

Recent Supreme Court ruling: Judgment 3854/2025 of 8th September 2025: Article 20 of the Spanish Insurance Contract Law: Supreme Court Clarification on Interest Accrual and Burden of Proof.

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A recent decision by the Spanish Supreme Court on a personal injury claim has brought clarity to the interpretation of article 20.6 of the Spanish Insurance Contract Act 50/ 1980.

The Supreme Court ruling of 8th September 2025 signifies a significant milestone in the interpretation of Article 20 of the Insurance Contract Law (LCS), particularly regarding the determination of the starting point for accruing default interest in the context of Civil Liability Insurance.

The ruling has been built upon established Case Law and reinforces the legal requirements imposed on Insurers claiming lack of knowledge of the incident as a reason to delay interest accrual.

Legal and Jurisprudential Framework of Article 20 LCS:

The default interest regime under Article 20 LCS is aimed at acting as dual purpose: compensatory and punitive. The interest compensates the injured party for the delay of the indemnified amount as well as discourage insurers from delaying payment. It applies to a delay in making payment to the prejudiced third party in Civil liability.

Article 20.6 establishes a clear general rule: interest accrues from the date of the incident, unless the insurer proves it had no knowledge of the incident prior to the injured party's claim or direct action. This burden of proof has been treated strictly by case law, especially in cases of severe healthcare-related civil liability.

The penalty for delay shall consist of payment of interest equal to the prevailing interest rate increased by 50% and two years and this amount is increased at a rate of 20% per annual if 2 years elapsed since the incident.

Relevant Facts and Dispute

The case involved a minor who went into sedation surgery for a diagnostic procedure resulting in severe neurological damage to the minor patient.

The Claimants brought a direct action against the anesthetist's insurer, claiming compensation in the amount of 2.134.864'30 of euros plus the interests of article 20 since the date of the incident. The Court of First Instance awarded compensation in the amount of 600.00 euros plus the interests of article 20 since the date of the incident.

The Judgement was appealed by the Insurers ruling the High Court of appeal in favour of the insurers, revoking the Judgment of the First Instance and awarding the interests of article 20 since the date the Insurers "certified" the third party, the anesthetist was insured by them.

The High Court of Appeal went further stating that within the criminal procedure the Insurers have not been called to the Court proceedings and the Buofaxes named other Insurance Company.

The Claimant appealed the Judgement from the High Court of Appeal, being the main dispute whether the Insurer sufficiently proved its lack of knowledge of the incident.

Ruling of the Supreme Court and Case law:

The Spanish Supreme Court approved the appeal, ruling that the High Court of Appeal has misapplied the burden of proof rule.

The High Court ruled and restated that under Article 20.6 of the Insurance Contract Act 50/ 1980 (LCS) the Insurer must fully prove that it was unaware of the incident prior to the judicial claim. Unilateral declarations or internal documents are insufficient.

The Court emphasized that the severity of the damage is particularly relevant: In cases of disproportionate damage (like this one) it is objectively foreseeable that the insured should notify the insurer. This reasoning reinforces the natural presumption of knowledge in incidents of such degree that any reasonably diligent professional should anticipate legal consequences.

Additionally, the Court criticized the requirement that Claimants should prove a fact they are not obliged to establish: The communication of the incident by the insured. Such a requirement led to the reversal of the burden of proof.

Relevance of "Disproportionate Damage" in Allocating the Burden of Proof

The ruling reiterates the doctrine of "Disproportionate Damage", a jurisprudential category which determine the reasonableness of the Insurer's knowledge. In the cases in which it is foreseeable a "disproportionate Damage" failure to prove lack of knowledge is interpreted strictly, as the severity of the damage indicates the insured should have informed it.

Conclusions:

- The Court consolidates the strict interpretation of Article 20, highlighting its dual function and its nature: Compensatory and punitive and establishing high standards of diligence and proof for insurers.
- Full and sufficient proof of ignorance is required; presumptions favoring the insurer or unilateral documents are inadequate.
- The decision aligns with recent Case Law trends and anticipates increased rigor in handling default interest in civil liability, enhancing protection for injured parties and keeping the punitive purpose of interest accrual.
- The ruling strengthens protection for the party injured, especially in medical negligence cases where injuries are often severe. The concept of "disproportionate damage" becomes decisive. My opinion is that the concept of "disproportionate damage" would apply and is extensive beyond medical negligence cases.