

Solicitors  
Regulation  
Authority

Annual report 2007



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Peter Williamson – Chair

## Chair's foreword

The official birth of the Solicitors Regulation Authority in January 2007 marked the end of a transitional phase and the beginning of our role as an established modern regulator in the public interest.

It has made for a fascinating and very busy 12 months\*, and I am pleased that the course charted by the Board has gained widespread approval. Where we felt action was needed, we took it, but we will not regulate where we do not have to - the decision to move from a compulsory to a voluntary accreditation scheme for solicitors exercising rights of audience is a good example of this. We are committed to principle-based regulation, so that our rules can apply to the huge breadth of legal work undertaken within the solicitors' profession without becoming excessively lengthy.

Of course, high on the agenda is another move: from talking about what should be in the Legal Services Bill to implementing what is in the Legal Services Act 2007, and shaping the kind of regulator we will be in the future. We have set ourselves an ambitious target of introducing legal disciplinary practices on 1 March 2009, but that is because they are a vital first step in making legal services more responsive to consumer requirements, and in enabling solicitors to work in partnership with others to deliver new forms of service.

A major feature of our work in the past year has been building relationships with stakeholders. Consumer groups, government and parliamentarians, other regulators and individual solicitors must know who we are and

what we stand for. The public must be reassured that our regulation is robust and in their interest, and the move to publish regulatory decisions on the SRA website is an important part of that. The public opinion survey and focus groups we carried out on how the regulation of solicitors is perceived, along with the consumer engagement forum in December at which the results were presented, were vital as we look to demonstrate that we are a responsive regulator.

Our rolling programme of Regulation Roadshows continues to be popular with the profession, while we have also sought to engage with solicitors through direct email updates, my monthly column in the Law Society Gazette and a host of speaking engagements.

We have worked closely with the representative Law Society on many issues - it is a sign of maturity that we are able to have vigorous debates without losing sight of the bigger picture. One of the early duties of the Legal Services Board, imposed by the Legal Services Act, will be to set out the minimum requirements for the split between regulation and representation. This is a challenging area, on which we are continuing to work with the Law Society, to ensure that we develop robust mechanisms in which we, and the public, can have confidence.

There is a lot to do as regulator of the solicitors' profession. SRA staff have worked hard on several major projects, one of the most important of which was monitoring compliance with the rules on referral arrangements. This helped us identify a workplan to improve compliance, and we know that we need to get this right, in the interests of both consumers and the profession. We also recognise that, despite the size of our in-tray, we could have acted more quickly to follow up our initial work on the impact of SRA decisions on black and minority ethnic solicitors. We have now pledged to progress this as a priority.

I must, of course, thank my fellow Board members for their conscientious and always challenging contributions to the SRA's work, and Antony Townsend and his staff for their skill and dedication in running such a large and complex operation.

The badge of solicitor is one that should provide assurance to those who look for it, and pride for those who wear it. It is our job to ensure it does, and I believe we have much to be proud of - but much also still to do.



Peter Williamson

\*This report covers the period 1 January 2007 to 31 December 2007.  
All figures are correct as at 31 December 2007.



**Antony Townsend** – Chief Executive

## Chief Executive's foreword

The Solicitors Regulation Authority is in the unusual position of being both a new and an old organisation. The name and identity are new to the public and the profession. Its Board is (relatively) new and its focus clear - to regulate the solicitors' profession in the public interest.

The Strategy approved by the Board in 2006 set out key principles informing 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

Much of the underlying structure of the SRA harks back to the time when regulation was lower profile and part of the wider Law Society, meaning that one of my most important, if less glamorous, tasks during 2007 has been to reshape the organisation to enable it to work to those principles.

We are now in the middle of our Change Programme. The SRA has been split into eight directorates, allowing for greater management control. We have redesigned our business processes to make them smarter and less cumbersome, meaning that decisions are taken more quickly and with greater consistency. We have published the criteria by which we assess risk, and a set of criteria to underpin the way in which we take decisions. We will introduce systematic audit of our decision taking. In the coming months we will also publish performance indicators so that the public and the profession will be better able to judge how the SRA is doing. The greater efficiency we have

already managed to achieve meant that, in our first two years of operation, our budget has reduced in real terms despite a formidable change programme.

We are hobbled by outdated IT. Our existing systems are, by their fragmented nature, unable to provide the necessary data to enable us to become as effective as we would like. The development of entity-based regulation will be adversely affected if we cannot make progress on this, and we are in detailed discussions with the Law Society to ensure that a suitable system is provided. This has taken longer than we would have wished.

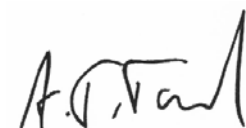
Listening to consumers, lawyers, parliamentarians, and others, a number of themes about our work emerge. While it is acknowledged that much of what we do is high quality, and that our aims are laudable, we have some way to go before we can demonstrate that all that we are doing consistently conforms to our principles. The concerns about the disproportionate representation of black and minority ethnic solicitors in some of our procedures, complaints by solicitors that our investigatory procedures are unnecessarily opaque and long-winded, and reports that our responses to inquiries are not as prompt or as clear as they could be, point us to the matters we are now tackling. The report by Lord Ouseley into equality and diversity aspects of our work, expected later in 2008, will provide us with important material to improve our processes.

The launch of the new Solicitors' Code of Conduct was as smooth as we could have hoped for, and signalled a shift towards principle-based regulation. The core principles of the Code are resolutely consumer-

focused, and suitable for the new world of the Legal Services Act. But regulation in the public interest does not mean abandoning or confronting the profession. One of our key roles as a regulator is to assist the well-intentioned - the overwhelming majority of the profession - to do the right thing by their clients. We have doubled the opening hours of the Ethics helpline, and halved the length of time to reply to letters. We have listened over issues such as work-based learning, the minimum salary and the interim changes to the Qualified Lawyers Transfer Regulations, and begun a root-and-branch review of the Compensation Fund.

But perhaps the most important thing we can do for the profession is ensure that it has the full confidence of the public. I have been pleased by the progress made on stakeholder engagement, and following December's consumer forum, we have a much clearer vision of what is needed going forward.

The new opportunities offered by the Legal Services Act give us a challenge: working with the new Legal Services Board, with consumers and the profession, we should demonstrate that high standards, greater choice, and improved access to legal services, can go hand in hand. It will be a mark of our success if the words 'Regulated by the Solicitors Regulation Authority' are valued by consumers and lawyers alike.



Antony Townsend

## 2007 - the highlights of the Solicitors Regulation Authority's year

### January

The Solicitors Regulation Authority formally comes into being, after a year as 'the Law Society Regulation Board'.

### February

More than 130,000 warning cards are sent out to solicitors about the risk of disciplinary action if they make unethical referral arrangements.

The SRA publishes a document outlining its thinking on the future of the solicitors' profession. The strategic framework for the education, training and professional development of solicitors covers both pre-qualification and post-qualification issues.

A separate consultation on a new framework for work-based learning to replace the current training contract arrangements is also published.

The SRA Board consults on the draft guidelines for assessing the character and suitability of anyone seeking to become a solicitor, after a successful pilot. Following the consultation, the board decides to continue using the guidelines in that form.

A consultation is launched on reforming regulatory decision-making and streamlining the adjudication process. Following a largely positive response, the proposals were agreed by the board in May.

### March

Launch of the SRA's new identity at a reception in the heart of Westminster, attended by a large number of key stakeholders. It is addressed by the then Lord Chancellor, Lord Falconer, and Sir David Clementi, the architect of the

new framework for the regulation of legal services embodied in the Legal Services Act.

A survey is launched to coincide with the event, showing that 89% of the 900 people surveyed believe that solicitors should be regulated independently. The majority also have confidence in the integrity and efficiency of solicitors.

### April

The government introduces regulation of claims management services. The SRA warns solicitors that they face disciplinary sanctions if they deal with unregulated claims companies.

The SRA Board's education and training committee publishes its refined 'day one outcomes'. Developed during the training framework review, they are intended to encapsulate the attributes required of solicitors at the point of qualification.

### May

The SRA Board decides to retain the minimum salary for trainee solicitors while the future training arrangements for the profession are worked out. It follows a consultation showing strong support for the minimum salary from the profession.

It also agrees in principle to move ahead with publishing regulatory sanctions and with regulatory agreements.

### June

A firm of solicitors in Wales has to repay £160,000 to miners following a hearing at the Solicitors Disciplinary

Tribunal (SDT) of a case arising from the coal health compensation scheme. A partner in the firm is also fined and ordered to pay costs. The SRA says: "Our successful prosecution sends a message that we are determined to see these cases through in the interests of miners. It is the third successful prosecution we have brought and there are at least 14 more to come, many of them involving much larger sums".

The SRA Board proposes removing the restrictions on solicitors wanting to appear in higher courts, replacing compulsory accreditation with new, robust voluntary assessment schemes covering criminal, civil and family advocacy from 1 January 2009.

It also supports the creation of a Risk Assessment and Designation Centre to handle all new information indicating regulatory risk, as part of the SRA's move to risk-based regulation. The board agrees to the implementation of a standard classification of risk across the SRA.

### July

The new, principle-based Solicitors' Code of Conduct is launched, supported by a variety of initiatives to ensure the profession is fully informed about the changes it brings about.

### August

The SRA announces that the Compensation Fund has been paid £1.3 million following High Court proceedings arising from thefts in a Midlands law firm. The Compensation Fund protects clients against losses caused by solicitors. Most of its funding comes from contributions by solicitors, and this recovery will reduce future contributions.

Following a case prosecuted by the SRA in the SDT, in which a former senior partner is fined after admitting misconduct in a proposed £9 billion take-over bid the SRA says: This is an important decision. City firms have a critical role to play in ensuring the integrity of the financial system and we are determined to ensure that they, like all solicitors firms whatever their size, are properly regulated.

## September

Following consultation on changes to the Legal Practice Course (LPC), designed to provide greater flexibility, the board decides to introduce new-style courses from 2009, although all courses must be in the revised form from 2010. The LPC will be divided into two stages. Stage 1 will cover the three core practice areas: skills, professional conduct and regulation, and wills and the administration of estates. Stage 2 will comprise three vocational electives.

There will be greater flexibility in the way LPCs can be designed and delivered, allowing providers to disengage or integrate stages 1 and 2, offering students more options in the way they complete the course.

In due course, individual students will be able to apply for an exemption from attending the LPC or from aspects of the course; however, all students will be required to pass all LPC assessments.

## October

The Legal Services Act receives Royal Assent, paving the way for the modernisation of the SRA's powers, the move to entity-based regulation and the introduction of legal disciplinary practices and alternative business structures. A new body, the Legal Services Board, will be created

to have oversight of the SRA and other legal regulators.

The SRA announces that it will invite black and minority ethnic solicitors to take part in a series of discussions. The SRA says that there is a common goal, a regulatory system which is fair to all solicitors and which protects the interests of their clients.

The SRA announces the new system of concluding some investigations by agreement with solicitors. The written agreements will give details of an investigation and its findings. This could include solicitors agreeing to come off the Roll permanently or for specified periods of time. Solicitors will be expected to admit their failings and promise to improve their performance. Agreements will normally be made public.

Consultation begins on accreditation schemes, of which there are now 11 covering areas of law from personal injury to family mediation. The SRA says it wants to see consistency in how the schemes operate and remove any confusion for both the public and practitioners on what accreditation means.

Following February's consultation, the SRA published revised proposals for how the work-based learning requirement will operate.

From 1 October, all law firm letterheads and websites had to bear the words 'regulated by the Solicitors Regulation Authority'.

## November

The SRA publishes a high-level look at the changes to the structure and regulation of legal practices that will be enabled by the Legal Services Act, and consults on the approach it intends to take in changing the rules that apply to solicitors' firms as a result.

## December

The SRA joins forces with the National Consumer Council to host a roundtable event for UK regulators and consumer groups to discuss effective ways of engaging with consumers. Representatives from 20 regulators are present at the event, which is chaired by Jitinder Kohli of the Better Regulation Executive.

To inform the event and the SRA's consumer engagement strategy, a survey of 1,000 people and focus groups are carried out. The research finds that 65% of consumers are satisfied with the services they have received from solicitors, while 19% are dissatisfied. Communication, costs and delay are the main causes of dissatisfaction.

The Ministry of Justice approves the SRA's application to extend the accreditation and exemption routes for solicitors to gain higher rights of audience until 31 December 2008, so as to allow for the development of the new voluntary accreditation scheme, to begin on 1 January 2009.

The SRA Board agrees a programme of work aimed at improving compliance with the rules on referral arrangements.

## The SRA Board, its committees and its strategy

### SRA Board

Our Board has 16 members, of whom nine are solicitors (for Board member profiles see appendix 1). 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 five committees:

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

Each is chaired by a Board member. The committees play a critical role in developing regulatory policies and in monitoring implementation of our strategy.

### SRA committees

The Education and Training Committee is concerned with maintaining and enhancing the professional competence of solicitors through legal education and training, standards of entry to the profession, and standards for professional development. Its role includes the authorisation and monitoring of providers of education and training, and the arrangements for the recognition of lawyers who have qualified outside England and Wales.

The Rules and Ethics Committee advises the Board on standards of conduct, revisions of the existing rules or making new rules and guidance on matters of professional conduct. It also monitors the keeping of the roll (register) of solicitors, and the registration of European and foreign lawyers.

The Financial Protection Committee is concerned with policy and technical matters relating to the Compensation Fund and to professional indemnity, including changes to the Compensation Fund and the indemnity rules and insurance arrangements.

The Compliance Committee exercises oversight on all matters relating to regulatory compliance, investigation and enforcement. It also has the role of advising the Board on how the principles of risk-based and proportionate regulation may be developed and applied across the range of compliance issues.

The Scrutiny Committee is the newest committee, and was established during 2007. It provides the Board with assurance about the internal operation of the SRA, including the adequacy of internal controls and mechanisms for the management of risks to the achievement of the Board's objectives.

### 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 a three-year period 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

# Legal Services Act

The Legal Services Act received Royal Assent in October 2007, having been introduced in the Queen's Speech the previous year. The Act creates a new framework for the regulation of legal services, enshrining the key Clementi principle of separation of regulatory from representative functions. This new regulatory environment will provide the SRA, acting under authority delegated by the Law Society, with modernised powers which will allow us to regulate more effectively and efficiently in the public interest.

Given the significance of the legislation for the SRA, we engaged closely with the progress of the Legal Services Bill to help ensure that the final Act would offer the best possible regulatory framework for both consumers and legal professionals. We also took the opportunity afforded by the Bill to ensure that stakeholders from across the political spectrum were introduced to the SRA and made aware of the role that we play in legal services regulation.

The final text of the Act will allow the SRA to deliver truly effective regulatory protection for consumers. Powers provided by the Act include:

- A new power to require solicitors to take proactive steps to contact current or former clients who may have a claim for redress and deal appropriately with any subsequent complaints (the Legal Complaints Service is responsible for handling individual consumer complaints made by clients about their solicitors). This is particularly welcome in light of the implications it has for any future occurrence like that of the coal health claims situation, with regard to which the SRA continues to devote considerable resources in

investigating the conduct of solicitors;

- Improved powers of investigation, such as the power to call solicitors in for interview so as to explain matters forming part of an investigation, and the power to seek a High Court order to require third parties to provide necessary information and documents;
- Improved disciplinary powers, including the power to impose a fine of up to £2,000 on solicitors where appropriate without referral to the Solicitors Disciplinary Tribunal, and a statutory basis for the publication of rebukes;
- Allowing the SRA not only to regulate solicitors as individuals but also to regulate the business entity through which they provide legal services to the public, and on a level playing field - ensuring no gaps in consumer protection; and
- A narrowing of the exemption regarding the regulation of trade unions' legal services, to ensure the best possible protection for members as consumers of legal services.

The Act also allows for the modernisation of many other existing statutory regulatory powers, including those that will now allow us to enable new forms of practice such as Legal Disciplinary Practices and, later on, Alternative Business Structures.

Of course, such significant changes to our statutory powers require us to review and amend most of our rules, regulations and administrative processes. In March, the SRA Board agreed to the creation of a special working group to oversee progress towards implementation of the new regime.

In October the SRA launched a consultation on our proposed vision for delivering the regime, including the regulation of new forms of practice, in line with the key regulatory objectives that the Act encompasses. The first of many consultations, we gained broad support for the stated approach from those who responded and have followed this with more detailed work on reviewing and amending relevant rules and regulations, together with policy development on new issues such as what the approval criteria should be for non-lawyer managers in an SRA-regulated firm.

As work begins on preparing to implement the changes operationally, the SRA remains committed to working closely with all concerned parties to make the new regime a reality as quickly as possible.

## Setting the standards

In 2007 the new principles-based Solicitors' Code of Conduct was launched (see page 14). We also continued to work on rationalising and improving the quality assurance framework for solicitors throughout their careers.

### Character and suitability

The SRA has a statutory duty to ensure that, before admission to the Roll, an individual is of the character and suitability to become a solicitor.

In July 2007, the Master of the Rolls (MR) dealt with three appeals against decisions to refuse admission. He considered the appropriate test for determining an individual's character and suitability for admission as a student member and then as a solicitor.

In *Jidefo v The Law Society*, the MR accepted that the test is necessarily high; that the test is not concerned with punishment, reward or redemption, but with whether there is a risk to the public or a risk that there may be damage to the reputation of the profession; and that no one has the right to be admitted as a solicitor - it is for the applicant to discharge the burden of satisfying the test.

Guidelines on the assessment of character and suitability of new entrants, which were successfully piloted in 2006, were fully implemented in 2007. They set out the general principles for assessment which the SRA applies and are available on the web so that there is transparency about our processes.

These developments will help to ensure a consistent approach to decision-making in this important area.

### Legal practice course

We consulted on and finalised proposals for changes to the structure of the Legal Practice Course (LPC). From 2009, LPC providers may offer new-style LPCs. The changes are intended to promote greater flexibility for providers in designing and delivering courses, offering more choice for

### Setting the standards

#### Decisions made on character and suitability cases during 2007

The C&S cases relate either to checks done as part of the enrolment process, or to issues arising post-enrolment ('Misbehaviour'). The following table shows the results of 2007 C&S cases.

Character and suitability	Granted	Refused	Other*
Enrolment	82%	14%	4%
Misbehaviour	73%	23%	5%

\* 'Other' refers to cases that were deferred or amended on appeal.

students. The new LPC requirements are the product of considerable discussion and consultation, and have been informed by many years of LPC provision. Quality assurance arrangements will build on existing external examining arrangements in order to ensure consistency in assessment across all LPC providers.

### Accreditation schemes review

We are developing a strategic framework for the operation of accreditation schemes, and to review current schemes in line with that strategy. In October 2007, we consulted on the key issues and principles that will form the basis of the strategic framework.

The proposals are that:

- We retain our non-compulsory approach to accreditation schemes, but that the voluntary/compulsory question should be considered as part of the proposed longer-term review of the quality assurance of solicitors;
- We should operate accreditation schemes on the basis of proportionality and avoiding unnecessary barriers to competition;

- Schemes run by us should be based on a clear set of competence standards against which applicants will be assessed;
- Our role in accreditation schemes should be to set the standards for schemes and to validate other organisations to provide objective assessments against these standards; and
- Solicitors who are accredited should be subject to re-accreditation after a fixed period of time.

In 2008, we will be analysing the results of the consultation and developing our framework.

### Work-based learning

A consultation on a new framework for assessing trainee solicitors' performance in practice ended in May 2007. If implemented, it will replace the current training contract arrangements. After considering the responses, we decided that a pilot of new work-based-learning arrangements will begin in September 2008. The pilot will involve a number of candidates without current training contracts, using external assessors, and a number of candidates on existing training contracts who will develop

their skills using the work-based learning framework.

Work-based learning aims to provide opportunities to develop, practise and demonstrate legal and professional skills. This includes reflecting on and improving performance, dealing with practical and ethical issues in a working, but supported, environment, and exposure to a range of areas of legal practice, and to contentious and non-contentious work.

Under work-based learning, there is one route to qualification and one common set of outcomes. Solicitors' firms have the flexibility to provide work-based learning and to assess their candidates or to work with external assessment organisations for the assessment elements. Candidates may also contract directly with an external assessment organisation.

The SRA will be non-prescriptive about the content and format of learning and assessment tools, and we will not provide assessments. Providers are free to develop their own learning and assessment strategies, provided that they cover the day-one outcomes (attributes required of solicitors at the point of qualification). We will authorise and monitor assessment organisations to ensure quality, fairness and consistency in assessments. Alongside our work on work-based learning we are strengthening our monitoring of the existing training contract arrangements to ensure that the current requirements are being met.

## Rights of audience

In early 2007, we consulted on whether the current restrictions on higher rights of audience are justifiable - in the interests of the public or the proper administration of justice - or whether they should be replaced by a voluntary scheme. Although a majority of respondents favoured ending the current restrictions, changes are unlikely to be implemented until the end of 2008 after consultation with the Ministry of Justice and the judiciary.

There are few areas of the SRA's work undergoing more change than education and training. The introduction of day-one outcomes, reforms to the legal practice course and work based learning - which will be piloted in the autumn of 2008 - make for 'a fascinating role', says Clare Gilligan, the head of legal education and training policy. 'Something happens on a daily basis,' she added.

Clare, who previously worked for the Legal Services Commission in developing standards, manages a team of 25 people overseeing all aspects of pre and post-admission training. Her role is broad and includes coordinating their activity, and ensuring it is aligned with the Board's strategy, as well as liaising with stakeholders, particularly the Law Society. She says the team is increasingly adopting a project approach to working, underpinned by robust project management principles, 'so we can demonstrate all the processes that we went through'.

Looking ahead, the work-based learning pilot will test whether this major reform can achieve its goal of helping those currently at a disadvantage when seeking a training contract.

Clare says they have to ensure that solicitors are competent to practise, but do so in a way that is deliverable in a rapidly changing profession. 'We're trying to make sure that all the changes we make are proportionate to the risks as we see them,' she said.

## Code of Conduct

The Solicitors' Code of Conduct came into force on 1 July 2007.

The Code is the new rule book for solicitors. It has a number of aims:

- To start with a clear set of professional principles, from which all rules are derived;
- To simplify the structure;
- To express a clear purpose for each rule;
- To use clear and simple language;
- To target risk;
- To raise standards of service to clients; and
- To identify and maintain essential client protections.

Launching the Code represented the culmination of eight years of careful work by the SRA and its Law Society predecessors, including many consultations. The Code replaces The Guide to the Professional Conduct of Solicitors with a concise and coherent set of rules which provide effective client protection whilst reflecting modern business practice. In accordance with one of its main aims, the Code adopts a simple structure of mandatory rule accompanied by non-mandatory explanatory guidance. This represents a move away from the confusing mix of material - often of unclear status - in the Guide.

The Code is designed to support a shift from rule-based regulation towards principles and risk-based regulation. It is prefaced by a set of core duties in rule 1 which set high standards and are intended to shape all professional work and behaviour. The core duties are:

- Justice and the rule of law - solicitors must uphold the rule of law and the proper administration of justice;
- Integrity - solicitors must act with integrity;
- Independence - solicitors must not allow their independence to be compromised;
- Best interests of clients - solicitors must act in the best interests of each client;
- Standard of service - solicitors must provide a good standard of service to their clients; and
- Public confidence - solicitors must not behave in a way likely to diminish the trust the public places in them or the profession.

These core duties pervade all the other rules, assisting in their interpretation and application. They act as a yardstick against which solicitors can measure their conduct when the other rules are silent.

Rule 5, which deals with business management, recognises that poorly managed firms represent risks to clients, and puts in place a requirement that firms have proper business systems in place. The emphasis on client care in the Code ensures that standards of service to consumers of legal services are at the forefront. Rule 6, which deals with equality and diversity, includes new provisions covering age discrimination, civil partnerships and paternity rights. It also changes the duties on implementing an equality and diversity policy.

The proof of the pudding will, of course, be in the eating. In 2007, we actively promoted the Code through our Regulation Roadshows (see page 24), articles, and on our website, where it is available online at [www.rules.sra.org.uk](http://www.rules.sra.org.uk). Feedback to date indicates that the Code has been well received, and is achieving its purpose.

### The Ethics helpline

The SRA's Professional Ethics helpline provides regulatory guidance to solicitors on matters of professional conduct, including issues arising from the introduction of the Code. When solicitors were last surveyed in 2006, it was rated as by far the most valuable service the Law Society (of which it was then part) provided to solicitors.

During 2007 it received 67,397 calls (slightly up on 2006), of which 53,977 were answered and the remainder unanswered. The average waiting time for helpline callers was just over three minutes; 27% of callers waited less than 30 seconds to speak to an adviser. The Professional Ethics guidance service also dealt with 4,244 letters and emails in 2007.

The most common subjects of enquiry during 2007 were:

- Confidentiality;
- Conflicts;
- Solicitors' Accounts Rules 1998; and
- Retainers.

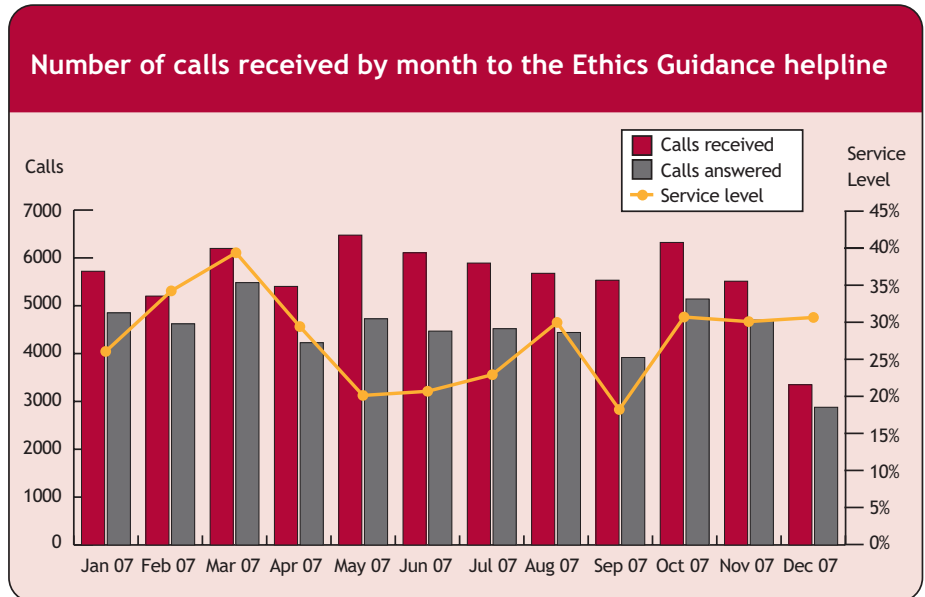
There were a number of improvements to working methods introduced in 2007, including enhanced use of systems and additional skills training. Management information is being analysed more thoroughly to allow the team to identify trends and try to be more proactive in managing customer demand. The call-recording policy was refined and quality monitoring of calls is now happening to allow advisers to

develop their skills still further, and to ensure the focus on the quality of the service remains paramount. Quantitative targets were also introduced and are being met by most advisers on a consistent basis.

However, despite these improvements, a combination of other factors during the year led to a fall in capacity to take calls, meaning that waiting times for callers were going up. These temporary problems highlighted the long-standing issues in the design of the helpline, which was only open for two two-hour windows a day to allow for correspondence, research on points that could not be answered immediately and training. An emergency service was available out of hours, and the profession has not abused this.

Towards the end of the year, we agreed a series of measures to reduce waiting times in 2008, key to which is keeping the helpline open from 9am to 5pm. This should flatten out demand across the day rather than concentrating it into those two windows, and improve customer satisfaction by ending frustration with the limited availability and call delays.

More generally, it is encouraging that the vast majority of solicitors who call the helpline have a good grasp of the rules and a strong desire to comply with them.



## Support and monitoring

### Monitoring practice standards

The role of the Practice Standards Unit (PSU) is to undertake a programme of monitoring visits to solicitors' firms. PSU monitors firms' compliance with the practice rules. It also has an educational programme of client-care seminars. Its objective is to raise standards of practice and promote client care, where possible by obtaining agreement from firms for any improvements which may be needed.

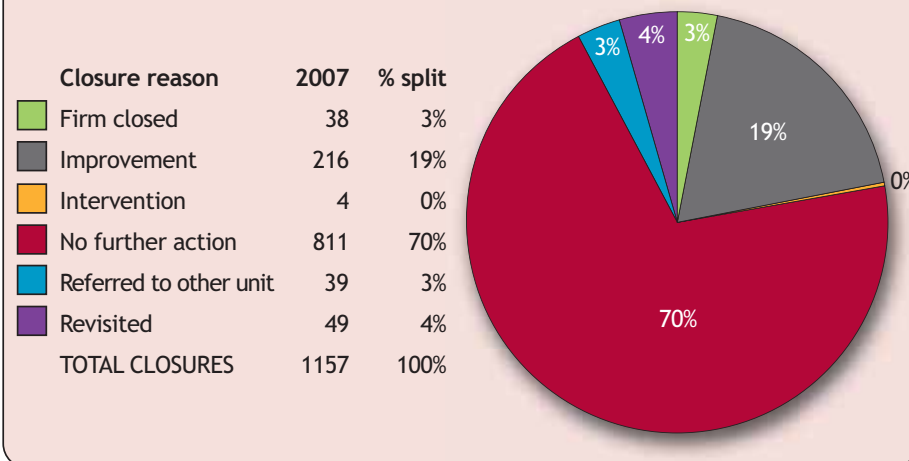
During a standard visit PSU will:

- Ask questions;
- See the firm's standard client-care documentation and terms of reference;
- Review client files to see that client-care and costs information is being provided to clients at the outset of a matter and as it progresses;
- Look at complaints files to see how they have been handled, whether the firm has provided a complaints procedure to clients, and whether it has been followed; and
- Examine accounts documentation.

The visit will be followed by a report, which will include a summary of any breaches identified. Where action is required, the matter will be kept under review, and if necessary a further visit will take place. In a relatively small number of cases - 6.7% in 2007 - a PSU visit will lead to a referral for formal regulatory action.

During 2007, PSU visited 933 firms (approximately 9% of all practices in England and Wales); some firms were visited more than once, making a total of 944 visits. PSU also held ten client-care seminars in the course of the year. Approximately a quarter of visits disclosed significant areas of weakness or breaches of the practice rules. However, in 90% of files closed in 2007, PSU saw either an improvement or found no further action was required.

### Practice Standards Unit - visit file closures by closure reason



Following a strategic review in 2006, PSU's role developed in 2007. In the SRA's new structure, PSU and the Forensic Investigations Unit both form part of the Inspection and Investigation Directorate, allowing them to work together more closely where appropriate. Whilst PSU continued to undertake its monitoring role, visiting firms where there were no high risk factors, it also visited some firms where a higher level of risk had been identified.

In order to increase flexibility and the efficient use of resources, new staff in Forensic Investigations are required to have PSU training; ten Forensic Investigations staff who began in 2007 have been conducting mixed-team visits with PSU. This initiative will be expanded in 2008, with the attachment of PSU staff to visits by Forensic Investigations.

In September 2007, PSU also began conducting 'first-risk assessment' visits to firms in selected geographical areas. This work arose from a desk-based monitoring assessment project carried out in PSU as part of the SRA's wider work on regulatory risk assessment.

Jim Allen was one of the original band of advisers when the Practice Standards Unit was created in 2003 to undertake visits to firms with the aim of monitoring compliance with the Solicitors' Code of Conduct and other rules. It was the first time a structured approach to identifying law firms' compliance had been established.

He describes visits as advisory - helping firms correct minor breaches - but also sometimes regulatory, if the failings are more serious and some form of regulatory action may be required (perhaps all the way up to a referral to the Solicitors Disciplinary Tribunal). 'We are there to assist firms,' he emphasises.

Jim is now a senior adviser, heading a team of six advisers. His time is mainly split between conducting visits himself - he will do 15-20 a year, compared to around 35 for an adviser - and quality assuring the work of those he is responsible for, which includes shadowing them on their visits. He also undertakes project work and training.

The advisers, who are home and field-based, are split into four regions, each under a regional manager, and have regular meetings to compare notes.

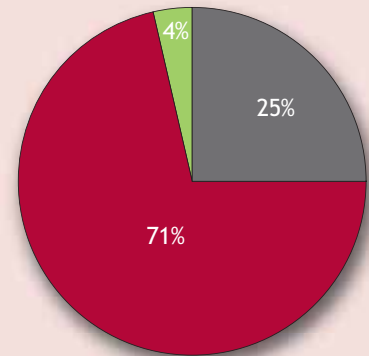
Firms are mainly selected on the basis of a risk assessment, but some are chosen randomly. A standard visit will be one adviser spending at least two days in a firm, although a very small firm can be visited within a day. A large firm will require two or more advisers on site. The visit involves talking to the senior partners and practice manager, checking documentation like the complaints procedure, and randomly sampling files. There is also 'transaction testing', which checks the robustness of the accounts system.

It is in the nature of auditing that problems are highlighted, but Jim says: 'The vast majority of firms we visit have welcomed us. They see it as a positive development to get an objective review of their practice. Despite the fact that the feedback we give can be sensitive - as we may have identified certain weaknesses - I find it is usually positively received.'

'The overall sense I get is that firms are committed to complying with the rules and regulations. They might not like some of them, but there's a commitment to achieving a high level of compliance.'

## Monitoring visits to training establishments 2007

	visits	% split
■ Satisfactory	50	25%
■ Recommendations to improve training and rectify any problems	142	71%
■ Recommendation for a follow up visit	7	4%
<b>TOTAL</b>	<b>199</b>	<b>100%</b>



## Monitoring training provision

The SRA has a programme of monitoring authorised training establishments to assess the standard of training provided to trainee solicitors. During 2007, 199 training establishments were visited by monitors appointed by us.

The majority of training establishments demonstrated substantial compliance with the regulations. The monitors provided recommendations for further

improvement in 71% of visits. In only 4% of cases were training establishments identified as requiring a follow-up visit.

We also continued to monitor legal practice course providers to ensure the quality and standards of course provision. We conducted six three-day grading visits to course providers, together with 18 one-day pastoral visits.

## Referral arrangements

Solicitors who make or receive referrals of business from third parties must comply with the provisions of Rule 9 of the Solicitors' Code of Conduct. They are also bound by other parts of the Code, including the core duties set out in Rule 1. Rule 9 lays down additional requirements in cases where a solicitor pays an introducer for a referral.

In order to ensure compliance with the Code a solicitor who undertakes referrals of business should:

- Always explain the nature of any referral arrangements, and disclose any referral fees to the client at the outset;
- Be up-front with the client about the nature of these payments - it is improper to disguise the payments as something they are not, for example administration or marketing fees;
- Be sure that the introducer has also disclosed this information to the client;
- Know how the introducer obtained the client;
- Ascertain whether the agreement between the introducer and the client is fair and in the client's best interests, and if it isn't advise the client accordingly;
- Be sure that there is nothing in the solicitor's agreement with the introducer which compromises the solicitor's independence or ability to act in the client's best interests, such as the client's choice of advocate or expert, or the introducer rather than the client telling the solicitor how to deal with the client's money;
- Be able to advise the client independently without fear of offending the introducer and at the risk of losing a valuable source of work;
- Ascertain that the introducer is regulated by the claims management services regulator, if appropriate.

Referral arrangements have been among the most contentious regulatory issues of recent times. Given widespread concerns about solicitors' non-compliance with the rules, 2007 saw a programme by the SRA to enforce the rules and educate solicitors and others about them.

### Compliance and enforcement

The referral arrangements compliance project spearheaded this side of our work on referrals, and was carried out jointly by the Practice Standards Unit (PSU) and the Forensic Investigations Unit. It involved visits to 52 firms, about most of which we had information indicating concerns. This led to a recommendation that a quarter of those visited which had referral arrangements (12 out of 45) be referred to the Solicitors Disciplinary Tribunal, including three of ten firms which were selected as a control sample.

In view of the nature and number of firms visited the amount of non-compliance found did not necessarily give a statistical indicator of the level of compliance by solicitors generally. However, a broader analysis of routine PSU visits also showed problems among firms. Overall, there was evidence of systematic and persistent problems in solicitors properly managing their relationship with introducers.

### Information campaign

Warnings to solicitors began with an article in the Law Society Gazette. This was followed by a warning card sent to all solicitors. Our chairman said:

'Solicitors who allow referral arrangements to undermine their role as independent advisers let down their clients and the profession. Public confidence in solicitors has been damaged by a number of recent cases in which solicitors have placed their own advantage above their clients' interests. The Solicitors Regulation Authority is determined to stamp this out.'

The issue was also raised in the SRA's Regulation Roadshows. We tackled the other end of the process by liaising with introducers and their regulators to explain the rules and warn that we might 'name and shame' those who persistently led solicitors into breach.

We have been considering how best to approach a public information campaign. The consumer research conducted in 2007 indicated widespread ignorance of referral arrangements (68%), while 39% said they would have concerns about the independence of advice if they knew such an arrangement was in place. More detailed investigation in the focus groups revealed that transparency was the main issue. Consumers were comfortable with the concept of referral arrangements as long as their existence and the fee involved was made clear.

### The decision

At its December meeting the SRA Board reviewed the position. It considered a final report drawing together the results of all the work on referral arrangements undertaken during 2007. After looking at the evidence and the options the board concluded that reintroducing a complete ban on referral arrangements would not be justified in the immediate future, although the position will be reviewed again generally after a further 12 months. Instead, new measures will be introduced to improve compliance in 2008, which may include:

- The development of a new regime so that the SRA can regulate which solicitors can operate referral arrangements;
- An annual reporting requirement on solicitors;
- Model agreements; and
- An information campaign to help consumers understand referral arrangements and make choices.

## Consumer protection, enforcement and discipline

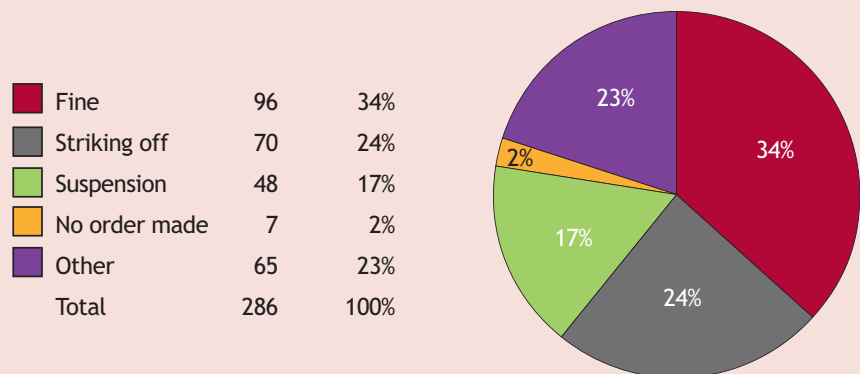
An important part of the SRA's work is the receipt, analysis and - if necessary - investigation of reports about misconduct and breaches of the rules. Disciplinary action for misconduct is taken through the imposition of reprimands or formal warnings. Less serious breaches may require no further action, or the provision of advice to the solicitor.

The most serious matters are referred to the independent Solicitors Disciplinary Tribunal (SDT); the great majority of cases in the SDT are brought by the SRA and conducted by our in-house advocates, or by external solicitors instructed by us. In addition to disciplinary action, we also use other powers to regulate the activities of individual solicitors, including the placing of conditions on practising certificates.

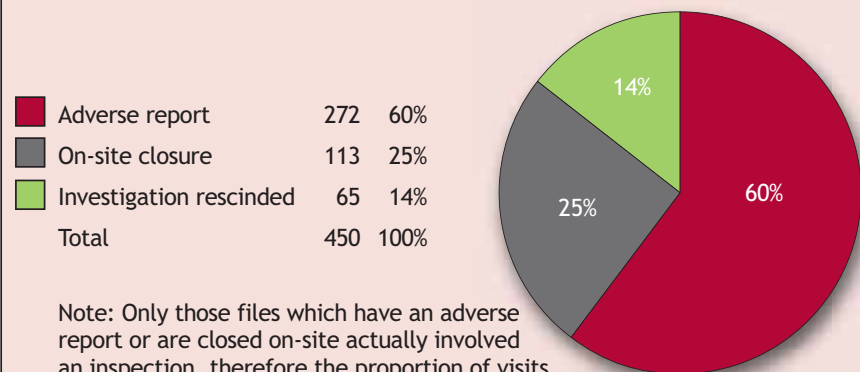
In 2007, we received some 14,000 items of information as confidential intelligence, reports, complaints or through other channels. These led to around 5,000 substantive inspections or investigations. Investigation takes place through desk-based or field-based work, or a combination of the two, as appropriate in the particular case. The proportion of visits to firms by our Forensic Investigations Unit which resulted in an adverse report increased from 56% in 2006 to 71% in 2007. This reflects our continuing development of a targeted, risk-based approach to investigation.

The methodology for risk scoring and profiling new and existing information was further refined, as envisaged in the 2006 Annual Report. A successful pilot of a Risk Assessment and Designation Centre (RADC) was undertaken, with a view to full implementation in 2008. The development of the RADC and associated work on identifying and scoring risk factors will play a crucial role in the prioritisation and allocation of investigative resources across the SRA.

### Orders made by the Solicitors Disciplinary Tribunal during 2007



### Forensic Investigation files closed



Note: Only those files which have an adverse report or are closed on-site actually involved an inspection, therefore the proportion of visits which resulted in an adverse report is actually 71%.

Files with the 'rescinded outcome' are those where an investigation has been authorised but does not take place.

The RADC has been designed as a single front-end operation to handle all new information which indicates the existence of regulatory risk, with only sensitive intelligence requiring pre-handling by security-cleared staff (very urgent issues requiring immediate action will continue to use special procedures).

The pilot mainly used existing experienced assessment staff, rotated into and out of the key operational units, so that the RADC would be perceived by all as a shared service, spreading a consistent understanding throughout the organisation. The RADC designates cases to the appropriate directorate and unit according to the nature of the work

## Consumer protection, enforcement and discipline

and ensures that reports tracking progress are produced.

We made sound progress in improving the timeliness, quality and efficiency of our conduct complaints work, against targets agreed with the Legal Services Complaints Commissioner, with 86% of cases resolved within six months and 95% within 12. Overall caseload was reduced for the second successive year.

### Coal health claims

We continued our strong focus on investigating alleged misconduct in the handling of coal health compensation claims. These cases involve a particularly vulnerable group of consumers, and have aroused widespread comment and concern. By the end of 2007, 63 forensic investigations into firms had been authorised, of which some two-thirds had been completed or were nearing formal decision. In 10 firms, 36 solicitors had been reprimanded and 22 were subject to warnings as to their future conduct.

The SRA refers the most serious coal health cases to the SDT, which has the power to strike off, suspend or fine. By the end of 2007, four cases involving nine solicitors had been completed by the SDT, resulting in fines totalling £60,000, the payment of substantial costs and, in one case, the repayment of £160,000 deductions wrongfully made.

A further nine cases had been lodged, with others in the pipeline. The SRA also took enforcement action in the SDT in two cases in relation to unpaid awards made by the Legal Complaints Service against firms for inadequate professional service in coal health cases.

### Taking action

SDT orders of all kinds recorded by the SRA increased 16% in 2007 to 286. Some 70 solicitors were struck off, slightly up on 2006, and 48 were suspended, a 50% increase. There was also a 26% increase to 96 in the number of individuals fined.

We used our statutory powers of intervention to close down just under 50 firms during the year, a similar number to 2006. Approximately a third of interventions took place because we had reason to suspect dishonesty. Bankruptcy, incapacity and abandonment were some of the other reasons why practices were closed to protect the interests of clients.

In 2007, as in 2006, reports of alleged mortgage fraud increased. The SRA continued to be active in providing evidence for, and supporting, successful criminal prosecutions, involving various forms of dishonesty, against individual solicitors, bogus solicitors and solicitors' employees. At least five of these resulted in prison sentences, one of ten years.

The effectiveness of the SRA's investigative and disciplinary work depends upon our ability to maintain excellent working relationships with other regulators and law enforcement agencies. We also rely on the information which is provided to us by members of the public and of the profession.

Suki Gill is team leader in the Regulatory Investigations Unit, which is part of the Regulation Response Directorate, based in Leamington Spa. She has been promoted several times since joining the SRA's predecessor nearly 12 years ago as a casework support officer, gaining along the way a management degree and an MBA, with the organisation's support.

Her team of ten caseworkers deals with various types of regulatory applications and investigations into regulatory breaches. In the most serious cases they may make a recommendation for intervention into a practice. As part of the SRA's decision-making project, which aims to ensure that decisions are taken at the appropriate level, the team has also started determining whether conditions need to be placed on individual solicitors' practising certificates.

The decisions this team makes to safeguard the interests of consumers can have a profound effect on solicitors. 'It is a balancing act,' Suki says. 'Protecting the public is always at the forefront of our minds, but we must also ensure that the solicitor has a fair chance to put their side of the case.'

Her role includes managing the team, regular reporting on a number of fronts, and also risk-assessing new cases to ensure they are dealt with on a priority basis. She reviews all the caseworkers' files regularly to make sure that prompt and appropriate action has been taken.

Major changes are on the horizon, with the SRA to gain the power to rebuke and fine solicitors up to £2,000. Suki says: 'The next 12 months are going to be very interesting.'

## Compensation Fund

The Compensation Fund is funded by solicitors to provide financial protection for clients. A very small minority of solicitors are dishonest or fail to manage their clients' money correctly. The Fund is used to make discretionary payments to replace money lost by clients if this cannot be recovered from the solicitor's insurer. The Compensation Fund, together with other protective measures, gives clients a higher level of financial protection than that available in most parts of the world.

The SRA processed 4,083 claims on the Fund during the year paying grants of £10.5 million. The Compensation Fund retained 1,383 claims under investigation at the end of 2007, compared to 3,362 at the end of 2006. This significant reduction reflects both a lower number of claims received and the effects of more targeted operation within the Fund during the year. For the 2007/2008 practice year, the full contribution was reduced by £100 to £300. The reduction was made in acknowledgement that a significant reserve was in place but with the intention of maintaining the Fund at a viable level to meet all the grants during the year.

There were no individually huge defaults by solicitors (in excess of £2 million) that threatened the Fund in 2007 so grant payments remained lower than the average of previous years. Compensation Fund grants are usually made in relation to firms where the SRA has intervened. At the year end, 15 interventions had taken place on grounds of dishonesty (14 in 2006 and 11 in 2005) and 33 for other reasons (36 in 2006 and 49 in 2005).

In June 2007, it was discovered that the 2006/2007 contributions to the Compensation Fund had been

incorrectly collected at the end of 2006. Due to an administrative error, some 36,200 solicitors had not received the benefit of the reduced contribution set for that year. The individual sums over-collected were either £100 or £50. When the error was identified, a public apology was issued and an action plan initiated which refunded the over-payments plus interest. By 31 December 2007, over 99% of the over-payments had been successfully refunded and all reasonable efforts have been made to contact the remaining payees. Additional controls have now been agreed and were successfully operated for 2007/2008 to prevent a recurrence of the problem.

In September 2007, the SRA established a working party to review the Compensation Fund's operation, application of policy and rules. The first priority for the working party has been to review the methodology and criteria for setting contributions and managing the Compensation Fund reserve to inform contribution setting for 2008/2009. Work will continue in 2008 to revise the Compensation Fund rules in reflection of statutory changes resulting from implementation of the Legal Services Act 2007. Further work will be carried out on developing revised options for delivering financial protection subject to future consideration with the Legal Services Board.

## Access to justice, transparency and consumer information

### Work of the Information Directorate

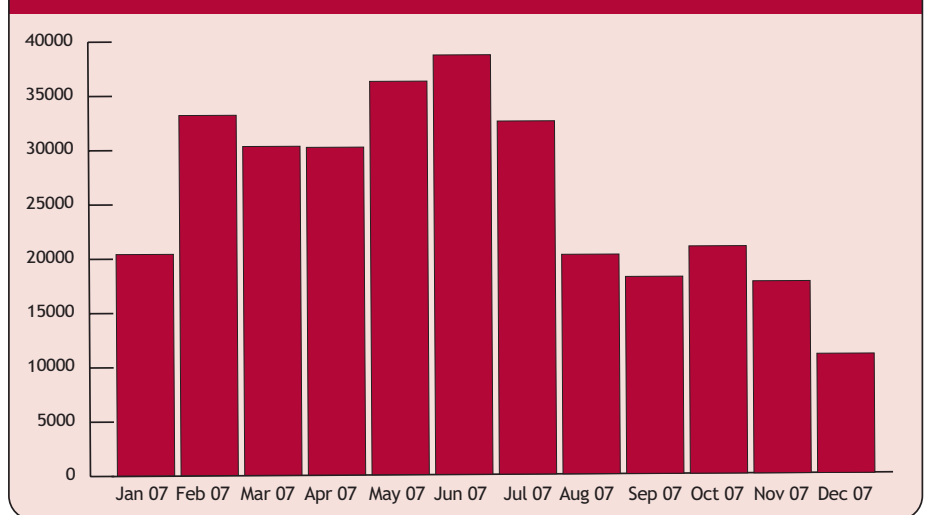
Our Contact Centre is the first point of contact with the SRA more than 600,000 times a year. It aims to provide exemplary customer service to all its customers, and handles enquiries ranging from student enrolment to training to setting up new practices. The team also explains to consumers how to find a solicitor who may be able to help them and confirms the authenticity of solicitors and solicitors' practices to lending institutions.

The Information Directorate has a number of other functions, ranging from dealing with accountants' reports, to processing applications for accreditation scheme membership, and authorising training establishments. In total, it considers more than 40,000 applications annually .

It is also responsible for maintaining the Roll of solicitors and major annual projects, such as bulk applications for practising certificate renewal. It provides a customer account management approach to the 30 largest law firms. In all, it deals with more than 50,000 applications every year. A key role in 2008 will be planning for the implementation of entity-based regulation under the Legal Services Act.

In the latter part of 2007 we were working to establish a new Information Unit within the Directorate in January 2008. It will ensure the SRA has the information it needs to fulfil its regulatory obligations, and to provide consumers with the information they require in making choices about legal services. The team will be collating and analysing pro-active regulatory information to predict trends and aid future policy decision-making.

### Calls from members of the public



'You have to keep yourself up-to-date with so much information - it's a real challenge.' So says Kayleigh Evans, an information services officer in the SRA's Contact Centre. Kayleigh had to undergo four months of training for the role, such is the breadth of questions the public, students and solicitors can pose her.

The centre handles enquiries on:

- Routes to qualification, training contracts, authorisation to take trainees;
- Admission to the Roll;
- Practice changes;
- Practice rules;
- Student enrolment, academic stage of training;
- Setting up new practices/incorporated practices/limited liability partnerships;
- Findings and orders;
- Admissions and admission ceremonies;

- Practising certificates and renewal; and
- Accountants' reports.

Members of the public will often call wanting to find a solicitor to advise them, while recruitment consultants and lenders will want to double-check that solicitors are who they say they are.

Most of the work is on the telephone, with some correspondence, but Kayleigh recalls how recently a student even turned up at the SRA's offices, so she went to help him fill in the forms he was having trouble with.

The centre can receive more than 60,000 contacts in the busiest months, but there are still exacting service standards and the centre aims to answer 75% of calls within 30 seconds. Kayleigh says that during busy periods, when the calls are flooding in, it is all hands to the pump. 'There's a real atmosphere of teamwork as we try and ensure they are answered in time,' she says.

## Consumer research

As a relatively new body operating in an area in which significant change is underway, the SRA is keen to engage with and understand the concerns of consumers.

In order to get a better feel for the consumer experience of solicitor services and the understanding and expectations of the SRA as a regulator, we commissioned qualitative and quantitative research in August 2007. It was also designed to explore consumer attitudes and views about referral arrangements (see page 18). Research consultancy Sidekick conducted an omnibus survey of almost 1,000 adults in England and Wales, and a series of focus groups.

## Consumer experience

Overall, the research found that 65% of consumers were satisfied with the services they had received from solicitors, while 19% were dissatisfied. Apart from unhappiness about the outcome, there were three key areas about which concerns were expressed:

**Communications** - Consumers felt alienated by the use of jargon, were confused by the volume of paper that they were asked to deal with by solicitors, and felt frustration and loss of control from not being kept up-to-date on progress.

**Cost** - There was a strong sense of dissatisfaction about the level of solicitors' fees, which was exacerbated by the fact that consumers felt there was a lack of transparency around charging structures and no cap on overall costs. These concerns fed into a general feeling that solicitors had incentives to delay cases unnecessarily.

**Delays** - Linked to cost concerns, there was a suspicion among consumers that cases were unnecessarily delayed in order to

increase solicitors' fees. There was also concern at the fact that there was very little transparency about the length of time that a case was likely to take and a general sense that simple tasks took too long to perform.

The qualitative research highlighted a broader sense that solicitors failed to deliver sufficient support and personalised service. This was accentuated by the fact that consumers often engaged solicitors at times of vulnerability and emotional stress.

## Regulation and the SRA

Consumers did not easily distinguish between conduct and service issues. They expressed a need to be able to access the right people when things went wrong in their relationship with their solicitors.

The research highlighted considerable confusion about the bodies consumers might turn to and the sort of issue that might merit complaint. Interestingly, many identified the Citizens Advice Bureau as their first point of contact for a complaint.

Overall, the research showed a perception among consumers that the legal profession is under-regulated, which tied into limited awareness of the existence and respective roles of the Legal Complaints Service and the SRA (although, when asked, consumers were quick to work out what the SRA's role is).

## Conclusions and future work

This research creates a clear benchmark against which we can measure the success of our consumer engagement strategy. It also highlights some important issues if we are going to meet our objective of building consumer confidence in the profession.

In 2008 we will begin to implement a comprehensive strategy for consumer engagement. The details have still to

be finalised, but could include:

- Consumer empowerment through targeted provision of information and education initiatives;
- Adaptation of solicitor training to take on board learning from the research programme;
- A series of events designed to promote the role of the SRA to consumers and to build confidence in the regulation of legal services; and
- Partnership work with the Legal Complaints Service and Law Society to address some of the issues raised in the report.

## Consumer satisfaction

- 65% of consumers indicated that they were satisfied with the service they received from their solicitors
- 19% said that they were dissatisfied
- Matrimonial and personal injury cases were the key areas where consumers expressed dissatisfaction
- 38% of dissatisfied consumers indicated that the time taken was their main cause for complaint
- 29% cited lack of communication by their solicitors
- 16% said insufficient explanation about costs gave them cause for complaint

## Engaging with our stakeholders

Our principles say that we will work independently of, but in consultation with, our stakeholders, including consumers, the profession and its representative bodies, the judiciary and government.

On 15 March 2007 the SRA's new identity was launched at a reception at the Atrium, Millbank, London. It was addressed by the then Lord Chancellor and Secretary of State for Constitutional Affairs, Lord Falconer, and Sir David Clementi, whose review of the regulation of legal services laid the foundations for the Legal Services Act. The event was attended by senior lawyers, parliamentarians, representatives of the Law Society, other regulators and legal journalists.

Our Chair and Chief Executive attended a meeting of the All Party Coalfield Communities group in March to brief MPs and peers on the SRA's work to deal with firms suspected of malpractice in connection with the Government's coal health compensation scheme.

During 2007 we continued our programme of Regulation Roadshows for solicitors with events in Plymouth, Lincoln, Cardiff, London, Newcastle and Liverpool. The roadshows were attended by a total of about 800 solicitors. They enabled practitioners to hear first-hand about our policies on current issues and to question the Chair and senior members of staff.

In December the SRA joined with the National Consumer Council to host a roundtable event for UK regulators and consumer groups to discuss effective ways of engaging with consumers. Representatives from 20 regulators, ranging from water and energy supply to chartered surveying, shared their experiences at the event, which was chaired by Jitinder Kohli of the Better Regulation Executive. They were joined by consumer group representatives, including Which?.

The SRA used the opportunity to share the findings of its consumer research project (see page 23). Other regulators spoke about how the media and the Internet now have vital roles in disseminating regulatory information. Consumers are able to find information and expertise from media sources and the web which can help make them more discerning clients.

There was consensus on the need for genuine engagement with consumers, even though it can be considered an expensive exercise. There was a duty on regulators to be open and accountable about the job they were doing. We will be developing ideas about how the SRA can engage with consumers of legal services during 2008.

Towards the end of 2007 we had a number of meetings with representatives of black and minority ethnic (BME) solicitors and with Keith Vaz MP about concerns that BME solicitors were disproportionately represented in regulatory decisions compared to their representation within the profession. The issue had initially been identified in a statistical report we had produced in 2006. Our Chair also attended a roundtable discussion on the issue at Westminster chaired by the Parliamentary Under-Secretary of State at the Ministry of Justice, Bridget Prentice MP.

The Board decided to establish a working party with the key groups representing BME solicitors to investigate the reasons for the disproportionality. As the year ended, we were working with stakeholders to settle the membership and role of the group and of an independent review of relevant regulatory policies and processes.

The SRA is committed to promoting equality and diversity in all its work and to fairness and transparency in its regulatory decision making. We will use the findings of the review to help us to ensure that we are delivering on that commitment.

# Organisational improvement

## Structure

During 2007 we completed the restructuring of our management and business units. The large Compliance and Standards directorates were replaced by a more efficient, flatter structure comprising eight functional directorates:

- Information
- Standards
- Regulation response
- Inspection and investigation
- Client protection
- Legal
- Resources
- Policy and communications

Appointments were made to all the Director posts, which with the Chief Executive constitute the SRA's Senior Management Team. The Directors reviewed the internal structures of their new directorates, and made appointments at head of unit level. By the end of 2007 the restructuring was largely complete.

In May 2007 the SRA secured its own human resources and development and finance staff from the Law Society. At the close of the year, issues about the delivery of common services, and the relationship between the SRA's HR and finance teams and the Law Society's central functions, remained outstanding. These must be resolved in 2008 as part of the discussions between the SRA and the Society on corporate governance and management.

## The Change Programme

The SRA's Change Programme was established in 2007 under a change programme director. It was designed to support the Senior Management Team in overhauling and rationalising business processes to meet the principles of good regulation and provide value for money. It will also help us to introduce changes to the culture of the organisation - including a new emphasis on managing performance. However, perhaps the most critical role of the Change Programme is introducing new information technology for the SRA.

### Information technology

In 2006 we identified the introduction of a new IT system as fundamental to our ability to deliver our strategy. The SRA's work is currently dependant on two main systems inherited from the Law Society, both of which date from the 1990s. These systems do not meet the needs of modern, risk-based regulation. New technology will enable us:

- To gather and analyse regulatory information more effectively;
- To make better use of information, proactively identifying new risks and targeting our resources where the risk to the consumer is greatest - essential to carrying out our role as a risk-based and proportionate regulator;
- To deliver entity-based regulation under the provisions of the Legal Services Act, realising the Government's objective of greater choice for the consumer through new structures for the delivery of legal services; and
- To allow solicitors to conduct their dealings with the SRA online.

Working throughout in close consultation with the Law Society's IT department, we selected a suitable product early in 2007. An independent gateway review, undertaken in August 2007, confirmed that the choice of product was correct, and that the project was appropriately managed.

We intended to complete the first stage of the implementation in the summer of 2008, but unfortunately delays meant that by the end of 2007 our timetable had slipped significantly. Of particular concern is the potential impact on our ability to implement entity-based regulation in 2009. We will continue to work with the Law Society in order to resolve outstanding issues, and ensure that the SRA obtains the IT which it needs to carry out its role as a modern, public interest regulator.

### Efficiency savings

Following our Regulation Audit in 2006, which looked at the operational effectiveness of our core regulation processes, a number of process improvements were introduced. In the Conduct Assessment and Investigation Unit a 15% target for improved productivity was met, with underlying efficiency savings of some £250,000 delivered. In the Information Directorate streamlining of processes resulted in savings of over £130,000.

## Consultations and priorities

### Consultations in 2007

During the course of 2007 we concluded public consultations on the following subjects:

- Trainee solicitors' minimum salaries;
- Higher rights of audience;
- Character and suitability guidelines;
- Modernisation of regulatory decisions;
- Residual client account balances;
- Regulatory decision making and adjudication;
- A new framework for work-based learning;
- Future structure of the Legal Practice Course;
- Solicitors acting for seller and buyer;
- Allocation and collection of fees;
- Legal Services Act: new forms of practice and regulation; and
- Qualifying law degree providers - collaboration arrangements.

One consultation was commenced in 2007 for conclusion in 2008:

- Proposals for a review of professional accreditation schemes.

### Priorities for 2008

In 2007 we began to lay the groundwork for entity-based regulation and for creating a new framework for quality assurance for the profession. We also developed new structures, processes and systems for the organisation. These will help us to improve the way we work and will make us more efficient. We will build on both of these in 2008.

We will continue to develop new policies, particularly in the field of legal education and professional development, and in the regulation of entities. Our aim is to provide a more coordinated approach to ensuring that solicitors are enabled to achieve and maintain the high standards of professional competence necessary for modern legal practice. We must also pave the way for the first stage of entity regulation in 2009 under the provisions of the Legal Services Act. The work which we undertake will yield significant benefits both for consumers of legal services, and for those who provide them.

Our key areas for delivery in 2008 will include:

- Agreeing and implementing rule changes to support the regulation of entities under the Legal Services Act. This will involve development work to ensure the delivery of Legal Disciplinary Practices in 2009, and planning for the delivery of Alternative Business Structures by 2012;
- Agreeing and implementing new processes in relation to pre-qualification standards. These include piloting work-based learning from September 2008;
- Commencing a complete review of Qualified Lawyer Transfer

arrangements, with the objective of agreeing new processes by 2011;

- Completing the review of professional accreditation schemes;
- Introducing new powers of enforcement provided by the Legal Services Act;
- Implementing the Risk Assessment and Designation Centre and rolling out a systematic regulatory risk assessment process across the SRA, to be completed by the end of 2008. This will enhance the SRA's ability to identify the highest risks and target our regulatory action;
- Completing the reform of SRA regulatory decision-making and adjudication in accordance with the principles published by the Board. This will help us to ensure that our decisions are made transparently, fairly and consistently in accordance with clear criteria;
- Supporting an independent review of the impact of regulatory decisions on black and minority ethnic groups within the profession, and implementing any action identified as a result;
- Improving our organisational performance, including the development of more robust key performance indicators; and
- Introducing new information technology to help drive our development as an information-led, risk-based, proportionate public interest regulator.

In 2008 we will continue to consult with all our stakeholders. In particular, we will seek effective ways of identifying the interests and obtaining the views of consumers of legal services.

# Financial review for the year ended 31 December 2007

## Introduction

Demonstrating value for money in all our work is one of the principles set out in the SRA's Strategy.

Maintaining discipline on costs whilst at the same time introducing organisational reform and delivering regulatory innovation is not a straightforward task. In setting our 2007 budget the SRA had a target of efficiency savings of 5%. These efficiency savings - and a focus on cost in general throughout the organisation - resulted in an overall saving of 4% against the budget.

Specific areas where efficiencies were delivered included:-

- a 15% target for improved productivity in the Regulation

Response Directorate's Conduct Assessment and Investigation Unit, which delivered savings of some £250,000

- the streamlining of processes in the Information Directorate, where savings of over £130,000 were achieved
- savings of £11,000 in the Legal Directorate through efficiency in the cost of adjudication

Continuing improvements in efficiency and productivity were a key aspect of the 2008 SRA business plan which we were developing in the latter part of 2007.

Apart from the focus on savings through increased efficiency, key

financial achievements in 2007 included:

- the successful split and allocation of budgets and costs following the SRA's restructure into eight new directorates.
- the approval of the investment of Statutory Trust Funds into longer-term higher-return investment with Barclays Global Investors.

Total net direct expenditure for the SRA for the year ended 31 December 2007 was £23.5m against a budget of £24.6m. This represented a favourable variance of 4%. The financial results of the SRA are consolidated in the Law Society Consolidated Report and Financial Statements published in May 2008.

## Expenditure

The SRA's expenditure in the year was £40.5m. Of this £8.9m was spent on the administration and maintenance of the Compensation Fund. The Solicitors Act allows the SRA to recharge such expenditure to the Compensation Fund, thereby reducing the SRA's direct expenditure to £31.6m.

In addition to the efficiency savings, the underspend against budget can be explained by delays in the roll-out of the SRA IT programme and to savings in the production of the Solicitors' Code of Conduct.

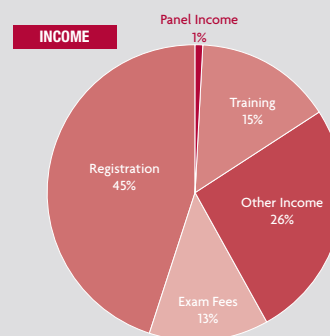
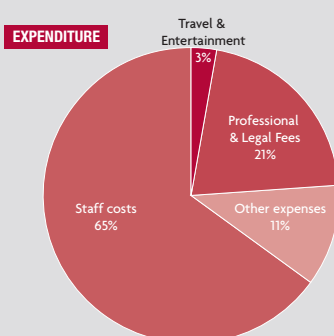
## Income

Regulatory income was £8.1m, an increase of 20% against 2006 (adjusted).

The increase in income against budget can be explained by greater revenues from charged Qualified Lawyers Exam fees, Student Enrolment and Criminal Records Bureau enquiry fees.

### Expenditure

£m	Actuals 2007	Budget 2007	Variance
Staff Costs	26.5	26.3	-1%
Travel & Entertainment	1.2	1.4	14%
Professional & Legal fees	8.5	7.8	-9%
Other Expenses	4.3	6.9	38%
	<b>40.5</b>	<b>42.4</b>	<b>4%</b>



### Income

£m	Actuals 2007	Budget 2007	Variance
Exam Fees	1.0	0.7	40%
Registration	3.7	3.1	20%
Training	1.2	1.0	14%
Panel Income	0.1	0.4	-73%
Other Income	2.1	0.9	146%
	<b>8.1</b>	<b>6.0</b>	<b>34%</b>

## 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 Solicitors' 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 Solicitors' 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 requirement 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.



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

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