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19 June 2025

Dear Frances & Mike

**Compensatory award which Employment Tribunals can grant for unfair dismissal and flexible working**

Thank you for your contributions to the second day of Committee Stage for the Employment Rights Bill on Thursday 8 May. During the debate on the amendments relating to flexible working I committed to writing to both of you regarding a review of the various caps in legislation on certain compensatory awards which may be granted by Employment Tribunals.

The compensatory award in basic unfair dismissal cases (excluding certain automatically unfair dismissal cases) is subject to a statutory upper limit or "cap" of the lower of £118 223 or 52 multiplied by a week's pay (section 124(1ZA), Employment Rights Act 1996). The cap is adjusted annually by the Secretary of State in accordance with a formula set out in section 34 of the Employment Relations Act 1999. The limit is raised every 6 April in line with any annual increase in RPI measured in the previous September. As a result, on 6 April 2025, these limits were increased by 2.7%. If there is no change or a decrease in RPI, the limit remains the same. The compensatory award for unfair dismissal claims is designed to compensate someone for actual financial losses, rather than penalising the employer.

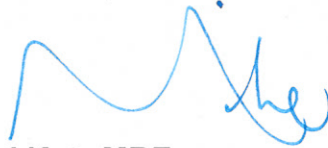
Section 80I of the Employment Rights Act 1996 provides a power to set by regulations a permitted maximum for awards of compensation for claims related to flexible working requests. Under Regulation 6 of the Flexible Working Regulations 2014, the permitted maximum is 8 weeks' pay.

Separately, compensation for discrimination awards is uncapped, and there is no formal limit on the compensation that can be awarded in a discrimination claim. Similarly, there is no limit to the amount of compensation that an Employment Tribunal can award for disability discrimination. Compensation normally includes an award for injury to feelings and an award to consider any loss suffered.

We note the concerns around compensation awards, but for now our focus must be on implementation of measures in the Employment Rights Bill. We will however keep matter under consideration

I am copying this letter to all Noble Lords who spoke in the debate. I am also depositing a copy of this letter in the Library of the House.

Best wishes,

A handwritten signature in blue ink, appearing to be 'The Lord Katz', written in a cursive style.

**The Lord Katz MBE**  
**Lord In Waiting (Government Whip)**