

**NEWS – ECIPE PRESS RELEASE – NEW OCCASIONAL PAPER**

# The Impact of Increased Mass Litigation in Europe

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**Brussels, 1 April 2025** - *New Study Warns of Economic Consequences from Rising Mass Litigation in Europe*

A recent [ECIPE Occasional Paper](#) examines the growing risks associated with the rise of mass litigation in Europe. The study reveals that mass litigation, while often presented as a tool for consumer protection, can lead to substantial economic costs, increased legal uncertainty, and reduced incentives for innovation.

## Mass Litigation: A False Economy

The rapid increase in collective actions across Europe creates substantial economic burdens for businesses. The study estimates that the additional private enforcement costs for companies could range between €28.3 billion and €84.8 billion, depending on the rate of litigation growth. These costs arise from settlement payments, legal fees, and increased insurance premiums, which ultimately reduce the resources available for investment and innovation.

***“Mounting litigation costs have the potential to represent a significant competitive disadvantage for European businesses”*** states Fredrik Erixon, Director of ECIPE and one of the co-authors of the study. ***“As companies divert resources to manage litigation risks, their capacity to invest in growth, employment, and innovation diminishes considerably.”***

## Mass Litigation: A False Justice for Consumers

Despite the promise of greater access to justice, mass litigation has largely benefited legal professionals and third-party funders rather than consumers. A significant portion of settlements in these cases is absorbed by legal fees and funding costs, leaving claimants with only a fraction of the awarded compensation. Alternative dispute resolution mechanisms, particularly Ombuds Bodies, can deliver meaningful consumer redress at lower costs than collective actions, as evidenced by Sweden's experience.

The study reveals that countries with less stringent regulations on qualified entities and funding disclosure requirements tend to experience higher volumes of litigation, without corresponding consumer benefits. Litigation costs as a share of claim value in the European Union could increase from 20.3 percent today to as much as 27.1 percent in a high-growth litigation scenario.

### **Caution Against Emulating the U.S. Model**

The study advises the EU to exercise caution in adopting the U.S. approach to mass litigation. The U.S. legal system has long been associated with high volumes of class actions, which often result in substantial legal expenses and protracted legal battles. Following a similar path in Europe could have detrimental effects on the EU economy, particularly for high-tech and innovative industries.

***“Unchecked mass litigation not only imposes heavy costs on businesses but also stifles innovation,”*** said Oscar Guinea, Senior Economist at ECIPE and co-author of the study. ***“When facing heightened litigation uncertainty, Europe’s most innovative companies could see their market valuations eroded by as much as €46.5 billion, ultimately diminishing their capacity to innovate”.***

### **Recommendations for EU Policymakers**

The study urges policymakers to implement specific safeguards to mitigate adverse economic effects of unconstrained mass litigation, including:

- Adopt opt-in rather than opt-out processes to prevent exaggerated claims.
- Enforce transparency rules requiring disclosure of funding sources.
- Reinforcing the "loser pays" principle to deter frivolous lawsuits.
- Imposing stricter criteria for organisations filing collective actions, limiting the role of ad hoc entities.
- Strengthen the role of Ombuds Bodies as efficient alternative

With mass litigation on the rise, the EU must ensure that its legal system does not undermine its competitiveness and ability to innovate. A measured, well-regulated approach will prevent Europe from following the costly path of mass litigation seen in the United States.

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