



Solicitors  
**Regulation**  
Authority

# **SRA Summary of Performance Measures and Statistics**

December 2008

# Contents

This quarter we look back and review 2008 as a whole.

New information has been added to the report, looking at Statutory Trusts held following interventions and also some overview figures relating to the size of the profession and population of firms.

<b>3</b>	<b>Headline Summary</b>
<b>4</b>	<b>Legal:</b> SDT Decisions
<b>5</b>	<b>Legal:</b> Prosecutions
<b>6</b>	<b>Inspection &amp; Investigation:</b> Forensic Investigations
<b>7</b>	<b>Inspection &amp; Investigation:</b> Practice Standards Unit
<b>8</b>	<b>Regulation Response:</b> Conduct Investigation Unit
<b>9</b>	<b>Regulation Response:</b> Regulatory Investigations
<b>10</b>	<b>Client Protection:</b> Interventions
<b>12</b>	<b>Client Protection:</b> Claims Management
<b>14</b>	<b>Client Protection:</b> Statutory Trusts
<b>15</b>	<b>Information:</b> Contact Centre, Operations and Caseworking & Applications Unit
<b>16</b>	<b>Regulation Standards:</b> Ethics Guidance Service
<b>17</b>	<b>Trends in the Profession:</b> Practising solicitors and numbers of firms
<b>18</b>	Appendix 1: HRD and Budget Report
<b>19</b>	Appendix 2: SRA's Performance against LSCC Strategic Targets
<b>20</b>	Appendix 3: Glossary of Terms

If you have any feedback or queries relating to this report, please contact us at :  
[ManagementInformation@sra.org.uk](mailto:ManagementInformation@sra.org.uk)

## Headline Summary

The **Solicitors Disciplinary Tribunal** made over 300 orders on matters prosecuted by the SRA during 2008.

The most common order made was a fine, with an average of 10 issued per month. The next most frequent order was to strike off, although these have seen a fall in numbers since 2007.

► [see page 4](#)

Time to issue our **SDT Prosecutions** has shown an improvement over the year, with the average time staying around the 6 month target level.

New cases coming into the unit fell 8% from the volume seen in 2007, giving an average for 2008 of 25 each month.

► [see page 5](#)

The **Practice Standards Unit** made over 1,120 visits to firms during 2008, but did not quite meet their overall target for the year.

Firms receiving a monitoring visit from the unit generate between 15 and 21% less complaints following a visit.

► [see page 7](#)

The **Conduct Investigation Unit** has seen a 10% increase in receipts as compared with 2007.

Information regarding conduct issues passed to the SRA by the Legal Complaints Service continues to be particularly valuable to us: 29% of their referrals result in regulatory action, as compared with just 13% for our other conduct investigations.

► [see page 8](#)

55% of **Regulatory Investigations**' investigations closed in the last 12 months resulted in allegations being upheld, or individuals being referred to the Solicitors Disciplinary Tribunal.

Timeliness has improved through the year.

► [see page 9](#)

Numbers of **Interventions** increased 48% from 2007 levels, with 71 interventions taking place during 2008. The increase is due almost entirely to interventions featuring reason to suspect Dishonesty among the grounds for intervention. Breaches of the Solicitors Accounts Rules are also increasingly leading to intervention.

The recent increase follows lower numbers during 2006 and early 2007. Levels have been even higher in the past however, with in excess of 80 firms being closed down each year from 1999 to 2001.

► [see pages 10 - 11](#)

The **Compensation Fund** continues to see a large increase in levels of claims received.

Outstanding liability on the fund at the end of the year was more than five times the level of December 2007, but the proportion of claims that are successful is decreasing year on year.

Money held within **Statutory Trusts** following intervention has been reduced over the year, with distributions of almost £9 million.

► [see pages 12 - 14](#)

In the **Information Directorate** the Contact Centre found that peak call volumes impacted significantly upon service levels and abandonment rates. A recovery plan is in place to ensure that service is restored in the new year.

Since the large numbers of applications made in advance of rule changes brought in in September of this year, numbers of QLTT applications have been particularly low.

► [see page 15](#)

Our **Ethics Guidance Helpline** has made further improvements to their service levels with over 90% of calls answered within 60 seconds during the last two months of 2008.

Abandonment rates, which were as high as 40% in the first quarter of this year, are now down at just 4%.

► [see page 16](#)

New data on **trends in the profession** is now included in the report.

► [see page 17](#)

# Legal Solicitors Disciplinary Tribunal Decisions

The **Solicitors Disciplinary Tribunal (SDT)** is the independent Tribunal that adjudicates upon alleged breaches of the rules of professional conduct for solicitors. 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.

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 is a time lapse before the order comes into effect. It should be noted that cases referred to the SDT are often a combination of matters, frequently originating in different SRA Units, brought together into one application to the Tribunal by the Disciplinary Team.

SDT Orders	2007	2008	Variance	Monthly Average for 2008
Fined	107	118	+ 10%	9.8
Struck Off	70	56	- 20%	4.7
Suspended	48	50	+ 4%	4.2
No Order	7	9	+ 29%	0.8
Reprimand	31	51	+ 65%	4.3
Other *	27	21	- 22%	1.8
<b>TOTAL</b>	<b>290</b>	<b>305</b>	<b>+ 5%</b>	<b>25.4</b>

\* Orders included under the 'other' category include Section 43 orders, Section 47.2(g) orders and orders to pay costs only.

Section 43 orders relate to non-solicitors. They are used to prevent a solicitor from employing a person subject to the order without first obtaining the written permission of the office. Section 47.2(g) allows for a condition to be placed upon a former solicitor who has been removed from the roll so that they may not be restored to the roll except by means of an order of the Tribunal.

The SDT made 95 orders on Tribunal Proceedings brought by the SRA against solicitors in the last quarter of 2008. The table above gives a breakdown of orders made in the last 24 months, showing a year on year comparison.

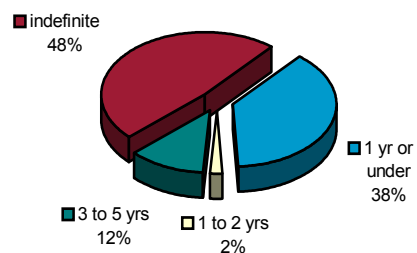
The most common order made is that of a fine, with an average of 9.8 over the last 12 months. This quarter numbers were particularly high, with 40 fines issued.

The number of reprimands issued has shown a particular increase. In Q3, one case involving 12 individuals, resulted in a reprimand for each, but in Q4 a higher than usual number of matters taken to the tribunal attracted a reprimand.

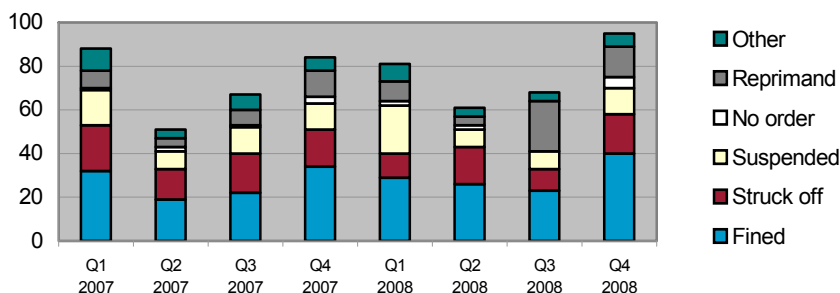
Suspensions had been rising since 2006 levels, but this has now tailed off, around 50 suspensions ordered this year and last. Just under half of suspensions made were for an indefinite period. Where the order was made for just a fixed period of suspension, this is most commonly for 1 year or less.

Orders to strike someone from the roll of solicitors have dropped 20% from 2007 levels.

**Suspensions made by the SDT in the last 12 months**



**SDT Orders on SRA matters made over the last 2 years**



The number of orders issued over the last two years is shown quarter by quarter in the graph on the left. This quarter, saw an increase in orders made due to large numbers of fines

The graph shows the recent surge in reprimands, as well as the decrease in 2008 in orders to strike individuals from the roll of solicitors.

# Legal Prosecutions

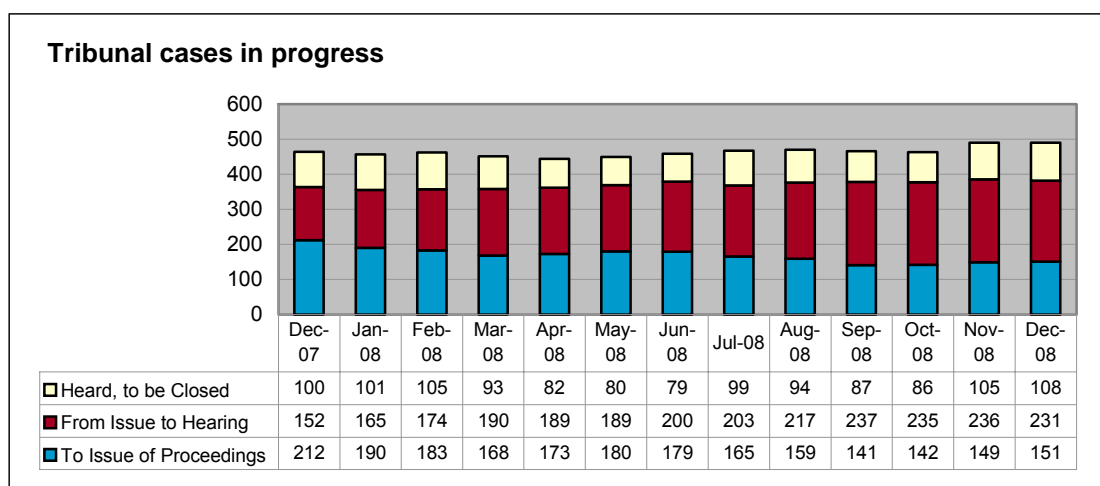
The **Disciplinary Proceedings Team** is responsible for the prosecution of solicitors before the Solicitors Disciplinary Tribunal (SDT) and the conduct of litigation in respect of the exercise of the SRA's regulatory powers. The recovery of the costs associated with these activities is handled by the Client Protection Directorate.

A new Tribunal matter file is created when the decision is made to refer the matter to the SDT. The Disciplinary Team's target is to issue proceedings within the next 6 months. The SDT, in turn, aims to hear matters within 6 months of issue.

The team also deals with Applications by Solicitors or Clerks (ASC matters) where the SRA is the respondent in appeals being made directly to the Tribunal about previous Section 43 orders or concerning a decision to remove or suspend an individual from the roll of solicitors.

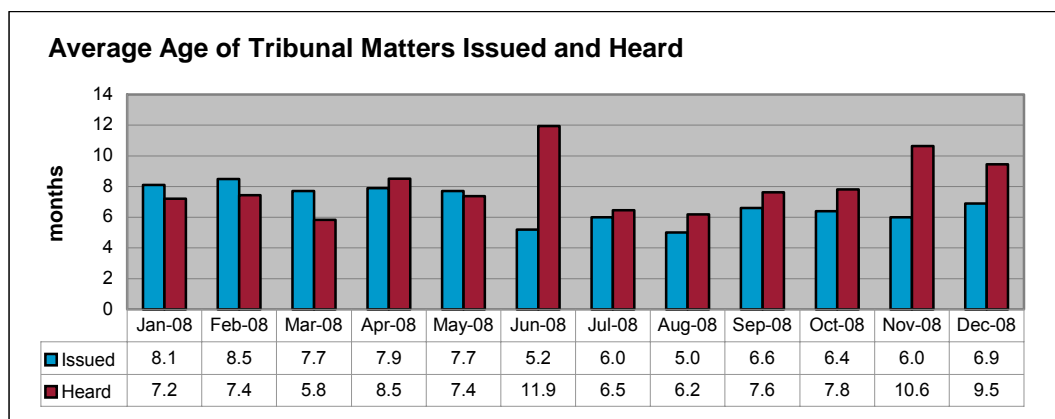
Tribunal Cases	2007	2008	Variance	Monthly Average 2008
New Cases	324	299	-8%	25
Closed Cases	302	273	-10%	23

The following chart shows the number of Tribunal cases in progress as at each month end. In the last 12 months the unit has achieved a 29% reduction in the number of matters that are currently still being working upon to put together a case to lodge with the SDT (shown in blue). The majority of other cases are already prepared but awaiting hearing at the SDT (shown in red).



In addition to these 490 Tribunal proceedings, there are also 28 ASC matters in progress.

This chart below shows the average age of Tribunal matters issued by the Disciplinary team in a given month ('Issued'), and the average time taken from issue to the hearing date at the Tribunal ('Heard').



Over the last quarter, the unit issue proceedings within an average of 6.4 months, against a target for each matter of 6 months. This is a slight increase on last quarter when the average time to issue was 6.0 months, but the unit has seen an improvement over the year bringing timescales down from around 8 months in Q1.

NB: Improvements to reporting mean that the figures above now exclude any appeal hearings so time to hearing shows only time from issue to first hearing before the SDT.

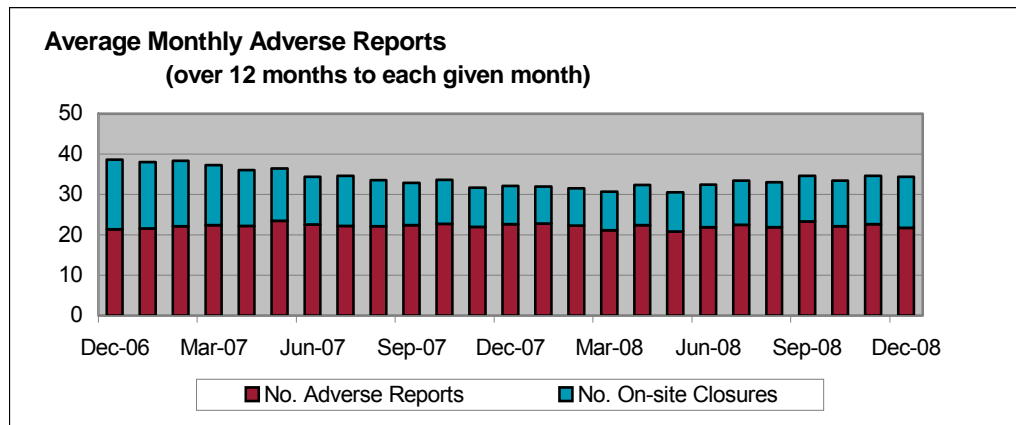
# Inspection & Investigation

## Forensic Investigations

**Forensic Investigations (FI)** carries out targeted investigations of firms following the risk assessment of internal referrals from a variety of departments. FI Investigators visit firms and adduce evidence of the misuse of client money, serious misconduct or malpractice, dishonesty, fraud, money laundering etc.

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, an adverse report will be prepared where there is evidence of serious breaches of the Rules, of professional obligations, misconduct or dishonesty which may require a regulatory sanction, disciplinary proceedings or intervention. The closed FI matter will then be referred to other departments within the SRA responsible for enforcement actions.

Over the long term, there has been an increasing trend in the proportion of adverse findings made by FI. The graph shows the average number of closures split by those which involved an adverse report, and other investigations concluded.



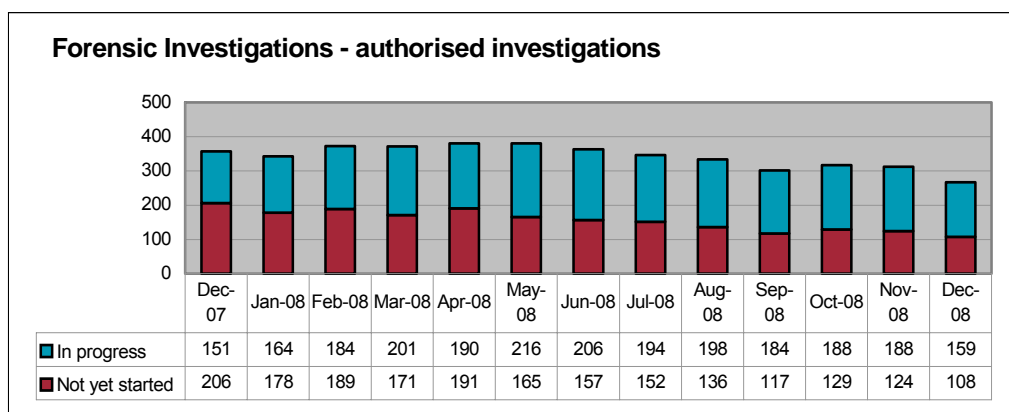
Resource has generally been better focussed on firms posing serious

regulatory risk over 2007 and 2008, with very similar numbers of adverse findings to those seen in 2005 and 2006, but fewer visits that did not turn up serious breaches and were closed on-site or shortly after without any adverse report. However, recent months have seen an increase in the numbers of on-site closures.

Forensic Investigations	2007	2008	Variance	Monthly Average 2008
New Investigations Authorised	390	404	+4%	34
Investigation Concluded	385	412	+30%	34
Rescinded / Other	65	82	+26%	6.8

The table above shows throughput figures for the unit. The numbers of new investigations authorised have been fairly steady year on year. The closure figures are split to show those investigations that reached conclusion against those that were rescinded where no investigation took place (for example if the firm no longer poses such a risk, or has closed down). There has been a year on year increase in both the number of investigations concluded and the number rescinded.

Specialist work undertaken by the unit is currently not shown here - future reports will also look at monitoring of Investment business work as well as visits to firms in the Assigned Risk Pool. These types of investigation constitute a further 65 closures during 2008.



Authorised investigations may not commence immediately, but are prioritised according to a risk-based scoring system. The work in progress has decreased further this quarter following as numbers of new investigations authorised continue at lower levels than were seen in early 2008, and over 30 investigations were rescinded.

# Inspection & Investigation Practice Standards Unit

The role of the **Practice Standards Unit (PSU)** is to improve standards of practice in the profession through the promotion of client care and practice excellence. This is achieved through monitoring visits and an educational programme of client care seminars. Firms are profiled for monitoring visits by a risk assessment process based on information held within the SRA's systems and intelligence from other units. The monitoring visits check compliance by firms with the practice rules and aim to raise standards by obtaining agreement and consensus from firms for improvement following these visits.

PERFORMANCE MEASURES YTD	To Dec-07	To Dec-08	To Dec-08 Target	Variance to Target
Full Risk Profiles Completed	1205	1464	1344	9%
Total Visits Completed	938	1123	1174	-4%
Client Care Seminars	10	35	30	17%

## Visit Grades

Visit Grade	Jan-08	Feb-08	Mar-08	Overall Grade	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
<b>A</b>	11	17	11	<b>1</b>	2	3	5	6	6	4	2	5	1
<b>B</b>	52	77	64	<b>2</b>	11	6	1	6	3	10	4	6	2
<b>C</b>	31	36	22	<b>3</b>	10	8	13	6	5	8	4	5	0
<b>D</b>	5	5	2	<b>4</b>	13	10	8	11	14	15	10	12	11
<b>No Grade</b>	0	0	0	<b>5</b>	27	29	28	33	29	41	39	26	19
<b>Awaiting Grade</b>	0	0	6	<b>6</b>	11	3	16	15	6	7	12	8	5
<b>Total Visits</b>	99	135	105	<b>7</b>	23	10	10	21	11	14	13	10	8
<b>% Grade C / D</b>	36%	30%	23%	<b>8</b>	3	3	2	4	1	3	5	5	2
				<b>9</b>	0	0	1	1	0	0	0	0	0
				<b>Awaiting Grade</b>	1	2	1	2	3	4	9	7	5
				<b>Total Visits</b>	101	74	85	105	78	106	98	84	53
				<b>% Grade 5 - 9</b>	63%	62%	75%	55%	61%	56%	48%	49%	58%

A new grading system has been in place since April this year. The system is based on a 1 to 9 scale, 1 being the least serious and 9 being the most serious.

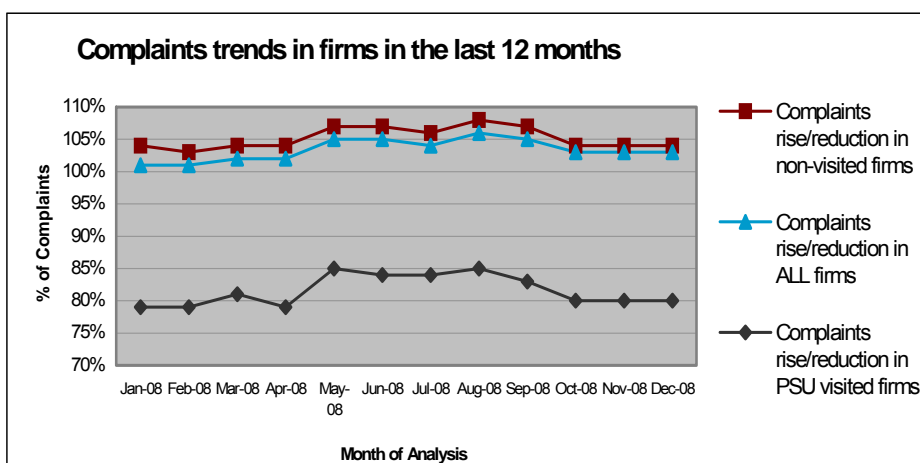
It makes use of the SRA risk classification, but also incorporates other factors, and aims to be more systematic in its approach.

## Internal Referrals

7.23% of firms were formally referred to another SRA Unit for action so far in the last quarter, as compared with an overall percentage over the 12 months to December of 6%.

In addition, 7 intelligence referrals have been made in the last quarter (46 in the last 12 months) where information was shared with other departments for future reference.

## Trends in Complaint Levels



This graph is based on numbers of new complaints referred to the LCS and SRA.

Firms receiving a monitoring visit from PSU generate between 15 and 21% less complaints following a visit (shown in black), whereas firms who have not received a visit from the unit generate between 3 and 8% more complaints over the same period (shown in red).

Please note that the Post Visit data is given for the previous month to provide a more accurate view. This is due to the process for completing post visit tasks and returning the information to the office.

# Regulation Response

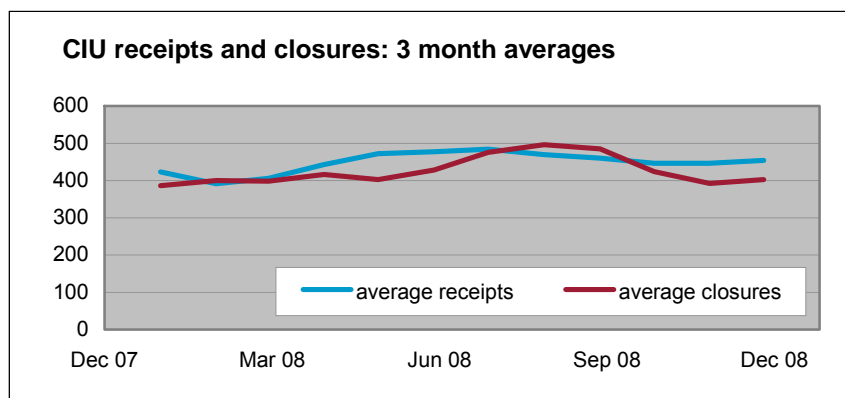
## Conduct Investigation Unit

The **Conduct Investigation Unit** (CIU) deals initially with all third party (non-client) complaints of misconduct received by the SRA (CDT matters), as well as referrals of conduct information from the LCS (Redress Conduct matters - RDC). The majority of CIU's workload consists of assessing and closing complaints where there is no issue or evidence of misconduct. CIU deal with a higher volume of excluded / low risk "reports" but refer to Adjudication the more serious, higher risk issues. For historical reasons, the unit operates under LSCC targets. Details of current performance against LSCC targets can be found in Appendix 2 on page 19.

### Age Profile of Investigations

The graph shows receipts and closures over the last year for CIU. In order to smooth out monthly fluctuations, a 3 month rolling average is used.

Where receipts have exceeded closure figures, an increase in work in progress has been seen. In spite of a 4% increase in closures seen year on year, the work in progress has increased some 27% over 2008 due to the rise in receipts (10% up on 2007 levels).



RDC files are conduct investigations generated by referrals from the Legal Complaints Service (LCS). The LCS reviewed the way in which it makes these referrals at the start of 2008, and since April the eligibility of a file for referral has been considered after just 3 months. In addition to the initial increase caused in the number of matters being referred over to the SRA for investigation into a solicitor's conduct, a higher level of receipts has been sustained thanks to the improvements made by the LCS to their decision making processes.

These RDC referrals provide the SRA with key information relating to the conduct of individuals within the profession. The section below highlights the types of outcomes for referrals from LCS as compared with conduct investigations arising from other sources.

### Investigative Outcomes

The table shows the breakdown by outcome of all conduct investigations closed in the last 12 months and 12 months previous (including a small minority dealt with outside CIU). Referrals from the LCS (RDC files) are shown separately as it can be seen that almost a third of investigations arising from LCS referrals resulted in regulatory action being taken, more than double the rate of action taken as a result of all other investigations.

Outcome of conduct investigations	2007		2008	
	LCS referrals	other closures	LCS referrals	other closures
<b>Total number of closures</b>	359	4,629	660	4,544
Number of investigations upheld *	106	611	114	489
Number referred to the SDT	27	98	77	113
<b>% investigations upheld *</b>	<b>30%</b>	<b>13%</b>	<b>17%</b>	<b>11%</b>
<b>% referred to SDT</b>	<b>8%</b>	<b>2%</b>	<b>12%</b>	<b>2%</b>

\* 'Investigations upheld' includes the following outcomes: a formal decision to uphold allegations (which may result in a finding & warning or reprimand for example), a letter of advice or Regulatory Settlement Agreement.

There has been an 16% increase in the number of letters of advice issued year on year. This is a result of improved focus on risk-based and proportionate responses to the reports of misconduct we receive.

For the first time this quarter we have a full 24 months of data with the outcome 'referred to SDT' in use (introduced in December 2006). We can see that there has been a significant increase in numbers of cases from CIU which result in referral to the SDT, in particular those referred from the LCS. Investigations in other units may also result in referrals - taking an overall view, the figures on page 5 show that new referrals to the Tribunal have not risen overall. In fact, the rise in referrals within CIU's work has been counterbalanced by a fall within Regulatory Investigations (see next page). In addition, it must be noted that these combined outcome figures will exceed actual referrals to the tribunal as an individual may be under investigation under several conduct or regulatory file references.

# Regulation Response

## Regulatory Investigations

**Regulatory Investigations (RI)** imposes Practising Certificate controls under Section 12 and 13 of the Solicitors Act 1974, deals with applications for approvals by solicitors and unadmitted persons, investigates information about regulatory breaches and deals with FI reports.

REGULATORY MATTER DECISIONS	2007	2008	Variance	Monthly Average 2008
PC Conditions	2,010	1,875	-7%	156
Intervention *	77	99	+29%	8
Referral for Disciplinary Proceedings	420	375	-11%	31
Vest Discretion	252	229	-9%	19
No Action	219	175	-20%	15
Accountants Reporting Issues	796	761	-4%	63
Finding/Warning/Rebuke/Reprimand	359	424	+18%	35
Other	340	359	+6%	30
Costs Directions	384	371	-3%	31
<b>TOTAL</b>	<b>4,473</b>	<b>4,297</b>	<b>-4%</b>	<b>358</b>

**Notes** Please note that any one firm under investigation may generate multiple decisions. It does not necessarily follow, for example, that each decision to intervene shown above will result in a new intervention.

\* Numbers of Intervention decisions shown above exclude any 'intervention powers arisen' decisions where a firm is notified that we have grounds to intervene, but will not actually do so at that point if the firm can take immediate steps to put right the problems identified. These are recorded within 'other'.

During 2008, RI finalised **2,166** applications and concluded **1,986** investigations. This was a slight decrease on last year's closure figures, mainly due to an exceptional situation involving 2 large firms who failed to comply with regulations regarding the delivery of accounts reports. This resulted in an application from each partner within those firms early in 2007 in relation to their Practising Certificates. Numbers of investigations have actually increased 12% year on year.

### Applications:

Of those applications, **1161 (54%)** were from individuals required to notify us of their intention to apply for a PC as they are subject to Section 12 of the Solicitors Act 1974. Section 12 gives us discretion with respect to issue of practising certificates in special cases - for example, those who are applying for the first time or after a period of suspension. These notifications are received by the Information Directorate who will deal with any straightforward applications and refer the remainder on to RI.

This equates to an average of **47** applications a month from individuals newly subject to Section 12, plus another **50** each month from those who were already subject to Section 12 when they applied for their current PC and are looking to renew. Any conditions on their current PC may be continued, varied or lifted. These are distributed unevenly throughout the year however, as levels peak around PC renewal time in the Autumn.

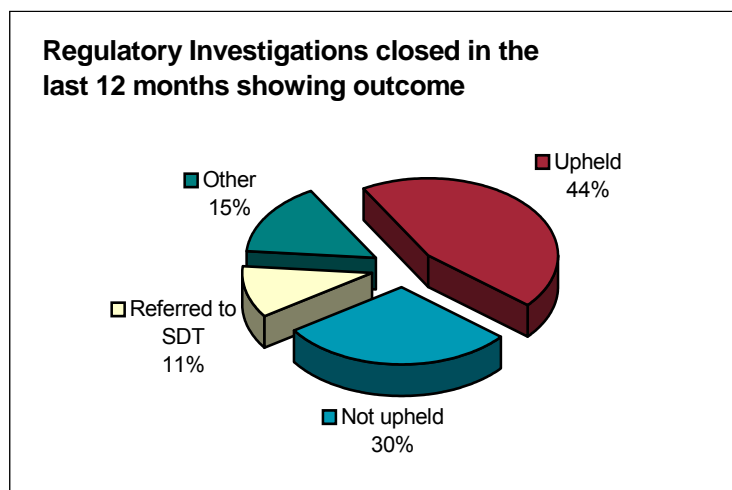
### Investigations:

- The allegations under investigation were upheld in **881 (44%)** cases.
- **215 (11%)** resulted in a referral to the SDT.
- **589 (30%)** were not upheld.

The majority of investigations with 'other' outcomes were closed due to other ongoing action relating to the firm or individual.

### Timeliness:

RI have improved the timescales within which matters are concluded, with 84% of files closed in 2008 taking 6 months or less, up from 80% during 2007.



# Client Protection

## Interventions - overview, grounds for intervention

Client Protection conducts interventions into solicitors' practices, and deals with the recovery of costs associated with these and other activities. They also administer the Compensation Fund and deal with the client monies and papers left at a practice after an intervention.

### This Quarter's Interventions

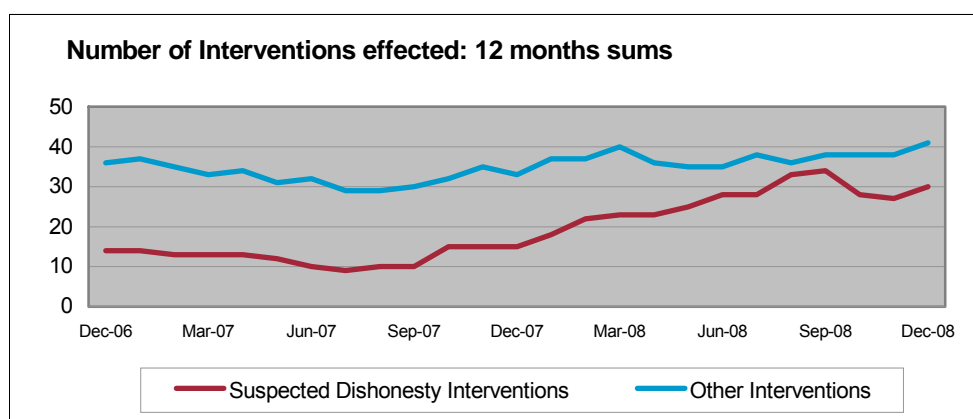
In the last 3 months there have been 18 interventions, 5 of which were effected on the grounds of suspected dishonesty. All 18 were effected within target. The unit's target is to effect the intervention within 3 working days where dishonesty is suspected, or within 5 working days otherwise.

### Year on year comparison of interventions effected

12 m FIGURES	INTERVENTIONS EFFECTED	Suspected Dishonesty	No Suspected Dishonesty	Individual(s)	Sole Practice	2 - 4 Partner firm
2008	71	30	41	5	54	12
2007	48	15	33	1	37	10
% variance	+ 48%	+ 100%	+ 24%	+ 400%	+ 46%	+ 20%

Interventions have increased by 48% year on year, with the proportion of those effected on the grounds of reason to suspect dishonesty also increasing. 42% of interventions effected in the last 12 months involved suspected dishonesty, as compared with just 31% in the previous 12 months.

### Trends in Dishonesty vs 'Other' Interventions



The chart shows that this increase in numbers of interventions is due almost entirely to the growth in numbers of interventions featuring suspected dishonesty as one of the grounds, as opposed to those effected solely on other grounds.

### Grounds for Intervention

The following table gives a breakdown of the top 5 most common grounds for intervention.

Grounds of Intervention	2007		2008	
	No. Interventions	% of Interventions	No. Interventions	% of Interventions
Breaches of Solicitors Accounts Rules	18	38%	34	48%
Suspect dishonesty	15	31%	30	42%
Practice Rule / Code Breaches	12	25%	11	15%
Abandoned practice	8	17%	10	14%
Bankruptcy	9	19%	9	13%

*For the 48 interventions in 2007 and the 71 interventions in 2008*

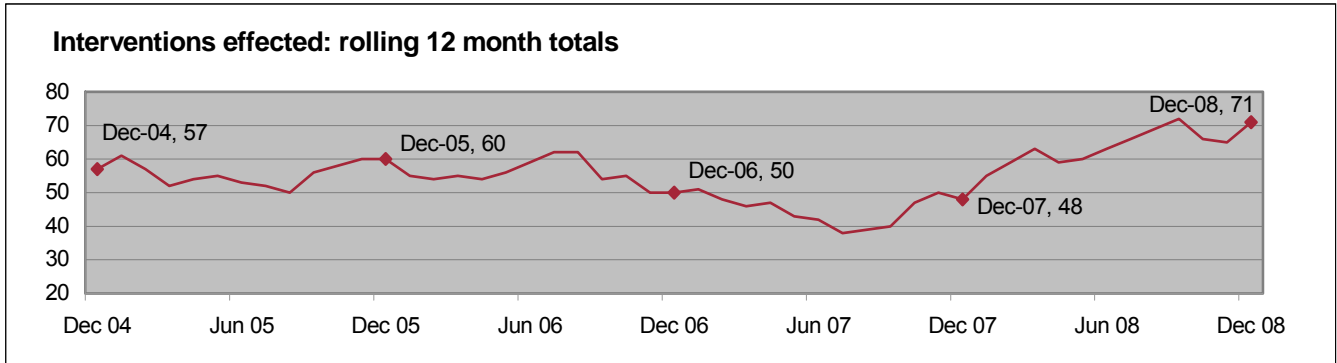
As there may be more than one reason for a particular intervention, % figures are the % of interventions featuring a given ground. In addition to suspected dishonesty, breaches of the Accounts Rules leading to intervention have shown a particular increase year on year.

# Client Protection

## Interventions - long term trends, firm size

### Long term trends

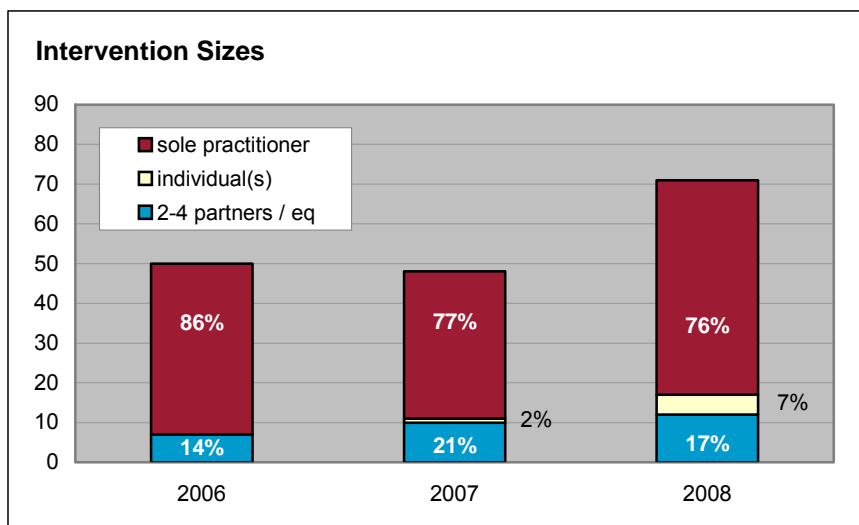
The increase in interventions on the grounds of suspected dishonesty and those relating to Accounts Rule breaches have contributed to a significant rise in overall numbers taking place. This recent increase brings us back towards the levels seen pre-2003, before several years of lower numbers effected from 2004 to 2007.



The graph above shows the recent increase, following lower numbers during 2006 and early 2007. Levels have been even higher in the past however, with in excess of 80 firms being closed down each year from 1999 to 2001.

### Firm Size

The following shows a breakdown of interventions by size over the last 3 years.



The majority of interventions are into practices run by a sole practitioner. In most cases, all partners within a firm (or members of an LLP) will be subject to an intervention, whether it is a sole practitioner firm or one with several partners / members.

Occasionally we will intervene into one or more individuals' practices within a firm, leaving the rest of the firm to continue. These are now shown separately, and it can be seen that although no individual practices were intervened into during 2006, and just one during 2007, there have been 5 in the last 12 months.

Certain grounds for intervention relate only to sole practitioners (for example incapacity as a result of ill health or accident, abandonment) so when these circumstances arise only sole practitioners are affected. In 2008 there were 4 interventions into sole practitioners' firms on the grounds of incapacity - the grounds are drafted this way because the impact within a larger firm and for its clients of one individual becoming incapacitated would generally be less severe, whereas in relation to a sole practitioner it can be catastrophic for the firm and its clients. Abandonment interventions also present similar issues. Similarly, in each of the 9 cases where we intervened following bankruptcy (sometimes other grounds being present also), the individual involved was a sole practitioner and it was necessary for us to intervene as there was no other solicitor present to deal with the firm.

## Client Protection Claims Management - overview, claim reasons

The **Claims Management** 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. Claims Management works together with the Accounts Assessment Team who hold a firm's monies on trust following an intervention to ensure that a firm's clients, any agents owed fees or lending institutions who may have had funds held in a solicitors accounts are protected in the event of an intervention.

### Claims and Payments made in the last 24 months

Amounts in £ million	Number of new claims	Value of new claims	£ Paid Out
<b>2008</b>	1,835	£110.03 M	£8.35 M
2007	1,603	£14.36 M	£8.61 M
variance	+ 14%	+ 666%	- 3%

The table shows year on year comparison of claims made on the fund and payments issued. The figures shown are those currently recorded so historical claim values may have been altered since previous reports where the claim value changes during the course of an investigation.

In spite of the changes made to how new claims are recorded or grouped (see note below), claim volumes show an increase of 14% year on year. In addition, the average value of each claim has increased significantly (from around £9,000 to £60,000), with the overall value of claims now showing a significant increase year on year. Current liability on the fund is shown on the next page.

Payments on claims due to mortgage fraud or a misappropriated mortgage advance show a particular increase year on year, with around £500,000 being paid out in the last 12 months.

### Reasons for Claims made on the Fund

Claims on the Compensation Fund are categorised by the unit. The following breakdown does not include any matters relating to emergency funding, but compares the volume of new claims received in the last 12 months with the 12 months previous.

<b>NEW COMPENSATION FUND CLAIMS</b>	2007	2008	Variance
Costs and disbursements	75	129	+ 72%
Counsel Fees	509	472	- 7%
General client money	769	1,084	+ 41%
Mortgage fraud/misappropriated mortgage advance	3	42	+ 1,300%
Other	215	46	- 79%
Ratification	16	10	- 38%
Unredeemed mortgage	1	5	+ 400%
(blank)	15	47	+ 213%
<b>TOTAL</b>	<b>1,603</b>	<b>1,835</b>	<b>+ 14%</b>

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

Claims for to general client money have remained almost exactly constant year on year in terms of volume, but the value of these claims has increased significantly over the same period - from an average size of £14,000 to £78,000.

Similarly the average size of claims relating to costs and disbursements has increased year on year, growing from around £1,750 to over £7,500.

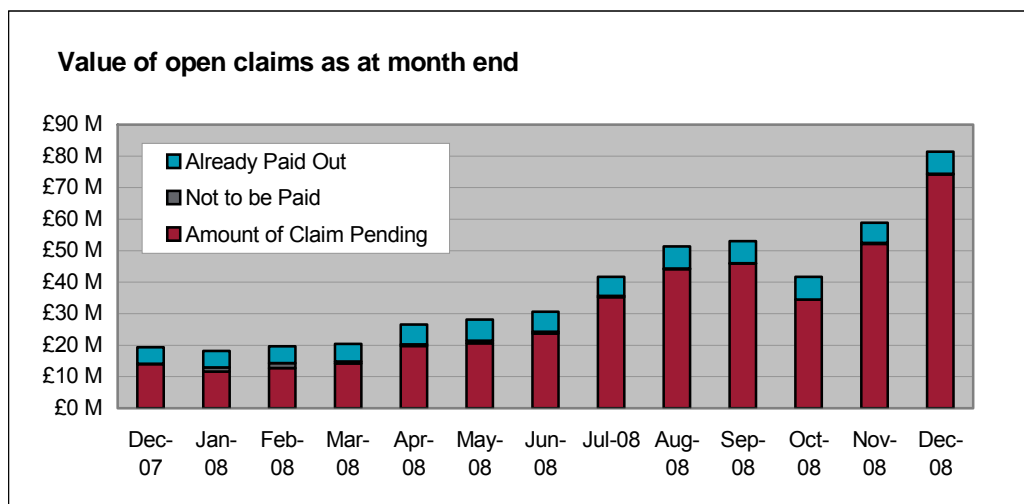
In respect of claims relating to mortgage fraud or misappropriated mortgage advances, while numbers still remain relatively low, we have seen a significant increase in receipts.

Overall claim numbers will have been affected by claims for Counsel and other Professional fees. These are now handled more efficiently by the unit and handled in bulk under a smaller number of distinct reference numbers.

# Client Protection

## Claims Management - outstanding liability, applications concluded

### Ongoing Claims



The above values include any matters relating to emergency funding which are excluded from the other analysis on these pages.

Although the value of open claims shows a significant increase, the *number* of applications open has fallen by a third over the course of 2008. While there may be fewer claims, the average value has risen significantly and now stands at over £90,000. This is as compared with an average claim value at the end of September 2007 of less than £15,000.

The amount of claim pending shown on the graph above is equivalent to the outstanding liability on the Fund. Particularly high value claims received in the last six months have caused it to increase significantly to £74.2M.

### Payments on Applications Concluded

The following table shows the overall value represented by the claim files closed in the last 12 months and 12 months previous, against the amount paid out on these particular applications. Claim values have increased, but the proportion of the claim that was successful has decreased significantly year on year.

Amounts in £ million	TOTAL CLAIMED	TOTAL PAID OUT	% PAID OUT OF AMOUNT CLAIMED
<b>2008</b>	£100.46 m	£15.92 m	16%
2007	£43.69 m	£13.62 m	31%
variance	+130%	+17%	-49%

The next table shows what this equates to in terms of individual claims rather than value of payments.

Amounts in £ million	NUMBER OF CLAIMS CLOSED	% PAID IN FULL	% PAID IN PART	% NOT PAID
<b>2008</b>	2,618	13%	12%	75%
2007	3,820	17%	11%	72%
variance	-31%	-24%	+13%	+4%

The figures show that just 13% of claims closed in the last 12 months were paid in full, with a further 12% paid in part. Three quarters of files were closed with no payment made. It is possible however, that files may be reopened after closure for further consideration.

This is a slight decrease on the 12 months to September 2007 in which 28% of files were closed with grants paid out, 17% for the full amount claimed.

The overall numbers of claims closed has reduced significantly year on year as the unit has worked to sort through a large number of applications held in abeyance which no longer needed to be kept open. The overall number of claim files has reduced significantly, with a corresponding reduction in closure numbers.

# Client Protection Statutory Trusts

There are two teams dealing with Statutory Trusts work. The **Accounts Assessment** team deal with accounts taken on recent interventions. The **Project team** work on accounts relating to historical interventions. Their job is to identify persons with a beneficial entitlement and a variety of means are used to try to contact anyone entitled to the money held.

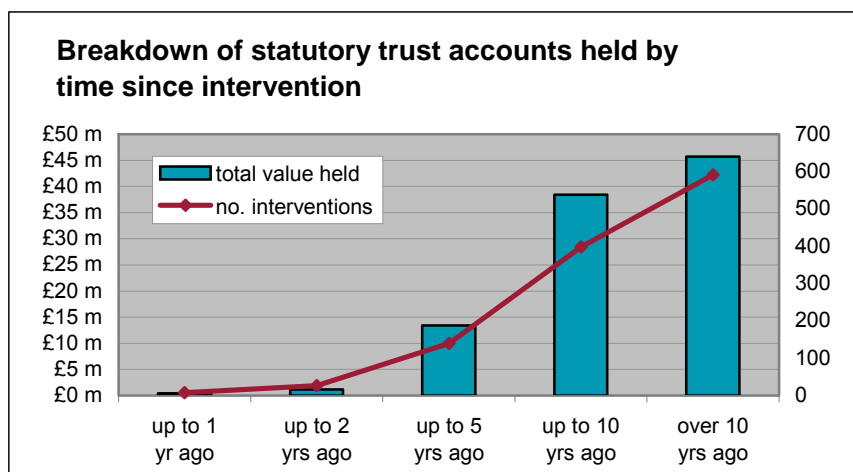
Accounts records of an intervened practice can be very poorly kept, and there is often a shortfall if money has been appropriated from client or office accounts. It can be a very complex, and often time-consuming task to establish who the money held belongs to and to trace those individuals and invite them to make a claim.

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 claim for some or part of any grant paid by way of a subrogated claim against the Statutory Trust Accounts.

## Accounts held at end 2008

We currently hold 1,272 individual Statutory Trust Accounts relating to around 600 different interventions. They have a total value of £46.36 million. This includes accounts which have been made dormant (for example where clients cannot be traced).

The following graph shows a breakdown of accounts held by the age (measured from intervention date).



The amount of money held varies considerably between interventions. The size of a firm's client base, type of work in which they are involved and quality of record keeping would all affect how much money we hold now in relation to a particular intervention.

Currently, the intervention agents appointed to deal with the closure of the practice may be instructed to distribute any monies where they are able to identify beneficiaries and the account is intact.

The number of Interventions for which we still hold in excess of £500,000 constitutes just 3% of those for which we hold money on trust, but the value contained in the relevant accounts is over a third of the £46.36 million.

## Distributions & New Accounts

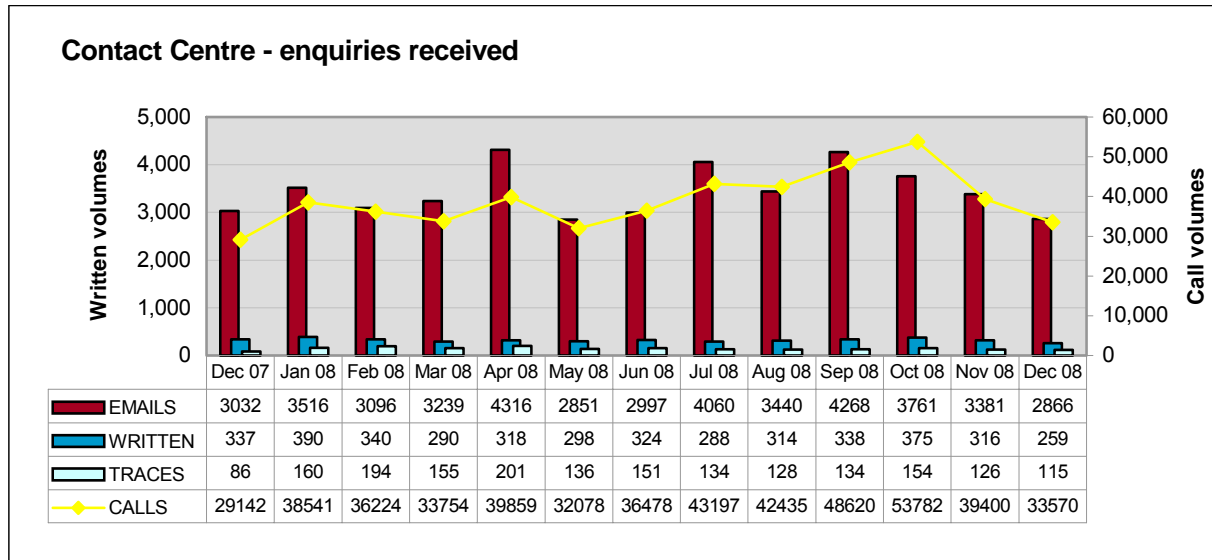
The team works to distribute funds within accounts held. During 2008, 136 accounts were closed, with 100 new accounts opened. The total amount of money held on trust has been reduced by over £4.5 million. The new accounts and additional deposits into existing accounts totalled just over £2.5 million, and distributions were £9.0 million. Interest earned and US Dollar exchange rates will also affect the balance held.

	Balance brought forward	New accounts + additional deposits	Distributions made	Balance at year end
<b>2008</b>	£50.93 m	£2.52 m	£8.98 m	£46.36 m
<b>2007</b>	£55.90 m	£4.01 m	£11.11 m	£50.93 m

During 2008, distributions totalling £2.45 million were made directly to beneficiaries. A further £6.53 million was returned to the Compensation Fund via subrogated claims (because the beneficiaries identified had already received their entitlement via a grant from the Compensation Fund). Approximately £3 million was transferred into dormant accounts.

## Contact Centre

Over the course of 2008, the Contact Centre received some 478,000 calls, as well as letters, emails and trace requests totalling over 47,000. This is a 15% reduction on 2007 volumes, mainly due to reduced numbers of calls received. This is thanks largely to improvements which have seen abandonment rates fall: many abandoned calls are known to cause repeat calls.



The service level was within target during the middle of the year, but the seasonal increase in call volumes saw a decline in performance during quarter 3. Some improvement was seen this quarter, but overall service levels are still some way below target. Over the year as a whole, performance against service level was 57%, against a target of 70%. A recovery plan is in place to ensure that the unit can deliver an improved service through 2009.

A dedicated 'firm based regulation team' has been trained up to handle calls from solicitors as well as answering the more complex queries passed from their colleagues in relation to the forthcoming changes brought about by the Legal Services Act.

## Operations Unit

The Operations Unit is responsible for the regulatory exercises including PC renewal, solicitor annual enrolment and student enrolment and for maintaining the roll of solicitors through record changes.

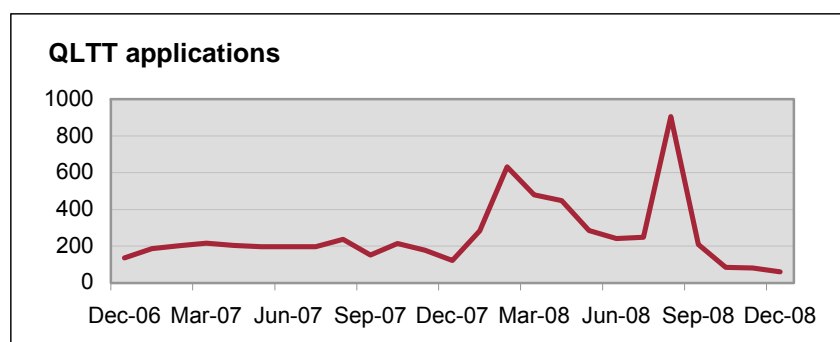
The unit met their target to have dealt with 95% of PC renewals by 11th December this year, with an overall rise in numbers of practising certificates issued. The change in practising population size is shown on the graph on page 17.

## Caseworking & Applications Unit

Numbers of Qualified Lawyer Transfer Test (QLTT) applications received during 2008 totalled almost 4,000, an increase of 72% on 2007.

As a result of our consultation into changes to the Transfer Regulations early in 2008, two large peaks in applications were seen in February and in August. Interim rule changes came into effect on 1 September 2008, since when numbers of applications have fallen well below levels seen earlier this year and through 2007.

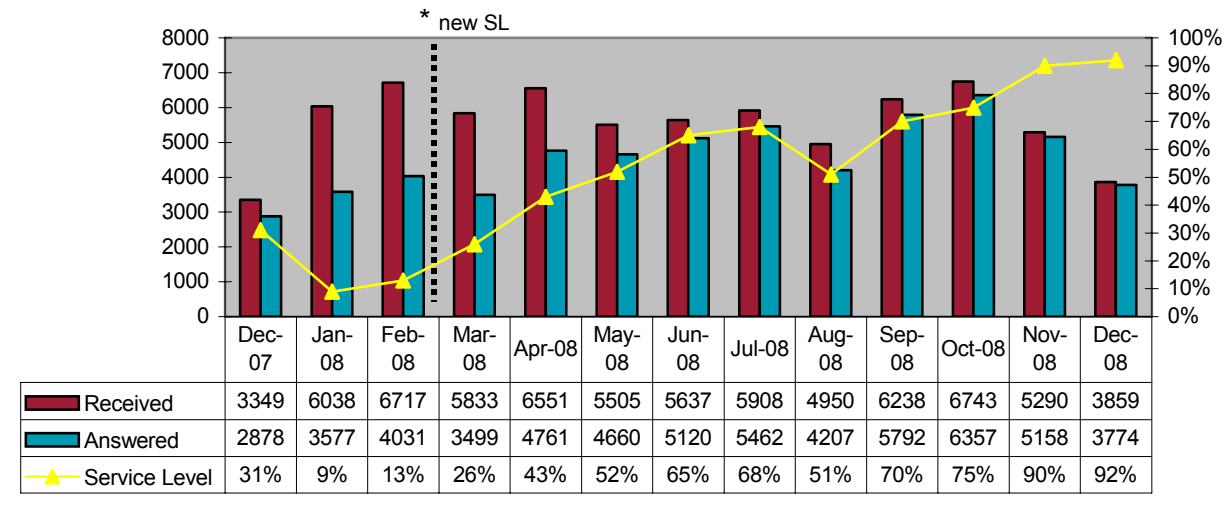
It may take some months before we can establish whether levels of applications have been affected by the interim rule changes, or whether we are just seeing the natural adjustment expected after receiving so many applications at once.



# Regulation Standards Ethics Guidance Service

The **Professional Ethics Guidance Team** provides confidential guidance to help solicitors comply with their professional obligations.

## Calls to the Ethics Guidance Service



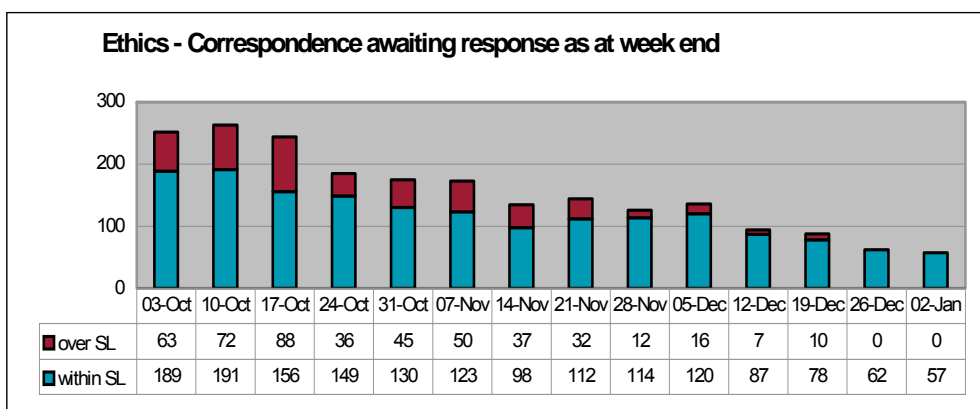
The Service Level on the graph above shows the percentage of calls that were answered within target timescales. Prior to 25 February 2008, this was 30 seconds. The service level target has since been revised, and all calls received since 25 February this year are measured against a target of 60 seconds.

Service levels have shown even further improvement this quarter, achieving a service level in excess of 90% over the last 2 months of 2008. Abandonment rates have also fallen further with just 4% of calls received this quarter being abandoned before an advisor became available to answer to enquiry. The unit have achieved huge improvements during the year, abandonment levels during Q1 2008 were up at 40%.

Staff leave and vacancies had adversely impacted service during the summer, but vacancies were filled by 1st September 2008 and intensive training delivered to new team members.

The most common areas on which the profession are sought advice this quarter were the following:

- Practising Certificates
- Confidentiality and disclosure
- The Solicitors Accounts Rules
- Conflicts of Interest



Written enquiries are now handled to an improved timescale (10 working day service level, or SL on the graph above). This quarter, the Guidance Team received over 900 written enquiries in addition to the 16,000 calls that came into the Helpline.

Training for new starters during September led to some backlogs in dealing with written enquiries - a special drive over quarter 4 has fully dealt with this, with no items over 10 working days old left outstanding at the end of the year.

## Trends in the Profession

### Practising solicitors, numbers of firms

The figures below provide an overview of snapshot data relating to the make-up of the profession. This quarter we have started with numbers of practising solicitors and a breakdown of solicitors' firms.

Not all practising solicitors will be in private practice. There are many 'in-house' lawyers and those working for other organisations. At the end of 2008, there were also in excess of 35,000 non-practising solicitors. As we enter 2009, this means that of the 145,252 solicitors regulated by the SRA, 76% are currently practising.

#### Practising Solicitors

The annual PC renewal process gives a seasonal pattern to the population size for practising solicitors, which can be seen clearly from the graph below. The drop each autumn occurs when any PCs which have not been renewed by the relevant cut-off date are terminated. The graph is based on snapshot figures from the end of each month, with annual peaks and troughs marked.



The practising population continues to grow overall, with both peak and trough levels showing increase year on year. The increase from 2006 to 07 is larger than that seen from 2007 to 08.

#### Solicitors' Firms

The following shows a breakdown of the numbers of firms at each year end, based on a count of head offices recorded by the SRA.

Snapshot by type of firm	2006 (year end)		2007 (year end)		2008 (year end)	
Incorporated Company	808	8%	1,081	10%	1,363	13%
Limited Liability Partnership (LLP)	494	5%	710	7%	931	9%
Multinational / Overseas	260	2%	238	2%	221	2%
Other	38	0%	46	0%	49	0%
Partnership	4,671	44%	4,433	42%	4,175	38%
Sole Practitioner	4,242	40%	4,166	39%	4,140	38%
<b>TOTAL FIRMS</b>	<b>10,513</b>	<b>100%</b>	<b>10,674</b>	<b>100%</b>	<b>10,879</b>	<b>100%</b>

Overall we have seen a rise in numbers of head offices year on year. The more traditional forms of practice - partnerships and sole practices - are showing a slight decline in numbers year on year. Incorporated Companies and LLP's however have shown a particular increase over the same time period.

#### Firms opening and closing

During 2008, 895 new firms were registered with the SRA, up just 2 from the 893 seen during 2007.

412 firms closed during 2008, up 27% from 2007. In addition, 484 firms merged, split or changed their status (became an LLP or Incorporated Company, or changed their 'head office' status to branch etc.), change of status being the most common. Many of these will therefore correspond to a new LLP or Incorporated Company. Overall however, as the table shows, numbers of firms have increased year on year.

## Appendix 1: HRD, Budget Report

### Quarterly HRD Update

- As at 31st December 2008, the permanent staff FTE for the SRA was 535.17 with 81.07 vacancies. (There are 12 fixed-term temps and 57.10 FTE agency and contractors sitting against those vacancies).
- The budget FTE is currently 616.24
- Training has been provided to 552 delegates this quarter, with the introduction of an improved performance management system.

### Budget Report

Direct Costs summary for the 12 months ending 31 December 2008

£ 000's	YTD Actual	YTD Budget	Variance	% Variance
Total Staff Expenditure:	26,726	29,482	2,756	- 9%
> Salary Costs	23,677	27,389	3,712	- 14%
> Other staff costs	3,050	2,093	- 956	+ 46%
Total Administration Costs	13,948	12,408	- 1,540	+ 12%
Total Other Costs	1,753	1,640	- 113	+ 7%
<b>GROSS Expenditure (before recoveries)</b>	<b>42,428</b>	<b>43,530</b>	<b>1,102</b>	<b>- 3%</b>
<b>Total recoveries</b>	<b>-9,417</b>	<b>-9,817</b>	<b>- 400</b>	<b>- 4%</b>
<b>GROSS Expenditure (after recoveries)</b>	<b>33,011</b>	<b>33,713</b>	<b>702</b>	<b>- 2%</b>
<b>Total Income</b>	<b>-9,642</b>	<b>-8,174</b>	<b>1,468</b>	<b>+ 18%</b>
<b>NET EXPENDITURE</b>	<b>23,369</b>	<b>25,539</b>	<b>2,170</b>	<b>- 8%</b>

## Appendix 2: Headline Summary of SRA performance against LSCC strategic targets (April 2008 to March 2009)

The table below shows the SRA's performance against the new LSCC Strategic Targets during the first 9 months of the 2008/09 plan year.

Current month	Year to date	LSCC Target	Variance from target
<b>Strategic priority 1: Building on, and maintaining the improvement in the timeliness of handling complaints</b>			
<b>Target T3: Number of live cases open for 12 months or more</b>			
17 (all with exceptional circumstances)	n/a	No cases open over 12 months (apart from in exceptional circumstances)	0
<b>Target T4: Number of live complaints-based SDT matters open for 18 months or more</b>			
0	0	No cases open over 18 months	0
<b>Strategic priority 2: Improving the outcome of decisions on complaints</b>			
<b>Target Q2: Percentage of closures where fair and reasonable outcome with no case failings.</b>			
82% *	84%	90%	- 6%
<b>Strategic priority 3: Implementing the plan for complaints handling</b>			
<b>Target P1: Delivery of initiatives as required to achieve the business improvement outcomes identified in the Plan.</b>			
<i>Performance against P1 is reported by means of detailed reports on specific initiatives provided to the SRA Board and LSCC.</i>			
<b>Strategic priority 4: Improving cost efficiency in the handling of complaints.</b>			
<b>Target C2: 5% increase in caseworker productivity</b>			
12%	21%	5% increase	+ 15%

Target T3: There are 17 open cases over 12 months old, none of which have avoidable delay.

Target T4: There are no open complaints-based SDT matters which have been open for more than 18 months.

Target Q2: The SRA has achieved 84% of closures with fair and reasonable outcomes for the first 3 quarters, against a target of 90%.

Target C2: Productivity is currently 15% above the target.

\* Performance against Target Q2 is measured by audit and reported on a quarterly basis.

Targets such as T1 and T2 which are not shown relate to the work of the Legal Complaints Service.

## Appendix 3: Glossary of terms

<b>CCS</b>	Consumer Complaints Service (now the LCS - see below)
<b>CDT</b>	Conduct complaint
<b>Compliance Directorate</b>	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
<b>Conduct and Service</b>	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
<b>CRB</b>	Criminal Records Bureau
<b>CRO</b>	A complaint about inadequate professional service
<b>Decisions</b>	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
<b>FTE</b>	“Full-time equivalent”, a measure of the number of staff. The budget FTE - actual FTE equals the number of vacancies
<b>HRD</b>	Human Resources & Development
<b>Intervention</b>	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
<b>Inspections</b>	Term normally used in connection with Accounts Inspections by the Forensic Investigation department
<b>KPI</b>	Key Performance Indicator
<b>LCS</b>	Legal Complaints Service (formerly CCS)
<b>LLP</b>	Limited Liability Partnership
<b>LSCC</b>	Legal Services Complaints Commissioner
<b>LSO</b>	Legal Services Ombudsman
<b>PC</b>	Practising Certificate
<b>PSU</b>	Practice Standards Unit
<b>QLTT</b>	Qualified Lawyers Transfer Test
<b>RDC</b>	Redress Conduct - conduct issues arising from a redress matter handled by the LCS.
<b>Regulatory</b>	In this report, refers to the work of Regulatory Investigations
<b>REL</b>	Registered European Lawyer
<b>RFL</b>	Registered Foreign Lawyer
<b>SDT</b>	Solicitors Disciplinary Tribunal
<b>SRA</b>	Solicitors Regulatory Authority
<b>Throughput</b>	The volume of cases passing through the SRA from creation to completion
<b>Tribunal</b>	The independent Solicitors Disciplinary Tribunal (SDT)
<b>WIP</b>	Acronym for “Work In Progress”, cases not concluded during the month, but carried over from one month to another

### Age of Cases

The methodology for calculating the age of cases:

The age of a case will be calculated from the day the case was created on the computer system.

For reporting purposes the age of cases will be grouped as follows:

0-3 months = 0-91 days

0-6 months = 0-183 days

0-9 months = 0-274 days

0-12 months = 0-365 days

0-18 months = 0-548 days