# Mastercard settlement sparks litigation funding fears in UK class actions



The recent settlement between Mastercard and class representative Walter Merricks, valued at £200 million, has stirred controversy, especially among financial backers of collective actions. Innsworth Capital, the litigation funder behind the class action suit, is challenging the amount approved by the UK's Competition Appeal Tribunal (CAT), claiming it offers an "unreasonable" financial return. This episode has raised alarms about the future of litigation funding in the UK, suggesting an environment potentially hostile to backing such claims.

The class action lawsuit, which sought a staggering £14 billion, was initiated on behalf of approximately 46 million UK consumers. It alleged that Mastercard’s interchange fees constituted a breach of EU competition law, ultimately harming consumers by inflating costs passed down from merchants. However, the final settlement represents a mere fraction of the original claim, prompting Innsworth to express concerns over the implications for future financial backing of class actions in the UK.

In the ruling, the tribunal awarded Innsworth £68 million, a return covering its initial investment of £45 million plus 50 per cent. Despite this sizeable return, Innsworth argued that the settlement is disproportionately low compared to the substantial risks it involved. The funder has been vocal about its dissatisfaction, stating that the resolution may deter future investment in collective actions, as the division of proceeds lacks fairness and reasonableness.

Jeremy Marshall, chief investment officer at Winward, another player in the litigation funding space, echoed similar sentiments, citing the tribunal's decision as likely to have a "chilling effect" on the industry. This concern echoes broader anxieties within litigation funding circles, especially following a Supreme Court ruling in 2023 that curtailed how funders can financially benefit from antitrust class action claims.

Innsworth’s managing director, Ian Garrard, stated that the tribunal's decision reflects a misguided assessment of the financial risks taken by the funder and the broader implications for class actions. He characterised the settlement as an "extraordinarily low proportion" of the original claim, arguing that had the case gone to trial, a superior outcome might have been achieved. This assertion highlights a fundamental tension within the litigation landscape, as the merits of pursuing lengthy legal battles are weighed against the potential for relatively quick settlements.

Moreover, the discord between Innsworth and Merricks, who publicly rebuked the funder's attempt to obstruct the settlement, has compounded the issue. Merricks revealed the counterproductive nature of Innsworth's legal threats, which aimed at halting what he deemed was in the best interests of the consumer base he represented. By alluding to the personal risks involved, including potential bankruptcy from Innsworth’s claims for unlimited damages, Merricks painted a picture of a fraught legal battle plagued by internal strife.

While the CAT found the £200 million settlement "just and reasonable" given the circumstances, critics argue that the acceptance of such an amount overlooks the broader implications for consumer rights and the viability of collective claims in the UK. As litigation funders like Innsworth reconsider their strategies in light of this ruling, the landscape of class actions appears to be at a pivotal point, caught between the urgency for consumer justice and the risk-averse tendencies of financial backers.

The outcome of this dispute raises essential questions about the future of collective litigation in the UK. As the courts, funders, and claimants navigate these complex dynamics, the commitment to ensuring consumers receive just compensation remains crucial. The developments in this case will undoubtedly ripple through the litigation funding sphere, shaping the mechanics of future class actions.

### Reference Map

1: Paragraph 1, 2 2: Paragraph 2, 4 3: Paragraph 3 4: Paragraph 4 5: Paragraph 5 6: Paragraph 6 7: Paragraph 7

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.ft.com/content/107bbb74-139b-474b-8d09-e5ab765389a2> - Please view link - unable to able to access data
2. <https://www.ft.com/content/107bbb74-139b-474b-8d09-e5ab765389a2> - Innsworth Capital, a litigation funder owned by US hedge fund Elliott, has criticized the UK's Competition Appeal Tribunal (CAT) for granting an 'unreasonable' financial return in a class action lawsuit against Mastercard. The case, initially seeking £14 billion on behalf of 46 million consumers, settled for £200 million. Innsworth, which invested £45 million in the case, was awarded £68 million, covering costs plus a 50% return. The funder argues this is inadequate given the financial risks involved and is considering further legal action.
3. <https://www.lawgazette.co.uk/news/200m-mastercard-settlement-cleared-by-competition-appeal-tribunal/5122448.article> - The Competition Appeal Tribunal has approved a £200 million settlement between class representative Walter Merricks and Mastercard in a collective action lawsuit. The case, originally seeking over £14 billion, alleged that Mastercard's interchange fees breached EU competition law. Despite the settlement, litigation funder Innsworth Capital challenged the agreement, arguing it was premature and too low. The tribunal, however, deemed the settlement 'just and reasonable' given the risks involved and the 'poor outcome' for consumers.
4. <https://www.reuters.com/business/finance/mastercard-landmark-deal-challenged-test-uk-class-action-funding-2025-02-19/> - Mastercard's £200 million settlement in a class action lawsuit over card fees has been challenged by litigation funder Innsworth Capital, raising concerns about the future of class action funding in the UK. The lawsuit, initially valued at £10 billion, would result in approximately £2.27 for each of the 44 million claimants if all sought payment. Innsworth, which invested over £45 million in the case, argues the settlement undervalues the claim and is considering further legal action.
5. <https://www.lawgazette.co.uk/news/cat-president-slashes-wholly-disproportionate-costs-in-mastercard-case/5122860.article> - A judge has criticized the high legal costs in the Mastercard class action case, describing them as 'wholly disproportionate and unreasonable.' Innsworth Capital, the litigation funder, was granted permission to intervene in the £200 million settlement agreed between claimant Walter Merricks and Mastercard. The judge noted that the hourly rates charged by Innsworth's solicitors were significantly above central London guideline rates, leading to a reduction in the awarded costs.
6. <https://www.lawgazette.co.uk/news-focus/in-depth-eight-year-mastercard-saga-rumbles-on/5122539.article> - The £200 million settlement in the Merricks v Mastercard collective action has been approved by the Competition Appeal Tribunal, bringing an end to a legal battle spanning over eight years. The case, brought by Walter Merricks on behalf of around 44 million UK consumers, alleged that Mastercard's interchange fees breached EU competition law. Despite the settlement, disputes over card processing fees and the funder's return continue, highlighting ongoing tensions in the UK's class action regime.
7. <https://www.bloomberg.com/news/articles/2025-02-21/mastercard-wins-uk-court-nod-for-200-million-deal-to-end-class-action-claim> - Mastercard has received approval from a London court for a £200 million settlement to end a high-profile class action over its fees, initially estimated to be worth more than £10 billion. The Competition Appeal Tribunal approved the deal, rejecting the litigation funder Innsworth Advisors Ltd.'s allegation that the settlement undervalued the claim. A formal order will be made later, finalizing the settlement details.