



Solicitors
Regulation
Authority

SRA Summary of Performance Measures and Statistics

December 2009

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This report provides a summary of the work of the SRA. It allows our stakeholders to monitor our performance against our strategy. Further details of our strategy can be found on our website at www.sra.org.uk/sra/strategy.page. If you have any feedback or queries regarding the report, please contact us at managementinformation@sra.org.uk

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Headline figures

The SRA regulates

- **112,589** practising solicitors, with a further **38,200** non-practising
- **273** registered European lawyers
- **1,663** registered foreign lawyers
- **10,958** firms, of which **140** are now Legal Disciplinary Partnerships

In the fourth quarter of 2009 we have

- effected **28** interventions
- issued **63** sets of proceedings at the SDT
- issued **83** reprimands
- risk assessed **2,812** allegations
- concluded **2,395** casework investigations
- answered **16,284** calls to our Ethics Guidance Helpline
- **1,335** claims in progress on the Compensation Fund representing a liability of **£73 m**
- Distributed over **£8 m** from monies held on statutory trust following intervention
- undertaken **186** practice standards monitoring visits to firms

And in doing so we have...

- answered **81%** enquiries from the public within 60 seconds
- effected **96%** interventions within target
- issued proceedings at the SDT within an average of **5.2** months (6 month target)
- answered **80%** calls to the Ethics Guidance Helpline within 45 seconds
- seen a **15%** reduction in complaints about firms visited by the Practice Standards Unit last quarter
- met required standards in **83%** of SRA organisation wide quality assurance audits

The Regulated Community

Solicitors in England and Wales

The SRA regulates solicitors and firms across England and Wales, as well as those working as registered European lawyers and registered foreign lawyers. Our purpose is to protect the public by ensuring that solicitors meet high standards, and by acting when risks are identified.

Despite the challenging times facing the profession, the number of solicitors on the roll continues to rise year on year, as does the practising population. The number of solicitors with a practising certificate (PC) at the end of December 2009 was 2.4% higher than at the same time in 2008.

Population of practising solicitors since September 2007

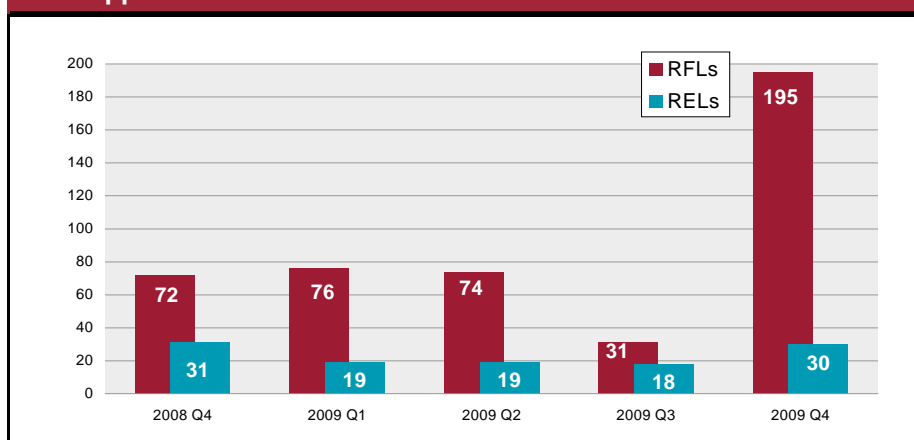


The annual PC renewal process gives a seasonal pattern to the population size for practising solicitors, which can be clearly seen from the graph above. The peak is in October of each year when PCs are renewed and the fall off from this point occurs as those which have not been renewed are terminated. There are now over 150,000 solicitors on the roll, an increase of 2.4% on the year before.

Registered foreign lawyers and registered European lawyers

In addition to solicitors on the roll with practising certificates, there are also a number of registered foreign lawyers (RFLs) and registered European lawyers (RELs) who are regulated by the SRA.

New applications for RFLs and RELs



The above table shows the number of applications for new RFLs and RELs since quarter 4 2008. The increase in RFL applications in quarter 4 was due to one firm employing 153 new RFLs. Outside of this firm the downward trend in applications has continued.

The Regulated Community

Solicitors' firms

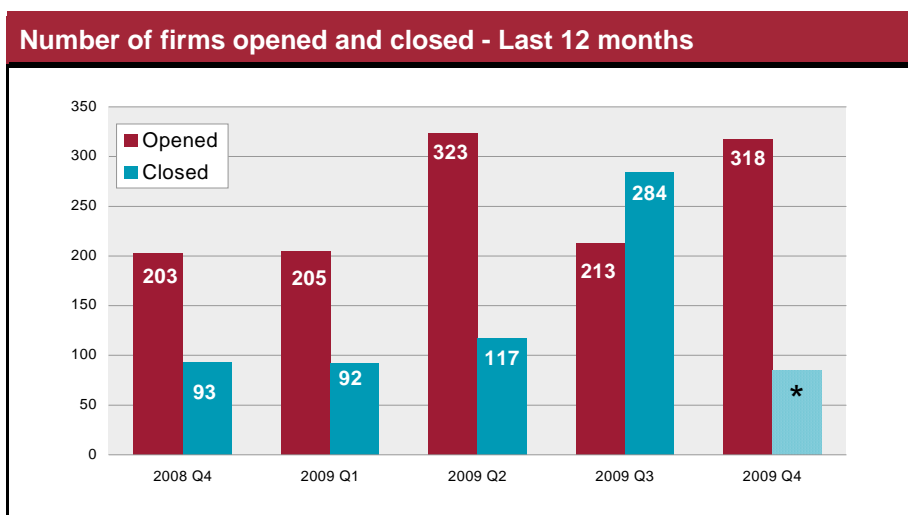
The following table shows a breakdown of solicitors' firms by type at the end of each quarter. The numbers are based on a count of head offices recorded by the SRA.

Snapshot by type of firm					
Firm Type	December 2008	March 2009	June 2009	September 2009	December 2009
Incorporated Company	1,333	1,380	1,467	1,541	1,657
Limited Liability Partnerships	915	972	1,067	1,101	1,129
Multinational / Overseas	215	213	202	169	164
Partnership	4,126	4,073	3,967	3,897	3,874
Sole Practitioner	4,133	4,155	4,242	4,095	4,083
Other	48	50	48	48	51
Total	10,770	10,843	10,993	10,851	10,958

The fourth quarter of the year saw a small increase in the number of firms, with the most significant change being the increase in the number of incorporated companies.

Firms opening and closing

During the last 12 months 1059 new firms opened and 578 firms closed (as at 1st February 2010). A number of firms have merged during this time resulting in an overall increase of 188 firms. The number of new firms formed in quarter 4 of 2009 was more than 50% up on the same period in 2008. As it can take a number of weeks for the SRA to be notified of and process firm closures, the finalised figure for quarter 4 is not yet available - indications are that it will be slightly higher than the corresponding period in 2008.



* Closure figures may be revised up if the SRA are notified of closures after the event

Setting the Standards

- To set standards for entry to the profession, professional behaviours and continuing professional development so as to maintain and enhance the competence, performance and ethical conduct of solicitors and uphold the rule of law.
- To set standards for organisations offering legal services.

Standards of entry

Routes to Qualification				
By admission date	12 m to Dec 08	12 m to Dec 09	variance	% variance
Qualifying Law Degree	3,878	4,162	+ 284	+ 7%
Conversion Course	2,251	2,273	+ 22	+ 1%
QLTT *	2,212	1,997	-215	-10%
Other	189	223	+ 34	+ 18%
Total admitted	8,530	8,655	+ 125	+ 1%

* Qualified lawyers transfer test

48% of those admitted in the 12 months to December 09 completed a qualifying Law Degree. 26% had undertaken post graduate study following a non-law degree (often referred to as a 'conversion course', specifically the Post Graduate Diploma in Law or Common Professional Examination).

23% of individuals admitted to the roll had qualified under the 'Qualified Lawyers Transfer Regulations' which allow overseas lawyers and other UK qualified lawyers to become qualified solicitors in England and Wales. To do this they must have satisfied the requirements regarding experience of practising the law of England and Wales and must also have passed the Qualified Lawyers Transfer Test (QLTT). The decrease seen in QLTT applicants in the last 12 months was the result of changes in the regulations which led to a large number of applications before the new regulations came into force in September 2008. A more thorough revision of the rules is currently underway.

The remaining 3% of individuals qualified via another route. They may have achieved qualifications equivalent to a qualifying law degree or Common Professional Examination, or have been eligible for exemption from the usual requirements.

Setting the Standards

Education & Training

The Education and Training Unit ensure that the training provided to new entrants to the profession, as well as training and continuing professional development of existing solicitors, is of a high and consistent standard. They authorise providers of the Legal Practice Course, the Professional Skills Course, training contracts and continuing professional development.

Legal Practice Course (LPC)

The Legal Practice Course has new requirements that must be followed by all providers from September 2010. Sixteen providers have already opted to work within the new requirements from September 2009. They sought both authorisation and had specific courses validated.

Between October and December 2009, a further 21 authorisation and validation events took place resulting in 19 applications being approved. Most of the applications were approved subject to conditions which the providers are required to comply with by 26 February 2010.

Continuing Professional Development (CPD) and Professional Skills Course (PSC)

The Education and Training Unit authorise providers of CPD and the PSC and monitor them by delegate questionnaire. In the last quarter, 24 applications were received from prospective external CPD providers and 106 applications from prospective in-house CPD providers or from those in-house providers seeking re-authorisation. Also during this time, there were 119 CPD and PSC routine monitoring activities.

Training contracts and work-based learning

Firms of solicitors wishing to take trainees must be authorised to do so by the SRA and are subject to monitoring by the SRA. Firms must also apply to the SRA for permission to make variations such as taking on additional trainees, or arranging secondments to other organisations as part of training.

During the last quarter, 202 training contract applications were received and 213 completed. The majority were from firms applying for a variation of the training contract requirements. Also during this time, 46 monitoring visits took place and 37 training establishments were selected for monitoring.

The work-based learning pilot, launched in September 2008 continues investigating a new approach to the assessment of trainees during their period of experience in practice. A second part-time cohort commenced in September 2009. Monitoring reports on participating firms and the interim report have been largely positive. One of the key issues highlighted in the interim evaluation report was employer assessment of work based learning. This has already been addressed through workshops held in December. The scoping of the next tranche of evaluation work is expected to be concluded in February.

Education and Training policy work

Work is also continuing in a number of areas of policy development. Revision to the rules concerning the transfer of qualified lawyers from other jurisdictions is now close to completion. The new regulations have been approved by the Education and Training Committee and the SRA Board and were sent to the Legal Services Board for approval in January 2010. If approved implementation of new rules is planned for September 2010.

The quality and standards framework project ran a public consultation on their 'Agenda for Quality' during the third quarter of 2009 and analysis of responses is currently taking place. These responses will inform a series of position and proposition papers, expected to be completed in early 2010.

A project looking at the Higher Rights of Audience scheme is continuing to develop a new assessment regime for solicitors wishing to exercise higher rights of audience. This new regime is intended to be in place by 1st April 2010.

Support & Monitoring

- To provide information, advice and support to solicitors and organisations to help them comply with the standards set.
- To operate processes to monitor compliance with standards, so as to identify cases requiring remedial, investigative or other regulatory action.

Ethics Guidance Service

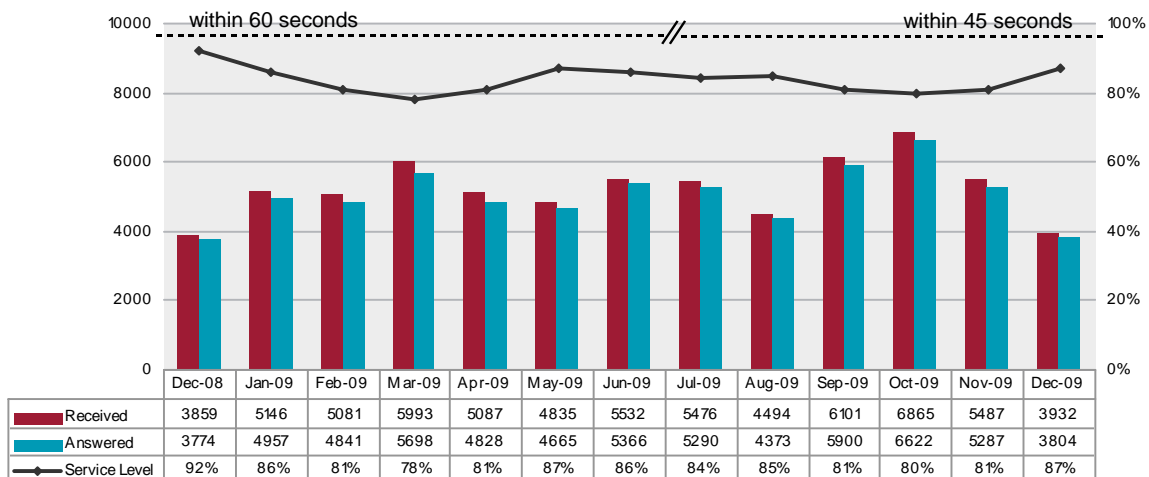
The **Professional Ethics Guidance Team** provides confidential guidance to help solicitors comply with their professional obligations. The Helpline is open 5 days a week, and also deals with written and email enquiries.

Helpline staff provide guidance on complex issues such as conflicts of interest and retainers. The most common areas of enquiry during the last quarter were:

- Practising Certificates
- Accounts Rules
- Publicity

The team produce guidance available on our website covering topics of enquiry and important topics such as preparation for Alternative Business Structures which has been updated this quarter.

Calls to the Ethics Guidance Helpline



The service level for the Ethics Guidance Helpline changed during 2009. Prior to July 2009, staff aimed to answer calls within 60 seconds. This was reduced in July 2009 to 45 seconds. The service level on the graph above shows the percentage of calls that were answered within these times.

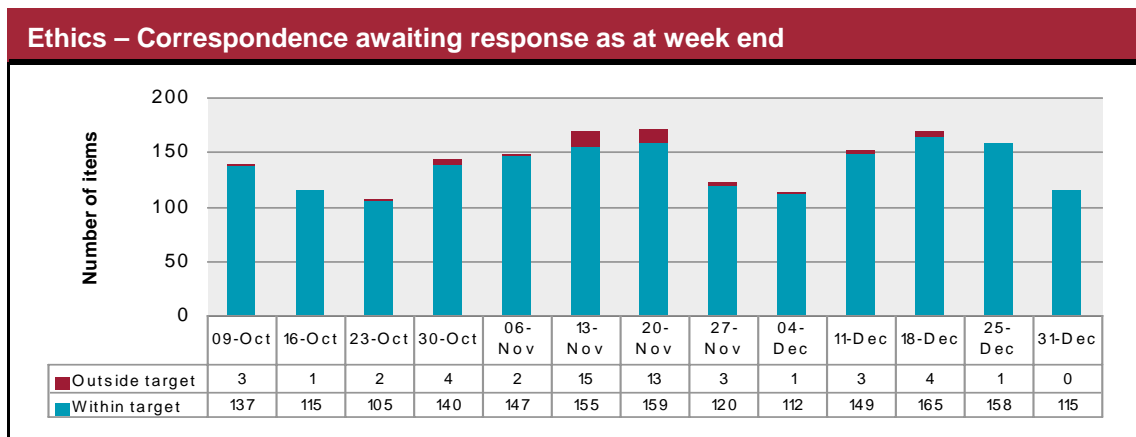
By the end of quarter 4 the Ethics Guidance Helpline had been working for six months to a 45 second target time to answer calls. The unit aims to answer 80% of calls within this time. In the first half of the year the target was for 70% of calls to be answered within 60 seconds. More than 80% calls were answered within this target throughout quarter 4, with a peak of 87% in December.

Only 3.5% of calls to the Helpline were abandoned during quarter 4, a rate which was maintained even during the busiest month of October. There were 2.5% more calls received by the Ethics Guidance Helpline in quarter 4 2009 than quarter 4 2008. The number of calls answered also rose (2.8% increase). A total of 16,284 calls were received and 15,713 answered in the quarter

Support & Monitoring

The volume of correspondence received by the **Ethics Guidance** unit continues to rise each quarter. The renewals of PCs amongst other factors increased the workload of the team in the latter part of 2009. In quarter 4 a total of 1,301 written enquiries were received, an increase of almost 15% on the number received during quarter 3, and significantly greater than the 1,039 received during the first quarter of the 2009.

The team aim to respond to all correspondence within 10 working days. The graph below shows how many items are outstanding at the end of each week and of those how many are still within the 10 day target. In quarter 4, 2.8% of correspondence was outside target, up from less than 1% outside target in quarter 3.



The average level of outstanding correspondence at the end of each month in quarter 4 was 127 items, slightly higher than the 114 average outstanding in quarter 3, but less than the 146 in quarter 2 and 153 in quarter 1.

SRA Roadshows

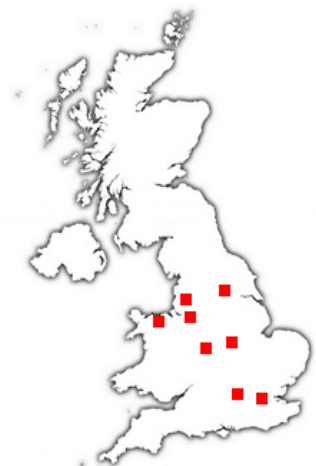
The SRA holds regulation roadshows for solicitors across England and Wales.

The roadshows offer an opportunity to find out more about the work of the SRA, ask questions and raise any concerns.

In the twelve months to December 2009, roadshows were held in Llandudno, Manchester, Birmingham, Preston, Leeds, Reading, Leicester and London attracting over 800 attendees in total.

Details of any future roadshows can be found on the SRA website:

www.sra.org.uk/sra/news/update.page



Client Care Seminars

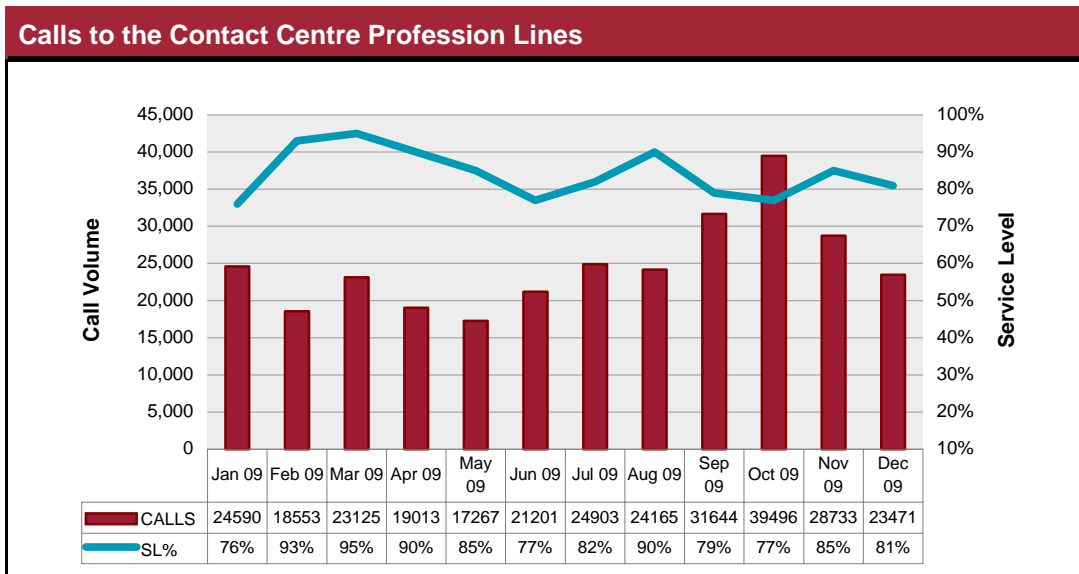
The **Practice Standards Unit (PSU)** aims to improve standards of practice in the profession through the promotion of client care and practice excellence. This is achieved in part through an educational programme of client care seminars which take place around the country. In the twelve months to December 2009, 47 client care seminars have taken place. In quarter 4, members of **Ethics Guidance** unit also attended and delivered training on the proper treatment of client account balances. Solicitors in the areas where the seminars are to be held will receive a mailing in advance to notify them of the

Support & Monitoring

Enquiries from the profession

The **Contact Centre** answer general enquiries and queries, both from the profession and the public.

The Contact Centre offers dedicated lines for the profession, students and the public as well as a number of seasonal lines which take calls relating to specific areas of enquiry such as solicitor annual enrolment, PC applications / renewals and firm based regulation. The dedicated firm based regulation line has received over 11,000 enquiries concerning the Legal Services Act 2007 since its inception in January 2009.



Over the last quarter, the **Contact Centre** received 91,700 calls from the profession of which 43,318 calls were to the profession line and 48,382 calls to the seasonal lines. The majority of the calls into the seasonal lines were via the PC renewal line with 31,119 calls last quarter. The contact centre aim to answer 70% of calls within 60 seconds. The overall level achieved over the fourth quarter of 2009 was 81%, slightly lower than the previous quarter, but still above their target.

Support & Monitoring

Monitoring visits to firms

As well as providing an educational programme of client care seminars the **Practice Standards Unit (PSU)** aims to assist practitioners to improve standards and service by monitoring compliance with the rules of professional conduct. This is achieved through monitoring visits carried out by the unit.

Firms are profiled for monitoring visits by the Risk Assessment & Designation Centre. The visits aim to raise standards by obtaining agreement and consensus from firms for improvement where any breaches of the rules are identified.

PSU Monitoring Visits

Volumes	Q1 2009	Q2 2009	Q3 2009	Q4 2009
No. of Visits	220	214	205	186
On-Site Days	557	510	459	367

A sharper, risk-based approach is leading to fewer short visits this year, with an increase in longer, fuller visits instead. The focus has therefore shifted from numbers of firms visited to numbers of days spent on-site where we are able to spend more time actively giving thorough support and advice to firms. On-site days is the total number of days per person at a firm.

The Practice Standards Advisers will give a grade after each visit that takes place.

The systematic grading system is based on a 1 to 9 scale, 1 being the least serious and 9 being the most serious. It makes use of the SRA risk classification, but also incorporates other factors including the impact on clients of any breaches identified.

PSU Monitoring Visit Grades

Overall Grade	Q1 2009	Q2 2009	Q3 2009	Q4 2009
1	2	0	0	2
2-4	63	45	38	41
5-7	136	156	148	100
8-9	12	13	12	15
Awaiting Grade	7	0	7	28
Total Visits	220	214	205	186
% Grade 5 - 9	67%	79%	78%	62%

A firm receiving an overall grade of 1 will have had no or only minor breaches of SRA rules and regulations. There would be no impact on clients and no further action would be required as a result of the visit. At the other end of the scale, a firm receiving a grade of 9 will most likely have had systematic and serious breaches of SRA rules and regulations with a significant impact on clients and further action would need to be taken promptly.

A combined score is shown for grades 5 - 9 as these grades represent those firms that had either serious breaches of SRA rules and regulations or required a referral to another part of the SRA for further investigation. The increase in grade 5 –9 seen in quarter two is primarily caused by a decrease in grade 4 and a subsequent increase in grade 5.

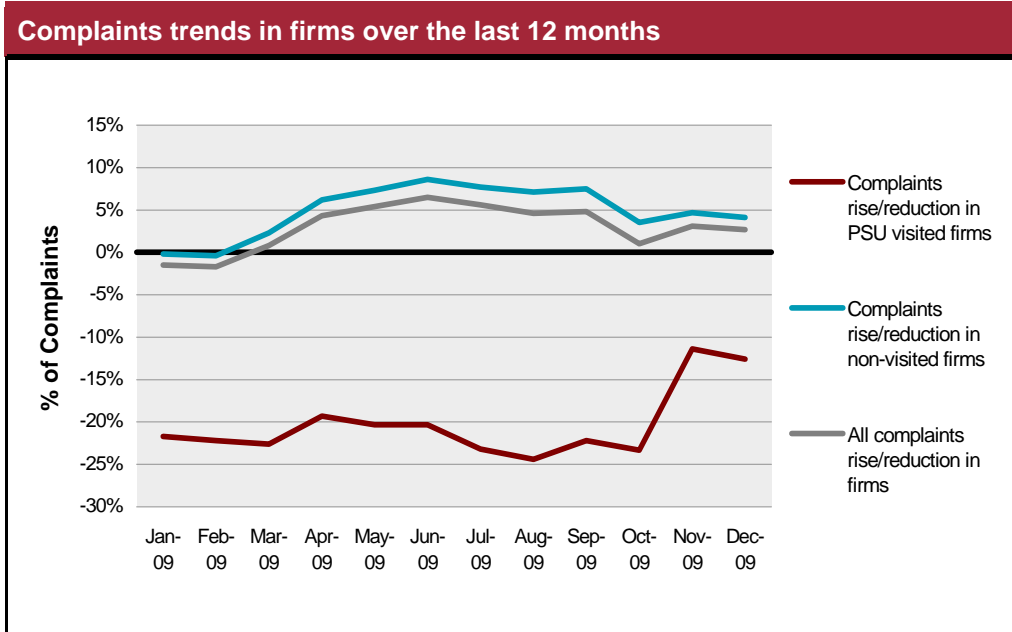
Following a visit, PSU may make referrals to other SRA units for further action or for information. 5.9% of firms were formally referred to another SRA Unit for action in the last quarter, as compared with an overall percentage of 3.4% over the 12 months to December.

In addition, 7 intelligence referrals were made by PSU in the last quarter (33 in the last 12 months) where information was shared with other departments.

Support & Monitoring

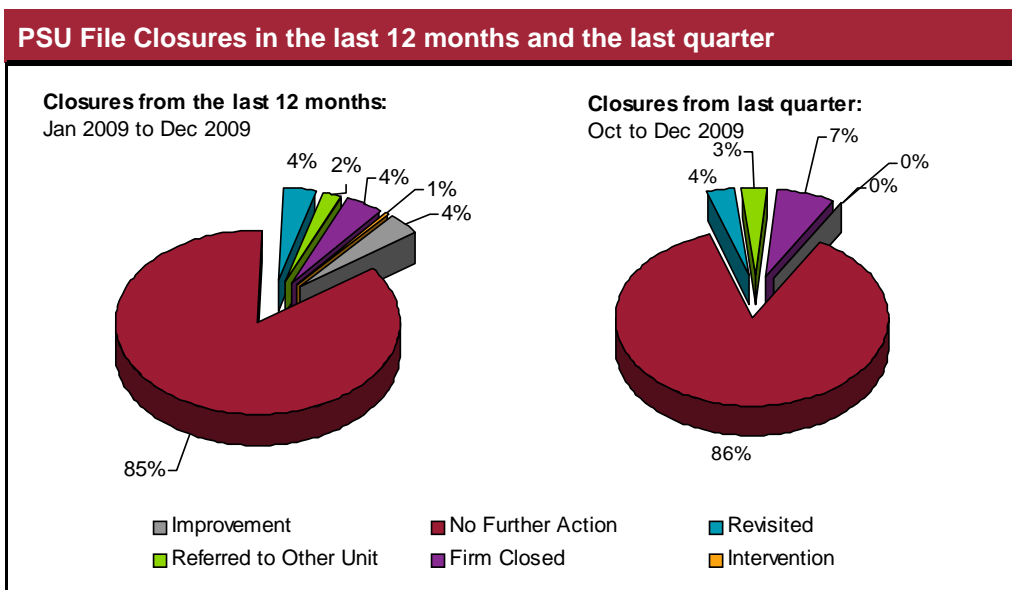
Reviews following monitoring visits

Following each visit, desk-based reviews are planned at 9 and 15 months to determine whether improvements have been made, or any further action (such as scheduling a revisit) is required.



The graph above is based on numbers of new complaints referred to the Legal Complaints Service and SRA.

Firms receiving a monitoring visit from PSU generate between 11% and 24% fewer complaints following a visit, whereas firms who have not received a visit from the unit generate between 0 and +9% complaints over the same period. The data in November and December 2009 has been affected by PSU visiting a now intervened firm with a significantly large number of both SRA and LCS complaints.



Each visit file is given a final outcome upon closure. In the last 12 months 90% of files have been closed with either 'Improvement' or 'No Further Action'. Visit files are usually reviewed both 9 and 15 months after the visit to see how the firm has progressed. At these review periods a decision can be made to either close the file or extend the review period further if a firm's progress is not satisfactory.

Consumer Protection, Enforcement & Discipline

- To secure effective insurance and compensation arrangements for the profession to protect consumers in cases of client loss, for example, through negligence, dishonesty or insolvency.
- To tackle unacceptable professional or organisational performance, misconduct and dishonesty by firm, fair and timely regulatory and disciplinary action.

Information & intelligence received

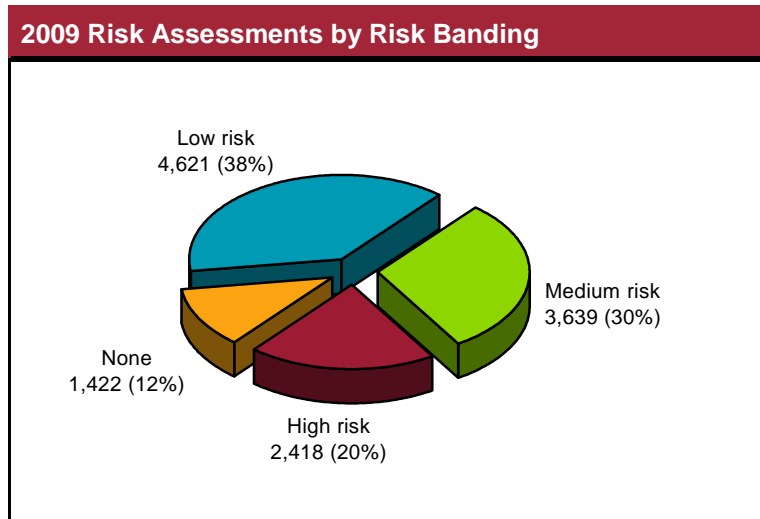
The Risk Assessment & Designation Centre (RADC) is the primary gateway for the receipt of regulatory information other than confidential intelligence, which is gathered by our Fraud & Confidential Intelligence Bureau (FCIB).

The RADC and FCIB work in parallel operating a consistent risk assessment process designed to be compliant with the Government's principles of better regulation:

Proportionate	Regulators should only intervene when necessary. Remedies should be appropriate to the risk posed, and costs identified and minimised.
Accountable	Regulators must be able to justify decisions, and be subject to public scrutiny.
Consistent	Government rules and standards must be joined up and implemented fairly.
Transparent	Regulators should be open, and keep regulations simple and user-friendly.
Targeted	Regulation should be focused on the problem, and minimise side effects.

Reports of regulatory information are assessed using an objective system that incorporates definitions of risk based on our Code of Conduct 2007. This is coupled with a subjective assessment of intent, of the credibility of the information presented and an assessment of background information held about the firm or individual in question.

An overall risk score is generated which is used to designate the report to the most appropriate operational unit within the SRA.



Each item received into the RADC and FCIB is assessed for risk and is categorised as either high, medium, low or no risk. The chart above shows the output from these two units by risk banding for 2009. Half of the items assessed were considered to be high or medium risk.

There are also three categories of compliance risk identified during the risk assessment process. These are efficiency, management and administrative competence, financial issues and legal competence. Further information regarding the SRA's risk based approach can be found on our website (www.sra.org.uk/sra/strategy/risk.page). The number of allegations received within each category is analysed further on the following page.

Consumer Protection, Enforcement & Discipline

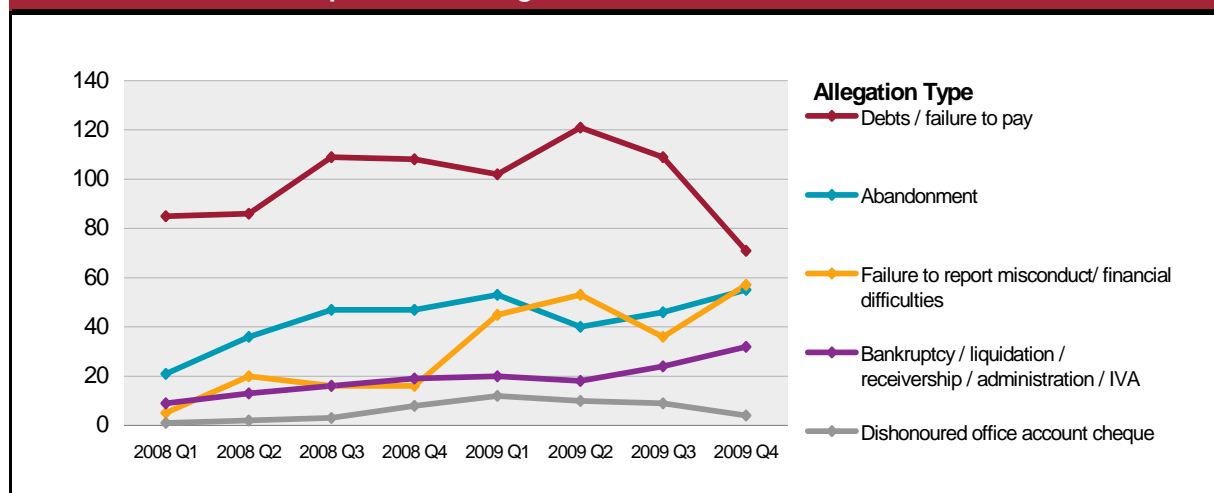
Allegations received by compliance risk

Total allegations by category		Q1 2009	Q2 2009	Q3 2009	Q4 2009
Efficiency, management and administrative competence		1,329	1,344	1,709	1,548
.. of which..	Character and suitability	806	908	1,237	1,104
	Conflict of interest	77	53	122	95
	Requirements/ framework of practice	446	383	350	349
Financial		686	730	889	880
.. of which..	Abandonment of practice	53	41	46	55
	Costs/ fees/ referrals	68	70	71	76
	Financial	332	353	429	488
	Fraud/ dishonesty/ money laundering	233	266	343	261
Legal competence		300	334	449	384
.. of which..	Breach of undertaking	125	102	167	84
	Mortgages and property	126	169	176	205
	Professional competence/ client relations	49	63	106	95

Numbers of risk assessments undertaken remain at high levels, with over 2,800 undertaken this quarter. Certain allegation types show a particular increase, notably financial issues and those relating to mortgages and property.

The graph below shows the change in some specific allegations which may indicate the increased pressure on solicitors as a result of the current economic situation.

Indicators of economic pressures: allegations received



FCIB collates confidential information and intelligence relating to fraud and dishonesty (and other misconduct) within the profession and as such, has contacts across the SRA, the Legal Complaints Service and various external bodies including the enforcement authorities, financial institutions and other regulators. FCIB also has responsibility for investigating specific offences under the Solicitors Act 1974, such as bogus solicitors - individuals who falsely claim to be a solicitor, also known as 'holding out'.

In quarter 4 the way in which intelligence was recorded and referred to and from FCIB was changed. It is therefore not possible to provide referral and risk figures comparable with those presented in earlier reports.

The table to the right shows the three most common types of intelligence referral made to FCIB during quarter 4.

Most common referrals to FCIB

Topic	% of all topics referred
Mortgage / property fraud	37%
Holding out as a solicitor	25%
Deception / dishonesty	9%

Consumer Protection, Enforcement & Discipline

Forensic Investigations

Forensic Investigations (FI) carry out targeted investigations of firms following the risk assessment of internal referrals from a variety of departments. Forensic Investigators visit firms and adduce evidence of things such as the misuse of client money, serious misconduct or malpractice, dishonesty, fraud and money laundering. Accounts inspections make up the majority of visits by FI, although the unit also conducts Investment Business and Assigned Risk Pool monitoring visits.

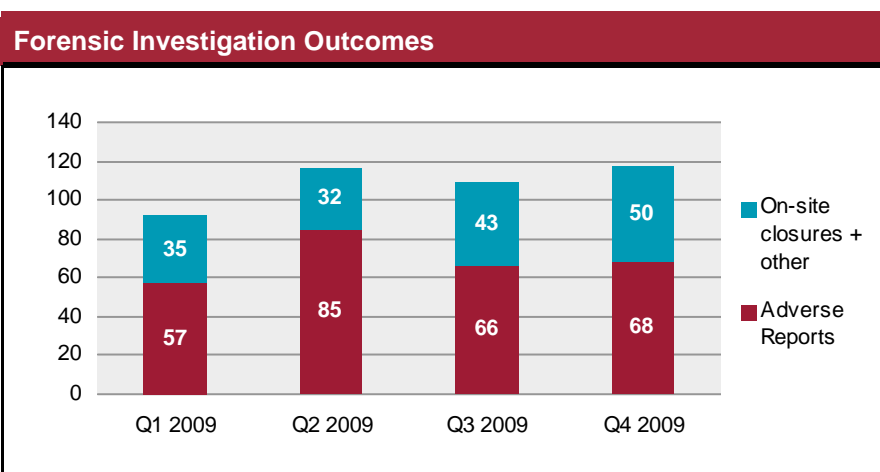
At the conclusion of an investigation, an on-site certificate is issued to the firm where the identified breaches or conduct are not material or minor corrective action is required following an investigation. Alternatively, where there is evidence of serious breaches of the rules or professional obligations, misconduct or dishonesty an adverse report will be issued which can result in regulatory sanction, disciplinary proceedings and / or intervention. The FI report will be referred to other departments within the SRA responsible for enforcement actions.

Forensic Investigations summary

Year on year	12 months to Dec 08	12 months to Dec 09	Variance	Monthly average to Dec 09
New investigations authorised	404	537	33%	44.8
Investigations Concluded	411	436	6%	36.3
Rescinded / Other	80	73	-9%	6.1

The table above shows throughput figures for Accounts Inspections conducted by the unit. The number of investigations opened and closed in any one month fluctuates. However, the table above shows that there has been an increase in both investigations authorised (33% increase) and concluded investigations (6% increase) between the year to December 2008 and the year to December 2009. Where no investigation took place (for example if the firm no longer poses such a risk, has closed down, or where it is appropriate to await the outcome of some other activity), the visit is classed as having been rescinded. Rescissions fell 9% between the 12 months to December 2008 and December 2009.

Some files are closed for a temporary period, for example if progression on a matter is dependent on progress of other internal or external work. These temporary closures are excluded from these figures.



This chart shows the number of Accounts Inspection closures split by those which involved an adverse report, and other investigations concluded. Just under 58% of visits concluded in quarter 4 had an adverse report—the lowest quarter for the year. Across the year 63% of concluded visits had an adverse report.

During quarter 4 there were seven concluded Investment Business monitoring visits, with a total of 45 throughout the year. Assigned Risk Pool monitoring visits tend to take place earlier in the calendar year. There were no such closures in quarter 4, but 31 were completed during 2009

Consumer Protection, Enforcement & Discipline

Regulatory Applications

Most low-risk or straightforward applications are handled by staff within the application-handling units. However, those requiring more in-depth investigation are escalated to the caseworking units. Regulatory applications are higher risk applications relating to areas such as practising certificate conditions, approval of employment or submission of accountants reports.

Outcomes of applications

The most common application type dealt with by the caseworking units is the regulation 3 application, which allows conditions to be placed on a solicitor's practising certificate when that certificate is renewed. The conditions may restrict where or in what capacity a solicitor can practise.

Of the 331 caseworked Regulation 3 applications concluded this quarter, 38% (125) related to individuals who were already subject to Section 12 / Regulation 3 when applying. Of these 125 cases, conditions were continued or varied in 61% of cases, and lifted in 38%. In two cases, we exercised our discretion to refuse to issue a practising certificate.

62% (206) of applications were from individuals newly subject to Regulation 3. Conditions were applied in 54 of these cases (26%).

Six applications were dealt with in respect of the new SRA Recognised Bodies Regulations 2009 which enable us to place conditions on a firm's recognition. Conditions were placed on all six recognised bodies.

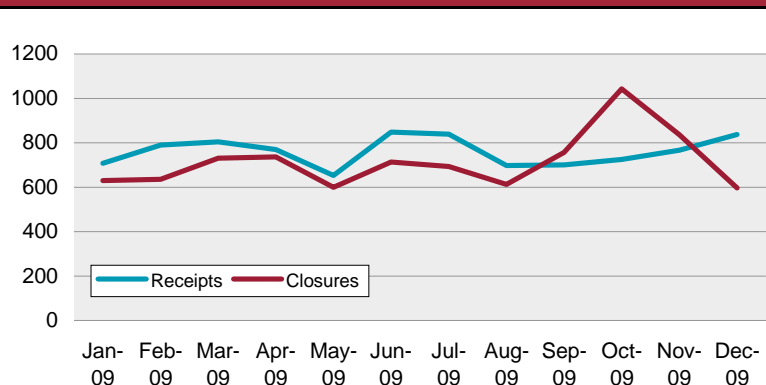
The unit also dealt with over 200 other applications, the majority of which relate to the requirement to file regular accountant's reports with the SRA. A comprehensive picture of the numbers of individuals being made subject to practising or registration conditions is shown on the following page.

Casework Investigations

Casework Investigations primarily take place within the Conduct Investigation Unit (CIU) and Regulatory Investigations (RIU). CIU deals initially with all third party (non-client) complaints of misconduct received by the SRA as well as referrals of conduct information from the Legal Complaints Service. RIU investigates information about regulatory breaches and deals with adverse reports referred by Forensic Investigations. A small number of complex and multiple investigations are dealt with in Casework Investigations & Operations (CIAO).

Casework Investigation Volumes

Receipts and Closures



The chart on the left shows new conduct and regulatory investigations alongside numbers closed each month. This chart does not include regulatory applications.

This quarter saw a 23% increase in the number of investigations completed. This was thanks to a large number of files closed within the casework investigation unit where no action was required during October and November. These could be closed quickly without a full investigation.

More detailed information relating to the outcomes of these closures is shown on the next page.

Consumer Protection, Enforcement & Discipline

Casework investigations and disciplinary outcomes

The table below provides an overview of the outcomes for investigations taking place within the caseworking units. It should be noted that the number of matters with the outcome of 'SDT referral' will exceed the number of actual tribunal cases, as an individual may be investigated under several conduct or regulatory file references. These figures relate to the number of investigations conducted and not the number of individuals involved.

Outcomes of Casework Investigations

Outcome category	2009 Q1	2009 Q2	2009 Q3	2009 Q4	% variance from last quarter
Allegation Upheld	388	367	341	340	0%
*Letter of Advice	177	174	164	165	1%
*Finding and warnings	89	73	58	66	14%
*Rebuke / reprimands	109	92	85	83	-2%
SDT Referral	99	116	118	88	-25%
Ongoing other action / Added to existing DPs	120	140	343	260	-24%
No Regulatory Action Required	1272	1343	1149	1707	49%
TOTAL	1879	1966	1951	2395	23%

* Note: The three categories Letter of Advice, Finding and Warning and Rebuke/reprimand are the most common regulatory actions that may be taken in an investigation. It is also possible for multiple actions to be taken on one file. Therefore, the total of these three categories do not add up to the number of allegations upheld.

Scale of regulatory actions (Increasing in severity)

Letter of advice – this is a letter advising the firm or regulated person that they have breached a rule. It is used where there has been a minor breach and where there is a low likelihood of it being repeated.

Finding and warning – this outcome is used where the breach of a rule has had a moderate impact on a client or member of the public and where there is a low/moderate likelihood of the misconduct being repeated.

Reprimand or severe reprimand – These two sanctions, severe reprimand being the most harsh, are used where the impact of the misconduct is high. The likelihood of repetition can vary greatly.

Referral to the Solicitors Disciplinary Tribunal (SDT) – the SDT is an independent tribunal and has wider powers in relation to the application of sanctions than the SRA. We will refer a firm or regulated person to the SDT for a decision when we consider our own powers are insufficient given the seriousness of the misconduct. Files culminating in referral for Disciplinary proceedings are sent on to our Litigation and Legal Advice Unit who will examine the evidence available and merits of the case before confirming whether proceedings will be issued or an alternative outcome may be suitable.

Practising Certificate & Registration conditions

In addition to the disciplinary outcomes, the SRA can also impose conditions on a solicitor's practising certificate (PC). This is not a disciplinary sanction, but a regulatory measure.

Application of conditions

Count of individual affected	2009 Q1	2009 Q2	2009 Q3	2009 Q4
Solicitors with PC conditions applied	202	191	197	206
REL's or RFL's with conditions applied	-	-	4	12

The Solicitors' Act 1974 offers discretion with regards to the issue of PCs and allows us to apply conditions where appropriate. For example, an individual may be barred from holding client money, from working in particular areas or law, or may be required to undertake certain training. These are not intended to be punitive, but as pragmatic measures to ensure public protection.

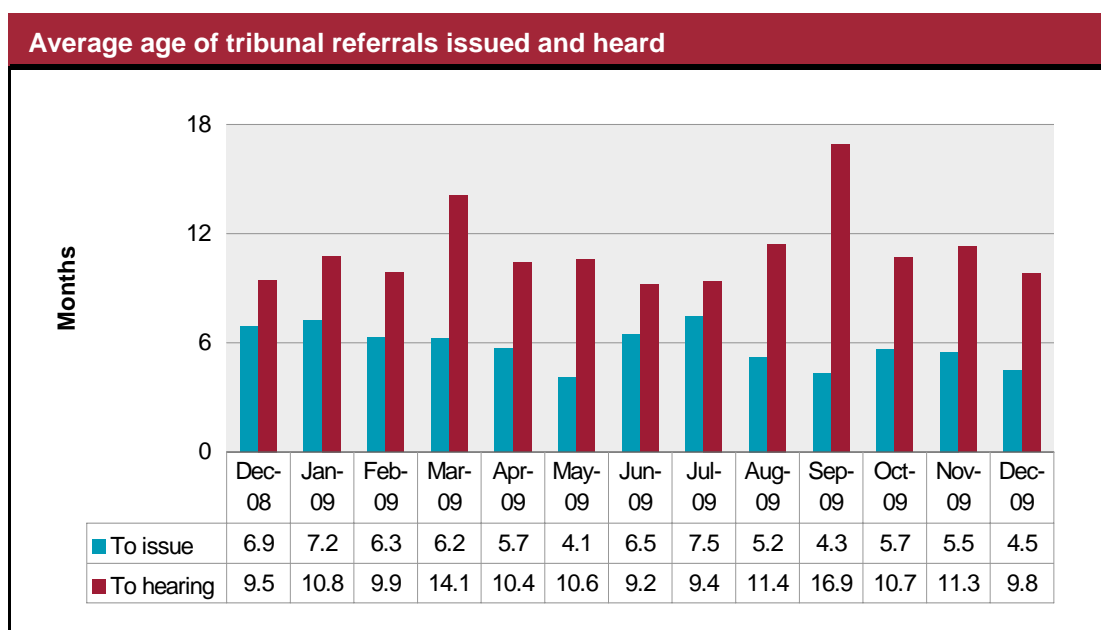
Consumer Protection, Enforcement & Discipline

Disciplinary Proceedings

All casework investigations resulting in a referral for disciplinary proceedings are passed to our Litigation and Legal Advice Unit.

Each set of proceedings issued may be the culmination of several different casework investigations concerning the same individuals or firm, that we choose to combine into a single case.

Our Legal Advocates (or solicitors that we appoint) will put together a case to issue before the Solicitors Disciplinary Tribunal (SDT), and aim to do so within a target of 6 months. The SDT, in turn, aims to hear matters within 6 months of issue. This quarter, we issued 63 sets of proceedings.



The SDT has the power to strike a solicitor from the roll, suspend a solicitor from practice and to apply fines and reprimands. There are also some non-solicitors brought before the Tribunal by the SRA under Section 43 of the Solicitors Act 1974. This allows the SRA to restrict the employment of certain individuals within regulated firms where necessary.

Orders made by the SDT are recorded by the SRA when they come into effect, which in most cases is immediately, but in a few cases there may be a time lapse.

The table below provides a breakdown of the orders made by the SDT on cases issued by the SRA.

SDT Orders				
Year on year	2008	2009	Variance	Monthly average 2009
Fined	118	174	+ 47%	10.2
Struck off	55	78	+ 42%	4.8
Suspended	51	49	- 4%	3.4
No Order	10	15	+ 50%	0.9
Reprimand	52	50	- 4%	4.6
Other	22	38	+ 73%	1.8
TOTAL	308	404	+ 31%	25.7

The total number of SDT orders increased by 31% in 2009. There has also continued to be an increase in the number of fines and strike offs issued by the tribunal in this period.

Consumer Protection, Enforcement & Discipline

Interventions

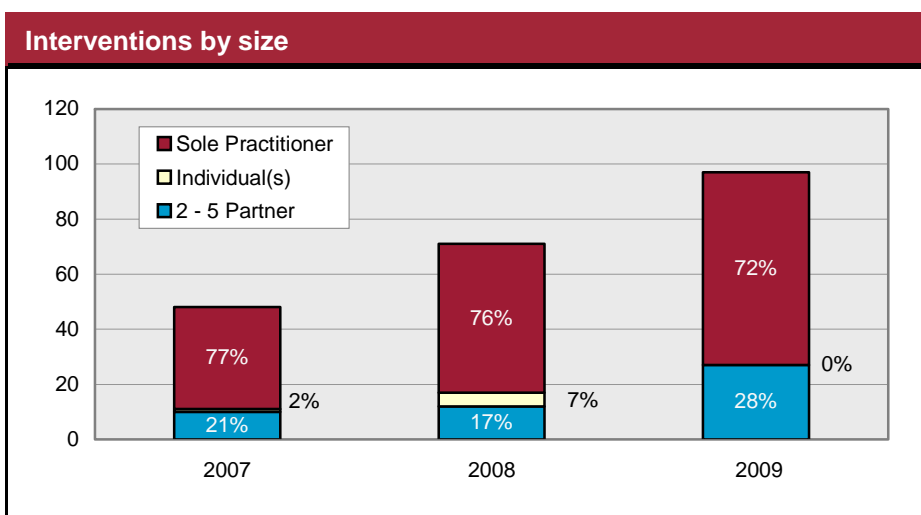
We intervene into a practice when it is necessary to protect clients' interests and client money. This usually has the effect of closing down the firm. 28 interventions took place in the last quarter, of which 12 involved reason to suspect of dishonesty. This is a significant increase on overall numbers taking place in the last 12 months.

Interventions Summary

12 month figures	Interventions effected	Suspected Dishonesty	Non-Dishonesty	Individual(s)	Sole Practice	2 - 5 Partner firm
12 months to Dec 08	71	30	41	5	54	12
12 months to Dec 09	97	33	64	0	70	27
% variance	+37%	10%	56%	-100%	30%	117%

The number of interventions for 2009 was 37% higher than in 2008 and 102% higher than in 2007.

The chart that follows shows the number of interventions effected in each quarter over the last 12 months by size. Following an increase during quarter 3, interventions remained high for the final quarter of 2009 with 15 in December alone.



The majority of interventions are into practices run by a sole practitioner. In cases where the intervention is not into a sole practitioner then typically all partners within the firm (or members of an LLP / directors of a company) will wholly be subject to the intervention. Occasionally we will intervene into the practice of an individual within a firm, leaving the rest of the firm to continue.

Wolstenholmes LLP

In December the SRA intervened into the practices of five current and former members of Wolstenholmes LLP on the grounds of suspected dishonesty, breaches of the accounts rules and practice rule breaches. This was the first intervention into more than four partners or members in the SRA's history.

The SRA has appointed Kieran Walshe of DWF Solicitors to act as the lead agent and Vicky Davey of Gordons as the sub-agent. The SRA has published guidance for former clients of the firm. This can be found at:

<http://www.sra.org.uk/sra/news/wolstenholmes.page>

Consumer Protection, Enforcement & Discipline

Grounds for Intervention

Most common grounds for intervention

<i>For the 71 interventions in 2008 and the 97 interventions in 2009</i>	2008		2009	
	No. interventions	% of interventions	No. interventions	% of interventions
Accounts Rule breaches	34	48%	60	62%
Protect interests of clients / beneficiary	-	-	60	62%
Suspected dishonesty	30	42%	33	34%
Breaches of the Code of Conduct	11	15%	31	32%
Abandonment of Practice	10	14%	14	14%

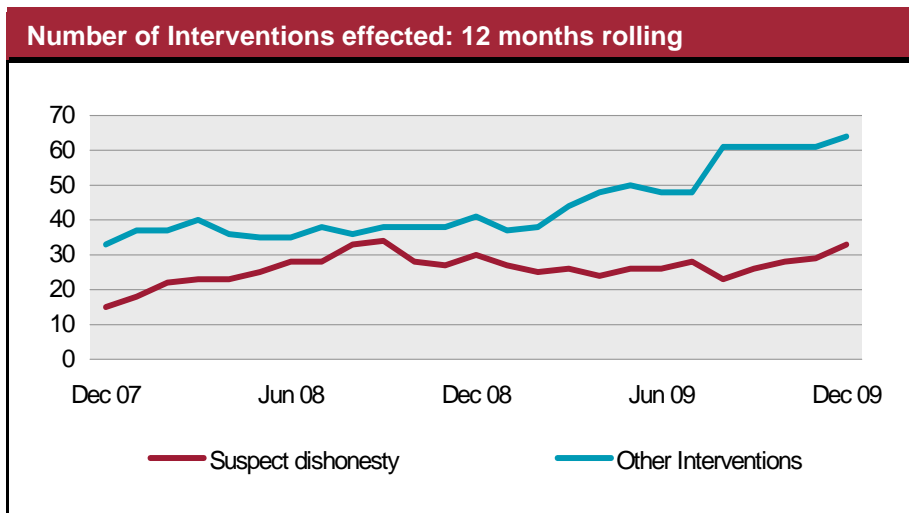
The circumstances in which we can intervene are set out in statute, and include a public interest test. The 5 most common grounds for intervention over the last 12 months are shown in the table above - many interventions take place for several different reasons so may have multiple grounds.

'Protect interests of clients / beneficiary' has been recorded as grounds for an intervention since the enactment of the relevant provisions of the Legal Services Act 2007 on 31st March 2009. This relates to where a solicitor has acted in such a way that the interests of former or potential clients require protection.

Timeliness

Where dishonesty is suspected, the unit's target is to effect the intervention within 3 working days of the resolution to intervene being passed. Otherwise the target is to effect the intervention within 5 working days. 99% of interventions taking place in the last 12 months were within the target, with just 1 intervention falling outside of the target.

Long term trends



During the last year the proportion of interventions where dishonesty was suspected has decreased from 42% to 34%. However, the last quarter saw 43% of interventions with suspected dishonesty as a ground. This was largely due to eight of the 15 interventions in December carrying the ground.

The proportion of interventions where dishonesty has been suspected has been much lower in the past. In 2005 just 15% of interventions carried this ground.

Consumer Protection, Enforcement & Discipline

Claims management

The **Claims Management Unit** handles applications for grants from the Compensation Fund from people who have suffered financial loss due to a solicitor's dishonesty or failure to account for monies received.

The vast majority of claims on the Fund relate to firms that have been intervened into. Claims Management work with the Accounts Assessment team who hold a firm's monies on trust following an intervention to ensure that a firm's client's, any agents owed fees or lending institutions who may have had funds held in solicitors accounts are protected in the event of an intervention.

Claims and Payments made in the last 12 months

Overview of claims and payments

	Q1 2009	Q2 2009	Q3 2009	Q4 2009
No. of new claims	566	848	580	711
Total amount claimed	£30.16 m	£21.78 m	£29.60 m	£32.44 m
£ paid out	£2.03 m	£3.30 m	£4.47 m	£3.89 m

The table shows a quarterly comparison of claims made on the fund and payments issued in the last 12 months.

Figures are shown as currently recorded, but the value of claims may change during the course of an investigation.

The number of claims received increased significantly in quarter 4 and the amount claimed increased for the second successive quarter. The amount claimed was not however as high as the peak during late 2008. The average amount claimed remained stable at around £45,000, this is also substantially lower than the levels experienced at the same time last year.

The payments made in the fourth quarter fell slightly to just under £4m, bringing the total payments made in 2009 to £13.68m. This is an increase of more than 60% on the £8.35m that was paid in 2008.

New claims received

Number of claims by reason	Q4 2008	Q1 2009	Q2 2009	Q3 2009
General client money	319	483	257	362
Counsel Fees	132	75	117	96
Mortgage fraud	52	66	50	55
Experts Fees	4	68	4	33
Probate - balance due to estate	17	37	35	32
SDLT/Rule 14	9	25	45	55
Costs and disbursements	14	35	1	0
Retention	3	20	17	9
Ratification	0	0	9	32
Unredeemed mortgage	0	6	7	14
Gross overcharging	1	2	3	3
Other / unspecified	15	31	35	20
Total	566	848	580	711

* A large proportion of claims categorised as 'other' would be those relating to non-barrister professional fees.

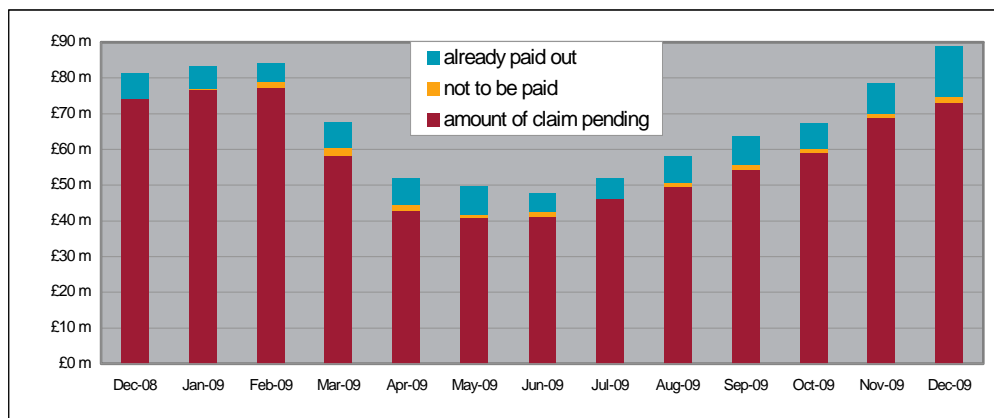
The increase in claims during quarter 4 was due in a large part to an increase in claims for general client money. Also, claims relating to stamp duty land tax have increased in recent months as have claims for ratification; these claims relate to payments that have been made direct to customers of intervened solicitors by the agents dealing with the intervention. The payments are made by the intervention agents to deal with urgent commitments at the time of the intervention such as completion of house purchases. A claim is then processed by the compensation fund to ratify the action of the agent.

Consumer Protection, Enforcement & Discipline

Ongoing Claims

The graph below shows the total value of the 1,335 claims currently under investigation.

Value of open claims at month end



The value of open claims at the end of the year was £25m more than at the end of quarter 3 and £7.5m more than at the same time in 2008; the value of open claims at the end of 2009 was £88.3m.

Payments on Application Concluded

The following table shows whether claims that were closed in the last 12 months were paid, either partially or fully. The proportion of matters where a payment was made increased significantly in quarter 4, with more than 50% of claims being paid. At the same time the proportion paid in terms of amount has also increased to more than 20%.

Claims closed				
Payment status	Q1 2009	Q2 2009	Q3 2009	Q4 2009
No. of claims closed	648	519	536	753
Payment made	25%	31%	29%	59%
Not paid	75%	69%	71%	41%

The next table shows the amount claimed on closed matters and the amount paid on those claims.

Payments on claims closed				
Proportion paid	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Total amount claimed	£46.34m	£41.58m	£16.82m	£23.61m
Total paid out	£3.63m	£4.59m	£2.19m	£5.17m
% paid	8%	11%	13%	22%

It is important to note that some claims that have been closed may be reopened for further consideration at a future date, as around one in five claims are closed because the claimant is exploring other remedies for recovery of losses.

Consumer Protection, Enforcement & Discipline

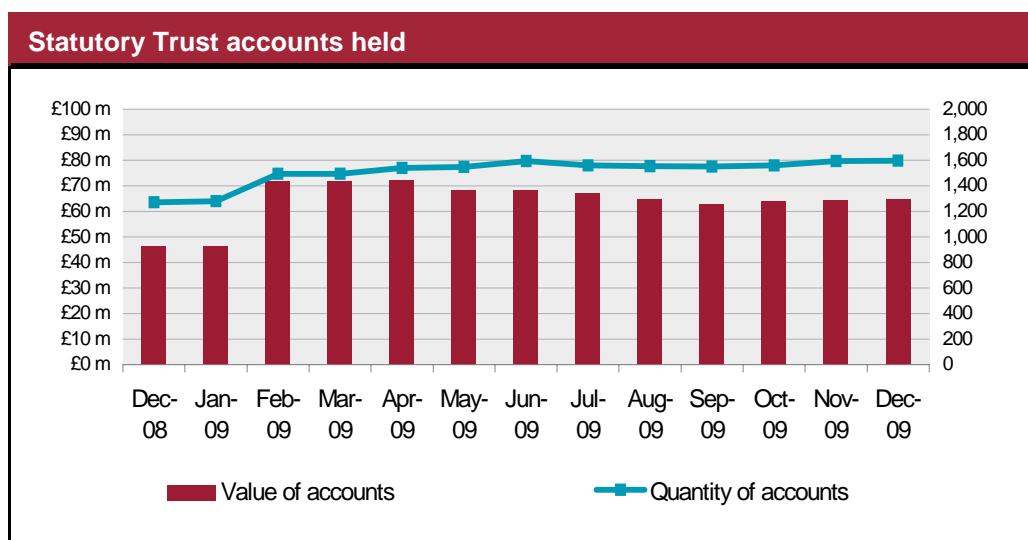
Statutory Trusts & Intervention Archives

The accounts records and paperwork at an intervened firm may have been very poorly kept and money is often missing from client or office accounts.

The Accounts Assessment team try to reconstruct the accounts and to identify those to whom the money belongs. Immediately following an intervention, our appointed agents (another firm of solicitors) will begin this work, which is later brought in-house to the Accounts Assessment team. A special project team works on accounts relating to historical interventions.

The aim is to return all client monies to the right clients. In the meantime the SRA holds these monies 'on trust.' The Team does its best to contact people whose money might be held in the trust and invites applications to be made when it considers it may have found the right owner.

Clients with a beneficial entitlement to monies held on trust may have made a claim on the Compensation Fund in the interim. The Compensation Fund can then claim for some or part of any grant paid by way of a subrogated claim against the Statutory Trust Accounts.



It was agreed in January 2009 that the monies held by intervention agents should be brought in house and invested together with the other trust accounts. This resulted in the spike between January and February shown on the graph above.

Intervention agents are now required to account for monies held within 30 days of the intervention.

Distributions this quarter were just over £8 m, bringing the total this year to date to over £28 m.

Summary of Movement this year to date

12 months Jan to Dec 09	Jan 2009 position	New accounts + additional deposits	Distributions made	Dec 2009 position
Volume of Accounts	1,272	572	-246	1,598
Value of Accounts	£46.4 m	£46.7 m	-£28.4 m	£64.7 m

Note: value of accounts is also affected by interest earned and changes in exchange rates.

Intervention archives look after the files and papers found at an office when the intervention takes place. After the intervention agent has dealt with any live matters, by returning the files to clients so that they can appoint new solicitors, all remaining client files and paperwork are sent to the SRA.

The archive team sort and catalogue every box of files. Original documents such as wills and deeds are identified, and each item can be tracked individually to allow for quick retrieval should the item be requested by the client.

Access to Justice, Transparency and Consumer Information

- To promote choice, innovation and accessibility in the provision of legal services through various types of business structure
- To provide information to help consumers to make decisions about legal services and to understand the standards they are entitled to expect

The Legal Services Act 2007

The Legal Services Act 2007, which came into effect on the 31st March 2009, brought with it significant changes in the structure of solicitors' firms and subsequently the way in which the SRA regulates them.

The SRA now has direct powers to regulate all firms, whether they are bodies corporate (LLPs or companies) or partnerships (as recognised bodies), or the practices of sole practitioners (as recognised sole practitioners); the SRA's rules apply not only to solicitors, but to any firm regulated by the SRA and to all other lawyers and non-lawyers who are managers or employees in the firm.

The act also allowed for the creation of Legal Disciplinary Practices (LDPs), which are a new type of firm comprising solicitors and non-solicitors. LDPs can be owned and managed by a combination of different types of lawyer, and up to 25% non-lawyers, but there can be no external ownership of an LDP.

As at the 31st December 2009 140 firms had taken the opportunity to become LDPs. These ranged from small firms with only two managers to firms with over 100. The vast majority of firms currently have only one non solicitor manager, although 11 firms have both a non-lawyer manager and a lawyer manager.

LDPs by size

No. of managers	No. of LDPs
2 to 4	57
5 to 10	40
11 to 25	28
26 to 80	11
81 +	4
TOTAL	140

Managers in LDPs

Manager type	No. of managers
Solicitors	1,679
Legal Executives	55
Other lawyer managers	6
Non-lawyers	98
TOTAL	1,838

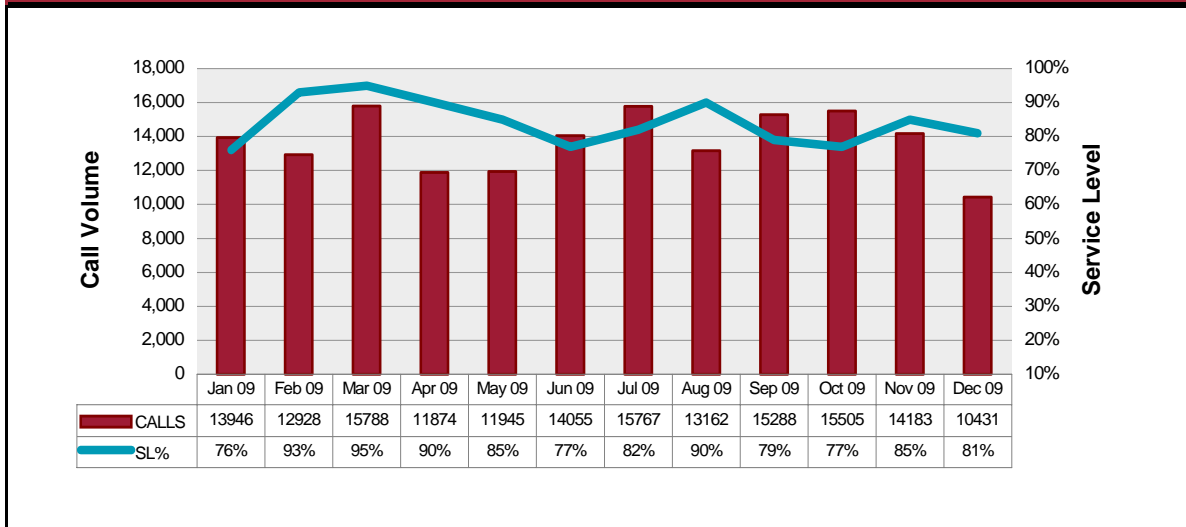
Over 1,800 managers now work in LDPs. Non-lawyer managers include professions such as accountants, teachers and lecturers and financial planners. Lawyer managers are made up predominantly of legal executives but also include patent attorneys and licensed conveyancers.

Access to Justice, Transparency and Consumer Information

Enquiries from members of the public

As well as dealing with enquiries from the profession (see page 10), over the last quarter, the Contact Centre received some 40,119 calls from members of the public. This was a 9% decrease on the last quarter. Within the third quarter of 2009, 81% of calls were answered within 60 seconds, well above the target of 70%.

Calls to the Contact Centre Non-Profession Line



We also receive requests from members of the public who wish to trace a member of the profession, this might be for example connected to assistance they require from the solicitor or help with tracing their family history. We may also receive requests from members of the profession to trace another solicitor in order to assist them with work they have been requested to do for their clients. On average we receive around 135 tracing requests each month.

Publication of decisions on the web

One of the ways in which the SRA has improved transparency, and enabled consumers to make better-informed decisions about legal service providers is the publication of decisions on our website (www.sra.org.uk).

The SRA publishes decisions resulting from investigations that we started on or after 1 January 2008, and decisions taken to prosecute an individual at the Solicitors Disciplinary Tribunal (SDT) where the SDT has certified on or after 1 January 2008 that there is a case to answer.

The SRA generally publish decisions only after the expiry of an appeal period; most published decisions will be removed from our website after three years.

The SRA do not publish all types of decision but those we do include:

- decisions to prosecute at the SDT,
- decisions to control how an individual practises,
- decisions to close a practice,
- agreed outcomes with individuals.

Access to Justice, Transparency and Consumer Information

Published Decisions

Category of decision	12 months to Dec 09	Q4 2009
Prosecute	61	4
Control on individual's practice	264	54
Closure of practice	97	25
Agreement	42	15
Total No. of Decisions	464	98
No. of Individuals to which decisions relate	400	96

The above data is based on decision date and there are more decisions than individuals, as individuals are commonly the subject of more than one decision. The decisions can be found at www.sra.org.uk/consumers/solicitor-check.page

Disclosure of reasons for investigations

The SRA recognises that providing reasons for an investigation maximises the transparency and fairness of its processes, may help those subject to investigation to respond constructively and can help to reduce the stress involved. Many investigations and inspections are based on non-confidential information or for reasons that are already known to the regulated person. This is, however, not always the case, and some constraints on disclosure must, therefore, remain.

Details will not normally be disclosed where the SRA considers that there is a risk that disclosure could:

- Breach any duty of confidentiality
- Disclose or risk disclosure of a confidential source of information
- Significantly increases risk that those under investigation may destroy evidence, seek to influence witnesses, default, or abscond; or
- Otherwise prejudice or frustrate an investigation or other regulatory action

Reasons for investigation could be disclosed in just under 97% of cases during quarter 4 2009. This is slightly less than the 99% disclosable during quarter 3. The main reasons cited for information classed as unsuitable for disclosure during in quarter 4 were that disclosure would disclose or risk disclosure of a confidential source of information, and that disclosure would otherwise prejudice or frustrate an investigation or other regulatory action.

Information received Q4 2009

Month	Disclosable	Non-disclosable	Total
Q3 2009	2872	29	2901
October 2009	788	28	816
November 2009	765	21	786
December 2009	853	36	889
Q4 2009	2406	85	2491

Organisational Improvement

- To demonstrate value for money in all our dealings
- To attract and retain high calibre staff committed to service excellence

Quality Measures

This quarter the first SRA organisation wide Quality Assurance Audits took place to provide a high level overview of the SRA's audit performance. The results of which were judged against four key competencies, which can apply to all areas of the SRA's work. These categories consist of technical, analytical, communication and work management skills.

The role of audit within the Solicitors Regulation Authority is twofold:

- to assess compliance with Principle 10 of SRA Principles of Regulatory Decision Making across the organisation. This principle states that "*decisions must be subject to monitoring and audit processes to promote quality and consistency*"
- to assess quality and consistency across the organisation to ensure that work is of a suitable standard.

The following table provides a high level summary of SRA's performance over the first quarter of the new Quality Assurance system.

Quality Assurance Audits

Competency	Number of Reviews	Fully Achieved	Partly Achieved	Not Achieved	% Fully Achieved
Technical	461	403	43	15	87%
Analytical	462	389	57	16	84%
Communication	461	411	44	6	89%
Work Management	429	351	70	8	82%
Overall	462	385	54	23	83%

Organisational Improvement

Budget Report

Summary of SRA expenditure and income this year to date:

Direct Costs Summary for the 12 months to December 09				
Amounts in £000's	YTD actual	YTD forecast	variance	% variance
Total Staff Expenditure:	25,276	25,443	167	0.7%
> Salary Costs	24,916	25,077	161	0.6%
> Other staff costs	360	366	05	1.5%
Total Administration Costs	15,518	15,608	90	0.6%
Total Other Costs	03	03	00	-6.5%
GROSS Expenditure (before recoveries)	40,797	41,054	256	0.6%
Recoveries	-11,168	-11,533	-365	3.2%
GROSS Expenditure (after recoveries)	29,629	29,521	-108	-0.4%
Income	-5,375	-7,640	-2,265	29.6%
NET EXPENDITURE	24,254	21,881	-2,373	-10.8%

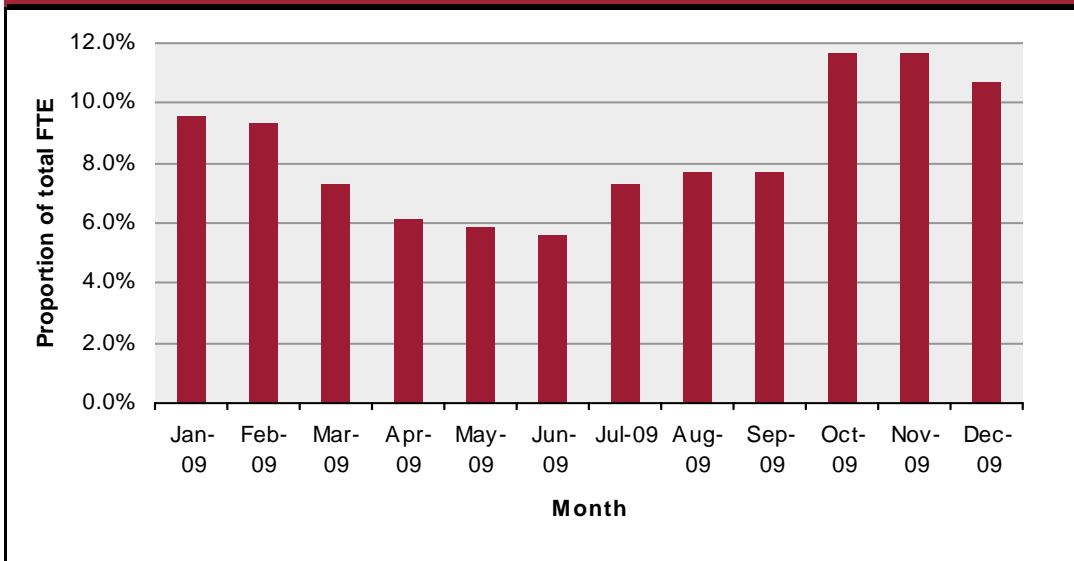
Please note: These figures yet to be finalised following external audit verification.

Organisational Improvement

Human Resources & Development

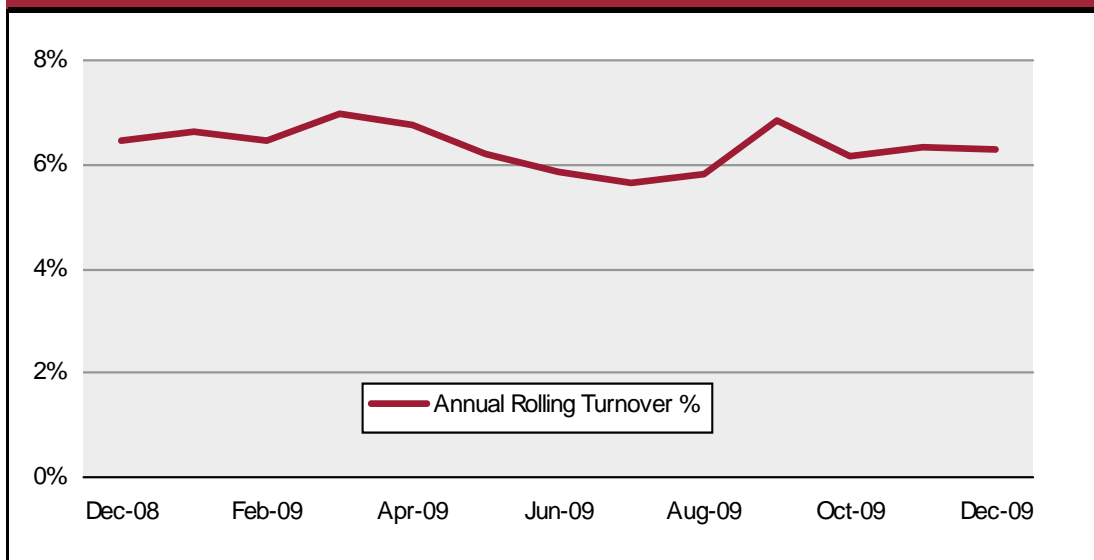
As at 31st December 2009, the SRA has 540 full time equivalent (FTE) permanent employees. Our full establishment includes another 93 FTE positions (currently vacancies), giving a budgeted FTE of 633. There are 30 fixed term temporary employees and 68 agency and contractor staff sitting against those positions. The proportion of agency and contractor staff shown by the chart below is higher in the final quarter of 2009 than any other part of the year. Each year the months between October and February are relatively higher than the rest of the year due to the numbers of staff involved in the annual PC renewal exercise.

Agency staff / contractors as proportion of all staff



Staff turnover for the last 12 months stands at 6.3% - slightly lower than the proportion in quarter 3. Staff turnover was at its lowest in July 2009 at 5.7%. The staff turnover calculation is the number of staff leaving in the previous 12 months as a proportion of average headcount during the same period.

Staff turnover - Rolling 12 months



Glossary

Abbreviations and internal terms used within this report:

ARP	Assigned Risks Pool
ASC	Application by Solicitors' Clerk
CDT	Conduct complaint
Compliance Directorate	SRA Directorate dealing with all investigation and enforcement work, together with much of the work formerly dealt with by the former OSS Solicitors' Practice Unit
Conduct and Service	Normally referring to the work of CIU, but also ICT. This is the distinction made by the SRA between complaints of poor <i>service</i> , for which redress can be offered (handled by the LCS), and complaints of misconduct
CRB	Criminal Records Bureau
Decisions	There are two sorts of decisions: those made by Adjudicators, where there can be a number of decisions in relation to a matter, and the decisions (orders) by the SDT which tend to be the decision on the totality of a case presented to them – more usually one case, one decision
FI	Forensic Investigations Unit who deal with high risk cases requiring on-site investigation.
FTE	“Full-time equivalent”, a measure of the number of staff based on hours worked The budget FTE - actual FTE equals the number of vacancies
HRD	Human Resources & Development
Intervention	A formal decision of the adjudication panel to intervene into a solicitor's practice, which results in all monies and papers held by the solicitor being taken by the Law Society. Interventions are subject to a statutory appeal direct to the High Court
Inspections	Term normally used in connection with Accounts Inspections by the Forensic Investigation department
LCS	Legal Complaints Service
LDP	Legal Disciplinary Partnership:
LLP	Limited Liability Partnership
LSCC	Legal Services Complaints Commissioner
LSB	Legal Services Board
PC	Practising Certificate
PSU	Practice Standards Unit
QLTT	Qualified Lawyers Transfer Test
RDC	Redress Conduct - conduct issues arising from a redress matter handled by the LCS.
REL	Registered European Lawyer
RFL	Registered Foreign Lawyer
SDT	Solicitors Disciplinary Tribunal
SRA	Solicitors Regulatory Authority
Throughput	The volume of cases passing through the SRA from creation to completion
Tribunal	The independent Solicitors Disciplinary Tribunal (SDT)
WIP	Work In Progress - cases which are continuing