



Solicitors  
**Regulation**  
Authority

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

March 2009

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If you have any feedback or queries relating to this report, please contact us at :  
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## Headline Summary

The **Solicitors Disciplinary Tribunal** made over 300 orders during the last 12 months on matters prosecuted by the SRA .

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, at 5 per month.

► [see page 4](#)

Time to issue our **SDT prosecutions** has shown an improvement during the last 12 months, and now stands at 6.6 months against a target of 6 months.

New cases coming into the unit during the last 12 months have fallen 16% from the volume seen in the previous 12 months.

► [see page 5](#)

Referrals to **Forensic Investigations** have increased 9% year on year.

This report also contains further information on the specialist work undertaken by the unit.

► [see pages 6 & 7](#)

The **Practice Standards Unit** has made around one thousand visits to firms during the last 12 months, a slightly falling trend as they have focussed efforts on longer visits which experience has shown offer more effective support to firms.

Firms receiving a monitoring visit from the unit generate between 15 and 23% less complaints following a visit.

► [see page 8](#)

The **Conduct Investigation Unit** has increased closures by 8% year on year. However, the unit has also seen a 17% year on year rise in receipts, which has increased the overall workload.

The number of **Regulatory Investigations** has increased by 15% year on year. However, application volumes have decreased by 6% during the same period.

51% of investigations closed in the last 12 months resulted in allegations being upheld, or individuals being referred to the SDT.

► [see pages 9 & 10](#)

Numbers of **Interventions** have remained high during the last quarter, with an 11% increase year on year. Breaches of the Solicitors Accounts Rules featured among the grounds for intervention in 49% of those effected in the last 12 months.

► [see pages 11 & 12](#)

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

Outstanding liability on the fund now stands at £51.7m. While the proportion of claims where a payment has been made has remained stable, the percentage of claim amount paid has fallen year on year.

Distributions from **Statutory Trust** accounts have been particularly high this quarter, with the overall balance held reducing by £4.4 million over the first 3 months of the year.

► [see pages 13 - 15](#)

In the **Information Directorate** the Contact Centre received a particularly high number of email enquiries alongside 109,000 calls this quarter. The service level for calls has shown improvement - 88% for the quarter against a target of 70%.

► [see page 16](#)

Our **Ethics Guidance Helpline** answered almost 15,500 calls this quarter, a 40% increase on the same time last year.

81% of calls were answered within 60 seconds this quarter against a target of 70%.

► [see page 17](#)

The data on **trends in the profession** shows the number of firms has continued to rise, with Incorporated Companies and LLPs showing a particular increase.

The number of practising solicitors currently stands at 113,031.

► [see page 18](#)

# 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. 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	12 months to March 08	12 months to March 09	Variance	Monthly average for last 12 months
Fined	108	122	+ 13%	10.2
Struck Off	55	57	+ 4%	4.8
Suspended	55	41	- 25%	3.4
No Order	8	11	+ 38%	0.9
Reprimand	33	55	+ 67%	4.6
Other *	24	22	- 8%	1.8
<b>TOTAL</b>	<b>283</b>	<b>308</b>	<b>+ 9%</b>	<b>25.7</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 80 orders on Tribunal Proceedings brought by the SRA against solicitors in the first quarter of 2009. The table above gives a breakdown of orders made in the last 24 months, showing a year on year comparison.

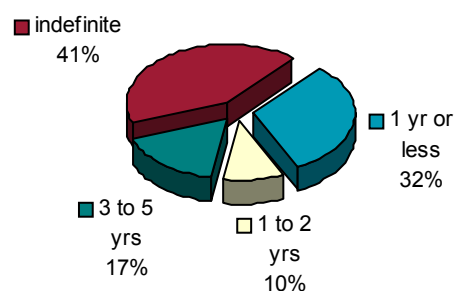
The most common order made is that of a fine, with an average of 10.2 over the last 12 months. This quarter there were 33 fines issued.

The number of reprimands issued has shown a particular increase. In Q3 of 2008, one case involving 12 individuals resulted in a reprimand for each.

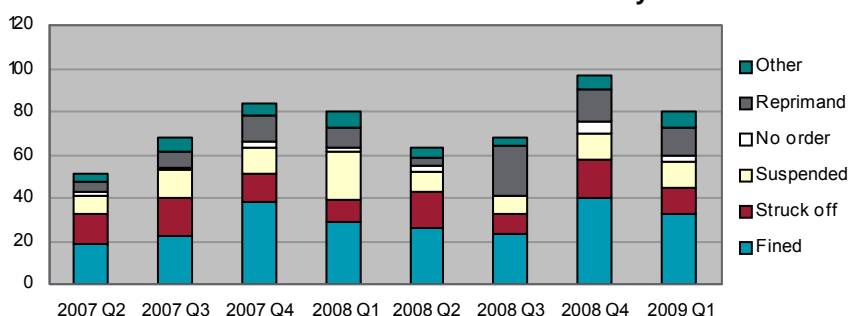
Numbers of suspensions were 25% lower in the last 12 months than in the 12 months before. 41% of suspensions made were for an indefinite period. Where the order was made for just a fixed period of suspension, this is most commonly for 1 year or less.

Although there has been a 38% increase in hearings resulting in no order, this only represents an increase of 3 year on year.

## 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 orders made have decreased from last, but remain higher than average.

The spread of orders made quarter by quarter has remained broadly similar over the last two years.

# Legal Prosecutions

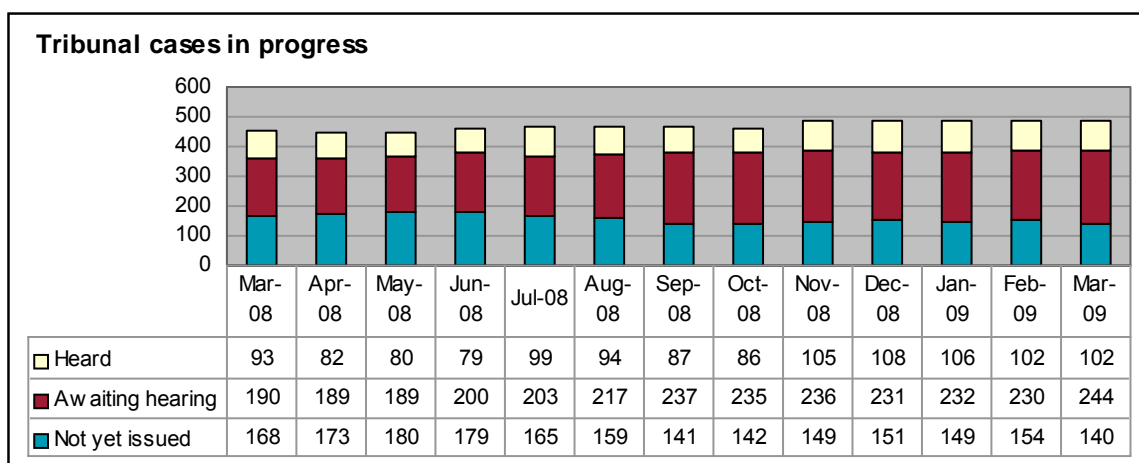
The **Disciplinary Proceedings Team** is responsible for the prosecution of solicitors before the Solicitors Disciplinary Tribunal (SDT) and the conduct of litigation in respect of the exercise of the SRA's regulatory powers. The recovery of the costs associated with these activities is handled by the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

A new Tribunal matter file is created when the decision is made to refer the matter to the SDT ("new cases" on the table below). Further allegations which later come to light may subsequently be added to existing cases. 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.

Whilst cases against new individuals are down 16% year on year, the number of new allegations referred by other SRA units to be added into existing proceedings has remained constant year on year. Some cases which might previously have resulted in referral to the SDT are now being dealt with in a more proportionate manner, with measures such as Regulatory Settlement Agreements enabling us to reach agreement with a solicitor as to the appropriate sanction without the need to incur the time and cost of a Tribunal referral.

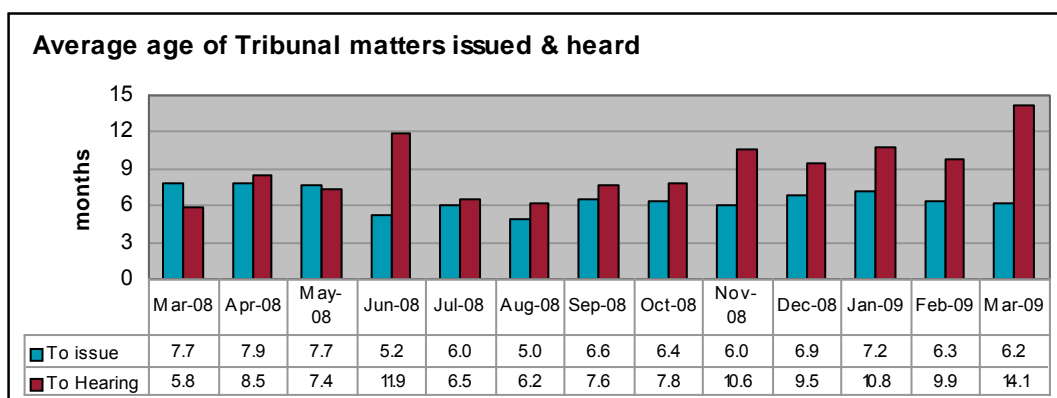
Tribunal Cases	12 months to Mar 08	12 months to Mar 09	Variance	Monthly Average 12 months to Mar 09
New Cases	334	279	- 16%	23.3
Closed Cases	309	244	- 21%	20.3

The following chart shows the number of Tribunal cases in progress as at each month end.



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. There are 24 ASC matters in progress.

The 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').



This quarter the unit issued proceedings within an average of 6.6 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 6.4 months. However, when compared to the same quarter of last year, there has been an improvement i.e. 8.1 months to 6.6 months.

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

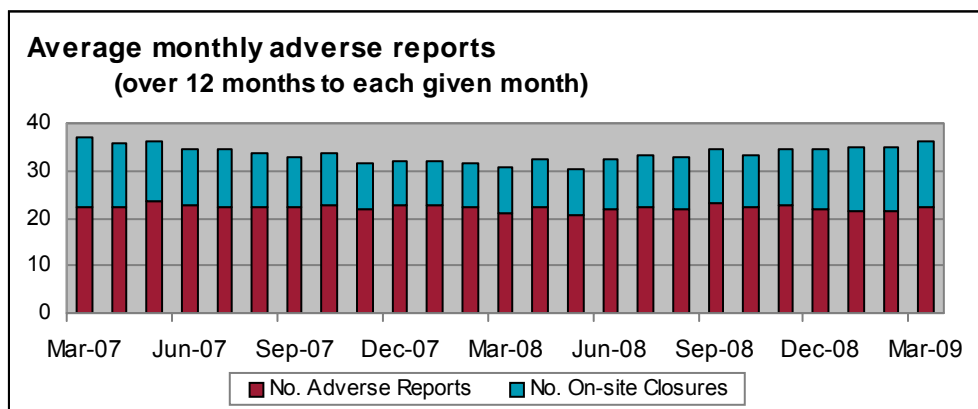
## Forensic Investigations

**Forensic Investigations (FI)** carry 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 things such as the misuse of client money, serious misconduct or malpractice, dishonesty, fraud, money laundering.

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 intervention. The closed FI matter will then be referred to other departments within the SRA responsible for enforcement actions.

Over the last two years, the proportion of adverse findings made by FI has remained at just over 60% of all investigations concluded.

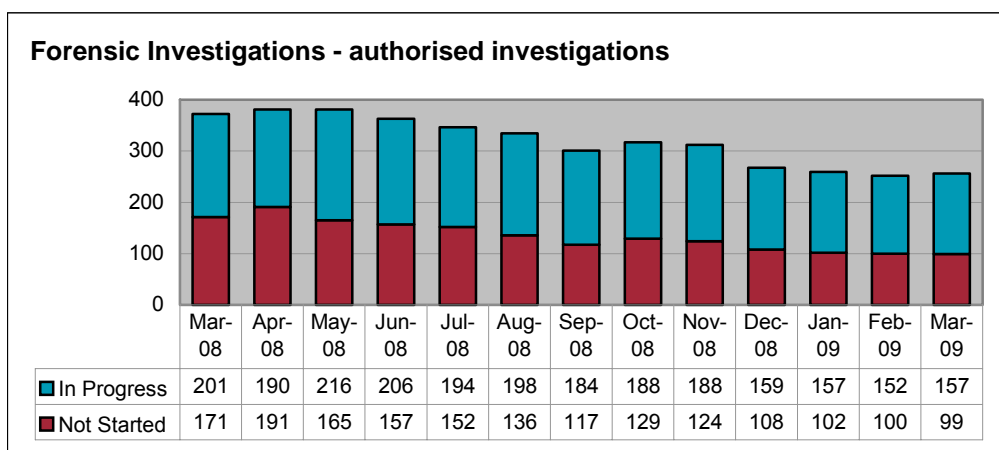
The chart shows the average number of closures split by those which involved an adverse report, and other investigations concluded.



While the number of investigations closed in any one month has fluctuated between 20 and 50, the long run average was the same in March 2009 as it was in March 2007.

Forensic Investigations	12 months to Mar 08	12 months to Mar 09	Variance	Monthly Average to Mar 09
New investigations authorised	371	404	+ 9%	33.7
Investigations Concluded	368	436	+ 18%	36.3
Rescinded / Other	78	82	+ 5%	6.8

The table above shows throughput figures for the unit. The numbers of new investigations authorised have increased slightly 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). Both have shown an increase year and year, but most markedly those where an investigation had taken place. The unit's work in progress has declined as the unit is dealing with fewer mid-level risk referrals and focussing on the higher risk matters. New investigations authorised are be up year on year, but not as considerably as closures. The work in progress (shown below) has therefore fallen over the last 12 months.



Authorised investigations are prioritised according to risk and then allocated to regional teams of investigators. At the end of March, over 150 investigations were currently in progress across England and Wales.

# Inspection & Investigation

## Investment Business and Assigned Risks Pool monitoring

Forensic Investigations also carry out monitoring visits on firms carrying out investment business (IB) and firms in the assigned risks pool (ARP).

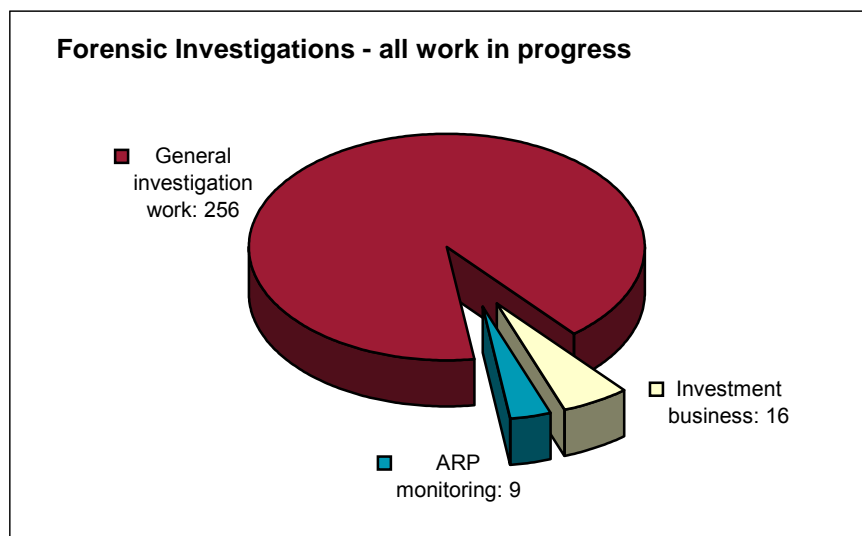
### Assigned Risks Pool monitoring

All Solicitors are required to hold qualifying indemnity insurance in order to continue practising. If they are unable to obtain this from a qualifying commercial insurer, they should apply to join the assigned risks pool. This provides cover for firms who cannot get cover from qualifying insurers or cannot reasonably afford the terms available to them. This might be because the firm has a poor claims record, a major claim outstanding but not yet decided or because of other risk factors.

In the most recent practising year, there was a departure from the market of some qualifying insurance providers, making it more difficult for firms to obtain cover. This led to a marked increase in the number of firms in the assigned risks pool for the practising year 2008-09 compared with the previous year; from 26 firms to 150. This has resulted in an increased number of monitoring visits in 2009.

Firms may only remain in the assigned risks pool for a maximum of 24 months in any five year period. If a firm is unable to obtain cover with a qualifying insurer in the open market by the end of the 24-month period, the firm will have to cease practising. While in the ARP, firms may be required to attend courses approved by the SRA and are also subject to monitoring by the SRA (at the firm's expense).

So far in the practising year (from October 2008), FI have carried out 35 visits, compared with just 7 in the whole of the previous practising year. All firms within the ARP are visited either by Forensic Investigations or the Practice Standards Unit.



Forensic Investigations visits related to investment business and assigned risks pool monitoring account for less than 10% of the current work in progress of the unit, as shown on the chart above.

### Investment Business Monitoring

Solicitors carrying out investment business are monitored by the SRA to ensure compliance with relevant regulations regarding this type of work. Under the Financial Services and Markets Act 2000 (FSMA), solicitors are able to carry out certain types of investment business under the regulatory watch of the SRA rather than the Financial Services Authority.

The SRA is therefore responsible for monitoring these firms to ensure their compliance with the FSMA 2000. During the last 12 months, the number of visits carried out by Forensic Investigations reduced to 38, compared with 63 in the 12 months previous. This is due to improved risk assessment within Forensic Investigations enabling them to more effectively target high risk firms.

# Inspection & Investigation Practice Standards Unit

The role of the **Practice Standards Unit (PSU)** is to protect the public by assisting practitioners to improve standards and service and to monitor compliance with the rules of professional conduct. This is achieved through monitoring visits and an educational programme of client care seminars.

Firms are profiled for monitoring visits by the Risk Assessment & Designation Centre. 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.

THROUGHPUT	12 months to Mar 08	12 months to Mar 09	Variance
Total Visits Completed	1,057	1,002	-5%
Client Care Seminars	20	31	35%

Our sharper, risk-based approach is leading to fewer short visits this year, with an increase in longer, fuller visits instead. Focus is therefore shifting from numbers of firms visited to numbers of days spent on-site where we are able to spend more time actively giving through support and advice to firms.

## Visit Grades

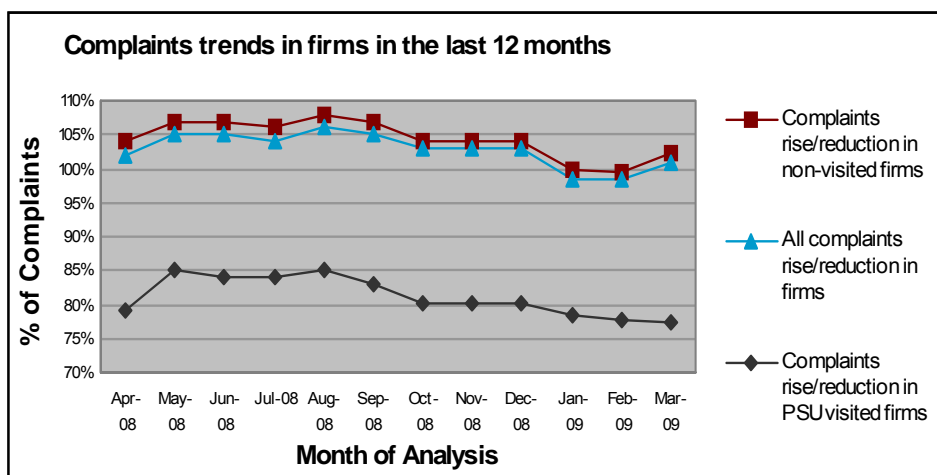
Our Practice Standards Advisors will give a grade after each visit that takes place:

Overall Grade	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
1	2	3	5	7	7	4	2	5	2	2	0	0
2	11	7	1	6	3	10	5	8	2	4	3	3
3	10	8	13	7	5	11	9	7	1	7	3	7
4	13	10	8	11	14	16	10	13	11	12	12	11
5	27	29	28	33	31	41	39	26	20	28	22	27
6	11	3	16	15	6	7	12	8	5	9	3	13
7	24	10	10	21	11	14	15	11	10	14	4	10
8	3	3	2	4	1	3	5	5	2	5	2	2
9	0	0	1	1	0	0	0	0	0	0	1	1
Awaiting Grade	0	1	1	0	0	1	1	1	0	4	5	3
<b>Total Visits</b>	<b>101</b>	<b>74</b>	<b>85</b>	<b>105</b>	<b>78</b>	<b>107</b>	<b>98</b>	<b>84</b>	<b>53</b>	<b>85</b>	<b>55</b>	<b>77</b>
<b>% Grade 5 - 9</b>	<b>64%</b>	<b>62%</b>	<b>75%</b>	<b>58%</b>	<b>66%</b>	<b>64%</b>	<b>70%</b>	<b>59%</b>	<b>75%</b>	<b>66%</b>	<b>65%</b>	<b>75%</b>

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.

Following a visit, PSU may make referrals to other SRA units for further action or for information.

## 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 23% less complaints following a visit (shown in black), whereas firms who have not received a visit from the unit generate between -2 and +6% complaints over the same period (shown in red).

# Regulation Response

## Conduct Investigation Unit

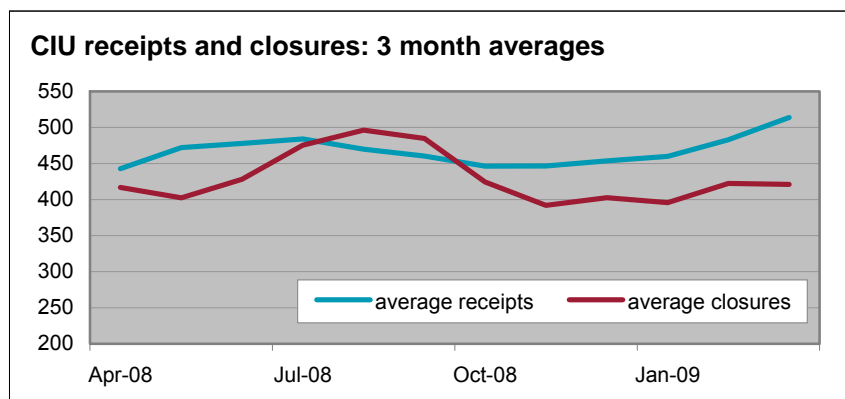
The **Conduct Investigation Unit (CIU)** deals initially with all third party (non-client) complaints of misconduct received by the SRA as well as referrals of conduct information from the Legal Complaints Service. The majority of matters referred to CIU are closed relatively quickly as there is no evidence 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 the targets can be found in Appendix 2 on page 20.

### Conduct Investigations

The graph shows receipts and closures over the last year for CIU. A 3 month rolling average has been used in order to smooth out monthly fluctuations. The SRA is facing increasing demand: despite closing 8% more files in the last 12 months than the 12 months previous, work in progress has increased by 52% over the last 12 months, as levels of receipts continue to be high.

The rise in receipts through mid-2008 was mainly due to an increase in Redress Conduct (RDC) files. RDC files are conduct investigations generated by referrals from the LCS. The SRA has received 3 times as many RDC referrals in the last 12 months, compared to the previous 12 month period.

Changes in LCS processes, combined with improvements to their decision making process has caused a sustained higher level of receipts, but in this last quarter we have also seen particularly high numbers of general conduct matters received via other sources. We anticipate that high volumes will be sustained through the difficult economic circumstances in the months to come.



### Investigative Outcomes

CIU File Outcomes	12 months to Mar 08	12 months to Mar 09	variance	Monthly Average Apr - Mar 09
<b>Not Upheld</b>	4,003	4,454	+ 11%	371
Excluded matters	441	252	- 43%	21
Required no regulatory action	3,562	4,202	+ 18%	350
<b>Upheld</b>	671	577	- 14%	48
Letter of Advice	211	214	+ 1%	18
Formal decision made	460	363	- 21%	30
Regulatory Settlement Agreement	0	0	-	0
<b>Referred to SDT</b>	135	167	+ 24%	14
<b>Other</b>	19	11	- 42%	1
<b>TOTAL</b>	<b>4,828</b>	<b>5,209</b>	<b>+ 8%</b>	<b>434</b>

The total number of files not upheld increased much in line with the overall rise in closures. However, the proportion of these that were excluded due to being outside the SRA's jurisdiction decreased significantly.

CIU files resulting in a referral to the SDT have increased by 24% year on year. However, investigations in other units may also result in referral to the SDT. This rise in referrals within CIU's work has therefore been counterbalanced by a fall within Regulatory Investigations (see next page). The figures on page 5 show the overall reduction in new referrals to the Tribunal.

It must also be noted that these combined outcome figures will exceed actual referrals to the tribunal as an individual may be investigated under several conduct or regulatory file references.

# Regulation Response

## Regulatory Investigations

**Regulatory Investigations (RI)** imposes Practising Certificate (PC) 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 adverse reports referred by Forensic Investigations.

REGULATORY MATTER DECISIONS	12 months to Mar 08	12 months to Mar 09	Variance	Monthly Average to Mar 09
PC Conditions	1,836	1,886	+3%	157
Intervention *	94	107	+14%	9
Referral for Disciplinary Proceedings	416	369	-11%	31
Vest Discretion	248	233	-6%	19
No Action	205	169	-18%	14
Accountants Reporting Issues	800	739	-8%	62
Finding/Warning/Rebuke/Reprimand	359	467	+30%	39
Other	344	375	+9%	31
Costs Directions	348	391	+12%	33
<b>TOTAL</b>	<b>4,650</b>	<b>4,736</b>	<b>+2%</b>	<b>395</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 the last 12 months, RI have finalised **2,157** applications and concluded **2,070** investigations. This is a slight decrease in application volumes compared with the 12 months to March 08, whilst numbers of investigations have actually increased 15% year on year.

### Applications:

Of those applications, **1,166 (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.

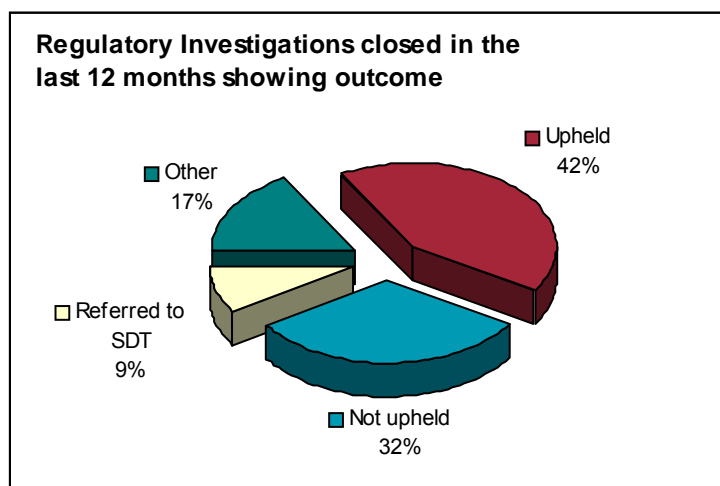
### Investigations:

- The allegations under investigation were upheld in **874 (42%)** cases.
- **191 (9%)** resulted in a referral to the SDT.
- **661 (32%)** 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 timeliness of their investigations, with 83% of files closed in the last 12 months taking 6 months or less, up from 80% during the 12 months previous.



There has been a year on year increase in proportion of matters concluded by caseworkers without the need for adjudication, and just 3% of matters closed were subject to appeal.

# 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

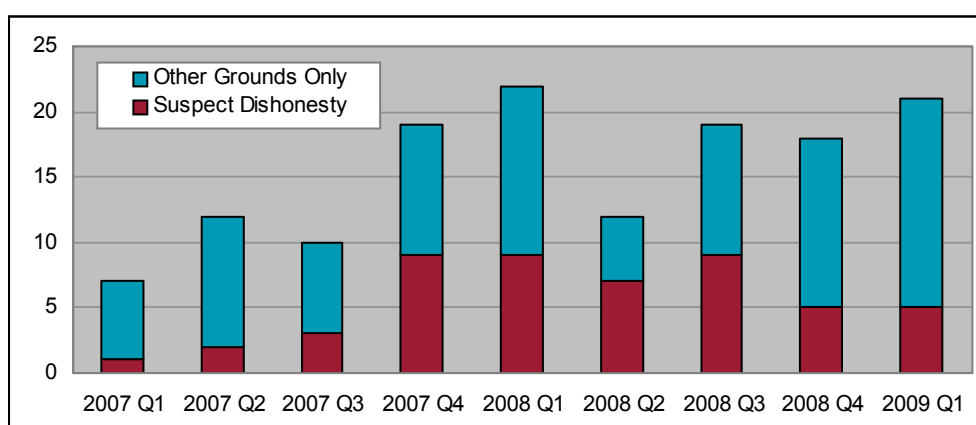
In the last 3 months there have been 21 interventions, 5 of which were effected on the grounds of suspected dishonesty. All 21 were effected within target. The unit's target is to effect the intervention within 3 working days where dishonesty is suspected, or within 5 working days otherwise.

### Year on year comparison of interventions effected

12 m FIGURES	INTERVENTIONS EFFECTED	Suspected Dishonesty		Individual(s)		
		No Suspected Dishonesty		Sole Practice	2 - 4 Partner firm	
12 m to Mar 08	63	23	40	2	49	12
12 m to Mar 09	70	26	44	4	52	14
% variance	+ 11%	+ 13%	+ 10%	+ 100%	+ 6%	+ 17%

Interventions have increased by 11% year on year, with the proportion of those effected on the grounds of reason to suspect dishonesty remaining constant at 37%.

### Trends in Dishonesty vs 'Other' Interventions



The increase in interventions through 2007 to 2008 was largely due to rising numbers featuring suspected dishonesty. Over the last two quarters, while the number of interventions has remained high, the proportion where dishonesty was suspected has decreased to the levels of mid-2007.

### Grounds for Intervention

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

Grounds of Intervention	12 months to March 08		12 months to March 09	
	No. Interventions	% of Interventions	No. Interventions	% of Interventions
Breaches of Solicitors Accounts Rules	27	43%	34	49%
Suspect dishonesty	23	37%	26	37%
Bankruptcy / Insolvency	9	14%	12	17%
Abandoned practice	11	17%	10	14%
Practice Rule / Code Breaches	14	22%	8	11%

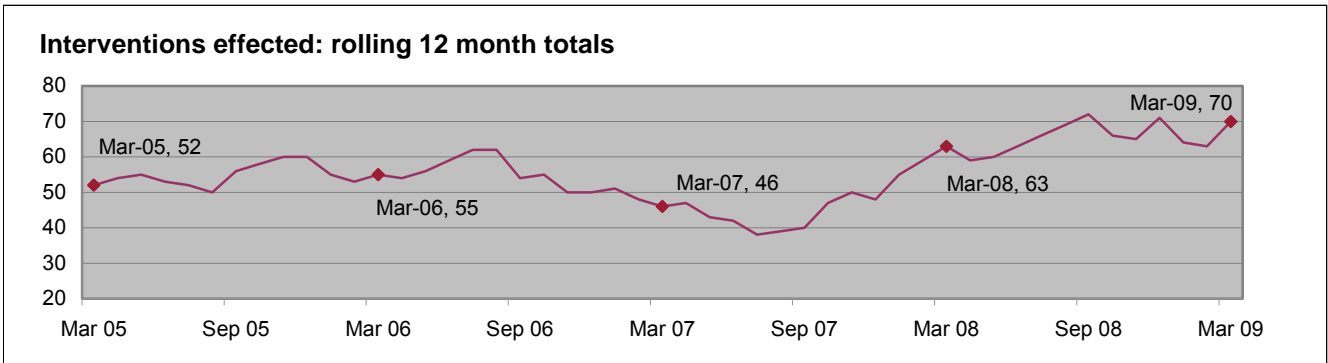
As there may be more than one reason for a particular intervention, % figures are the % of interventions featuring a given ground. The proportion of interventions with Bankruptcy / Insolvency and Breaches of the Accounts Rules as grounds for intervention have shown a particular increase year on year.

# Client Protection

## Interventions - long term trends, firm size

### Long term trends

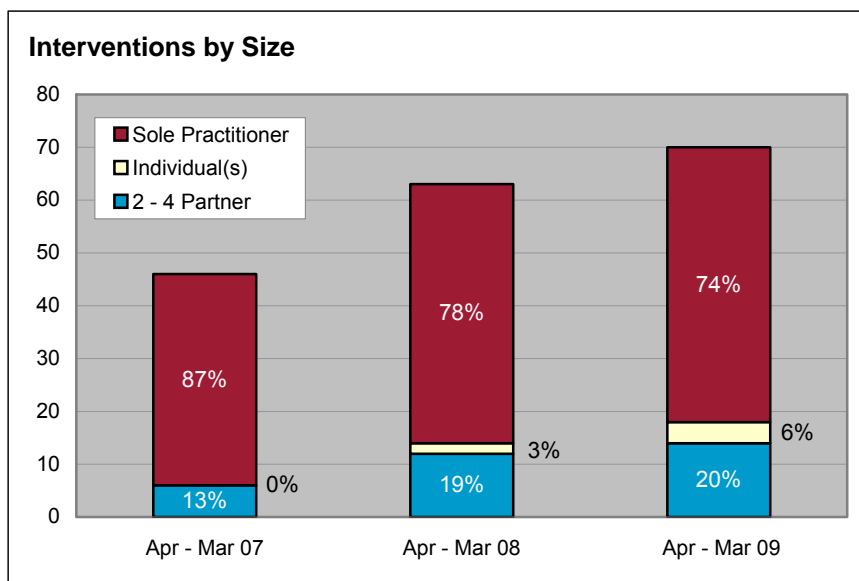
The significant rise in overall numbers taking place has been sustained during the first quarter of 2009. The increase has brought us back towards the levels seen pre-2003, before several years of lower numbers effected from 2004 to 2007.



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

### Size of Intervention

The following shows a breakdown of interventions by size since April 2006.



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 / directors of a company) will be subject to an intervention, whether it is a sole practitioner firm or one with several partner-equivalents.

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 April to March 2007, and just 2 during April to March 2008, there have been 4 in the last 12 months.

Certain grounds for intervention relate largely to sole practitioners (for example incapacity as a result of ill health or accident, abandonment). This is because the impact of one individual becoming incapacitated within a larger firm would generally be less severe, whereas in relation to a sole practitioner it can be catastrophic. In the last 12 months there were 3 interventions into sole practitioners' firms on the grounds of incapacity. Abandonment interventions also present similar issues. In 10 out of 12 cases where we intervened following bankruptcy (sometimes other grounds being present also) the intervention related to sole practitioners.

## Client Protection Claims Management - overview, claim reasons

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 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
12m to Mar 08	1,488	£19.97 m	£8.65 m
<b>12m to Mar 09</b>	<b>1,920</b>	<b>£127.84 m</b>	<b>£9.15 m</b>
variance	+ 29%	+ 540%	+ 6%

The table shows year on year comparison of claims made on the fund and payments issued.

Figures are shown as 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 29% year on year. In addition, the average value of each claim has increased significantly (from around £13,000 to £66,500), 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 with around £550,000 paid out in the last 12 months, compared with only £100,000 in the previous 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.

NEW COMPENSATION FUND CLAIMS	12m to Mar 08	12m to Mar 09	Variance
Costs and disbursements	77	93	+ 21%
Counsel Fees	450	387	- 14%
General client money	760	1,231	+ 62%
Mortgage fraud/misappropriated mortgage advance	6	110	+ 1,733%
Other	154	49	- 68%
Ratification	19	6	- 68%
Unredeemed mortgage	5	2	- 60%
Not yet specified	17	42	+ 147%
<b>TOTAL</b>	<b>1,488</b>	<b>1,920</b>	<b>+ 29%</b>

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

Claims for general client money have increased by 62% year on year in terms of volume, but the value of these claims has increased even more so over the same period - from an average size of £18,500 to £72,000. Over the same period, the average size of claims relating to costs and disbursements has remained stable - around £7000.

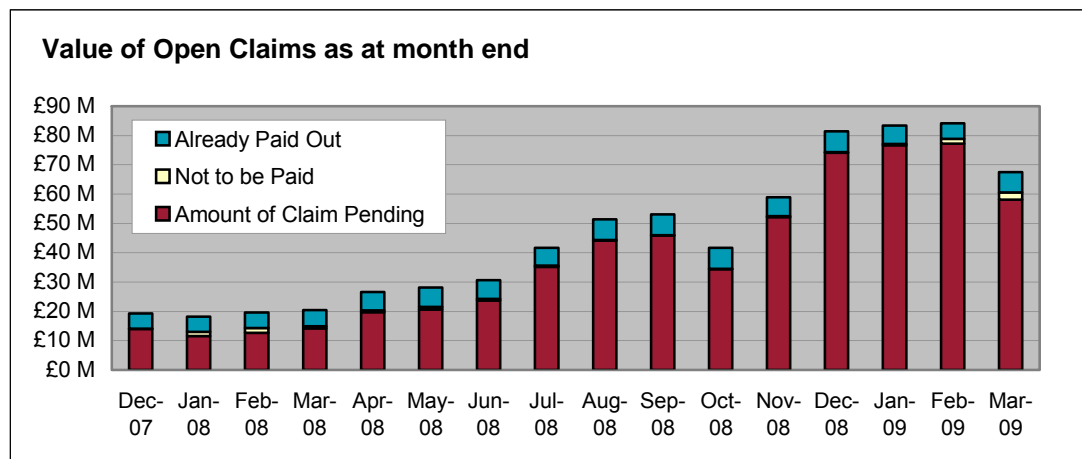
In respect of claims relating to mortgage fraud or misappropriated mortgage advances, while numbers still remain relatively low, we have seen a significant increase in receipts. These claims now represent 27% of all claims in terms of value.

Note: Overall claim numbers will have been affected by claims for Counsel and other Professional fees. These are now dealt with 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 30% over the last 12 months. While there may be fewer open claims, the average value has risen significantly and now stands at just over £78,000. This is as compared with an average claim value at the end of March 2008 of £16,500.

The amount of claim pending shown above is equivalent to the outstanding liability on the Fund, which stands at £58.14 million. Taking into account the upper limit on individual claims of £1 million, the liability on the fund falls to £51.66 million. From 31 March 2009 this upper limit will be increased to £2 million per claim.

### 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
12m to Mar 08	£27.05 m	£9.76 m	36%
<b>12m to Mar 09</b>	<b>£112.79 m</b>	<b>£12.39 m</b>	<b>11%</b>
variance	+ 317%	+ 27%	n/a

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

Number of claims	NUMBER OF CLAIMS CLOSED	% PAID IN FULL	% PAID IN PART	% NOT PAID
12m to Mar 08	3,829	15%	10%	75%
<b>12m to Mar 09</b>	<b>2,540</b>	<b>14%</b>	<b>12%</b>	<b>74%</b>

The figures show that just 14% 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 important to note however that claims 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.

Despite the sharp decrease in the proportion of amount claimed being paid out, the proportion of claims where some amount is paid has risen slightly. This reflects the fact that while the average claim size has rapidly increased, the proportion of larger claims that have been successful has historically been low.

# 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.

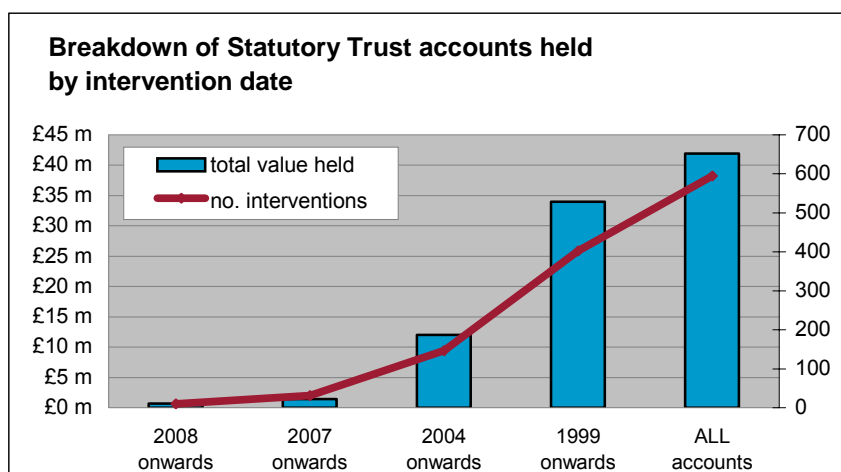
Accounts records of an intervened practice can be very poorly kept, and there is often a shortfall if money has been appropriated from client or office accounts. It can be a very complex, and often time-consuming task to establish who the money held belongs to and to trace those individuals and invite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

## Money held on Trust

We currently hold 1,272 individual Statutory Trust Accounts relating to around 600 different interventions. They have a total value of £41.94 million. This includes 312 accounts (holding £6.85 m) which have been made dormant, for example where following our full investigation, clients still 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.

It should be noted that these figures do not include funds which were held by intervention agents appointed to deal with the closure of the practice up to January 2009. A decision was taken to bring in these funds which constitute a further £28.9 million relating to 97 different interventions.

## Distributions & New Accounts

The team works to distribute funds within accounts held. This year to date, the total amount of money held on trust has been reduced by £4.4 million (as compared with around £4.5 million over the whole of 2008). The 25 new accounts opened this period contain £0.5 million, with a further £31,000 deposited into existing accounts. Interested earned and US Dollar exchange rates will also affect the balance held.

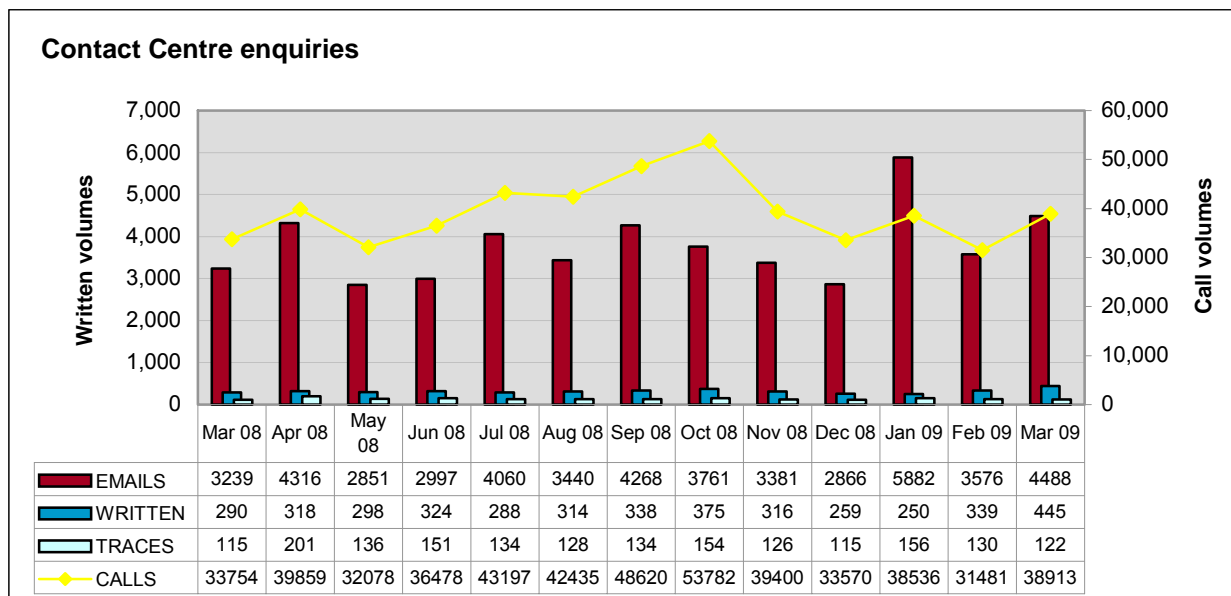
	Balance brought forward	New accounts + additional deposits	Distributions made	Balance at year end
Quarter 1 2009	£46.36 m	£0.57 m	£5.08 m	£41.94 m

Distributions totalling £0.83 million were made directly to beneficiaries. A further £4.25 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).

In addition, other investigative work resulted in 40 accounts being made 'dormant' this quarter, as clients could not be identified. This is an increase of £1.95 million on the balance held in dormant accounts at the start of 2009.

## Contact Centre

Over the last quarter, the Contact Centre received some 109,000 calls, as well as letters, emails and trace requests totalling nearly 15,000. There has been a particularly high number of email enquiries, with a total for quarter 1 up 37% compared with the first quarter of 2008.



The service level for telephone enquiries declined significantly during the peak period in Autumn 2008, but the unit's recovery plan has since been effective in bringing improvements, with service level performance at 88% over quarter 1.

The dedicated firm based regulation line has received over 2,500 enquiries concerning The Legal Services Act 2007, whilst another specialist team was taking calls from students enrolling with the SRA.

## Applications

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

The annual enrolment exercise to renew solicitors on the roll began in March and continues over the next couple of months, and the unit has continued finalising preparations for the April 2009 start date for authorisation of Legal Disciplinary Partnerships.

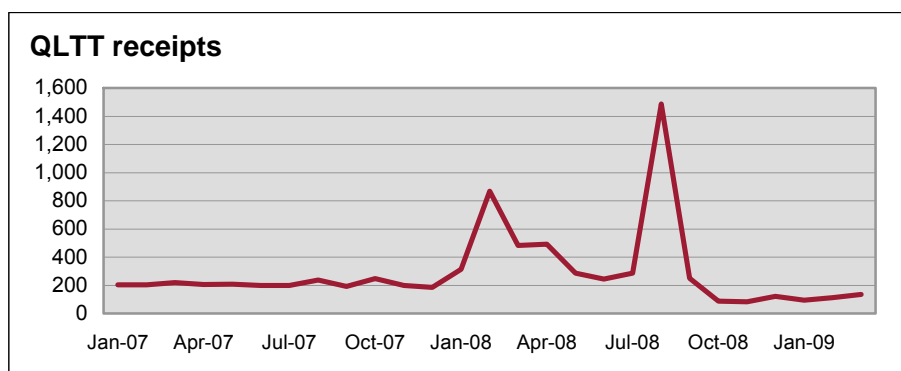
These new types of firm are one of the early waves of change brought by The Legal Services Act 2007, and will enable non-solicitors to be part of the management within solicitors practices. These new managers may be other lawyers such as legal executives, or non-legal staff such as accountants or academics.

## Qualified Lawyers Transfer Test (QLTT)

Final figures for numbers of applications made under the Qualified Lawyer Transfer Regulations (QLTR) show just over 5,000 receipts for 2008. This quarter, figures have been relatively low, with an average of 115 applications received each month, as compared with averages of 417 last year and 208 during 2007.

The large peaks seen during 2008 were the result of consultations into proposed changes to the regulations.

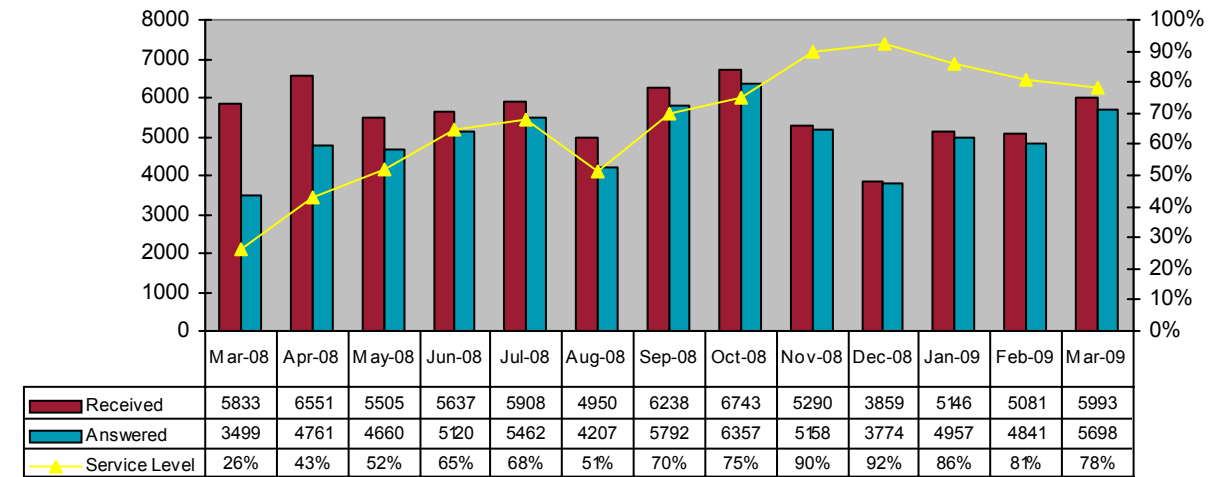
Following some interim changes made in September 2008, a full review of the Regulations is due to take place later this year, which may result in further peaks in applications made in advance of any changes.



# 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



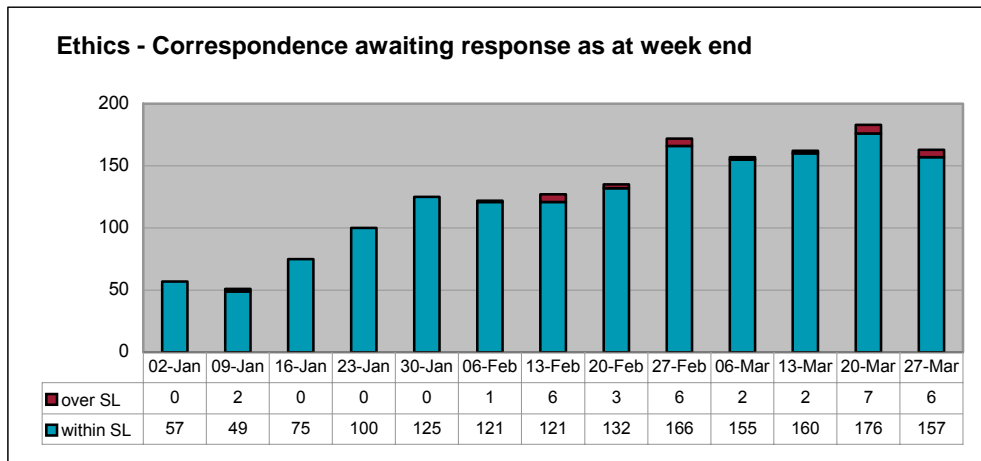
The Service Level on the graph above shows the percentage of calls that were answered within 60 seconds.

The Helpline have provided an overall service level of 81% calls answered within 60 seconds this quarter (against a current target of 70%, rising to 80% for quarter 2). Abandonment rates have remained steady across the three months at around 5%, a huge improvement on the levels seen during the same period in 2008. The improvements to opening times, together with recruitment of new advisors over 2008 has seen the total number of calls answered up by 40% on quarter 1 2008.

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

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

In addition to telephone enquiries, the team deals with written enquiries from the profession:



The team experienced a rise in the volume of written enquiries received in this quarter, from over 900 in the final quarter of 2008, to 1,039. Outstanding correspondence (shown above) has remained over 150 since the end of February, with small numbers of letters now falling outside the target timescales for response.

# Trends in the Profession

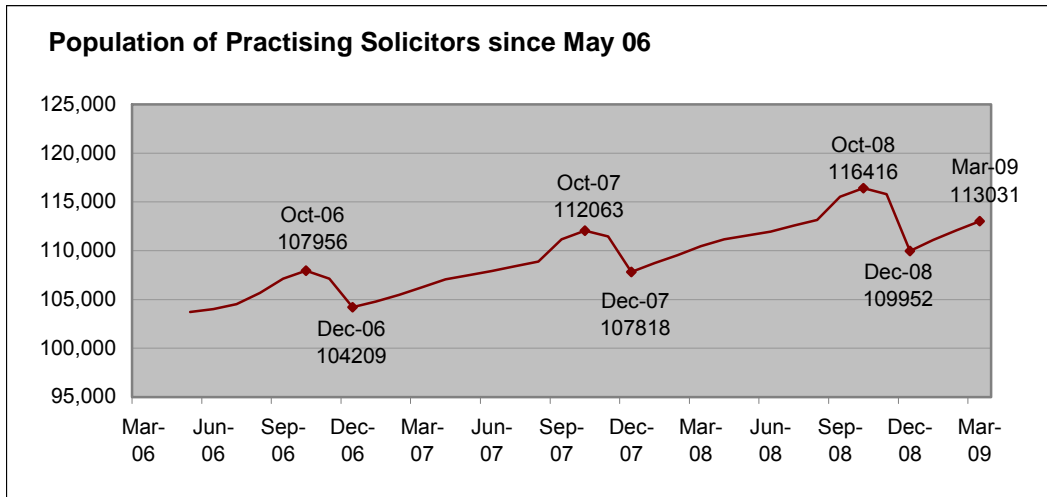
## Practising solicitors, numbers of firms

The figures below provide an overview of snapshot data relating to the make-up of the profession.

Not all practising solicitors will be in private practice. There are many 'in-house' lawyers and those working for other organisations.

### 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 this quarter is slightly higher than we have seen during the same period for the last two years, but this follows a particularly high drop during December when those who have not renewed their PCs by the cut off date have their existing one terminated.

### Solicitors' Firms

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

Snapshot by type of firm	March 2007		March 2008		March 2009	
Incorporated Company	850	8%	1,116	10%	1,380	13%
Limited Liability Partnership (LLP)	519	5%	744	7%	972	9%
Multinational / Overseas	258	2%	232	2%	213	2%
Other	41	0%	46	0%	50	0%
Partnership	4,590	44%	4,327	41%	4,073	38%
Sole Practitioner	4,286	41%	4,194	39%	4,155	38%
<b>TOTAL FIRMS</b>	<b>10,544</b>	<b>100%</b>	<b>10,659</b>	<b>100%</b>	<b>10,843</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 LLPs however have shown a particular increase over the same time period.

Although the above table shows that 38% of solicitor's firms are Sole Practitioners, it should be noted that Sole Practitioners only make up around 7% of solicitors in private practice. Conversely, where Incorporated Companies, Multinational / Overseas firms and LLPs only make up 23% of firms, they represent over 50% of private practitioners.

## Appendix 1: HRD, Budget Report

### Quarterly HRD Update

- As at 31st March 2009, the SRA has 538.16 FTE permanent employees, with 97.31 vacancies. There are 17.8 fixed-term temps and 43.64 agency and contractor staff sitting against those vacancies.
- Budgeted FTE is 635.47.
- Staff turnover for the last 12 months stands at 7.0%.

### Budget Report

Direct Costs summary for the 3 months ending 31 March 2009

£ 000's	YTD Actual	YTD Budget	Variance	% Variance
Total Staff Expenditure:	6,089	6,808	718	+ 11%
> Salary Costs	4,760	5,111	351	+ 7%
> Other staff costs	1,330	1,697	367	+ 22%
Total Administration Costs	4,407	2,805	-1,602	- 57%
Total Other Costs	1	0	-1	- 1,104%
<b>GROSS Expenditure (before recoveries)</b>	<b>10,497</b>	<b>9,613</b>	<b>-884</b>	<b>- 9%</b>
<b>Total recoveries</b>	<b>-2,942</b>	<b>-2,321</b>	<b>621</b>	<b>- 27%</b>
<b>GROSS Expenditure (after recoveries)</b>	<b>7,555</b>	<b>7,292</b>	<b>-263</b>	<b>- 4%</b>
<b>Total Income</b>	<b>-1,817</b>	<b>-1,775</b>	<b>42</b>	<b>- 2%</b>
<b>NET EXPENDITURE</b>	<b>5,738</b>	<b>5,517</b>	<b>-221</b>	<b>- 4%</b>

**Note:** Other staff costs' include National Insurance & pension contributions, agency staff, overtime, medical insurance, training, car leasing & childcare vouchers.

## 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 Legal Services Complaints Commissioner's Strategic Targets during the plan year (April 2008 to March 2009).

The LSCC has agreed not to give the SRA any targets for the next plan year so this appendix will be removed from the report going forward.

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>			
19 (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>			
81% *	83%	90%	- 7%
<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>			
36% increase	23% increase	5% increase	+ 17%

Target T3: There are 19 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 83% of closures with fair and reasonable outcomes against a target of 90%. Whilst the LSCC audit results show CIU being slightly below target, the results do confirm that the right regulatory decisions and outcomes are being achieved. The areas of shortfall identified mainly relate to the "Communication" and "Work Management" elements of the file audits, and additional work and training has already been implemented to address these areas.

Target C2: Increase in caseworker productivity was 17% 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>ARP</b>	Assigned Risks Pool
<b>ASC</b>	Application by Solicitors' Clerk
<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>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>FI</b>	Forensic Investigations Unit who deal with high risk cases requiring on-site investigation.
<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>LCS</b>	Legal Complaints Service
<b>LLP</b>	Limited Liability Partnership
<b>LSCC</b>	Legal Services Complaints Commissioner
<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>	Work In Progress - ongoing cases

### 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