



Solicitors
Regulation
Authority

SRA Summary of Performance Measures and Statistics

June 2010

SRA Summary of Performance Measures & Statistics

This report provides a summary of the work of the SRA. It allows our stakeholders to monitor our performance against our strategy.

The SRA is currently transforming its approach to regulation for the benefit of consumers. We recognise that significant reform of our traditional approach is necessary if we are to be a 'fit for purpose' regulator fit for the new legal landscape brought in by the Legal Services Act 2007. The SRA will move to a system of outcomes-focused regulation (OFR) which will offer:

- a better focus on making sure firms offer good standards of service to consumers; and
- good firms more flexibility in how they operate their businesses

'*Freedom in Practice – Better outcomes for Consumers*', our most far reaching consultation programme to date, was launched on 25 March 2010. This programme acknowledges the importance of engaging with all of our stakeholders - including firms, individual lawyers and consumers.

See www.sra.org.uk/freedominpractice for our consultation papers, details of roadshows and events, and other information about the new approach.

We want to foster a flexible and innovative market for legal services, combining improved access to justice with assured standards. For that reason, our plans for OFR will be introduced at the same time as the framework permitting Alternative Business Structures (ABSs) in October 2011.

Further details of the SRA's strategy can be found on our website at www.sra.org.uk/sra/strategy.page.

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If you have any feedback or queries regarding the report, please contact us at managementinformation@sra.org.uk

Headline figures

The SRA regulates

- **117,225** practising solicitors, with a further **31,864** non-practising
- **307** registered European lawyers
- **1,760** registered foreign lawyers
- **11,026** firms, of which **254** are now Legal Disciplinary Practices

In the second quarter of 2010 we have

- answered **88%** telephone enquiries from the public within 60 seconds
- effected **100%** interventions within target
- issued proceedings at the SDT within an average of **5.4** months against a target of 6 months
- answered **90%** calls to the Ethics Guidance Helpline within 45 seconds
- paid **£7.61 m** to claimants from the Compensation Fund
- distributed **£9.0m** from monies held on statutory trust following intervention
- risk assessed **2,783** allegations
- concluded **2,028** casework investigations
- answered **13,385** calls to our Ethics Guidance Helpline
- **2,938** claims in progress on the Compensation Fund representing a liability of **£157m**
- undertaken **217** practice standards monitoring visits to firms
- issued **57** sets of proceedings at the SDT
- issued **74** reprimands
- effected **14** interventions

The Regulated Community

Solicitors in England and Wales

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

The number of practising solicitors continues to rise year on year - up 2.1% at the end of June 2010 compared with the same time last year. The number of solicitors on the roll at the end of June was 149,089 - up 3.5% on the same time in 2009, but down from the figure at the end of March as a number of solicitors choose not to remain on the roll each year and are removed between March and June.

Population of practising solicitors since January 2008

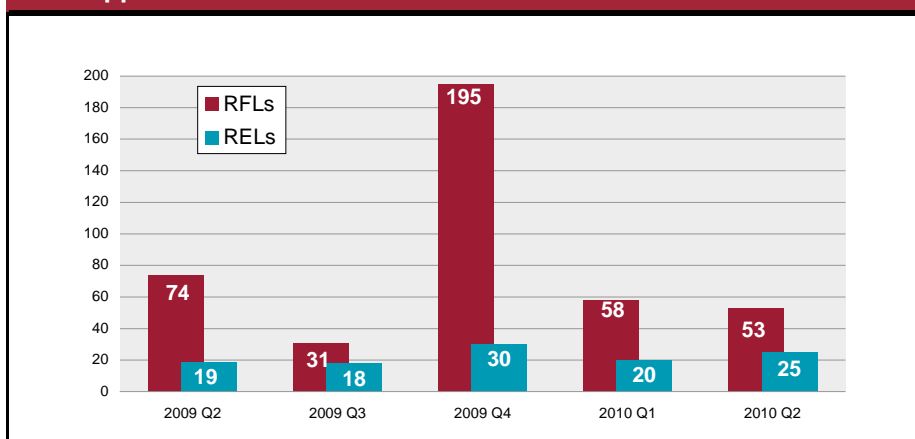


Registered foreign lawyers and registered European lawyers

In addition to solicitors on the roll with practising certificates, there are also a number of registered foreign lawyers (RFLs) and registered European lawyers (RELs) who are regulated by the SRA. The table below shows the number of applications from individuals seeking to become an RFL or REL since the middle of 2009.

At the end of quarter 2, there were a total of 307 RELs and 1,760 RFLs.

New applications for RFLs and RELs



The Regulated Community

Solicitors' firms

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

Snapshot by type of firm

Firm Type	June 2009	September 2009	December 2009	March 2010	June 2010
Incorporated Company	1467	1541	1657	1742	1862
Limited Liability Partnerships	1067	1101	1129	1167	1242
Multinational / Overseas	202	169	164	162	129
Partnership	3967	3897	3874	3787	3676
Sole Practitioner	4242	4095	4083	4056	4034
Other	48	48	51	61	83
Total	10993	10851	10958	10975	11026

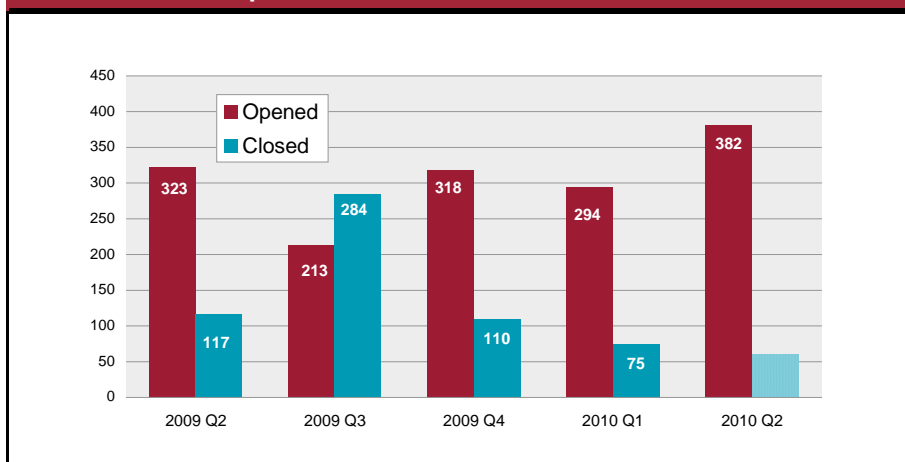
The number of firms continues to remain stable, although there was an increase in incorporated companies in the last quarter and a reduction in the number of partnerships.

Firms opening and closing

During the last 12 months 1207 new firms opened and 529 firms closed (as at 21st July 2010). A number of firms have merged during this time resulting in an overall increase of only 33 firms.

As it can take a number of weeks for the SRA to be notified of and process firm closures, the finalised figure for quarter 2 is not yet available - indications are that it will be less than the corresponding figure in 2009. The final closure figure for quarter 1 shows a slight fall on the number for the same period in 2009.

Number of firms opened and closed - Last 12 months



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

Setting the Standards

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

Standards for practice

All the rules and regulations which regulate legal practice and the ethical behaviour of those delivering legal services have been re-drafted to apply to Alternative Business Structures (see page ?) as well as all solicitors' firms and LDPs.

At the same time the Code of Conduct and, where appropriate, other rules have been re-drafted to make them outcomes focused to give firms more flexibility in the way they can provide legal services for the benefit of clients.

A major consultation "The architecture of change: the SRA's new Handbook" was launched on the 28th May annexing all the proposed rules and regulations and inviting stakeholder comment. This was in accordance with the tight timetable agreed with the LSB.

Details of this can be found on our website - <http://www.sra.org.uk/sra/consultations.page>

Routes of entry

Routes to Qualification				
By admission date	12 m to Jun 09	12 m to Jun 10	variance	% variance
Qualifying Law Degree	3,978	4,031	53	1%
Conversion Course	2,257	2,247	-10	0%
QLTT *	2,338	1,720	-618	-26%
Other	224	481	257	115%
Total admitted	8,797	8,479	-318	-4%

* Qualified lawyers transfer test

48% of those admitted in the 12 months to June 2010 completed a qualifying Law Degree. 27% had undertaken post graduate study following a non-law degree (often referred to as a 'conversion course', specifically the Post Graduate Diploma in Law or Common Professional Examination).

20% of individuals admitted to the roll had qualified under the 'Qualified Lawyers Transfer Regulations' which allow overseas lawyers and other UK qualified lawyers to become qualified solicitors in England and Wales. To do this they must have satisfied the requirements regarding experience of practising the law of England and Wales and must also have passed the Qualified Lawyers Transfer Test (QLTT). The decrease seen in QLTT applicants in the last 12 months was the result of changes in the regulations which led to a large number of applications before the new regulations came into force in September 2008. Revisions to these rules have been approved by the Legal Services Board and will come into force in September 2010.

The remaining 6% of individuals qualified via another route. They may have achieved qualifications equivalent to a qualifying law degree or Common Professional Examination, or have been eligible for exemption from the usual requirements. There has been a significant increase in entrants via these other routes during the last 12 months. This is in part due to a recent surge in entrants from certain jurisdiction who may receive exemptions currently but may not do so once the new Qualified Lawyers Transfer Scheme comes into effect in September.

Support & Monitoring

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

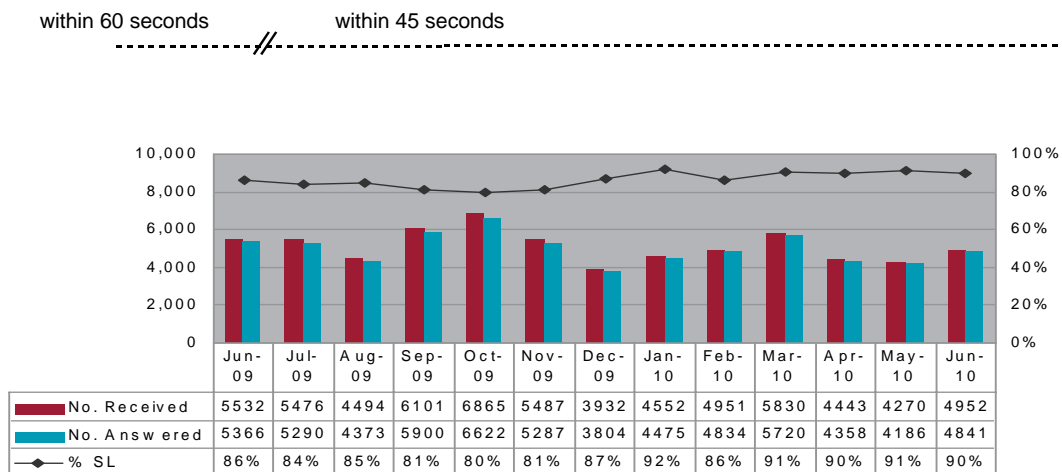
Ethics Guidance Service

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

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

- Accounts Rules
- Confidentiality and disclosure
- Practising Certificates

Calls to the Ethics Guidance Helpline



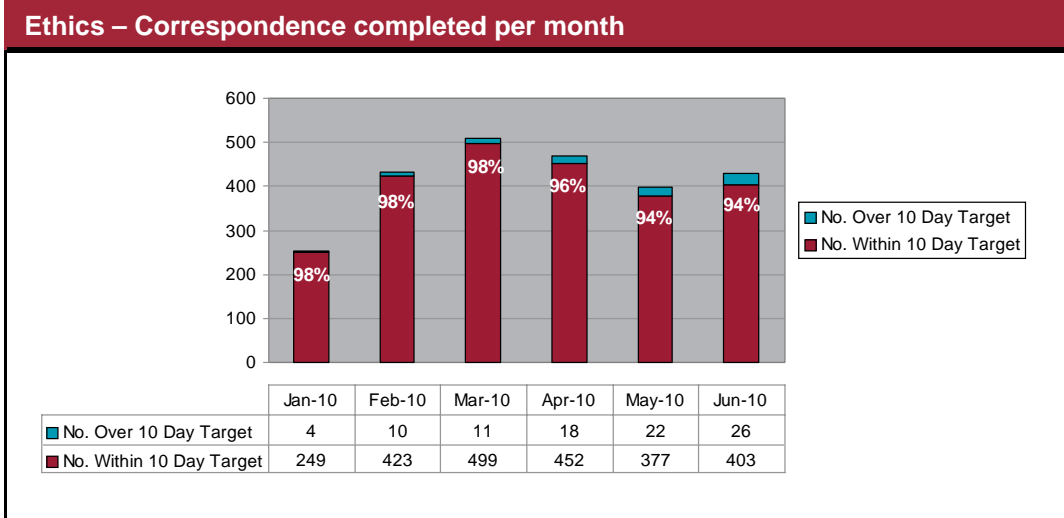
The service level for the Ethics Guidance Helpline changed during 2009. Prior to July 2009, staff aimed to answer calls within 60 seconds. This was reduced in July 2009 to 45 seconds. The service level on the graph above shows the percentage of calls that were answered within these times.

By the end of quarter 2 the Ethics Guidance Helpline had been working for eleven months to a 45 second target time to answer calls. Since the start of 2010 the unit aims to answer 90% of calls within this time (previously 80%).

More than 90% of calls were answered within this target throughout quarter 2. Only 2% of calls to the Helpline were abandoned during quarter 2, the lowest proportion for any quarter since 2007. There were 12% less calls received by the Ethics Guidance Helpline in quarter 2 2010 compared with the same period in 2009. A total of 13,665 calls were received and 13,385 answered in the quarter (10% less than the same period in 2009).

Support & Monitoring

The method of recording the volumes of correspondence received within Ethics Guidance changed on 1st January 2010, providing us with more information on the timeliness of responses for all correspondence. This breakdown is not comparable with earlier quarters, so only monthly data for 2010 is provided below.



The team aim to respond to all correspondence within 10 working days, 95% of correspondence was completed within this service level during the second quarter.

In the second quarter, 1,298 pieces of correspondence were completed, this is a 10% increase on quarter 1.

SRA Freedom in Practice roadshows

The Freedom in Practice roadshow programme has now reached its conclusion following ten successful events which attracted nearly 1,000 solicitors.

SRA Board Chair Charles Plant and Chief Executive Antony Townsend were among those addressing audiences in London, Bristol, Leeds, Manchester, Liverpool, Birmingham, Cambridge, Exeter, Newcastle and Cardiff. The talks were followed by question and answer sessions and a series of workshops.

Other presenters included Samantha Barrass, Executive Director of Regulation and David Middleton, Executive Director of Legal. Charles and other Board members gave an overview of the SRA's new approach to regulation, while Antony and other senior management team members introduced the outcomes focused approach in more detail. Antony said: "Both events appear to have been highly successful, and to have generated interest and goodwill."

If you would like to see videos of Antony or Samantha talking about Outcomes Focused Regulation in more detail then just follow the links below:

<http://sramediaupdate/patches/sra/antony.html>

<http://sramediaupdate/patches/sra/samantha.html>

There is also a Freedom in Practice microsite, where you can also find all the latest information about Outcomes Focused Regulation. This can be found at <http://www.sra.org.uk/freedominpractice/>

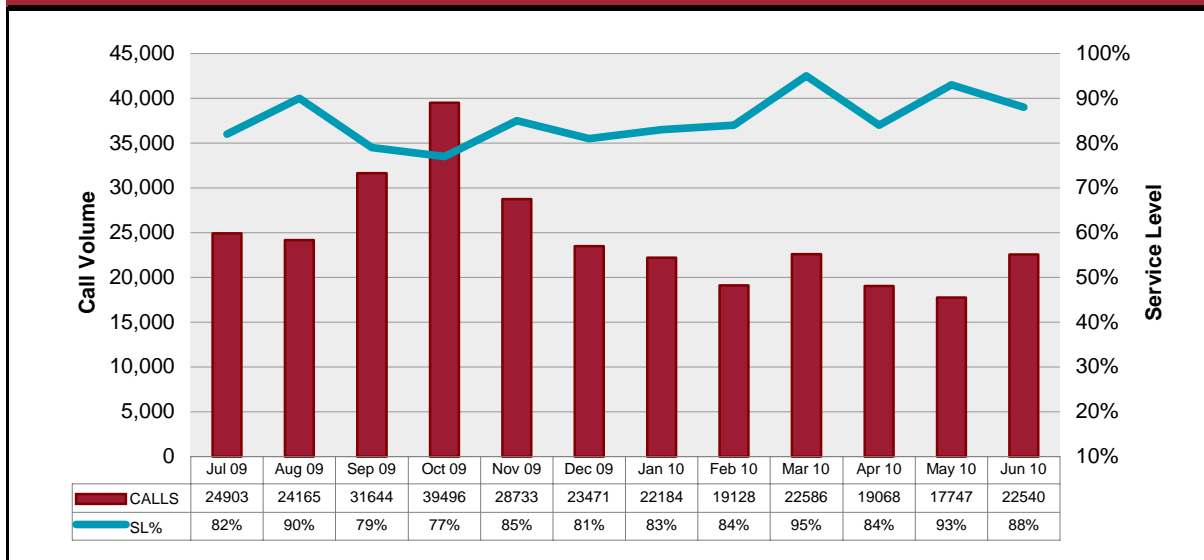
Support & Monitoring

Enquiries from the profession

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

The Contact Centre offers dedicated lines for the profession, students and the public as well as a number of seasonal lines which take calls relating to specific areas of enquiry such as solicitor annual enrolment and PC applications / renewals.

Calls to the Contact Centre Profession Lines



Over the last quarter, the Contact Centre received 59,355 calls from the profession of which 34,398 calls were to the profession line and 24,957 calls to the seasonal lines. The contact centre aim to answer 70% of calls within 60 seconds. The overall level achieved over the second quarter of 2010 was 88%, which is in line with the previous quarter, and remains well above their target.

Support & Monitoring

Monitoring visits to firms

The **Practice Standards Unit (PSU)** aims to assist practitioners to improve standards and service by monitoring compliance with the rules of professional conduct. This is achieved through monitoring visits carried out by the unit.

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

PSU Monitoring Visits

Volumes	Q3 2009	Q4 2009	Q1 2010	Q2 2010
No. of Visits	205	182	218	217
On-Site Days	475	457	506	(366) *

* Q2 figure is provisional as it does not include any on-site days for the 48 visits awaiting grade - see below.

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

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

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

PSU Monitoring Visit Grades

Overall Grade	Q3 2009	Q4 2009	Q1 2010	Q2 2010
1	0	2	6	3
2-4	38	47	54	55
5-7	149	108	136	108
8-9	13	17	15	3
Awaiting Grade	5	8	7	48
Total Visits	205	182	218	217
% Grade 5 - 9	81%	72%	72%	66%

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

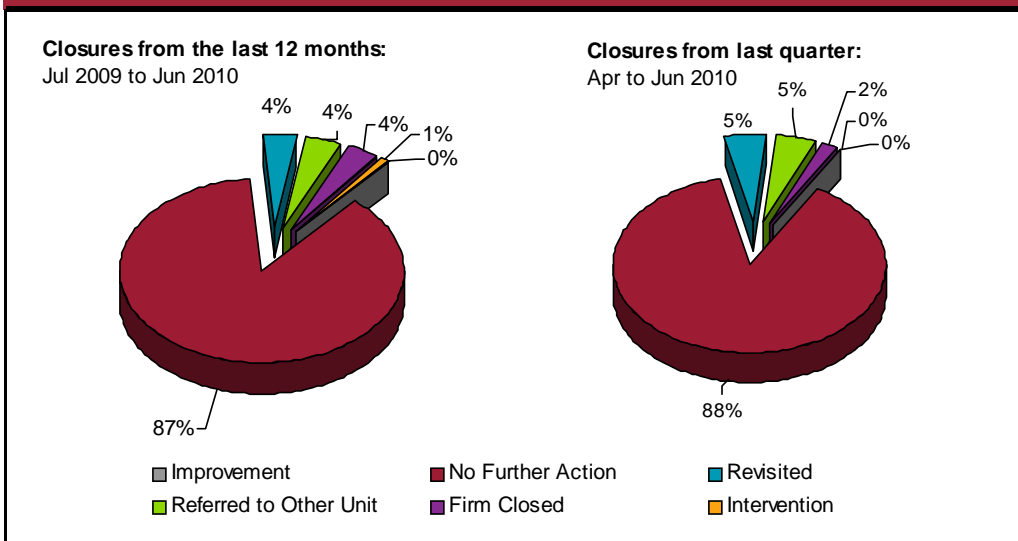
A combined score is shown for grades 5 - 9 as these grades represent those firms that had either serious breaches of SRA rules and regulations or required a referral to another part of the SRA for further investigation.

Following a visit, PSU may make referrals to other SRA units for further action or for information. 13% of firms were formally referred to another SRA Unit for action in the last quarter, as compared with an overall percentage of 8% over the 12 months to June 10.

In addition, 30 intelligence referrals were made by PSU in the last quarter (72 in the last 12 months) where information was shared with other departments.

Support & Monitoring

PSU File Closures in the last 12 months and the last quarter



Each visit file is given a final outcome upon closure. In the last 12 months 87% of files have been closed with either 'Improvement' or 'No Further Action'. Visit files are usually reviewed both 9 and 15 months after the visit to see how the firm has progressed. At these review periods a decision can be made to either close the file or extend the review period further if a firm's progress is not satisfactory.

Consumer Protection, Enforcement & Discipline

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

Information & intelligence received

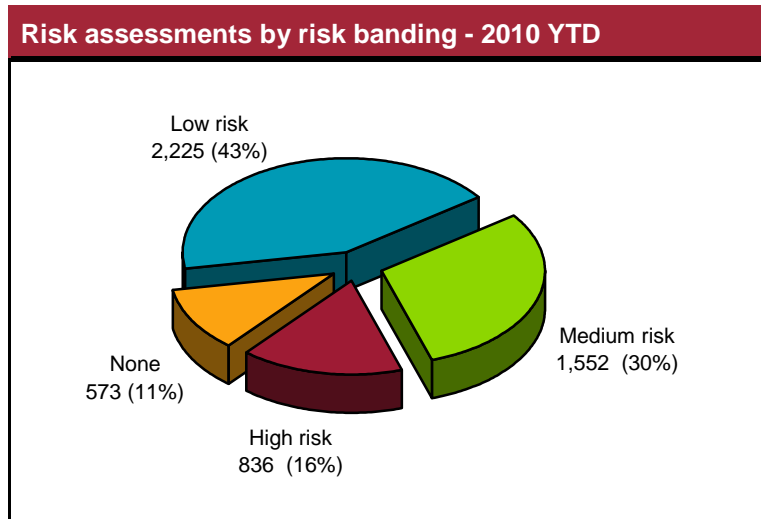
The Risk Assessment & Designation Centre (RADC) is the primary gateway for the receipt of regulatory information other than confidential intelligence, which is gathered by our Fraud & Confidential Intelligence Bureau (FCIB).

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

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

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

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



Each item received into the RADC and FCIB is assessed for risk and is categorised as either high, medium, low or no risk. The chart above shows the output from these two units by risk banding for the first half of 2010. 46% incoming matters were classed as medium or high risk, in line with the figure of 47% during 2009.

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

Consumer Protection, Enforcement & Discipline

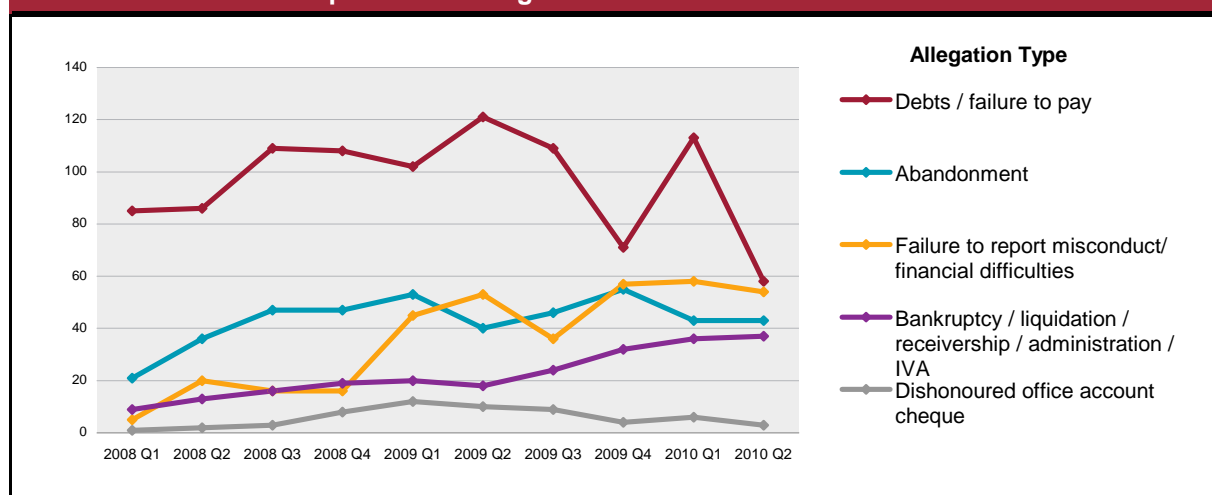
Allegations received by compliance risk

Total allegations by category		Q3 2009	Q4 2009	Q1 2010	Q2 2010
Efficiency, management and administrative competence		1,709	1,548	1,818	1,637
.. of which..	Character and suitability	1,237	1,104	1,207	1,205
	Conflict of interest	122	95	79	61
	Requirements/ framework of practice	350	349	532	371
Financial		889	880	1,013	836
.. of which..	Abandonment of practice	46	55	65	81
	Costs/ fees/ referrals	71	76	49	87
	Financial	429	488	602	449
	Fraud/ dishonesty/ money laundering	343	261	297	219
Legal competence		449	384	434	310
.. of which..	Breach of undertaking	167	84	105	91
	Mortgages and property	176	205	258	146
	Professional competence/ client relations	106	95	71	73

Numbers of risk assessments undertaken reduced in quarter 2, however over 2,400 were still undertaken. Each may involve multiple allegations. Allegations relating to mortgages and property show a significant decrease from previous high levels, while character and suitability issues continue to account for the largest proportion of allegations - more than 40%.

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

Indicators of economic pressures: allegations received



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

The table to the right shows the most common types of intelligence referral made to FCIB during the second quarter of 2010.

Most common referrals to FCIB

Topic	% of all topics referred
Holding out as a solicitor	31%
Mortgage / property fraud	18%
Deception / dishonesty	12%

Consumer Protection, Enforcement & Discipline

Forensic Investigations

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

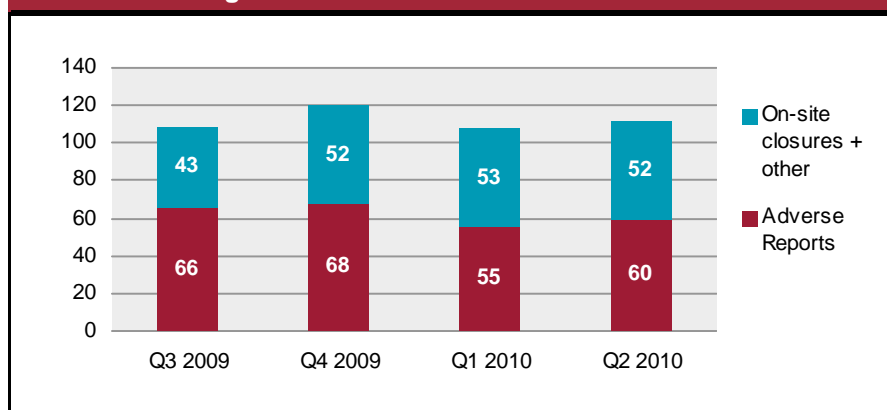
At the conclusion of an investigation, an on-site certificate is issued to the firm where the identified breaches or conduct are not material or minor corrective action is required following an investigation. Alternatively, where there is evidence of serious breaches of the rules or professional obligations,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

Forensic Investigations summary

Year on year	12 months to Jun 09	12 months to Jun 10	Variance	Monthly average to Jun 10
New investigations authorised	430	564	31%	47.0
Investigations Concluded	426	450	6%	37.5
Rescinded / Other	101	28	-72%	2.3

The table above shows throughput figures for Accounts Inspections conducted by the unit. The number of investigations opened and closed in any one month fluctuates. The table above shows that there has been an increase in the number of investigations authorised (31% increase to 564) and investigations concluded (6% increase to 450) between the year to June 2009 and the year to June 2010. Visits are rescinded where no investigation took place (for example if the firm no longer poses such a risk, has closed down, or where it is appropriate to await the outcome of some other activity). The number of rescinded matters fell 72% between the 12 months to June 2009 and June 2010, from 101 to 28 matters. Some files are closed for a temporary period, for example if progression on a matter is dependent on progress of other internal or external work. These temporary closures are excluded from these figures.

Forensic Investigation outcomes



This chart shows the number of Accounts Inspection closures split by those which involved an adverse report, and other investigations concluded. Just over half of the visits concluded in quarter 2 2010 had an adverse report (54%). This represents a continuation of the observed trend over recent quarters of a falling proportion of such outcomes, affected by a growing proportion of closed visits which were of medium priority. A minor revision to the figures for Q1 2010 has seen the number of adverse reports increase by one from 54 to 55, and the number of on-site closures of other outcome visits fall by one from 54 to 53.

During quarter 2 there were three Investment Business monitoring visits concluded, with a total of 27 over the last 12 months.

Consumer Protection, Enforcement & Discipline

Regulatory applications

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

Outcomes of applications

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

This quarter the unit concluded 275 Regulation 3 applications, following a large number of applications being dealt with in the first quarter of 2010. Of the 275 caseworked Regulation 3 applications concluded, 127 (46%) related to individuals who were already subject to Section 12 / Regulation 3 when applying. Of these 127 cases, conditions were continued or varied in 84% of cases, and lifted in 16%.

54% (148) of applications were from individuals newly subject to Regulation 3. Conditions were applied in 101 of these cases (68%).

35 applications were dealt with in respect of the new SRA Recognised Bodies Regulations 2009 which enable us to place conditions on a firm's recognition. Conditions were placed on nine of the recognised bodies and seven applications were refused. A further ten applications were dealt with regarding the renewal of a firm's recognition. Three of these resulted in restrictions being varied or continued and the remainder were applications where no restriction was imposed or a restriction was lifted.

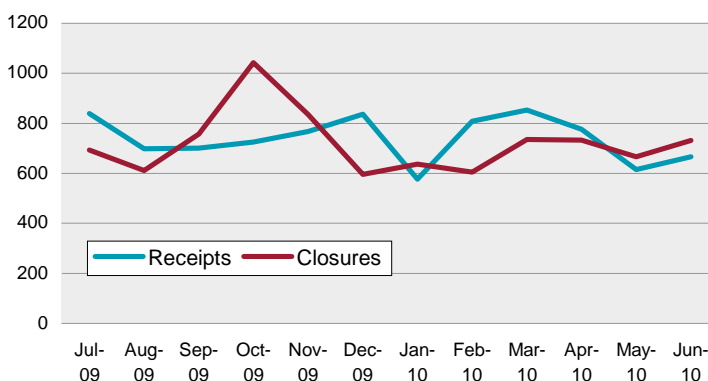
The unit also dealt with over 300 other applications, the majority of which relate to the requirement to file regular accountant's reports with the SRA. A comprehensive picture of the numbers of individuals being made subject to practising or registration conditions is shown on the following page.

Casework investigations

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

Casework investigation volumes

Receipts and Closures



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

This quarter saw an increase of 8% in the number of investigations completed.

Information relating to the outcomes of these closures is shown on the next page.

Consumer Protection, Enforcement & Discipline

Casework investigations and disciplinary outcomes

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

Outcomes of Casework Investigations

Outcome category	2009 Q3	2009 Q4	2010 Q1	2010 Q2	% variance from last quarter
Allegation Upheld	341	340	250	426	70%
*Letter of Advice	164	165	132	205	55%
*Finding and warnings	58	66	47	81	72%
*Rebuke / reprimands	82	80	62	74	19%
SDT Referral	118	88	88	102	16%
Ongoing other action / Added to existing DPs	343	260	218	234	7%
No Regulatory Action Required	1149	1707	1351	1266	-21%
TOTAL	1951	2395	1907	2028	6%

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

Scale of regulatory actions (Increasing in severity)

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

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

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

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

Practising Certificate & Registration conditions

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

Application of conditions

Count of individual affected	2009 Q3	2009 Q4	2010 Q1	2010 Q2
Solicitors with PC conditions applied	197	206	404	148
REL's or RFL's with conditions applied	4	12	0	0

The SRA can regulate the way solicitors work by placing conditions on their practising certificates. Some conditions restrict the ability to practise, and others outline steps that must followed. For example, an individual may be barred from holding client money, from working in particular areas or law, or may be required to undertake certain training. These are not intended to be punitive, but as pragmatic measures to ensure public protection.

Consumer Protection, Enforcement & Discipline

Disciplinary Proceedings

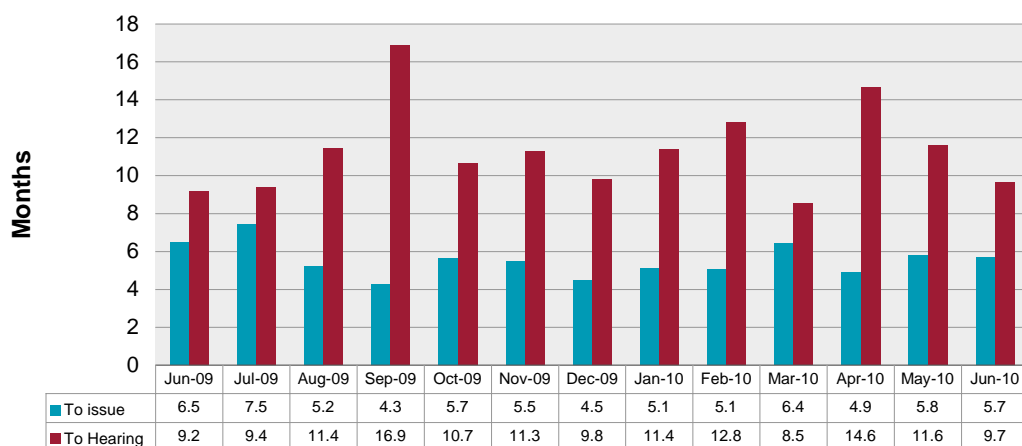
All casework investigations resulting in a referral for disciplinary proceedings are passed to our Litigation and Legal Advice Unit.

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

Our Legal Advocates (or solicitors that we appoint) will put together a case to issue before the Solicitors Disciplinary Tribunal (SDT), and aim to do so within a target of 6 months. The SDT, in turn, aims to hear matters within 6 months of issue. This quarter, we issued 57 sets of proceedings.

Average age of tribunal referrals issued and heard

Average age of Tribunal matters issued & heard



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

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

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

SDT Orders

Year on year	12 months to Jun 09	12 months to Jun 10	Variance	Monthly average Last 12 months
Fined	140	161	+ 15%	10.2
Struck off	67	77	+ 15%	4.8
Suspended	44	49	+ 11%	3.4
No Order	11	20	+ 82%	0.9
Reprimand	60	50	- 17%	4.6
Other	30	32	+ 7%	1.8
TOTAL	352	389	+ 11%	25.7

The total number of SDT orders increased by 11% in the last 12 months. The proportion of these orders that resulted in a fine or the striking of a solicitor from the roll has also increased slightly during this period.

Consumer Protection, Enforcement & Discipline

Interventions

We intervene into a practice when it is necessary to protect clients' interests and client money. This usually has the effect of closing down the firm. 16 interventions took place in the last quarter, of which 2 involved reason to suspect of dishonesty.

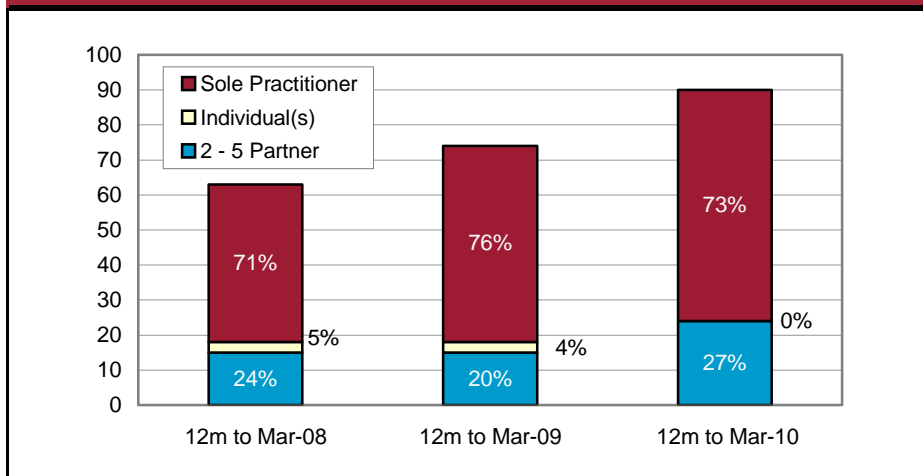
Interventions Summary

12 month figures	Interventions effected	Suspected Dishonesty	Non-Dishonesty	Individual(s)	Sole Practice	2 - 5 Partner firm
12 months to Jun 09	74	26	48	3	56	15
12 months to Jun 10	90	24	66	0	66	24
% variance	22%	-8%	38%	-100%	18%	60%

The number of interventions in the last 12 months was 22% higher than in the 12 months to June 2009 and 43% higher than in the 12 months to June 2008. This is largely due to a high number of interventions in August and December 2009.

The chart that follows shows the number of interventions effected in 12 month periods by size. The chart illustrates the year-on-year increase in the number of interventions. The chart also shows a gradual increase in the proportion of interventions involving 2 - 5 partner firms.

Interventions by size



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

Timeliness

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

Consumer Protection, Enforcement & Discipline

Grounds for Intervention

Most common grounds for intervention

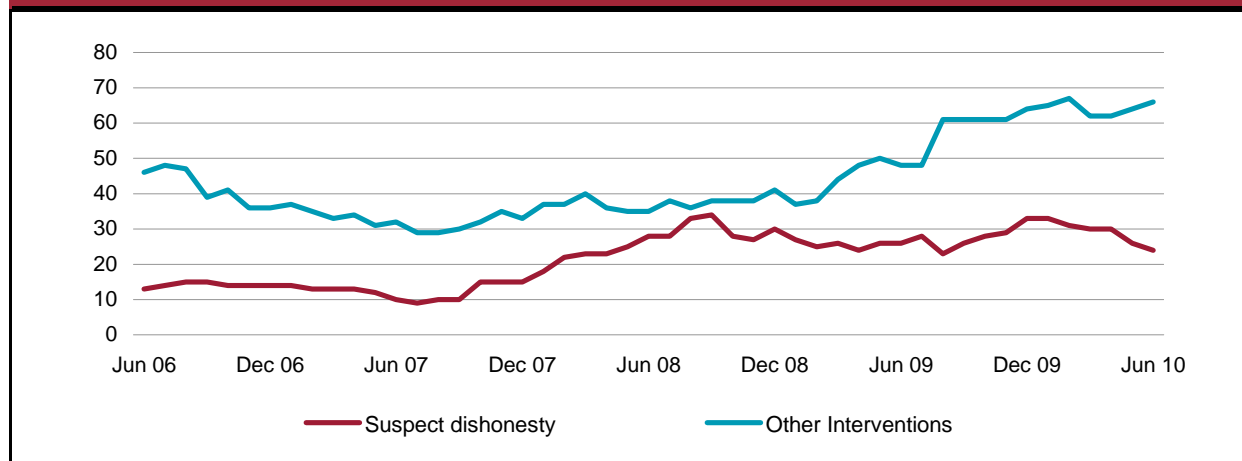
For the 74 interventions in 12 Months to Jun 2009 and the 90 interventions in 12 months to Jun 2010	12 months to Jun 09		12 months to Jun 10	
	No. interventions	% of interventions	No. interventions	% of interventions
Protect interests of clients / beneficiary	12	16%	72	80%
Accounts rule breaches	37	50%	52	58%
Code breaches	7	9%	32	36%
Reason to suspect dishonesty	26	35%	24	27%
Abandonment of practice	11	15%	12	13%

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

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

Long term trends

Number of Interventions effected: 12 months rolling



During the last year the proportion of interventions where dishonesty was suspected has decreased from 35% to 27%. The last quarter saw just 7% of interventions with suspected dishonesty as a ground.

The proportion of interventions where dishonesty has been suspected has been low for a sustained period in the past. In the whole of 2005 just 15% of interventions carried this ground.

Consumer Protection, Enforcement & Discipline

Claims Management

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

The vast majority of claims on the Fund relate to firms that have been intervened into. The Claims Management unit also deals with claims for the repatriation of funds held in Statutory Trust following an intervention.

Claims and Payments made in the last 12 months

Overview of claims and payments

	Q3 2009	Q4 2009	Q1 2010	Q2 2010
No. of new claims	580	708	1555	1248
Total amount claimed	£26.97 m	£26.99 m	£42.92 m	£36.66 m
£ paid out	£4.48 m	£4.51 m	£4.80 m	£7.61 m

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

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

While the number of claims received in quarter 2 was considerably lower than the previous quarter the number continues to be substantially higher than in previous years.

The average claim amount in quarter 2 was around £29,000, slightly higher than in quarter one and substantially lower than in the last two quarters of 2009.

New claims received

Number of claims by reason	Q3 2009	Q4 2009	Q1 2010	Q2 2010
General client money	257	346	1182	723
Counsel Fees	117	96	34	65
Mortgage fraud	51	57	46	46
Experts Fees	4	34	13	24
Probate	36	39	47	21
Stamp Duty Land Tax	44	63	168	303
Retention	17	10	12	10
Ratification	9	32	6	
Unredeemed mortgage	8	14	16	11
Gross overcharging	4	3	1	2
Other / unspecified	33	14	30	43
Total	580	708	1555	1248

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

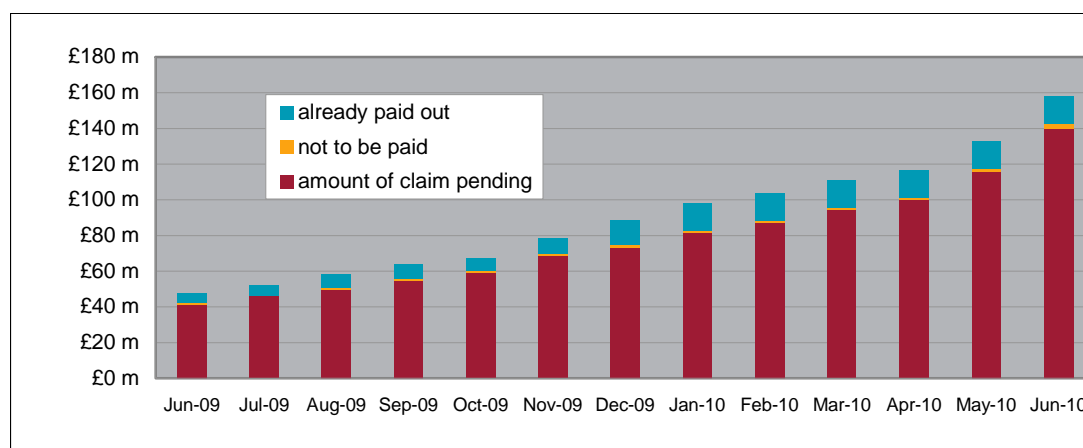
The vast majority of claims received in quarter 2 were claims for general client money. These primarily related to small amounts of money that claimants have paid on account to a solicitors firms that were subsequently intervened into. Where this money cannot be easily identified in client accounts, a claim is made against the Fund. Claims relating to stamp duty land tax continue to rise, almost doubling in the last quarter.

Consumer Protection, Enforcement & Discipline

Ongoing Claims

The graph below shows the total value of the 2,938 claims currently under investigation. Almost half of these claims relate to a single intervention affecting particularly large numbers of individuals.

Value of open claims at month end



The value of open claims at the end of June was almost £157m, £46m more than at the end of March and £109m more than at the same time in 2009.

Payments on Application Concluded

The following table shows whether claims that were closed in the last 12 months were paid, either partially or fully. The higher than usual proportion of paid matters is caused in part by process changes within the Claims Management Unit. It is not yet possible to conclude whether this increase is solely due to these changes or whether there is a significant shift in the nature of payments.

Claims closed

Payment status	Q3 2009	Q4 2009	Q1 2010	Q2 2010
No. of claims closed	485	717	481	774
Payment made	31%	62%	49%	56%
Not paid	69%	38%	51%	44%

The next table shows the amount claimed on closed matters and the amount paid on those claims. The increase seen in quarter 1 is caused, at least in part, by the process changes in the unit.

Payments on claims closed

Proportion paid	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Total amount claimed	£14.41 m	£18.1 m	£18.83 m	£11.0 m
Total paid out	£1.53 m	£4.71 m	£4.94 m	£4.66 m
% paid	11%	26%	26%	42%

These figures are as currently recorded and may therefore differ from previously reported figures. This is due to some matters being reopened and removed from the closure figures to avoid duplication.

Consumer Protection, Enforcement & Discipline

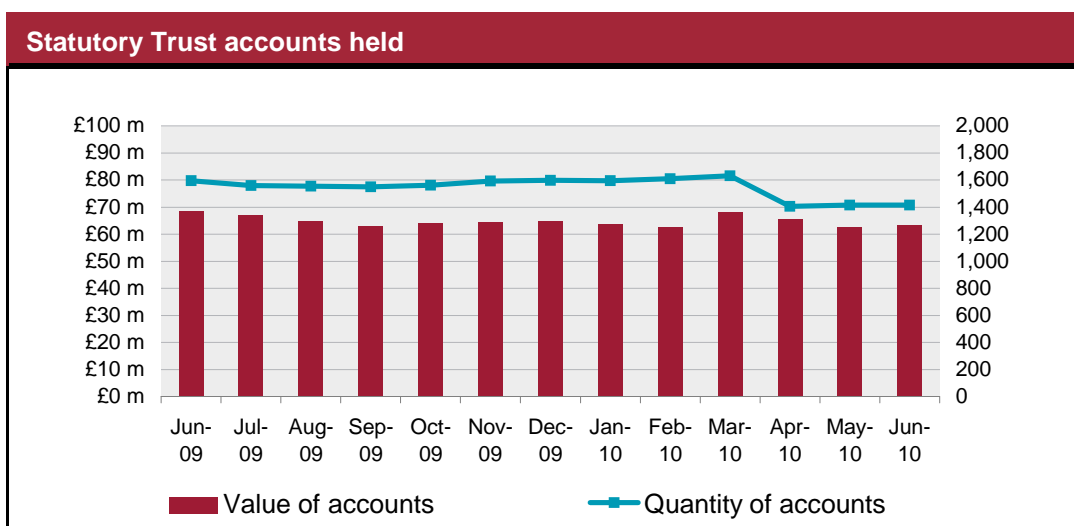
Statutory Trusts & Intervention Archives

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

The Accounts Assessment team within Claims Management try to reconstruct the accounts and to identify those to whom the money belongs. Immediately following an intervention, our appointed agents (another firm of solicitors) will begin this work, which is later brought in-house to the Accounts Assessment team.

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

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



The value of statutory trust accounts has remained relatively stable over the last year. The value of new accounts has been largely matched by the funds being distributed. The number of accounts fell substantially in April as a number of older accounts were closed.

Summary of Movement this year to date

6 months Jan to Jun 2010	Jan 2010 position	New accounts + additional deposits	Distributions made	Jun 2010 position
Volume of Accounts	1,598	252	-381	1,415
Value of Accounts	£64.8 m	£12.9 m	-£14.2 m	£63.6 m

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

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

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

Access to Justice, Transparency and Consumer Information

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

Developments in the provision of legal services

Work is underway to transform the SRA's approach to regulation for the benefit of consumers. We want to foster a flexible and innovative market for legal services, combining improved access to justice with assured standards.

'Freedom in Practice - Better outcomes for Consumers' sees the SRA enter a dialogue with practitioners and consumers about coming changes to the regulation of legal service providers. Further information, including consultation papers and details of roadshows and events, can be found at www.sra.org.uk/freedominpractice.

The move to outcomes-focused regulation (OFR) will provide both flexibility in how firms operate their businesses, and a focus on making sure that firms offer good standards of service to consumers. Plans for OFR will be introduced at the same time as the framework permitting Alternative Business Structures (ABSs) in October 2011.



Legal Disciplinary Practices

This new type of firm comprising solicitors and non-solicitors was introduced in April 2009. LDPs can be owned and managed by a combination of different types of lawyer, and up to 25% non-lawyers, but there can be no external ownership of an LDP.

As at the 30 June 2010, 254 firms had taken the opportunity to become LDPs. The vast majority of firms currently have only one non-solicitor manager, although 17 firms have both non-lawyer managers and lawyer managers.

LDPs by size

No. of managers	No. of LDPs
2 to 4	108
5 to 10	76
11 to 25	40
26 to 80	22
81 +	8
TOTAL	254

Managers in LDPs

Manager type	No. of managers
Solicitors	3,498
Legal Executives	94
Other lawyer managers	23
Non-lawyers	172
TOTAL	3,615

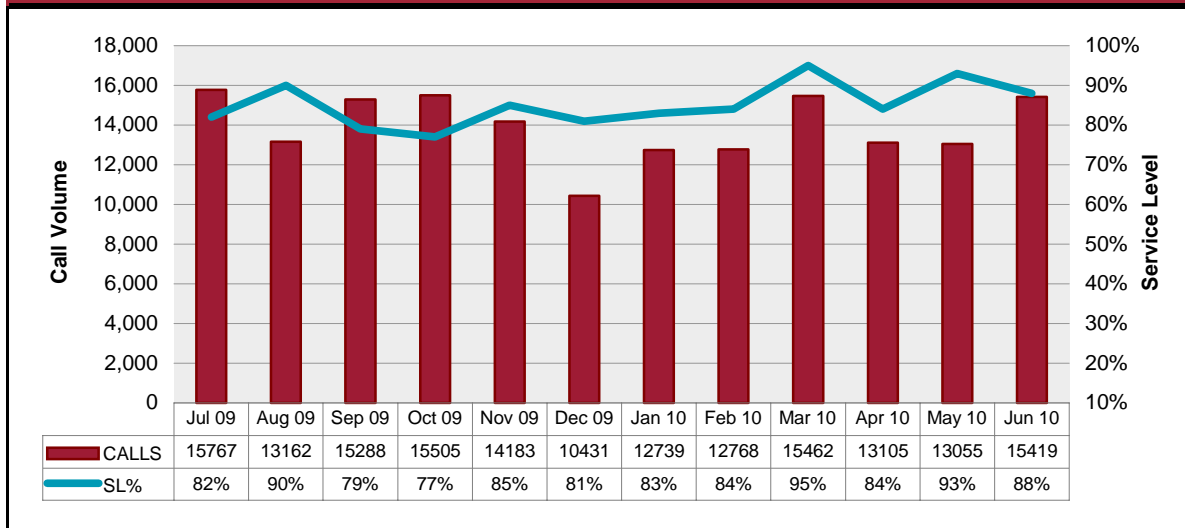
Over 3,000 managers now work in LDPs. Non-lawyer managers include professions such as accountants, teachers and lecturers and financial planners. Lawyer managers are made up predominantly of legal executives but also include patent attorneys, licensed conveyancers and barristers.

Access to Justice, Transparency and Consumer Information

Enquiries from members of the public

As well as dealing with enquiries from the profession (see page 9), over the last quarter, the Contact Centre received some 41,579 calls from members of the public. Within the second quarter of 2010, 88% of calls were answered within 60 seconds, well above the target of 70%.

Calls to the Contact Centre Non-Profession Line



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

Publication of decisions on the web

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

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

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

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

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

Figures relating to published decisions are shown on the next page.

Access to Justice, Transparency and Consumer Information

Published Decisions

Category of decision	12 months to June 10	Q2 2010
Prosecute	94	5
Control on individual's practice	320	51
Closure of practice	78	10
Agreement	60	26
Total No. of Decisions	552	92
No. of Individuals to which decisions relate	484	89

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

Disclosure of reasons for investigations

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

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

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

Reasons for investigation could be disclosed in over 95% of cases during quarter 2 2010, a marginally greater proportion than the 94% in the previous quarter, but less than the 97% during quarter 4 2009. The main reason cited for information classed as unsuitable for disclosure during in quarter 2 was that disclosure could lead to tamper, destroy, default or abscond risks relating to an investigation.

Information received Q2 2010

Month	Disclosable	Non-disclosable	Total
April 2010	847	41	888
May 2010	678	34	712
June 2010	748	30	778
Q2 2010	2273	105	2378

Organisational Improvement

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

Quality Measures

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

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

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

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

Quality Assurance audits						
Competency	Number of reviews	Fully achieved	Partly achieved	Not achieved	% Fully achieved Q2	% Fully achieved Q1
Technical	488	443	34	11	91%	92%
Analytical	495	438	40	17	88%	89%
Communication	485	438	40	7	90%	93%
Work Management	473	387	56	30	82%	84%
Overall	489	404	38	47	83%	87%

Organisational Improvement

Budget Report

Summary of SRA expenditure and income this year to date:

Direct Costs Summary for the 3 months to June 2010

Amounts in £000's	YTD actual	YTD forecast	variance	% variance
Total Staff Expenditure:	-12,547	-12,798	+ 251	+ 2%
> Salary Costs	-12,409	-12,530	+ 122	+ 1%
> Other staff costs	-139	-268	+ 129	+ 48.2%
Total Administration Costs	-10,547	-10,361	- 186	- 1.8%
GROSS Expenditure (before recoveries)	-23,094	-23,159	+ 66	+ 0.3%
Recoveries	13,150	12,539	611	+ 4.9%
GROSS Expenditure (after recoveries)	-9,944	-10,621	676	+ 6.4%
Income	4,037	4,030	7	+ 0.2%
NET EXPENDITURE	-5,908	-6,591	683	+ 10.4%

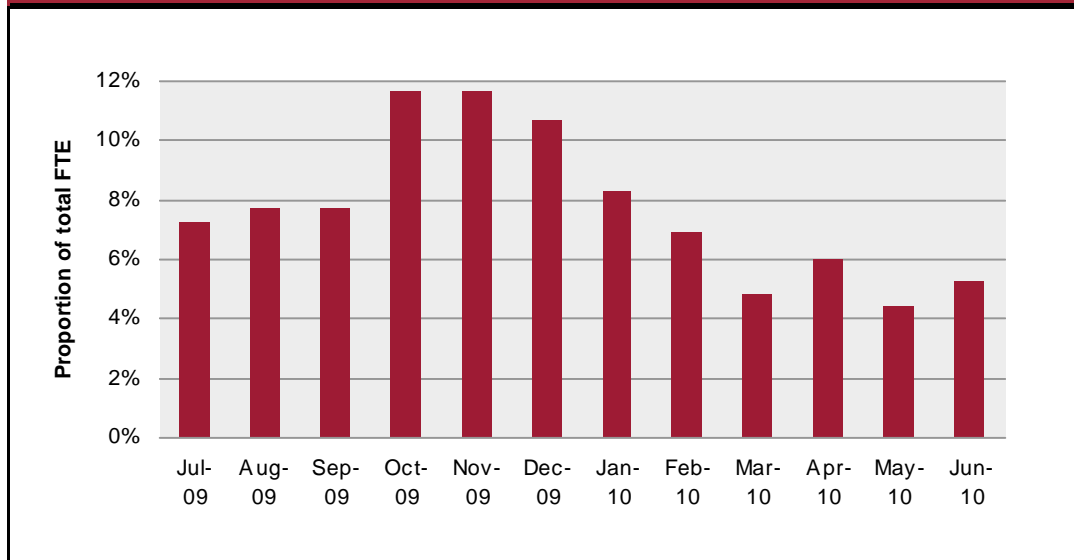
Note: A positive variance denotes favourable position against forecast.
A negative variance denotes an adverse position against forecast.

Organisational Improvement

Human Resources & Development

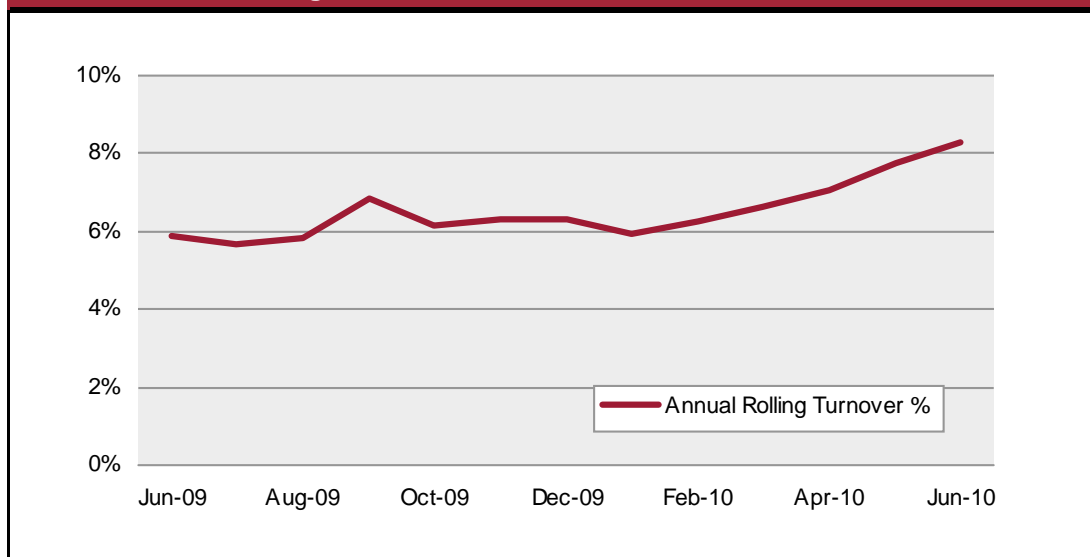
As at 30th June 2010, the SRA has 514 full time equivalent (FTE) permanent employees. In addition, there are 58 fixed term temporary employees and 32 agency and contractor staff. The chart below shows that the proportion of agency/contractor staff was notably lower during the last two quarters than the last quarter of 2009. The rise during this part of the year is largely due to the PC renewal exercise which takes place between October and February when a large number of temporary staff are employed.

Agency staff / contractors as proportion of all staff



Staff turnover for the 12 months to June 2010 stands at 8.3% - higher than at any point over the last year. The staff turnover calculation is the number of staff leaving in the previous 12 months as a proportion of average headcount during the same period. The SRA has undergone a restructuring exercise during 2010 which partly explains these changes.

Staff turnover - Rolling 12 months



Glossary

Abbreviations and internal terms used within this report:

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