

Solicitors  
**Regulation**  
Authority

Annual report  
**2006/07**

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- Setting the standards
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## Chair's foreword

The Solicitors Regulation Authority is the child of a long gestation, part of a profound shift in the regulation of solicitors and legal services more generally. In place of the old approach in which regulatory and professional interests could too easily become confused, in which accountability was vague or non-existent, and in which the word "consumer" was too often considered either irrelevant or vulgar, there is a new approach—in which the interests of consumers of legal services are explicitly uppermost.

The Legal Services Bill—a sweeping revision of the existing legislative framework—began its passage through Parliament in November 2006. We warmly welcomed the Bill's emphasis on consumer protection and the valuable opportunity it represents to strengthen our powers in the public interest. The Bill also proposes new business structures, which will present fresh challenges. However, we are confident that solutions will be devised to enable the smooth conduct of business with suitable public protection safeguards. During the period covered by this report,\* the Legal Services Bill was being considered by the House of Lords. We had many valuable meetings with peers, and are grateful for their helpful interventions on our behalf.

The Bill also proposes the establishment of a Legal Services Board (LSB), which will oversee the regulation of legal professionals by the "approved regulators", which will be required to separate their regulatory functions from their representative functions. The LSB will require the regulators to be independent and competent, and to operate to consistent standards. We support the establishment of an LSB which holds us robustly to account, while respecting the need for regulators like the SRA to be allowed to get on with their jobs.

Contrary to what some have suggested, this new framework does not mean a divorce between the regulator and the profession. The SRA's approach is to work with the

profession—through the representative Law Society, other organisations, and individual solicitors, and with consumer groups, Government, legal educators, and many others—to establish a consensus on how best to promote the public interest. We want to harness the energy, expertise, and good will of solicitors, not stifle them.

The SRA is now free to pursue the public interest, separate from the representative Law Society. The Law Society, freed of its regulatory and complaints-handling responsibilities, is now liberated to represent the profession when there are criticisms to be made of our policies and performance. One of the challenges for both the Law Society and the SRA is to establish positive, constructive relationships in our new roles. While it cannot be said that the Board and the Law Society agreed about everything during 2006 (nor is complete agreement to be expected), sensible and productive working relationships have been established.

Our single most important item of work was our strategy (see Appendix 2). Individuals and organisations made helpful comments during its formulation. We are grateful for the comments, particularly those offered by organisations representing consumers. The strategy is ambitious, but we are determined to deliver what we have promised.

One of the Board's key tasks in 2006 was to appoint a chief executive to lead its new organisation. During the first part of the year, Russell Wallman

served most ably in an interim capacity as Director of Regulation until a Chief Executive appointment could be made. Antony Townsend took up post as the Board's first chief executive in June 2006. Antony's previous role was General Dental Council (GDC) chief executive. At the GDC, he led a major programme of operational and structural change. Antony previously held posts at the General Medical Council and the Home Office, and has great experience as a regulator.

Even were it not customary for the chair to thank his Board colleagues for their support, I would insist on doing so. At a very early stage, we agreed that neither the solicitor members nor the non-solicitor members should adopt a sectorial attitude to our work. We are all striving to regulate in the public interest. This has made our deliberations far more effective and easier than they would have been otherwise. It is both enjoyable and stimulating to lead the Board through this transitional period.



Peter Williamson

\* This report covers the period 1 January 2006 to 31 January 2007.



## Chief Executive's foreword

I joined the Law Society Regulation Board (now SRA) on 1 June 2006. The job promised—and has proved—to be an unusual one. The organisation was new (new Board, new Chief Executive, new Strategy) and old (existing staff, existing processes). The organisation was independent (an appointed Board focused solely on the public interest), and yet remained linked constitutionally and financially to the Law Society. I was the Chief Executive, responsible to the Board; but I was rapidly joined by two other Chief Executives at the Legal Complaints Service and Law Society, with whom I needed to work and share some resources. What was I to make of this rather ambiguous, post-Clementi pre-Legal Services Act world?

One of my first priorities was to assess the structures and procedures of the organisation, to see whether they were appropriate for the job in hand. It did not take long to conclude that, while there was a wealth of expertise and excellence in areas of the business which I had inherited, the structures, processes and IT were wholly inadequate to deliver the ambitious strategy which the new Board was devising (see Appendix 2); and there was a history of managerial weakness.

At the end of 2006, we began a change programme focused on organisational redesign, including cultural and behavioural changes, and redefined business processes, supported by fit-for-purpose IT systems. The Change Programme will run for at least two years; one of its key aims will be to embed performance management practices and an ethic of continual improvement in all our operations.

It is essential that we make effective, targeted use of our resources, so that the financial burden of regulation on the profession is no greater than necessary. As part of the Change Programme, and despite the scale of the changes required, I decided to

request a flat budget for 2007 (i.e. a real-terms cut) to signal that we needed to make better use of resources in future.

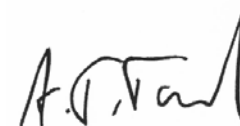
A key issue has been the relationship between the SRA and the Law Society. The creation of the new identity of the Solicitors Regulation Authority was an essential step in establishing internally and externally our regulatory independence. The SRA has also established its own channels of communication with parliamentarians, Government, and consumer organisations such as Which? and the National Consumer Council, particularly during the passage of the Legal Services Bill.

It is vitally important that our policies focus upon the interests of consumers of legal services. In 2007, we will be examining ways to take forward the work of engagement with the consumers of the services of the solicitors and firms we regulate.

We also started a rolling programme of events—Regulation Roadshows. At the roadshows, we explain to solicitors our policies and the thinking behind them, while solicitors tell us what they are thinking about key

issues. In the period covered by this report, roadshows were held in Manchester, Birmingham and Plymouth.

I have been impressed by the professionalism and commitment of my new colleagues. They made my arrival enjoyable. I warmly thank them for their contribution during 2006. They have a wealth of knowledge and experience of regulatory work, and a commitment to change.



Antony Townsend

## The SRA Board and its strategy

### SRA Board

Our Board has 16 members, of whom 9 are solicitors. Members have no representative function; they are appointed by an independent selection process following public advertisement. Together, members have a wide range of senior-level, private and public sector experience, which they bring to their strategic role to ensure the effective discharge of our public interest functions.

The Board has established four main committees:

- Education and Training
- Rules and Ethics
- Financial Protection
- Compliance

Each is chaired by a Board member. The committees play a critical role in developing regulatory policies and in monitoring implementation of our strategy. (For Board member profiles, see Appendix 1.)

### Strategy

In September 2006, following a consultation, we published our strategy (see Appendix 2). The strategy details the major outcomes we intend to achieve over the next three years in terms of four key objectives:

- Setting the standards
- Support and monitoring
- Consumer protection, enforcement and discipline
- Access to justice, transparency and consumer information

The strategy also outlines the principles at the heart of our work:

- Promoting equality and diversity
- Acting independently of, but in consultation with, stakeholders—including consumers, the profession and its representative bodies, the judiciary and government
- Operating in accordance with the principles of good regulation
- Adopting a risk-based approach to regulation
- Being open and accountable
- Demonstrating value for money

## Setting the standards

### Code of Conduct

The Board approved final amendments to the new Solicitors Code of Conduct in December 2006. The rules were formally made by the Law Society Council in January 2007 and submitted to the Government and to the Master of the Rolls for approval. (The Code was published in spring 2007.)

The principles-based Code departs from the rule-based approach of the Solicitors' Practice Rules and the Guide to the Professional Conduct of Solicitors, which it replaces.

We planned a campaign to promote awareness of the approved Code:

- The Code would be a prominent feature of the SRA's website.
- We would publish articles in the *Law Gazette* explaining some of the main changes and raising the Code's profile.
- We would discuss and promote the Code at roadshows around England and Wales.

### Character and suitability

One of the Authority's key statutory responsibilities is to satisfy itself about the character and suitability of new entrants to the solicitors' profession. A priority for the Board was to carry out a fundamental review of the criteria for determining character and suitability.

In June 2006, the Board approved draft new guidelines, and we began to test their operational effectiveness. We wanted to find out if the new guidelines would help us conform to the principles of good regulation, embraced in our strategy. Following the pilot, in 2007 we consulted widely with solicitors, consumers and other professionals on our strategic approach to determining the guidelines

and on the guidelines themselves.

In summary, the guidelines state that an applicant will be refused admission to the profession unless we are satisfied that

- the applicant is honest and trustworthy,
- the applicant is capable of complying with legal and regulatory requirements,
- the applicant is able to manage financial affairs responsibly,
- the applicant's admission would not diminish public confidence in the profession,
- there is no risk that the applicant's admission could cause harm to members of the public, to the profession, or to himself or herself.

The guidelines set out the criteria we use to determine that these five key tests are met. To date, the guidelines have proved workable from an operational perspective; they have supported consistent decision-making. Their publication, in draft form, has made the standards expected more transparent to aspiring solicitors, and to members of the public who need to place their trust in solicitors.

## Entry standards to the profession

We developed and published a strategy on the education and training of solicitors. The strategy is underpinned by three key principles:

- Support for a high standard of service to clients, and commitment to the rule of law and a strong ethical foundation
- Emphasis on securing quality outcomes defined in terms of competence rather than process

- Flexibility regarding routes of entry into the profession and accommodation of different career patterns to facilitate entry

The strategy suggests that education and training policies, standards and regulations should be informed by the outcomes sought—the minimum standards of knowledge, skills, business acumen and competence required at salient points in a solicitor's career. To achieve this, we have identified the key knowledge, skills and behaviours required from solicitors at the point of qualification, known as the day one outcomes. The day one outcomes will inform projects in which we are reviewing the qualification process for solicitors; they will also inform our ongoing efforts to encapsulate the knowledge, skills and behaviours required at other key points in a solicitor's career.

## Legal Practice Course

During 2006, we continued to monitor Legal Practice Course (LPC) providers to ensure the quality and standards of course provision. We conducted 21 three-day grading visits to course providers, along with five one-day pastoral visits. We took steps to promote best practice and to address standards and consistency issues. For example, the chief external examiners delivered a workshop for providers and external examiners; meetings were held with LPC directors and with reporting assessors and assessors.

We further developed proposals for changes to the structure of the LPC. The proposed changes are intended to promote greater flexibility for LPC providers in the design and delivery of courses, offering greater choice for students. We held discussions with LPC providers to gauge their views about the proposed changes, which since have been the subject of a consultation exercise.

## Piloting a new approach to work-based learning

In the autumn of 2006, we published an initial consultation on a new approach to the regulation of trainee solicitors' period of work-based learning. If implemented, the new framework will replace the current training contract arrangements. We submitted a successful bid for funding from the Department for Education and Skills' Gateways to the Professions fund to assist in the development of a scheme to pilot the new framework.

The proposed work-based-learning framework has two key objectives:

- To introduce a more objective assessment of an individual's readiness for admission as a solicitor
- To develop a route to qualification for LPC graduates who have not secured a training contract and who are able to demonstrate that they meet the required standards

To support the project, we conducted a series of focus groups with members of the profession to identify the key knowledge and skills that trainee solicitors need to develop during the period of work-based learning and prior to qualification as a solicitor. We will formulate proposals for assessing trainee solicitors against these standards with a view to piloting the new scheme in 2008.

## Support and monitoring

### Review of the Practice Standards Unit's strategic role

The Practice Standards Unit (PSU) is responsible for a programme of monitoring visits to solicitors' firms. In 2006, we began a review of PSU's role, with the objective of ensuring that it could contribute effectively to the delivery of outcomes identified in the Board's strategy.

The review's priorities were to ensure that

- the overall operations of PSU are as efficient as possible,
- firm-monitoring activity follows the regulatory principles set out in the Legal Services Bill, and
- PSU delivers effective, measurable regulatory outcomes.

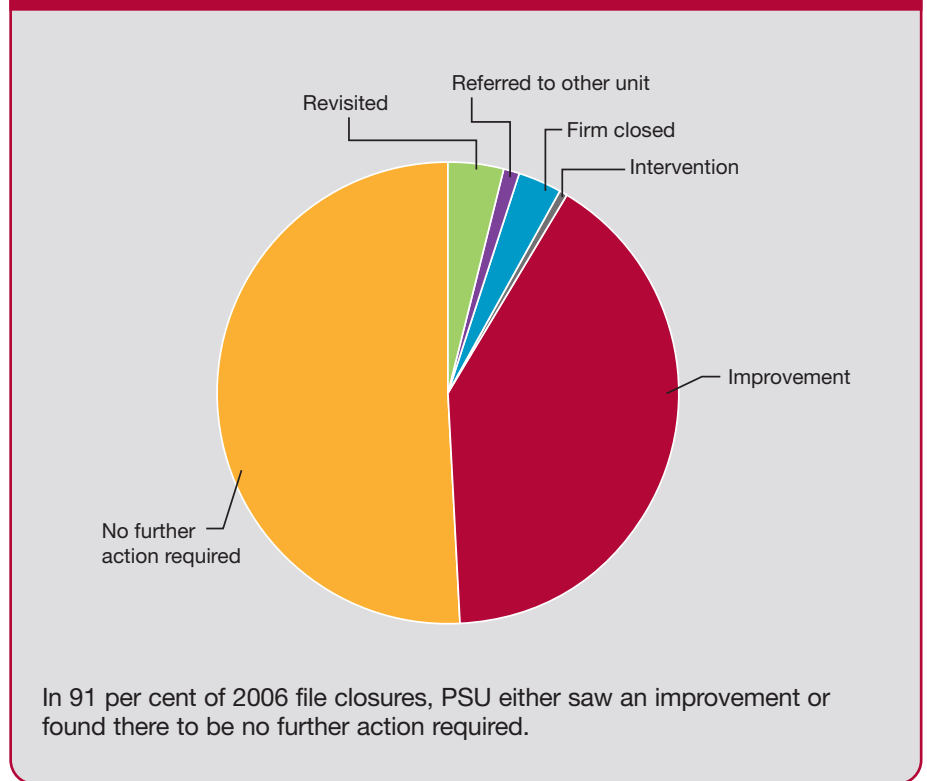
We decided that PSU's role would evolve to allow the unit to focus on firms where there are no particular high-risk factors, new firms, and alternative business structures, and, in partnership with the Forensic Investigations Unit, to focus on firms that appear to pose a higher risk. The development of PSU's role will entail implementing a desk-based risk assessment process, which is being tested in 2007.

PSU completed 1,088 visits to firms during 2006.

### Monitoring of training contracts and authorised training establishments

Monitors appointed by the SRA visit authorised training establishments and assess the standard of training provided to trainees. Monitors visited 190 authorised training establishments during 2006. Most training establishments showed substantial compliance with the regulations. In 73

Figure 1: Practice Standards Unit visit file closures, by reason for closure, 2006\*



per cent of visits, monitors were able to provide recommendations for further improvements. In only 4 per cent of visits were training establishments identified as needing a follow-up visit. All 88 training establishments that responded to a survey about the monitoring process found the visit constructive and useful.

### Professional Ethics helpline

The Professional Ethics helpline received 66,683 calls in 2006, of which 57,888 were answered; 12 per cent of calls went unanswered. The average waiting time for helpline callers was just under two minutes; 34 per cent of helpline callers waited less than 30 seconds to speak to an

adviser. A programme of work was put in hand to improve service levels.

The Professional Ethics Guidance service in 2006 also dealt with 4,239 items of written correspondence—letters and emails.

The most common subjects of enquiry during 2006 were:

- Requirements of practice (e.g. practising certificates, reserved work) and/or the Solicitors Act 1974
- Retainers
- Money laundering
- Solicitors' Accounts Rules 1998

\* The statistics in this report are based on the period 1 January 2006 to 31 December 2007, but the text may refer to events or activities occurring between January 2006 and January 2007.

# Consumer protection, enforcement and discipline

## Investigation, enforcement and discipline

The SRA receives, assesses and investigates reports about misconduct and breaches of the rules. During 2006:

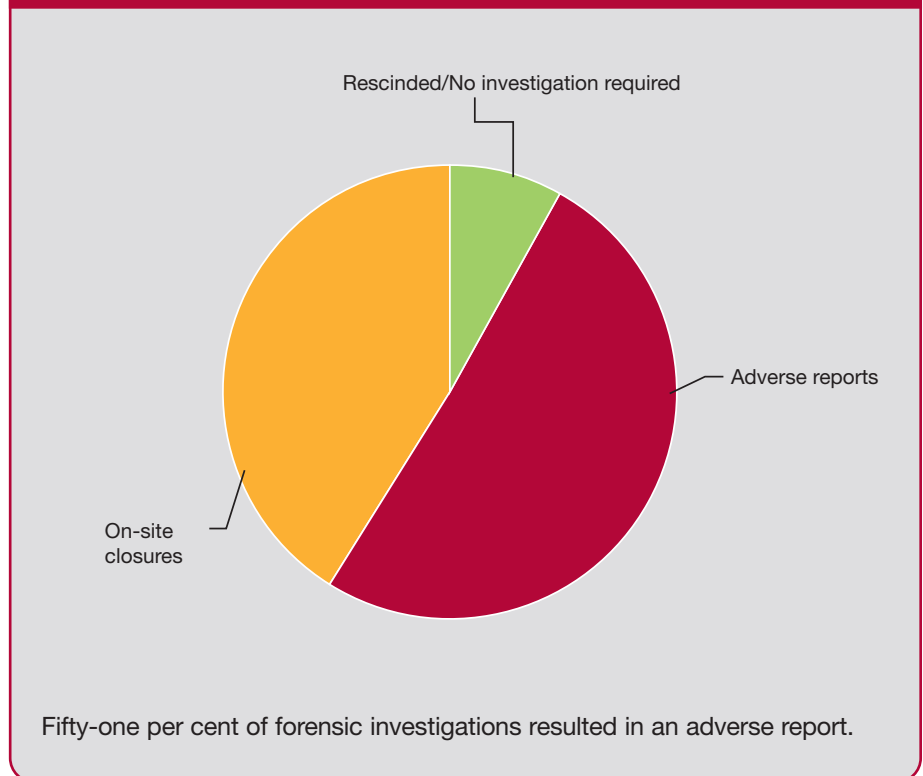
- The Fraud Intelligence Unit received 4,182 separate items of information.
- The Forensic Investigations Unit made 463 visits to firms.
- Fifty-one firms were subject to statutory intervention (closure), 14 of them for suspected dishonesty.
- There were 247 orders made by the Solicitors Disciplinary Tribunal on SRA referrals, resulting in 66 strikings-off, 32 suspensions and 76 fines.
- Solicitors from 366 different firms were issued 562 reprimands and severe reprimands, and solicitors from 189 firms were issued a total of 259 findings and warnings.

Fifty-one per cent of forensic investigations resulted in an adverse report disclosing material breaches of professional obligations, thereby demonstrating the effectiveness of the targeted, risk-based approach. In 41 per cent of forensic investigations, a judgement was made that there were no material breaches requiring regulatory action, but an on-site certificate was issued, resulting in a commitment to ensure future compliance.

We made significant progress in 2006 on developing a fully operational, integrated, risk-based approach to the assessment and investigation of information.

The methodology for risk scoring and profiling new information and background information was provisionally agreed and piloted

Figure 2:  
Forensic investigations closed, by outcome, 2006



across relevant units. We ran staff workshops in the second half of the year to

- improve awareness of the risk-based approach,
- encourage assessment and the referral of concerns to a central profiling unit, and
- seek views on the approach being taken.

We devised a simple system for tracking the status of cases from initiation to outcome on the existing IT platform, ready for rollout in early 2007. We plan to implement fully the risk-based approach during 2007.

### Compensation Fund

The Compensation Fund makes grants to those who have suffered as a result of the dishonesty of a solicitor or a solicitor's employee, or to applicants who have suffered hardship as a consequence of a solicitor's failure to account for money.

During 2006, the Compensation Fund received 3,718 applications, representing a potential total claim on the fund of £31.2 million.

In the same period, we closed 3,752 investigations, and made payments amounting to £9.8 million.

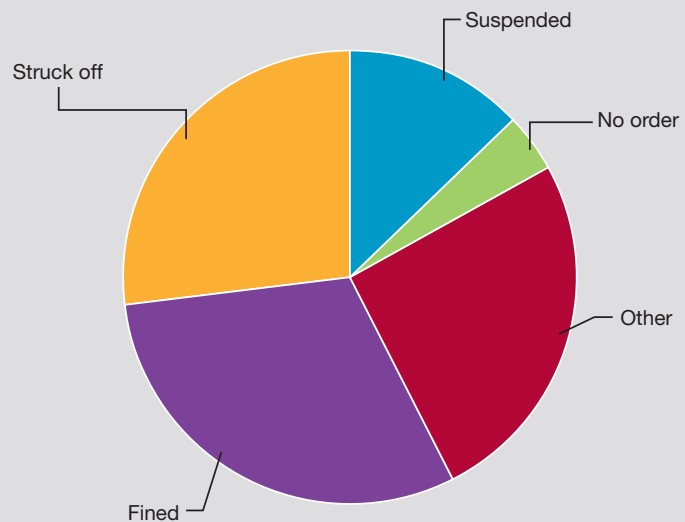
The Compensation Fund received payments amounting to £9.9 million.

### Post Intervention Unit

The Post Intervention Unit establishes the value of residual balances from intervened practices' client accounts, which we hold in statutory trust accounts on behalf of clients. The unit traces potential claimants so that remaining available money can be distributed. If the Compensation Fund has already made payments to former clients, the fund itself makes a claim to recover money due from the client account.

Following receipt of court directions on the suitability of our methodology, in July 2006 we began work on the task of the distribution of outstanding monies from the statutory trust accounts. By the end of 2006, we had distributed more than £9 million; however, in excess of £54 million remains to be distributed.

**Figure 3:**  
Solicitors Disciplinary Tribunal referrals, by type of order, 2006



Seventy per cent of Solicitors Disciplinary Tribunal decisions on SRA referrals resulted in a fine, a striking-off or a suspension.

# Access to justice, transparency and consumer information

## Information Services

The Information Services Unit (IS) provides up-to-date information to members of the public to enable them to make informed choices about instructing a solicitor.

In 2006, IS dealt with 224,368 telephone enquiries from members of the public. It also responded to 7,815 written enquiries from members of the public.

The team offers a service helping members of the public to trace deeds and wills, and obtain contact details for solicitors they have used in the past. In 2006, IS completed 1,559 historical traces. The team's service level for responding to written enquiries is 10 working days. All historical traces are completed within 20 working days.

## Publication of regulatory information about solicitors

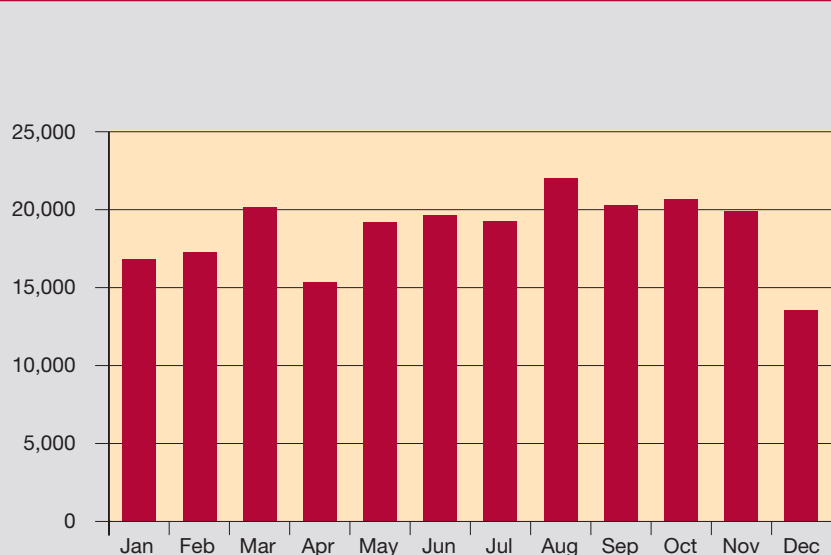
To improve transparency and provide better information to consumers, the Board developed a series of proposals for the publication of regulatory decisions, including

- findings of misconduct resulting in the reprimand of a solicitor,
- decisions to prosecute at the Solicitors Disciplinary Tribunal,
- details of allegations, once the tribunal has agreed there is a case to answer,
- agreements to conclude a regulatory investigation, and
- decisions to intervene in solicitors' practices and the legal basis for the decision.

The benefits of publication could include

- helping consumers to make choices about legal services,

**Figure 4:**  
Information Services telephone enquires from members of public, by month, 2006



The volume of telephone enquiries from members of the public is relatively constant throughout the year.

- enhancing the deterrent effect of certain kinds of decision, and
- enabling the public, users of legal services, and members of the legal profession to see how solicitors are being regulated.

We consulted on the proposals in early 2007.

## Directory of solicitors specialising in child abduction cases

In October 2006, we published an online directory of solicitors specialising in child abduction cases. Hundreds of people have consulted the directory. Many have downloaded

a copy of it, along with an advice leaflet on international child abduction. The directory lists 23 solicitors approved either by us or by Resolution, including 24-hour contact details for many of them.

We distributed print copies of the leaflet to key stakeholders including the Foreign and Commonwealth Office, and the Metropolitan Police (who distributed it at a conference they held in December 2006). We planned an SRA-branded version, with distribution through Citizens Advice Bureau outlets, for 2007.

## Organisational improvement

To deliver the Board's ambitious strategy, organisational reform has been essential.

### Regulation Audit

Between January 2006 and May 2006, we audited the operational effectiveness of the organisation's core regulation processes. The audit covered 29 processes and approximately 80 per cent of resources. Its aim was to create a baseline from which to identify short-term and medium-term development actions that would fill gaps in the organisation's capability and address operational risks.

The audit covered eight key areas:

- cost
- income
- key performance indicators
- processes and procedures
- information flows
- stakeholder transparency
- demand
- people

The audit entailed an initial analysis of functions, followed by the participation of managers across the organisation.

The Board considered the audit's outputs, which subsequently informed

- the development of our change programme,
- the implementation of process and communication improvements,
- the enhancement of procedural coverage across the organisation.

### Information technology

The Regulation Audit found that operational effectiveness was constrained by out-of-date IT systems incapable of interacting with each other. The audit also confirmed that, to improve operational effectiveness and performance against the principles of good regulation, we needed more-sophisticated management information.

These key findings fed into the requirements later identified in a new IT strategy. From an initial request for information sent to 125 software suppliers, the potential solutions were narrowed to three. A selection was made early in 2007.

### Management information

In 2006, a dedicated management information team was formed for the SRA. We began to focus revised external stakeholder reporting more closely on regulatory outcomes, extending its coverage across the organisation. Clearer reporting of key performance indicators also supported our operational managers' efforts, particularly in capacity planning and the introduction of efficiency measures.

### Review of decision-making

During 2006, the Board reviewed all regulatory decision-making processes, finding wide variations in regulatory decision-making practice across the organisation. These variations reflected the disparate histories of the organisation's directorates and business units. It was clear that there was an opportunity for substantial rationalisation—in the form of common standards and a unified adjudication system.

The Board therefore developed a series of 10 propositions for decision-making, designed to ensure that

- the quality of decision-making is maintained and improved,
- decision-making complies with the principles of good regulation,
- decisions are made within a clear and consistent framework,
- the process and its outcomes command the confidence of the public, profession and other regulators.

We consulted on these propositions early in 2007, with the intention of implementing a new decision-making framework and adjudication system during the course of 2007.

### Organisational structure

In 2006, we began to restructure our management and business units. Our purpose was to improve efficiency and ensure that the organisation is structured so as to be able to deliver our strategic objectives. The Compliance and Standards directorates, with their 10 business units, were replaced by a flatter structure comprising eight directorates:

- Information
- Regulation Standards
- Regulation Response
- Inspection and Investigation
- Client Protection
- Legal
- Resources
- Policy and Communications

We are implementing the new structure during 2007.

Figure 5:  
Executive management structure



A streamlined structure has replaced the Compliance and Standards directorates.

## Priorities for 2007

### Feedback on the new Code of Conduct

The Code of Conduct was launched on 1 July 2007. We have invited feedback on the operation of the Code, and will monitor the response.

### Consultations

In the first half of 2007, we concluded and/or commenced 10 public consultations:

- Minimum salary for trainee solicitors
- Future structure of the Legal Practice Course
- A new framework for work-based learning
- Regulatory decision-making and adjudication
- Residual client account balances
- Modernisation of regulatory decisions
- Character and suitability guidelines
- Higher rights of audience
- The principles for setting and collecting of fees, including differentials between different groups
- Solicitors acting for seller and buyer

The outcomes of these consultations will help shape the work we undertake during the second half of 2007.

### Quality assurance of solicitors and practices

In 2007, we will develop and implement a strategy to support the quality assurance of solicitors and their practices. Our objective is to identify the most efficient, effective ways of securing standards in accordance with the principles of good regulation. Our work will include

a project on “What is a solicitor?”—in which we seek to identify the standards expected of a solicitor at salient career points. We will also improve the way we use information to assess risk, and will work on the opportunities for entity-based regulation.

### Entity-based regulation

The Legal Services Bill contains significant changes to the statutory powers. In particular, the SRA will be empowered to authorise and regulate legal disciplinary partnerships or LDPs—organisations through which solicitors and other lawyers provide legal services to the public.

The move to entity-based regulation will take place in stages. LDPs may be licensed by the SRA from around the beginning of 2009, while Alternative Business Structures (involving major non-lawyer ownership and multi-professional organisations) will not be permitted until 2011 at the earliest, when the new Legal Services Board has established its regime. These developments will require changes to rules, regulations and processes, and to the way in which the cost of regulation is distributed across the profession. They will also allow us to collect information that should enable us to regulate better on the basis of risk. In 2007, we will develop and consult on the high-level principles to adopt in relation to the changes; we will then develop and consult on the detail.

### Legal Practice Course

In early 2007, we established an LPC working party with the following remit:

- To consider the areas currently covered by the LPC, including the balance between knowledge and skills, to ensure appropriate emphasis and coverage

- To consider the appropriateness of developing for implementation by LPC providers a learning and teaching strategy for writing and drafting, practical legal research, advocacy, and interviewing and advising, and to propose guidelines if such a strategy is considered appropriate

- To consider the effectiveness of the current assessment strategy for writing and drafting, practical legal research, advocacy, and interviewing and advising

- To make proposals to revise the LPC written standards to take account of changes to law and practice, incorporation of the relevant day one outcomes and recommendations of the working party

The working party is scheduled to conclude its work in the autumn of 2007.

### Introduction of work-based-learning pilot scheme

In 2007, we will continue to develop proposals aimed at

- securing consistent and objective assessment of readiness to practice, and
- providing opportunities for any LPC graduates who find it difficult to secure training contracts.

We expect to pilot the proposals in 2008.

# Financial review for the year ended 31 December 2006

## Result

Total direct expenditure for the Law Society Regulation Board for the year ended 31 December 2006 was £19.2m against a budget of £21.9m.

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## Expenditure

The main areas of under expenditure were as follows:

### Staff costs – £1.7m.

Headcount was consistent throughout the year at a lower level than budgeted, resulting in savings on the pay bill.

### Other professional fees – £1.2m.

Savings on panel fees, adjudication panel fees and outsourcing

The main areas of over expenditure were as follows:

### Legal fees – £0.9m.

Court hearing for the statutory trusts and increase in intervention agent work as a result of investigations into statutory trusts

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## Income

Income increased to £3.6m. against a budget of £2.8m. Almost 70 per cent of the increase is explained by greater revenues from fees charged under four headings:

- Authorisation of continuing professional development course providers
  - Criminal Records Bureau enquiries
  - Authorisation of training establishments
  - Higher rights of audience applications
- 

## Key financial achievements in 2006

- We successfully implemented the BIFS (Barclays Integrated Funds Solution) system to manage the statutory trust accounts.
- We improved financial reporting, introducing flexibility in internal reports in order to enhance financial control by management; this work continues.

## Appendix 1: Board member profiles



### Peter Williamson – chair

Peter Williamson was admitted as a solicitor in 1972, and in 1986 became managing partner of then City law firm Turner Kenneth Brown. He was Senior Litigation Partner of Dawsons solicitors from 1991 to 1998, and was a consultant to the firm until 2007.

Peter was a member of the Law Society Council from 1992 until 2005. He has had major involvement in a number of significant regulatory issues. As chairman of the Solicitors' Indemnity Fund from 1997 to 2002, he played a leading role in the long and important debate about the arrangements for professional indemnity insurance and was a member of the Law Society's Indemnity Insurance Committee. He was a member of the Legal Practice Course Board from 1993 to 2005, and was chairman of the Common Professional Examination Board from 1998 to 2002.

He became deputy vice-president of the Law Society in 2001, and vice-president and chair of the Society's Main Board in 2002. As president of the Society from July 2003 to July 2004, he played a leading part in the development of the Society's response to Sir David Clementi's Review of the Regulatory Framework for Legal Services in England and Wales and in the Council's decision to create much greater separation between the Law Society's regulatory and representative functions.

Peter served as a deputy district judge from 1995 to 2001 and as an assistant recorder from 1996 to 2000. Since 2000, he has served as a recorder sitting in the Crown Court.



### Alan Baker

Alan Baker was a partner in Walker Morris of Leeds for 25 years until he left in 2001 on becoming a part-time immigration judge, a part-time chairman of the Residential Property Tribunal Service and a part-time, in-house legal adviser to a long-term client group of development companies.

He is also a governor of Leeds Metropolitan University and chair of its Estates Committee, as well as treasurer of Leeds Hospital Radio, and is in charge of its broadcasts from Elland Road and Headingley Stadium. He is a former president of Leeds Law Society and the Yorkshire Union of Law Societies, a former referee of semi-professional soccer and rugby, a former independent member of the West Yorkshire Police Authority and a former deputy chair of the Harrogate Theatre.



### Yvonne Brown

Yvonne Brown qualified as a solicitor in 1985. She is a solicitor advocate and the principal of Yvonne Brown & Co, a small London legal aid firm specialising in family and education. She is a family peer reviewer for the Legal Services Commission. Prior to entering sole practice in 1994, she was a partner with West End firm Claude Hornby & Cox.

She is a former chair of the Black Solicitor's Network and a former member of the National Committee of Resolution, where she was chair of the Children Committee. Yvonne has been involved with several legal and community groups. In 2006, she was short listed for the Family Legal Aid Lawyer of the Year and received the Outstanding Solicitor Award from the Black Solicitor's Network.



### Duncan Gear

Duncan Gear is a chartered accountant who spent the first half of his career in professional practice and industry, where he held a number of executive directorships. In 1993, he moved into the public sector, spending several years as a civil servant in the Department for Constitutional Affairs, where he helped to establish and run an inspectorate to assess the performance of the magistrates' courts.

In 2000, he was appointed by the Home Secretary to the Board of the Police Complaints Authority, where he supervised a number of high-profile investigations into the conduct of police officers and incidents involving the police such as deaths in custody.

He has been a magistrate for many years.



### Sally Irvine

After a career in the Greater London Council, Sally Irvine was chief executive and general administrator of the Royal College of General Practitioners from 1984 to 1995. She chaired Newcastle City Health NHS Trust from 1993 to 1999. She is an honorary fellow of the Royal College of General Practice and a fellow of the Association of Managers in General Practice. She has been a trustee of several northern charities.

With her business partner, she runs Haman & Irvine Associates, a consultancy in human resources and organisational development for the primary health care sector. She is an independent member of the General Dental Council, and was also a member of the Law Society Council, and chaired its Remuneration Committee. She is a member of the Independent Appointments Selection Board of the Royal Institution of Chartered Surveyors.



### Alan Kershaw

Alan Kershaw is a career administrator, specialising in professional regulation for the past 25 years. From 1999 to 2007, he served as the first chief executive of the Council for the Registration of Forensic Practitioners (CRFP). Previously, he worked for the General Medical Council for 16 years, ending as director of education and standards.

Educated in classics at Cambridge University, Alan began work with the Department of the Environment, serving for a time on a number of committees of the Council of Europe in Strasbourg. He also serves as a lay member on the Council of the Royal Pharmaceutical Society and on the Nursing and Midwifery Council, on the Adjudicators' Assessment Panel of the Royal Institution of Chartered Surveyors and on the Investigating Committee of the Institute of Legal Executives.



### Sir Stephen Lander

After working for the Institute of Historical Research at the University of London from 1972 to 1975, Sir Stephen Lander joined the Security Service (MI5), for which he worked for 27 years on a wide range of national and international security issues. He rose to membership of its Management Board in 1992 and to the statutory post of its director general in 1996. He was appointed CB in 1995 and KCB in 2000.

After retiring from MI5 in 2002, he was appointed to be the Law Society's first (and only) independent commissioner on a three-year contract. His responsibilities involved independent oversight of the Society's handling of complaints against solicitors "in the public interest".

In September 2004, he was appointed to chair the new Serious Organised Crime Agency, which began operations on 1 April 2006.



### Andrew Long

Andrew Long was a partner at Pinsent Masons from 1989 to 2005. He was articled in Exeter to a sole practitioner and subsequently spent five years working as an in-house solicitor in the coal industry in Yorkshire. He also acted as a panel solicitor for the Solicitors' Indemnity Fund for 15 years. His other main client work has been in the field of financial services law and regulation.

He is a member of the Financial Services Authority Regulatory Decisions Committee and has been a deputy district judge of the High Court and County Court since 2000. He has recently contributed to an Oxford University Press textbook, *Financial Services Law*.



### Penelope Owston

Penny Owston qualified as a solicitor in 1980 and is the senior partner of a four-partner High Street firm, where, as a higher court advocate, she specialises in public law children proceedings.

In 1995, she enrolled in the MBA in Legal Practice Management at Nottingham Law School and is now a member of the faculty. Since 1997, she has provided training and consultancy in law firm management, primarily to legal aid firms, and has written extensively about the subject. She is a director of Brightwater Consultancy and Development Ltd. In 2003, with her co-director Simon McCall, she wrote *Making a Success of Legal Aid*.

From 2000 to 2005, she was the Law Society Council Member for Lincolnshire and was a member of the Society's Standards Board.



### Sally Ruthen

Sally Ruthen practised as a solicitor in Camden and then Cornwall, specialising in family and personal injury law, before joining a High Street firm with offices in Norfolk and Suffolk in 1996. In 1998, she became a partner there, and was responsible for running the civil litigation department and managing staff issues, as well as for the firm's contract with the Legal Services Commission.

She left this position in January 2005 with a view to developing her work as an ADR Group-accredited civil mediator. She now undertakes a range of mediation work, including as independent conciliator for two local primary care trusts, as well as working as a locum solicitor from time to time.



### Edward Solomons

Edward Solomons is director of legal services for the Metropolitan Police. He heads a department of 100, including 42 lawyers, providing legal advice to the commissioner and senior officers, and conducting civil and employment litigation. Prior to May 2005, he was a senior civil servant within the Department for Constitutional Affairs, designated by the Lord Chancellor as Deputy Official Solicitor to the Supreme Court and Deputy Public Trustee, and was also legal head of the International Child Abduction and Contact Unit.

Previously, he was at the Treasury Solicitor's Department for six years, and for 15 years post-qualification was in private practice. He has been a member of the Law Society's Council, its Standards Board and its Civil Litigation Committee. He has chaired the Rules and Ethics Committee of the Law Society and, subsequently, of the SRA since 2003, and is a past president of the City of Westminster and Holborn Law Society.



### Dr Jonathan Spencer

Dr Jonathan Spencer was a civil servant at the Department of Trade and Industry (DTI) and the Department for Constitutional Affairs (DCA) from 1974 to 2005. At the DTI, he was responsible for UK insurance regulation from 1991 to 1997, and was a member of the management Board from 1997 to 2002 as director general of resources and services and, subsequently, as general business group director. He was director general of clients and policy, and a Board member, at the DCA from 2002 to 2005, responsible for DCA consumer strategy and for a wide range of constitutional and justice system reform programmes. He is a member of the Council on Tribunals and a non-executive company director.



### John Stoker

John Stoker was appointed in 2006 as the independent commissioner for the Compact (the agreement setting ground rules for partnership between central and local government and voluntary and community organisations). He has non-executive roles with a number of charities, and works as a freelance consultant to public, lottery and voluntary sector clients.

As chief commissioner, he was executive chair of the Charity Commission for England and Wales from 1999 to 2004. He regulated the National Lottery between 1997 and 1999, becoming director general of the Office of the National Lottery (OFLOT) in 1998. Between 1992 and 1996, he was the regional director of the Government Office for Merseyside, chairing the region's £2 billion, EU-funded "Objective 1" regeneration programme. During 2005, he was the chief executive of the London Bombings Relief Charitable Fund, which distributed more than £12 million to victims and won the annual Charity Award for effectiveness.



### Richard Taylor

Richard Taylor was for 30 years a partner in CMS Cameron McKenna. His legal practice developed from general corporate work into a specialised anti-trust practice in EU and UK competition law, with responsibility for a number of his firm's key client relationships. With effect from 1 April 2005, he has been a member of the Competition Commission.

He is the author of a report on corporate responsibility and the legal profession, and is currently a governor of a school for children with profound and multiple learning difficulties and a trustee of the charity Beating Bowel Cancer. He has also served as chairman of the Law Society's European Group and is an active member of the International Bar Association.



### Stephen Walzer

Until his retirement in April 2005, Stephen Walzer was assistant general counsel, international legal affairs, at British American Tobacco plc (BAT). He was involved in EU legal developments and competition law and policy, and specialised in merger activity covering former group financial services interests and the acquisition of Rothmans. His other interests revolved around the work of treaty-based international organisations such as the Organisation for Economic Cooperation and Development and the World Trade Organisation. Prior to his period at BAT, he practised in-house at BP.

He is chair of the International Chamber of Commerce UK Competition Committee and is rapporteur to the parent committee in Paris. His other responsibilities include membership of the Competition Commission and service on European Round Table of Industrialists groups responsible for competition policy and industrial relations. He is a public interest member of the Audit Registration Committee of the Institute of Chartered Accountants in England and Wales.



### Stephen Whittle, OBE

Stephen Whittle was formerly the BBC's controller of editorial policy, ensuring that the BBC set and observed the highest ethical and editorial standards. As controller, he has been involved in some of the most high-profile BBC investigations, such as *The Secret Policeman*, *Licence To Kill*, the *Panorama* on the Olympics, as well as controversial dramas such as *Dirty War* and *The Project*. He was previously director of the Broadcasting Standards Commission (1996-2001). He was awarded an OBE in the 2006 New Year's Honours for services to broadcasting.

He currently acts as an expert of the Council of Europe, is working with the Reuters Institute for the Study of Journalism at Oxford University and advises public service broadcasters around the world. Stephen is also chairman of the Broadcasting Training and Skills Regulator. He writes and lectures on media issues.

## Appendix 2: Strategy

### Our purpose

To set, promote and secure in the public interest standards of behaviour and professional performance necessary to ensure that clients receive a good service and that the rule of law is upheld

### Our principles

In all our work, we will

- promote equality and diversity
- act independently of, but in consultation with, our stakeholders including consumers, the profession and its representative bodies, the judiciary and government
- operate in accordance with Good Regulation principles adopting a risk-based approach to regulation
- be open and accountable
- demonstrate value for money

### Our key objectives

#### Setting the standards

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

#### Support and monitoring

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

### Consumer protection, enforcement and discipline

- To protect consumers by ensuring effective professional indemnity and compensation fund arrangements
- To tackle unacceptable professional or organisational performance, misconduct and dishonesty by firm, fair and timely regulatory and disciplinary action

### Access to justice, transparency and consumer information

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

### Strategic outcomes

We are committed to achieving the following strategic outcomes by the beginning of 2009. These flow from our key objectives and will underpin our work plans for the next three years.

#### Setting the standards

We will

- set and communicate effective and proportionate standards of professional behaviour and performance
- make effective rules to secure acceptable standards of safe, competent practice

We will take steps to secure that those joining the profession

- come from a wide range of backgrounds and experience
- meet appropriate standards of character, intellect, knowledge and skills

- are able to sustain client confidence
- understand and are able to sustain commitment to the rule of law
- can demonstrably uphold the principles governing those providing legal services: independence, integrity, the duty to act in the best interests of clients and client confidentiality

We will require all members of the profession to maintain up-to-date knowledge and experience of

- changes in the law in their field of practice
- professional requirements and ethical conduct
- where relevant, the requirements of successful business practice and customer care

We will put in place arrangements to enable the profession to develop enhanced skills and knowledge and to encourage organisations to improve the infrastructure which underpins quality.

We will ensure that the resources required for the regulation of the profession are secured efficiently and fairly.

#### Support and monitoring

We will ensure that

- accurate advice is readily available for practitioners on complex areas of professional responsibility
- effective machinery is in operation for advising and assisting solicitors and organisations in professional or financial difficulty where the situation is remediable
- information from monitoring and regulatory activities is effectively collated and coordinated, informing a risk-based approach to regulation

## Consumer protection, enforcement and discipline

We will secure

- effective arrangements to provide early warning of individual or organisational dishonesty, misconduct, unacceptable professional performance or financial difficulty
- prompt and proportionate action to minimise risk to consumers of legal services, and to the public as a whole, from unacceptable professional or organisational performance, misconduct, dishonesty, poor client care or inadequate professional knowledge
- sufficient evidence in the most serious cases to enable prompt action to address immediate risks to the public, to satisfy the requirements of the Solicitors Disciplinary Tribunal, or to share with law enforcement agencies where criminal prosecution may be appropriate
- effective insurance and compensation arrangements for the profession to protect the consumer in cases of client loss, for example, through negligence, dishonesty or insolvency

## Access to justice, transparency and consumer information

We will ensure that

- there are no unnecessary barriers to competition, and the requirements on practitioners or organisations, and any restrictions on the way in which legal services are provided, are only those necessary and proportionate to secure the regulatory objectives
- up-to-date and accurate information is published to enable consumers to make an informed choice of legal service provider, including

- details of all practitioners and the organisations within which they practise
- areas of law in which legal services are offered to the public, including solicitors' specialisms, accreditation and enhanced skills
- relevant information about regulatory decisions affecting individuals or organisations

## Regulatory objectives

In developing this strategy, we have taken into consideration the government's proposed objectives for the regulation of legal services:

- Supporting the constitutional principle of the rule of law
- Improving access to justice
- Protecting and promoting the interests of consumers
- Promoting competition in the provision of legal services
- Encouraging a strong, diverse and effective legal profession
- Increasing public understanding of the citizen's legal rights and duties
- Promoting and maintaining adherence to the professional principles (independence, integrity, the duty to act in the best interests of the client, and client confidentiality)

## Principles of Good Regulation

In summary, the Government's "Five Principles of Good Regulation" are that regulation should be as follows:

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

## Appendix 3: Establishing the Solicitors Regulation Authority

In July 2003, the Secretary of State for Constitutional Affairs, Lord Falconer, asked Sir David Clementi to review the regulation of legal services “in order to put the consumer first”.

The principal drivers for change were

- the recognition that the existing regulatory framework was inappropriate for modern business conditions,
- long-standing dissatisfaction with the handling of complaints against solicitors, and
- a desire to increase competition by enabling more-flexible business structures, thereby benefiting consumers.

The Clementi report was published in late 2004. It included proposals for the establishment of a Legal Services Board as oversight regulator, and for the separation of regulation from consumer-complaints handling. The latter would become the responsibility of a new statutory ombudsman scheme. The report proposed that the Law Society and other legal professional bodies should continue to play a regulatory role—but only if they separated their regulatory functions from their representative ones.

When the Clementi recommendations were published, the Law Society Council had for some time been planning steps that anticipated the report’s conclusions. In January 2005, the Council created separate Boards responsible for its regulatory activity and for its consumer-complaints-handling activity. Each Board would enjoy the greatest independence from the Council possible under the existing legal framework.

The Law Society Regulation Board was formally established on 1 January 2006, although it had existed in shadow form since September 2005. The Council delegated to the Board power to deal with the full range of regulatory work—except consumer complaints, which became the responsibility of the Consumer Complaints Board. The Regulation Board’s powers included setting regulatory standards and securing compliance with them.

The Government’s Legal Services Bill, which largely embodies the Clementi recommendations, is expected to become law during 2007. The Board in 2006 concentrated much of its activity on the new regulatory framework; it is continuing to do so in 2007 and beyond.

In January 2007, the Law Society Regulation Board launched the Solicitors Regulation Authority (SRA), and renamed itself the Solicitors Regulation Authority Board. The Board’s new identity signifies its commitment to independent regulation of solicitors in the public interest. This report covers the period 1 January 2006 to 31 January 2007, encompassing the Board’s first 13 months of operation, up to and including the establishment of the SRA.





The independent regulatory body of the Law Society of England and Wales

[www.sra.org.uk](http://www.sra.org.uk)