

CPI & RPI Indexing

Court orders for maintenance can be in place for many years during which time the effect of inflation could reduce the value of the maintenance award in real terms. Instead of having to apply to court to have the order varied, a court can order maintenance to be automatically varied annually in line with the Retail Prices Index ("RPI") or Consumer Prices Index ("CPI").

Historically the RPI has been used and is referred to in older maintenance orders. There has been a move towards using the CPI to measure inflation although the Office for National Statistics ("ONS") has recommended that the government sticks to measuring inflation using the RPI for now.

WHAT ARE THE CPI AND RPI?

They are monthly figures provided by the ONS as measures of inflation. Both measure the change in the prices of specified goods and services. For the CPI these include transportation, food and medical costs. The RPI also takes into account some additional costs relating to the running of your home and in general it gives a higher figure for inflation.

You can find the current and previous CPI and RPI figures from the Office for National Statistics website as follows:

- Go to <http://www.ons.gov.uk/ons/index.html>
- Click on 'Consumer Prices Index' under 'Key Figures' on the right hand side
- Click on 'Consumer Price Inflation Reference Tables' on the left hand side and open up the Microsoft Excel spreadsheet
- The CPI and RPI figures should be found at 'Table 36'

MAINTENANCE ORDERS

Court Orders are usually drafted on the basis that the CPI or RPI figures to be used to adjust the maintenance are those 3 months and 15 months prior to the date of the variation of maintenance – this is because there is a delay before the Office for National Statistics publishes the monthly figures.

To make it easier to work out the adjusted maintenance you can use the following formula:

$$X \times (A/B)$$

- Where X is the figure to be inflated
- A is the RPI for the later month
- B is the RPI for the earlier month

WORKED EXAMPLE

A maintenance order is granted in April 2009 containing the following term:

"The maintenance payable shall be £1,200 per annum and shall be automatically varied on the first anniversary of this Order and annually thereafter by the amount by which the UK Retail Prices Index shall have changed in the period commencing 15 and ending 3 months before each such automatic variation."

The formula above can be used to calculate the automatic variation to the maintenance that should be applied from April 2010 until April 2011.

- What is X?
Firstly, the figure to be inflated in our example is £1,200.
- What is A?
Three months before the variation means three months before April 2010 which is January 2010 (the 'later' month).
From the Office for National Statistics website we can see that the RPI figure for January 2010 is 217.9.
- What is B?
Fifteen months before the variation means fifteen months before April 2010 which is January 2009 (the 'earlier' month).
From the Office for National Statistics website we can see that the RPI figure for January 2009 is 210.1.

Now we can put the figures into the formula and work out what the maintenance is...

$$1,200 \times (217.9/210.1) = 1244.56$$

This means the recipient will receive £1,244.56 from April 2010 to April 2011.

SUBSEQUENT YEARS

Working out the maintenance for the following year can be done using the same formula; however it must be remembered that the figure used for X is no longer £1,200 but £1,244.56 as this is now the maintenance figure that needs to be adjusted.

Question: What would the maintenance be from April 2011 to April 2012?

Answer: £1,307.96 per annum.

This is calculated by using the RPI figure for January 2011 which is 229.0 (A in our formula) and the RPI figure for January 2010 which is 217.9 (B in our formula) and using these figures...

$$1,244.56 \times (229.0/217.9) = 1307.95888$$

CONTACT US

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The information contained in this article is designed to provide, for guidance purposes only, a general introductory summary of the subject matters covered. It does not purport to be exhaustive nor to provide legal advice nor should be used as a substitute for such advice.

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