are recommended as a result of

changed circumstances you will be advised of the recommendations that are presented to the Court for formal approval.

The stockbroker also keeps all cases involving gilts and equities under review to identify the need for any adjustments in response to market fluctuations.

### **How are the services of the stockbroker paid for?**

A management fee is charged by the stockbroker in respect of each fund that holds investments in gilts or equities. The fees are based on a percentage of the funds held and are deducted from each individual's funds on a quarterly basis.

Also, each time the stockbroker carries out a sale or purchase of an equity or gilt, there are transaction charges. These charges are either deducted from the sales proceeds or included within the purchase costs, so you will not see a direct charge being made to the minor's funds.

For further information on the current rates of the fees charged, please contact the Investment Team (see Contact Information).

### **Can funds be paid out before the minor reaches 18?**

A minor's guardian can apply for payment out of the fund for the benefit of the minor. This can be done by contacting the court where the award was made (see Useful Contact Numbers for contact details).

A fee is payable for each application. Details of the level of application fee can be obtained from the court at the time of application. Requests for payments to help with the minor's education and development are generally approved by the court, but each individual application is considered on its merits. The Court Funds Office has no control over whether or not a payment is granted.

### **How long does it take the Court Funds Office to make a payment?**

Once the Court Funds Office has received the court order, the payment should be made within 5 working days. However, if a sale of investments is required, the payment may take up to 15 working days.

The quickest and safest way for the Court Funds Office to make a payment is electronically, directly into a bank account. If you provide us with your 8-digit account number and 6-digit sort code, payment will be made this way. Otherwise, a cheque will be issued which must be lodged in a bank account in the name of the cheque payee.

### **What happens when the minor turns 18?**

When a minor turns 18, the Court Funds Office will send them the forms required to release the funds. An information leaflet explaining how to complete the forms will be enclosed. These are issued by post on the day before the minor's 18th birthday. Legally they are not entitled to sign the form until they turn 18.

The minor should sign the form in the presence of a witness, who must also sign the form. Details of acceptable witnesses will be provided on the information leaflet or can be obtained from the Customer Services Team (see Contact Information).

Two forms of identification are also required when the completed form is returned to the Court Funds Office.

An original birth certificate must be provided, as well as one of the following additional proofs of identification:

- driving licence
- student card
- passport
- Electoral ID card
- medical card
- Government issued ID card

Depending on how the funds have been invested, the minor may have a number of options that will be shown on the form. For example:

- if the fund is all held in the deposit account then this sum will be paid out on receipt of the completed forms.
- if the fund contains investments in gilts or equities, the minor may choose to sell these investments and receive the money from the proceeds of the sales. Alternatively, the minor may choose to transfer the investments into their own name.

If the minor chooses to sell the investments, transaction charges will be deducted from the sales proceeds as normal.

If the minor chooses to transfer the investments, then the stockbroker will transfer the gilt or equity into the minor's name and send them a certificate. The stockbroker may charge a fee for this transfer. The minor will then receive future dividend payments directly and can retain or sell the shares in the future as they wish.

Individuals are encouraged to seek independent financial advice before deciding whether to sell or transfer stocks and shares in their fund when they reach 18.

### **What if the minor is incapable of managing the funds on reaching 18?**

If the minor, by way of mental incapacity, is deemed incapable of managing the funds on reaching the age of 18, the Court's Office of Care and Protection may administer the funds on their behalf. They can be contacted on 02890 724732 or 02890 724733.

## **Taxation**

Minors, like adults, may need to pay tax on their income and any capital gains that arise from the sale of investments, including those within their fund, if these exceed their personal tax allowances. Details of an individual's personal tax allowances can be obtained by contacting your local tax office or on the HM Revenue and Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

You may need to seek the advice of your local tax office or an accountant to determine if you need to complete a tax return for the minor.

In order to complete a tax return, you may require the Court Funds Office to provide certain information regarding the minor's funds. The Court Funds Office will provide the information that is required for the completion of a tax return on request only. The information will be issued within 15 working days of the request being received.

Please note that if the request is being made by a third party (e.g. an accountant) then we will require a signed third party correspondence authority to enable us to deal directly with them.

### **Who has responsibility for making tax returns?**

It is the responsibility of the guardian to determine whether a tax return needs to be made. If a return is required, it is also the responsibility of the guardian to ensure that the return is received by HM Revenue and Customs in advance of any relevant deadline.

## **Frequently Asked Questions**

### **What do I do if the minor has changed address?**

It is important to keep the Court Funds Office informed of any change of address. A letter signed by the guardian should be sent to the Court Funds Office immediately or e-mail us at [courtfundsoffice@courtsni.gov.uk](mailto:courtfundsoffice@courtsni.gov.uk)

Alternatively, the guardian may call at the public counter with identification and explain that they wish to change the address. If we are not informed of a change of address, this may cause a delay in the fund being paid out.

### **What do I do if the minor has changed their name?**

If a minor has changed name since the date of the award, either by virtue of adoption, marriage or deed poll, evidence of the change must be provided before the funds can be paid out.

### **Can the guardian be changed?**

As the court appoints the guardian, it is only by way of a fresh Court Order that the guardian can be changed. You must contact the court where the award was granted to request this change (see Useful Contact Numbers for contact details).

### **Will the Court Funds Office provide information directly to third parties?**

The Court Funds Office will provide relevant information on the minor's circumstances to the stockbroker to ensure appropriate investment advice is provided. Otherwise we will not provide any information directly to third parties without the prior written consent of the guardian. We will provide a 'third party correspondence authority form' for this purpose on request. This should be taken into consideration if, for example, an accountant or solicitor is likely to want to correspond directly with us.

### **Can I get details of the case over the telephone?**

For security reasons, we will not disclose any personal or financial information over the telephone.

### **How do I get an update on the fund?**

Notification of funds initially being received into court will automatically be sent to the legally appointed guardian within 5 working days of lodgement of the funds.

A statement of account detailing the current value of investments will be sent to you annually. Where investments include equities a statement will be issued every six months.

The guardian may request a Certificate of Funds at any time by sending a written request to the Court Funds Office, or by calling in person (identification must be provided if calling in person).

### **Does the fund affect state benefits?**

The annual income and overall value of the fund may affect entitlement to certain means-tested state benefits. If you have any queries regarding entitlement you should contact your local Social Security Office.

### **How are the costs of the Court Funds Office paid for?**

The administration costs of the Court Funds Office are recovered annually from the interest received on the cash deposits held with the UK Debt Management Office. As this is deducted at source, you will not see a direct charge being made to the minor's funds.

For further information on this please contact the Investment Team.

## **Contact Information**

### **Address**

Court Funds Office  
Laganside House  
23-27 Oxford Street  
Belfast BT1 3LA

### **Office opening hours**

The public counter is open:  
Monday to Friday 9:00am to 5:00pm  
The office is closed on public holidays.

### **E-mail**

[courtfundsoffice@courtsni.gov.uk](mailto:courtfundsoffice@courtsni.gov.uk)

### **Fax number**

(028) 9072 8866

### **Telephone numbers**

Please choose from the numbers below.

If you would like to speak to a member of staff to enquire about:

### **Payments from the fund**

Payments Team: (028) 9072 8885 or (028) 9072 8898

**Receipt of money into the fund**

Receipts Team: (028) 9072 8895 or (028) 9072 8888

**Investments**

Investments Team: (028) 9072 8892 or (028) 9072 8889

**Turning 18, and other enquiries**

Customer Services Team: (028) 9072 8900 or (028) 9072 8894

**Useful Contact Numbers**

If you wish to apply for a payment out of the fund then you should contact the court where the award was originally made. The [contact details for each of our Court Offices can be found here.](#)