



Solicitors
Regulation
Authority

SRA Summary of Performance Measures and Statistics

March 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

- **115,200** practising solicitors, with a further **37,776** non-practising
- **286** registered European lawyers
- **1,717** registered foreign lawyers
- **10,975** firms, of which **195** are now Legal Disciplinary Practices

In the first quarter of 2010 we have

- effected **16** interventions
- issued **81** sets of proceedings at the SDT
- issued **62** reprimands
- risk assessed **3,265** allegations
- concluded **1,907** casework investigations
- answered **15,029** calls to our Ethics Guidance Helpline
- **2,445** claims in progress on the Compensation Fund representing a liability of **£110m**
- distributed **£5.2m** from monies held on statutory trust following intervention
- undertaken **221** practice standards monitoring visits to firms

And in doing so 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 **5.6** months (6 month target)
- answered **90%** calls to the Ethics Guidance Helpline within 45 seconds
- seen an **11%** reduction in complaints about firms visited by the Practice Standards Unit last quarter
- met required standards in **87%** of SRA organisation-wide quality assurance audits

The Regulated Community

Solicitors in England and Wales

The SRA regulates solicitors and firms across England and Wales, as well as 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, albeit at a slower rate than in recent years. There were 1.9% more solicitors with practising certificates (PC) in March 2010 than at the same point in 2009. The number of solicitors on the roll is also increasing, standing at almost 153,000 at the end of March.

Population of practising solicitors since October 2007

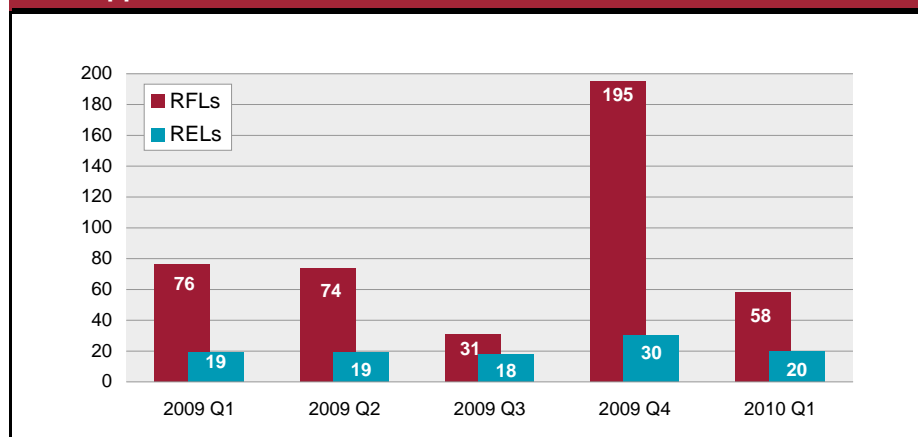


The proportion of solicitors on the roll who are practising is currently 75% although this figure fluctuates during the year.

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.

New applications for RFLs and RELs



The above table shows the number of applications from individuals seeking to become an RFL or REL since quarter 1 2009.

There was a spike in applications in quarter 4 due to one firm employing 153 new RFLs.

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

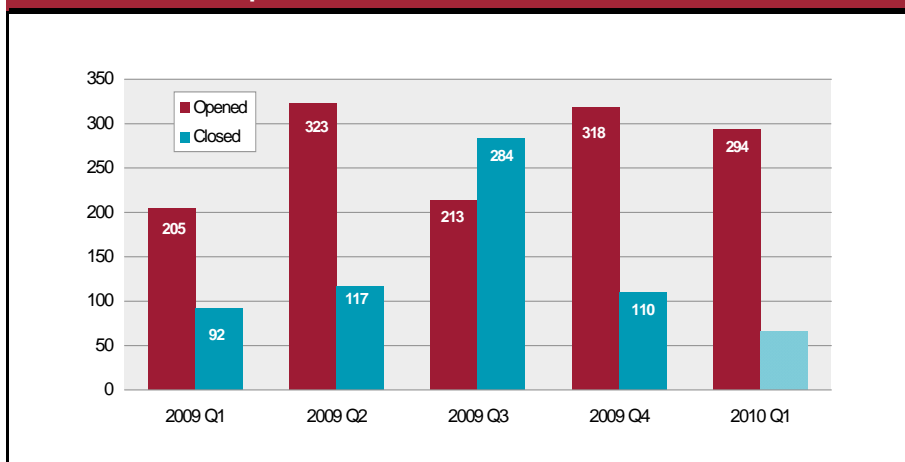
Firm Type	March 2009	June 2009	September 2009	December 2009	March 2010
Incorporated Company	1,380	1,467	1,541	1,657	1,742
Limited Liability Partnerships	972	1,067	1,101	1,129	1,167
Multinational / Overseas	213	202	169	164	162
Partnership	4,073	3,967	3,897	3,874	3,787
Sole Practitioner	4,155	4,242	4,095	4,083	4,056
Other	50	48	48	51	61
Total	10,843	10,993	10,851	10,958	10,975

The number of firms has remained relatively stable in recent months, with an increase of just 17 firms in March 2010 compared with 3 months earlier.

Firms opening and closing

During the last 12 months 1148 new firms opened and 577 firms closed (as at 20th April 2010). A number of firms have merged during this time resulting in an overall increase of 132 firms. The number of new firms formed in quarter 1 of 2010 was more than 40% up on the same period in 2009. As it can take a number of weeks for the SRA to be notified of and process firm closures, the finalised figure for quarter 1 is not yet available - indications are that it will be around the same figure as the corresponding period in 2008. The final closure figure for quarter 4 shows a slight increase on the number for the same period in 2008.

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.

Routes of entry

Routes to Qualification				
By admission date	12 m to Mar 09	12 m to Mar 10	variance	% variance
Qualifying Law Degree	3,921	4,156	235	6%
Conversion Course	2,233	2,268	35	2%
QLTT *	2,380	1,797	-583	-24%
Other	196	251	55	28%
Total admitted	8,730	8,472	-258	-3%

* Qualified lawyers transfer test

49% of those admitted in the 12 months to March 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).

21% 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 3% 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.

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.

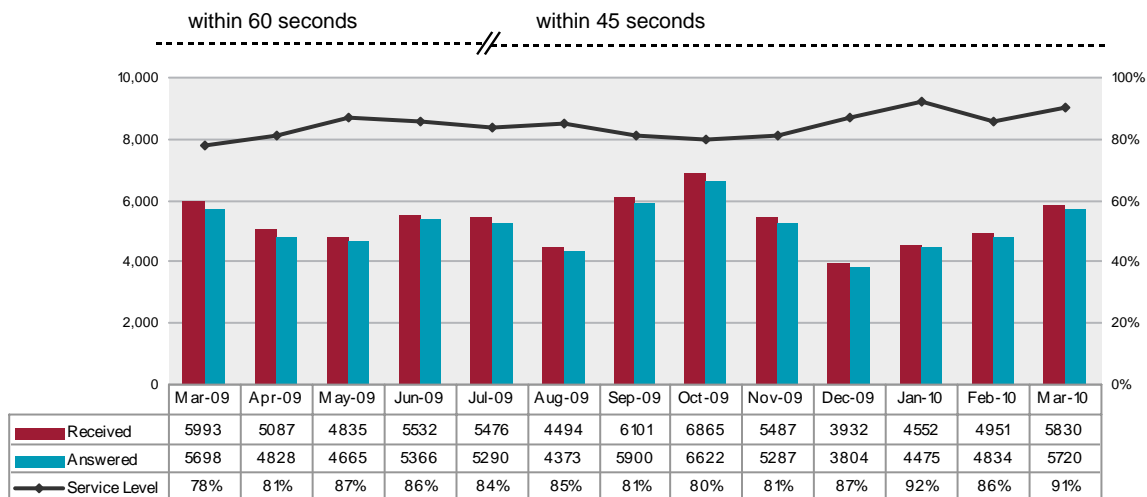
Ethics Guidance Service

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:

- Confidentiality and disclosure
- Accounts Rules
- Conflict of interests

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.

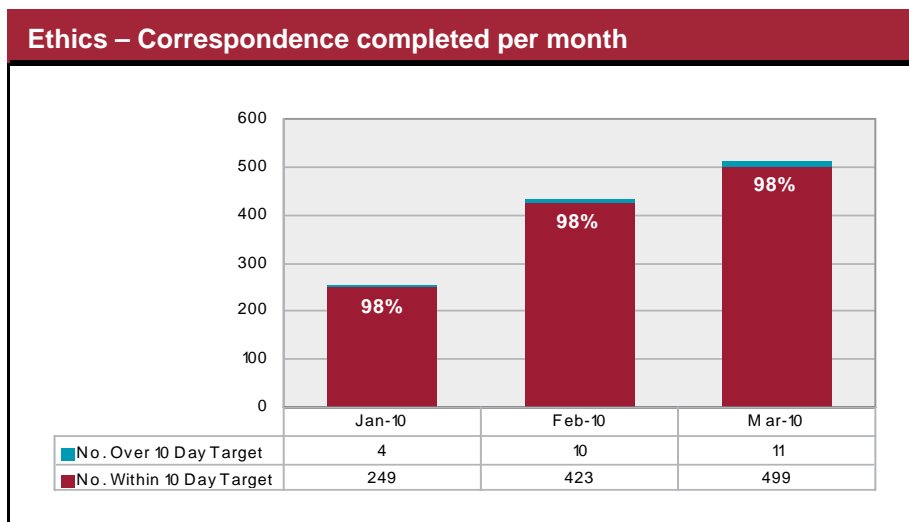
By the end of quarter 1 the Ethics Guidance Helpline had been working for nine months to a 45 second target time to answer calls. Since the start of 2010 the unit aims to answer 90% of calls within this time (previously 80%). More than 90% calls were answered within this target throughout quarter 1, with a peak of 92% in January. Only 2% of calls to the Helpline were abandoned during quarter 1, the lowest proportion abandoned for any quarter since 2007. There were 5% less calls received by the Ethics Guidance Helpline in quarter 1 2010 than quarter 1 2009. The number of calls answered also fell (3% decrease). A total of 15,333 calls were received and 15,029 answered in the quarter.

Recent results of a survey of the Ethics Guidance Helpline, carried out at the end of 2009 at joint Practice Standards Unit/Ethics talks to the profession, concluded that 'the overwhelming majority of respondents were very satisfied with this (guidance) service from the SRA. It was perceived to be an invaluable service with professional, knowledgeable staff.' A further indication of the high level of satisfaction was demonstrated by the 94.4% of respondents who stated they would use the helpline again.

The team also investigates and processes applications made under the Solicitors Accounts Rules 1998, by solicitors, for authority to transfer unclaimed outstanding client balances to charity. Balances are usually due to cheques remaining uncashed by the client or an inability to trace the client. During quarter 1 the Helpline received 227 such applications, all of which were progressed within 30 days.

Support & Monitoring

The method of recording the volumes of correspondence received within Ethics Guidance changed on 1st January 2010, providing us with timeliness to response information for all correspondence. This breakdown is not comparable with earlier quarters, so only data for quarter 1 2010, broken down by month, is provided below.



The team aim to respond to all correspondence within 10 working days, 98% of correspondence was completed within this service level during the quarter.

In the first quarter, 1,196 pieces of correspondence were completed. There has been a rise in correspondence received and completed throughout the quarter with 42% of the correspondence being dealt with in March.

SRA Freedom in Practice roadshows

Throughout May and June 2010 the SRA will hold a series of roadshows around England and Wales to help practitioners and managers to understand and explore the impact of upcoming changes on their practices, and to enable their views to be reflected in the SRA's decision-making process. These will be held in the following locations:

- Tues 25 May – London
- Thurs 27 May – Bristol
- Tues 8 June – Leeds
- Wed 9 June – Manchester
- Thurs 10 June – Liverpool
- Tues 15 June – Birmingham
- Wed 16 June – Cambridge
- Tues 22 June – Exeter
- Thurs 24 June – Newcastle
- Mon 28 June – Cardiff

The roadshows will kick off with an introduction to Outcomes Focused Regulation from a senior SRA representative, and will provide a chance to discuss the changes, and how these will affect consumers, individual practitioners and their firms. Breakout sessions tailored to the needs of high street and commercial practices will also be run.

See our website for information on how to book a place at one of the events.

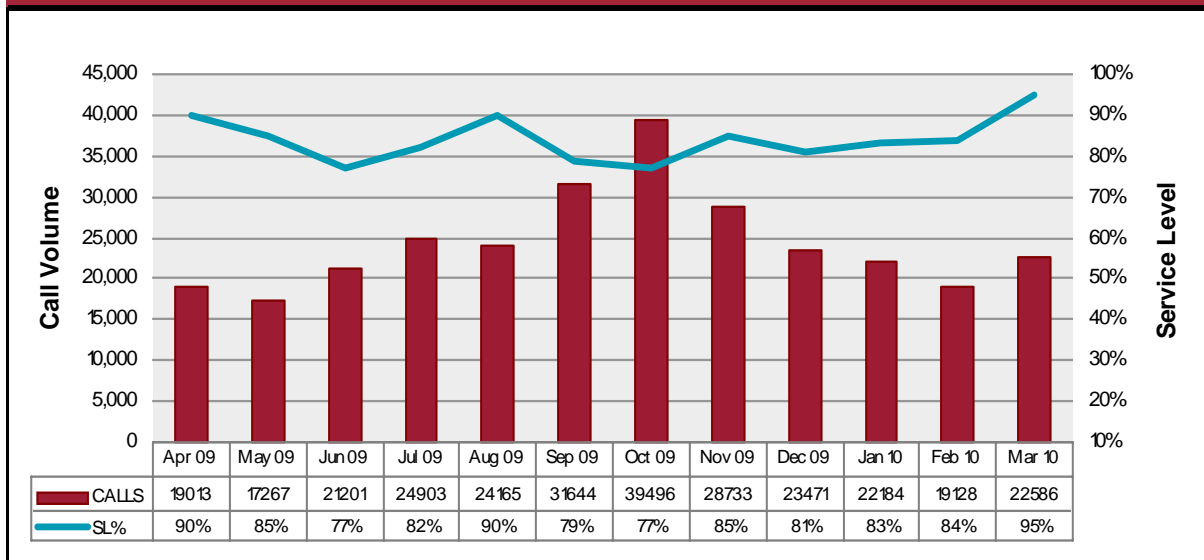
Support & Monitoring

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 63,898 calls from the profession of which 41,701 calls were to the profession line and 22,197 calls to the seasonal lines. The majority of the calls into the seasonal lines were via the PC renewal line with 11,012 calls last quarter. The contact centre aim to answer 70% of calls within 60 seconds. The overall level achieved over the first quarter of 2010 was 88%, which is an increase on 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	Q2 2009	Q3 2009	Q4 2009	Q1 2010
No. of Visits	214	205	182	221
On-Site Days	510	475	457	(348) *

* Q1 figure is provisional as it does not include any on-site days for the 59 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 system is based on a 1 to 9 scale, 1 being the least serious and 9 being the most serious. It makes use of the SRA risk classification, but also incorporates other factors including the impact on clients of any breaches identified.

PSU Monitoring Visit Grades

Overall Grade	Q2 2009	Q3 2009	Q4 2009	Q1 2010
1	0	0	2	2
2-4	45	38	47	44
5-7	156	149	108	102
8-9	13	13	17	14
Awaiting Grade	0	5	8	59
Total Visits	214	205	182	221
% Grade 5 - 9	79%	81%	72%	72%

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.

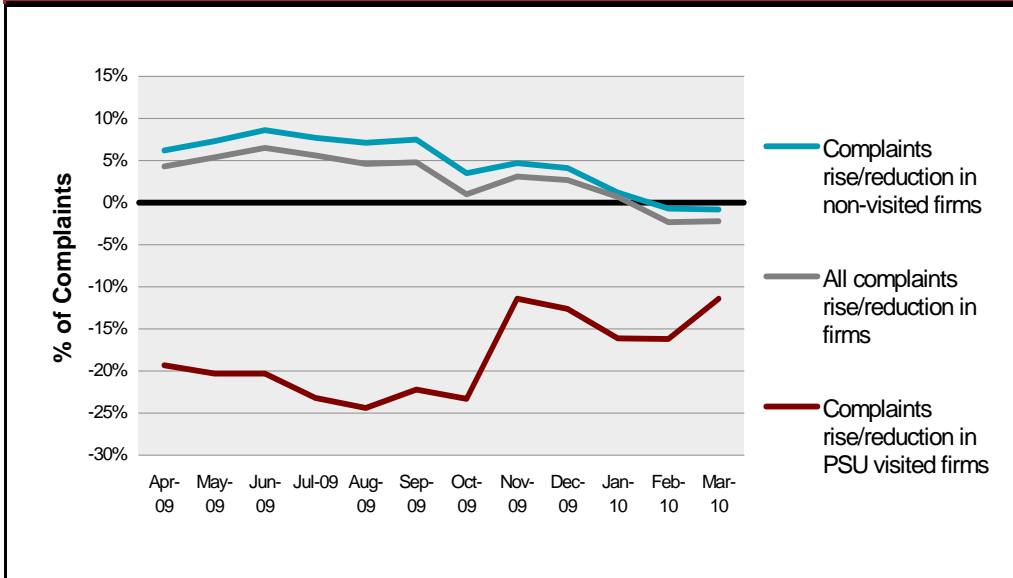
Following a visit, PSU may make referrals to other SRA units for further action or for information. 4.5% of firms were formally referred to another SRA Unit for action in the last quarter, as compared with an overall percentage of 4% over the 12 months to March 10.

In addition, 13 intelligence referrals were made by PSU in the last quarter (39 in the last 12 months) where information was shared with other departments.

Support & Monitoring

The graph below is based on changes in levels of new complaints referred to the Legal Complaints Service and SRA.

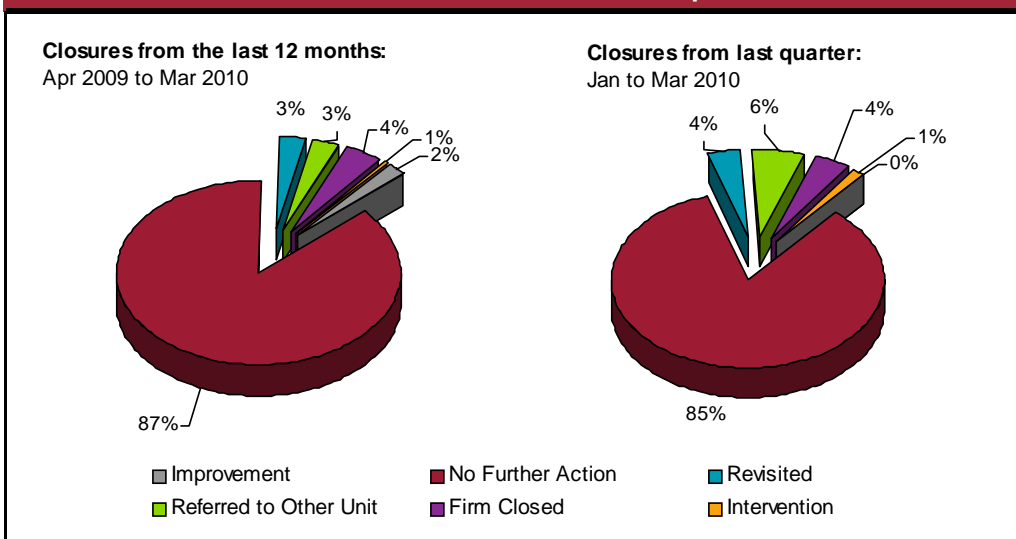
Complaints trends in firms over the last 12 months



Firms receiving a monitoring visit from PSU generate between 11% and 24% fewer complaints following a visit, whereas firms who have not received a visit from the unit generate between 0 and + 9% complaints over the same period.

The data in November 2009 has been affected by PSU visiting a now intervened firm with a significantly large number of both SRA and LCS complaints. In the last quarter there has been a general decrease in new complaints which has led to the reduction shown. In addition, over the last 2 quarters there has also been a shift in levels of complaints about PSU visited firms. This is partly due to a greater number of firms being visited which had received few or no complaints prior to the visit, but were profiled for other reasons. This has reduced the potential to impact upon complaints.

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 91% 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

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.

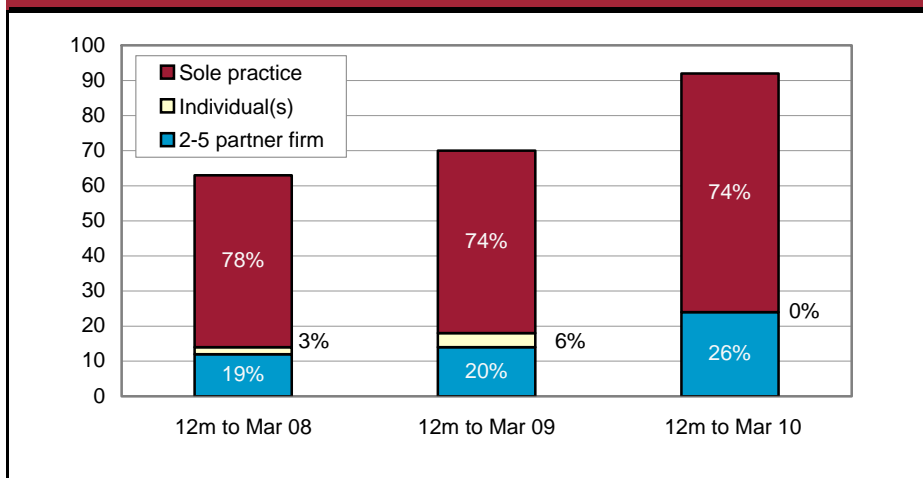
Interventions Summary

12 month figures	Interventions effected	Suspected Dishonesty	Non-Dishonesty	Individual(s)	Sole Practice	2 - 5 Partner firm
12 months to Mar 09	70	26	44	4	52	14
12 months to Mar 10	92	30	62	0	68	24
% variance	31%	15%	41%	-100%	31%	71%

The number of interventions in the last 12 months was 31% higher than in the 12 months to March 2009 and 46% higher than in the 12 months to March 2008.

The chart that follows shows the number of interventions effected in 12 month periods by size. Although the numbers of interventions have increased yearly, the proportion involving sole practitioners has remained constant. However, the chart does illustrate 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 wholly 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

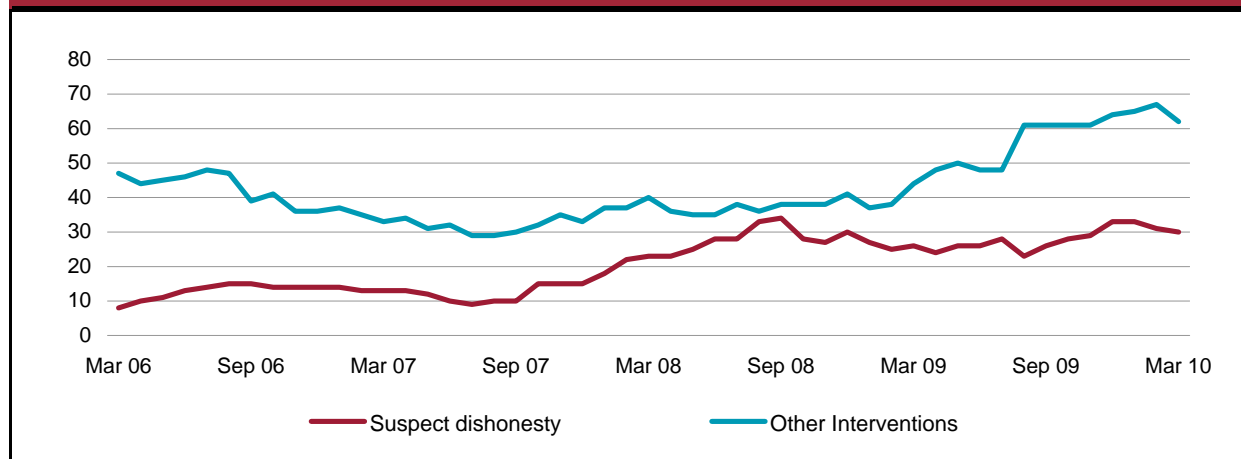
For the 70 interventions in 12 Months to Mar 2009 and the 92 interventions in 12 months to Mar 2010	12 months to Mar 09		12 months to Mar 10	
	No. interventions	% of interventions	No. interventions	% of interventions
Protect interests of clients / beneficiary	-	-	75	82%
Accounts rule breaches	34	49%	54	59%
Code breaches	8	11%	30	33%
Reason to suspect dishonesty	26	37%	30	33%
Abandonment of practice	10	14%	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 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 37% to 33%. The last quarter saw just 13% 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. Claims Management work with the Accounts Assessment team who hold a firm's monies on trust following an intervention.

Claims and Payments made in the last 12 months

Overview of claims and payments

	Q2 2009	Q3 2009	Q4 2009	Q1 2010
No. of new claims	848	580	711	1,564
Total amount claimed	£21.78 m	£29.60 m	£32.44 m	£38.78 m
£ paid out	£3.19 m	£4.48 m	£4.51 m	£4.80 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.

The number of claims received in quarter 1 was more than double the number received in the previous quarter. This increase was due in the main to a large number of small claims relating to one particular intervention. Despite the doubling of claim numbers, the amount claimed was only 20% higher in quarter 1 than in the previous quarter.

The average claim amount in quarter 1 was around £25,000, substantially lower than in recent months due to the number of small claims received.

New claims received

Number of claims by reason	Q2 2009	Q3 2009	Q4 2009	Q1 2010
General client money	486	254	347	1,238
Counsel Fees	74	117	96	32
Mortgage fraud	67	51	57	43
Experts Fees	67	4	34	10
Probate	39	36	38	42
Stamp Duty Land Tax	25	46	63	118
Costs and disbursements	32	1	0	0
Retention	21	17	10	13
Ratification	0	9	32	6
Unredeemed mortgage	6	8	14	18
Gross overcharging	2	4	3	1
Other / unspecified	29	33	15	43
Total	848	580	711	1,564

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

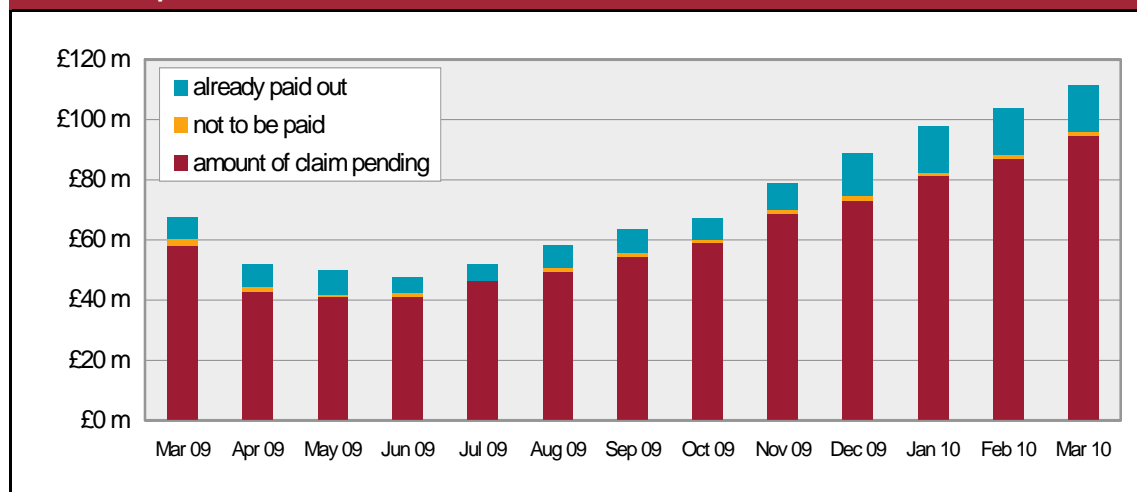
The vast majority of claims received in quarter 1 were claims for general client money. These primarily related to small amounts of money that claimants have paid on account to a solicitors firms that were subsequently intervened into. Where this money cannot be easily identified in client accounts, a claim is made against the fund. Claims relating to stamp duty land tax and ratification have also continued to rise in recent months.

Consumer Protection, Enforcement & Discipline

Ongoing Claims

The graph below shows the total value of the 2,445 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 March was £110m, £22m more than at the end of 2009 and £44m more than March 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. This will be addressed in future reports.

Claims closed

Payment status	Q2 2009	Q3 2009	Q4 2009	Q1 2010
No. of claims closed	493	488	721	489
Payment made	32%	31%	61%	48%
Not paid	68%	69%	39%	52%

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	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Total amount claimed	£37.04m	£14.48m	£20.96m	£19.05m
Total paid out	£4.59m	£1.88m	£4.71m	£4.94m
% paid	12%	13%	22%	26%

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

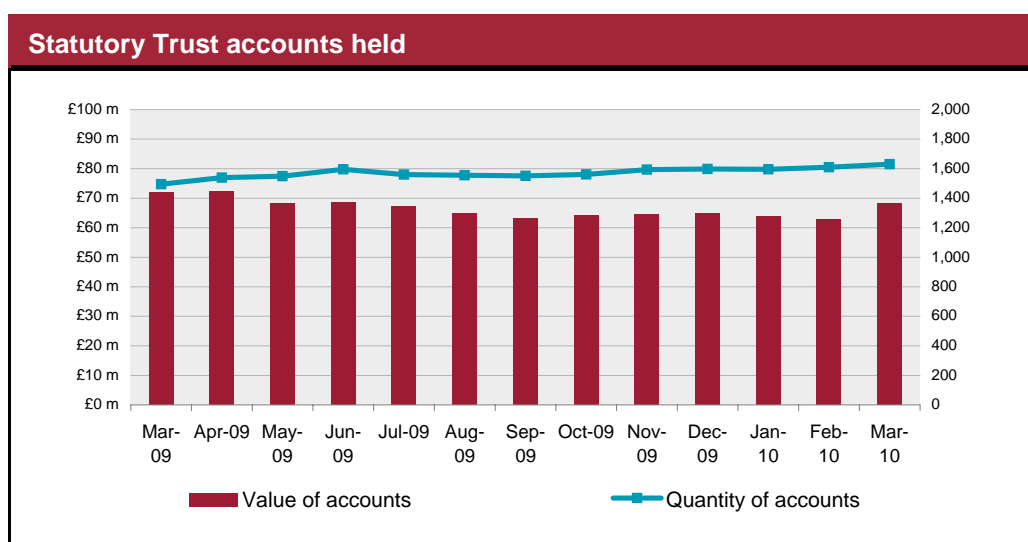
Statutory Trusts & Intervention Archives

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 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 number and 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. Distributions this quarter were just over £5 m.

Summary of Movement this year to date

3 months Jan to Mar 2010	Jan 2010 position	New accounts + additional deposits	Distributions made	Mar 2010 position
Volume of Accounts	1,598	111	-79	1,630
Value of Accounts	£64.8 m	£8.5 m	-£5.2 m	£68.1 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.

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

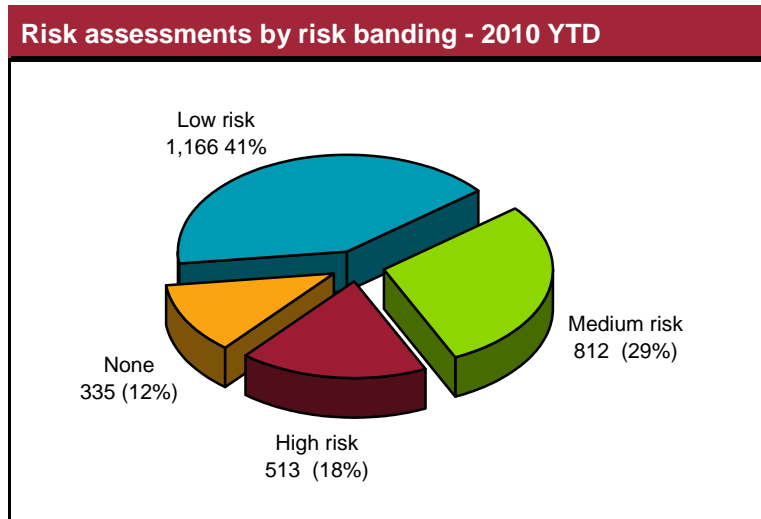
The Risk Assessment & Designation Centre (RADC) is the primary gateway for the receipt of regulatory information other than confidential intelligence, which is gathered by our Fraud & Confidential Intelligence Bureau (FCIB).

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 quarter of 2010. 49% incoming matters were classed as medium or high risk, up slightly from 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

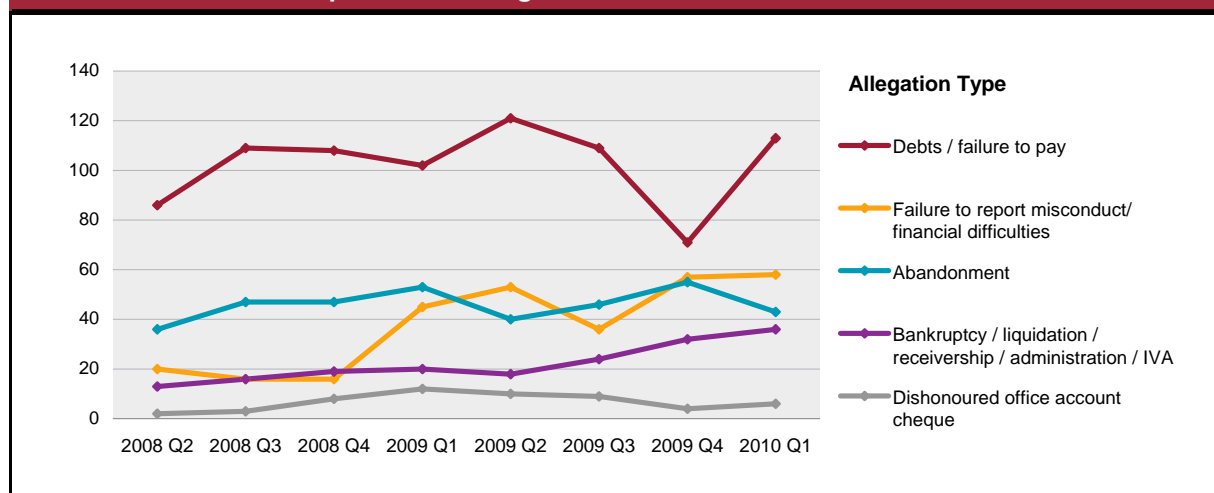
Allegations received by compliance risk

Total allegations by category		Q2 2009	Q3 2009	Q4 2009	Q1 2010
Efficiency, management and administrative competence		1,344	1,709	1,548	1,818
.. of which..	Character and suitability	908	1,237	1,104	1,207
	Conflict of interest	53	122	95	79
	Requirements/ framework of practice	383	350	349	532
Financial		730	889	880	1,013
.. of which..	Abandonment of practice	41	46	55	65
	Costs/ fees/ referrals	70	71	76	49
	Financial	353	429	488	602
	Fraud/ dishonesty/ money laundering	266	343	261	297
Legal competence		334	449	384	434
.. of which..	Breach of undertaking	102	167	84	105
	Mortgages and property	169	176	205	258
	Professional competence/ client relations	63	106	95	71

Numbers of risk assessments undertaken remain at high levels, with over 2,900 undertaken this quarter. Each may involve multiple allegations. Certain allegation types show a particular increase, notably issues around requirements of practice and those relating to mortgages and property.

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'.

In late 2009 the way in which intelligence was recorded and referred to and from FCIB was changed. It is therefore not possible to provide referral and risk figures comparable with those presented in earlier 2009 reports.

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

Most common referrals to FCIB

Topic	% of all topics referred
Mortgage / property fraud	32%
Holding out as a solicitor	27%
Deception / dishonesty	7%
Criminal charges	7%

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.

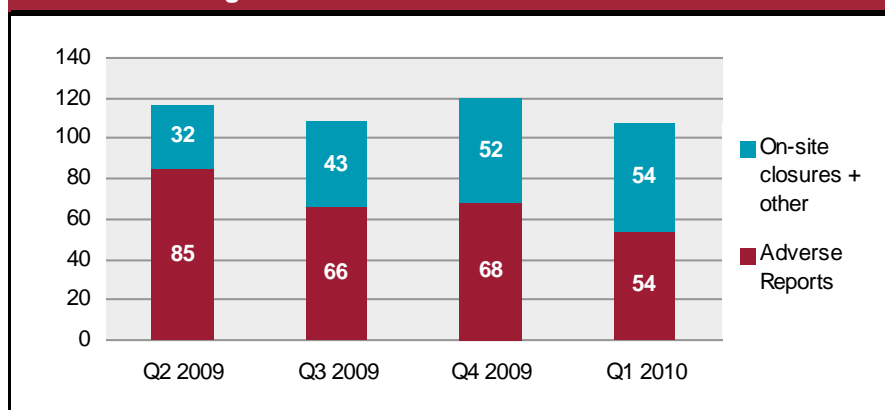
At the conclusion of an investigation, an on-site certificate is issued to the firm where the identified breaches or conduct are not material or minor corrective action is required following an investigation. Alternatively, where there is evidence of serious breaches of the rules or professional obligations, 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 Mar 09	12 months to Mar 10	Variance	Monthly average to Mar 10
New investigations authorised	404	592	47%	49.3
Investigations Concluded	431	454	5%	37.8
Rescinded / Other	80	52	-35%	4.3

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. However, the table above shows that there has been an increase in both investigations authorised (47% increase) and concluded investigations (5% increase) between the year to March 2009 and the year to March 2010. 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 visit is classed as having been rescinded. Rescissions fell 35% between the 12 months to March 2009 and March 2010, from 80 to 52 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. Half of the visits concluded in quarter 1 2010 had an adverse report, continuing the trend witnessed over recent quarters of a falling proportion of such outcomes. This has been affected by an increasing proportion of closed visits which were of medium priority (29% of those closed in Q1 2010 compared with 18% in Q1 2009), often at the expense of our highest priority (walk in) visits which have stood at 8% of all visits over recent quarters, having never fallen below 13% in 2008.

During quarter 1 there were seven Investment Business monitoring visits concluded, with a total of 35 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 over twice as many Regulation 3 applications as in the final quarter of 2009. Of the 725 caseworked Regulation 3 applications concluded, 334 (46%) related to individuals who were already subject to Section 12 / Regulation 3 when applying. Of these 334 cases, conditions were continued or varied in 71% of cases, and lifted in 29%.

54% (391) of applications were from individuals newly subject to Regulation 3. Conditions were applied in 176 of these cases (45%).

19 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 7 of the recognised bodies and 3 applications were refused. A further 4 applications were dealt with regarding the renewal of a firm's recognition. Two of these resulted in restrictions being lifted.

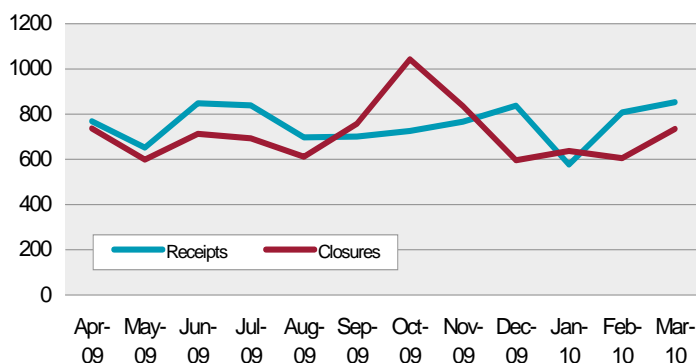
The unit also dealt with over 200 other applications, the majority of which relate to the requirement to file regular accountant's reports with the SRA. A comprehensive picture of the numbers of individuals being made subject to practising or registration conditions is shown on the following page.

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 a slight decrease in investigations completed (3%). This was due to a higher number of files requiring a full investigation this quarter compared to last.

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 Q2	2009 Q3	2009 Q4	2010 Q1	% variance from last quarter
Allegation Upheld	367	341	340	250	0%
*Letter of Advice	174	164	165	132	1%
*Finding and warnings	73	58	66	47	14%
*Rebuke / reprimands	84	82	80	62	-2%
SDT Referral	116	118	88	88	-25%
Ongoing other action / Added to existing DPs	140	343	260	218	-24%
No Regulatory Action Required	1,343	1,149	1,707	1,351	49%
TOTAL	1,966	1,951	2,395	1,907	23%

* 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 (PC). This is not a disciplinary sanction, but a regulatory measure.

Application of conditions

Count of individual affected	2009 Q2	2009 Q3	2009 Q4	2010 Q1
Solicitors with PC conditions applied	191	197	206	404
REL's or RFL's with conditions applied	-	4	12	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 be followed. For example, an individual may be barred from holding client money, from working in particular areas of 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

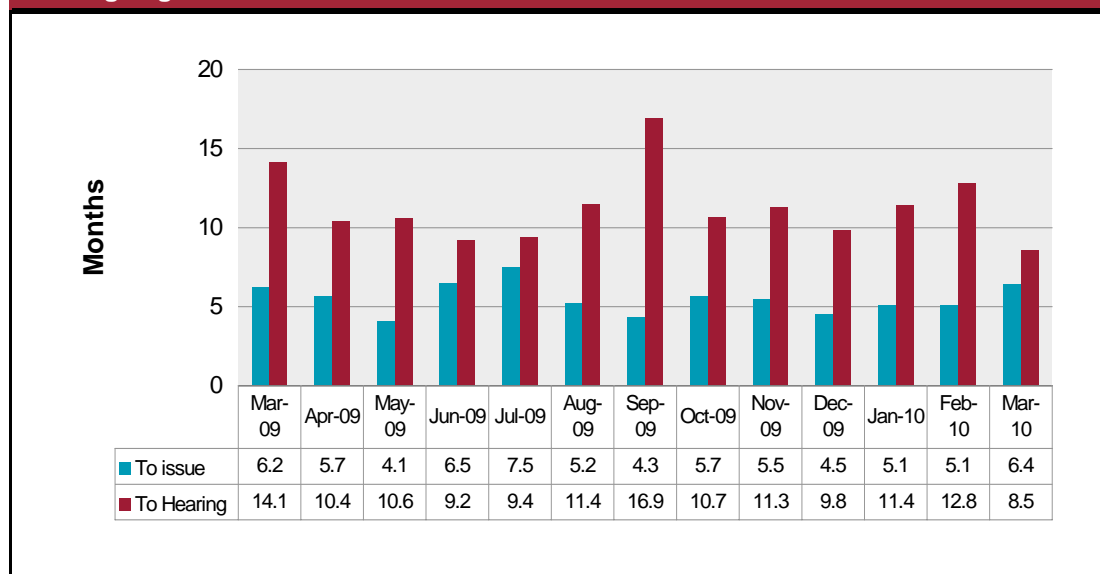
Disciplinary Proceedings

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 81 sets of proceedings.

Average age of tribunal referrals issued and 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 Mar 09	12 months to Mar 10	Variance	Monthly average Last 12 months
Fined	122	180	+ 48%	10.2
Struck off	57	90	+ 58%	4.8
Suspended	41	49	+ 20%	3.4
No Order	11	22	+ 100%	0.9
Reprimand	55	45	- 18%	4.6
Other	22	38	+ 73%	1.8
TOTAL	308	424	+ 38%	25.7

The total number of SDT orders increased by 38% 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.

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 31 March 2010, 195 firms had taken the opportunity to become LDPs. The vast majority of firms currently have only one non solicitor manager, although 13 firms have both a non-lawyer manager and a lawyer manager.

LDPs by size

No. of managers	No. of LDPs
2 to 4	84
5 to 10	59
11 to 25	34
26 to 80	12
81 +	6
TOTAL	195

Managers in LDPs

Manager type	No. of managers
Solicitors	2,357
Legal Executives	74
Other lawyer managers	9
Non-lawyers	136
TOTAL	2,576

Over 2,500 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 and licensed conveyancers.

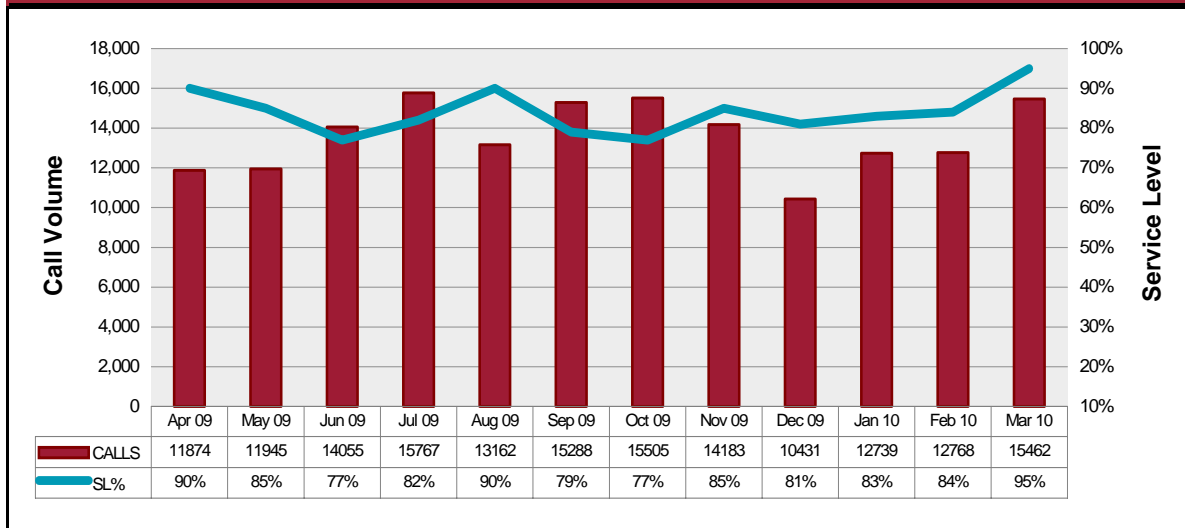
The Legal Services Board has agreed with the Bar Standards Board proposals to amend their Code of Conduct allowing barristers to become partners of LDPs from 26th March 2010, the other lawyer managers figure includes one barrister.

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 40,969 calls from members of the public. Within the first 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 Mar 10	Q1 2010
Prosecute	79	6
Control on individual's practice	336	123
Closure of practice	87	11
Agreement	39	6
Total No. of Decisions	541	146
No. of Individuals to which decisions relate	477	142

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. This is, however, 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 94% of cases during quarter 1 2010. This is a smaller proportion than the 97% disclosable during quarter 4 2009, and 99% in quarter 3 2009. The main reason cited for information classed as unsuitable for disclosure during in quarter 1 was that disclosure would otherwise prejudice or frustrate an investigation or other regulatory action.

Information received Q1 2010

Month	Disclosable	Non-disclosable	Total
January 2010	819	46	865
February 2010	904	57	961
March 2010	1031	68	1099
Q1 2010	2754	171	2925

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 Quality Assurance Audit results have continued to improve throughout the quarter.

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

- to assess 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*"
- to assess quality and consistency across the organisation to ensure that work is of a suitable standard.

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	% last quarter
Technical	466	430	33	3	92%	87%
Analytical	469	416	48	5	89%	84%
Communication	469	434	29	6	93%	89%
Work Management	450	379	63	8	84%	82%
Overall	469	410	43	16	87%	83%

Organisational Improvement

Budget Report

Summary of SRA expenditure and income this year to date:

Direct Costs Summary for the 3 months to March 2010

Amounts in £000's	YTD actual	YTD forecast	variance	% variance
Total Staff Expenditure:	- 6,381	- 6,710	+ 329	+ 4.9%
> Salary Costs	- 6,302	- 6,592	+ 290	+ 4.4%
> Other staff costs	- 79	- 117	+ 39	+ 32.9%
Total Administration Costs	- 5,024	- 5,824	+ 800	+ 13.7%
GROSS Expenditure (before recoveries)	- 11,404	- 12,533	+ 1,129	+ 9.0%
Recoveries	6,146	6,280	- 134	- 2.1%
GROSS Expenditure (after recoveries)	- 5,258	- 6,253	+ 995	+ 15.9%
Income	1,796	2,183	- 386	- 17.7%
NET EXPENDITURE	- 3,462	- 4,070	+ 609	+ 15.0%

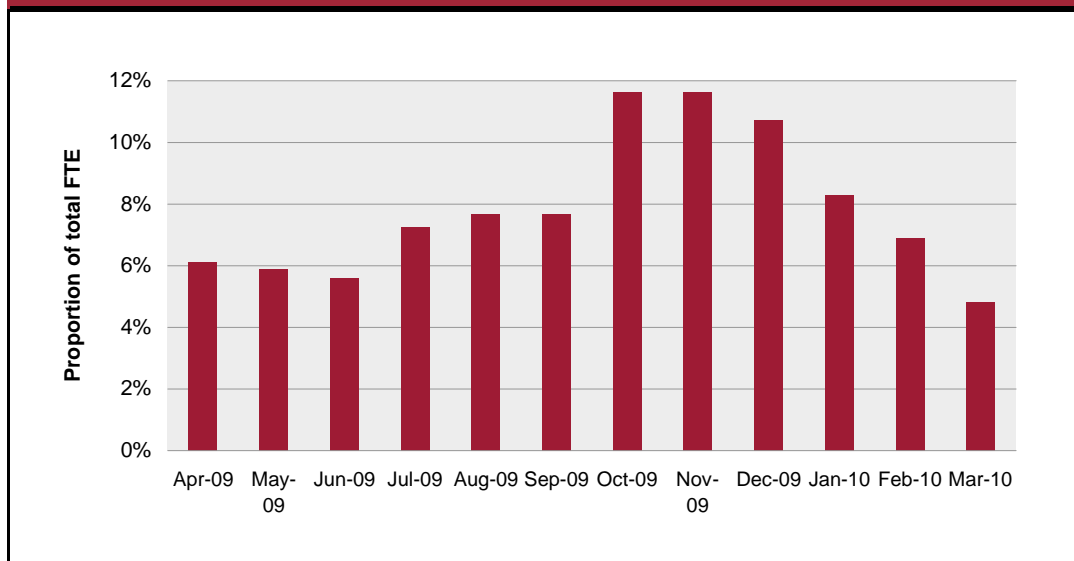
Note: A positive variance denotes favourable position against forecast.
A negative variance denotes an adverse position against forecast.

Organisational Improvement

Human Resources & Development

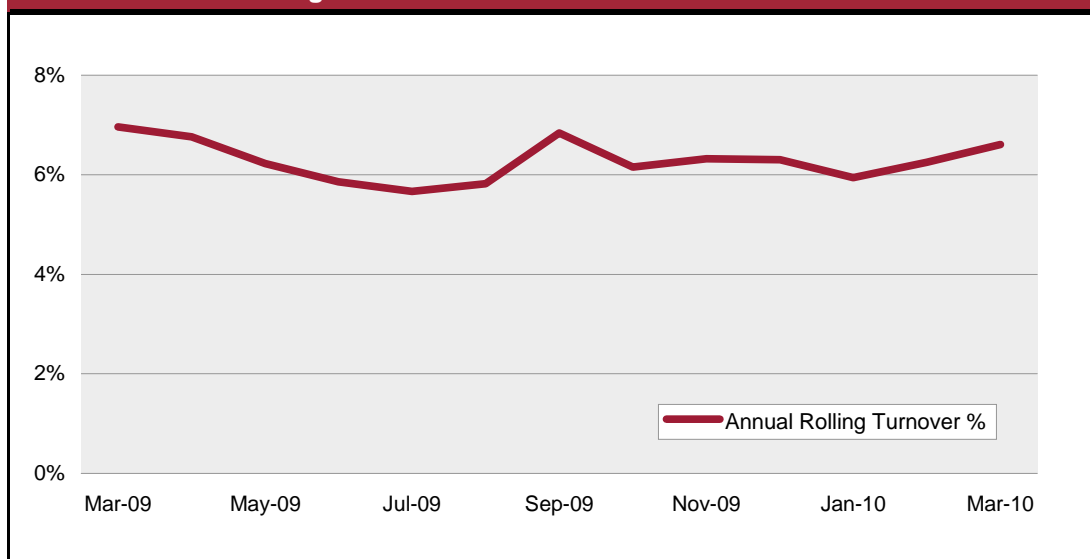
As at 31st March 2010, the SRA has 544 full time equivalent (FTE) permanent employees. In addition, there are 35 fixed term temporary employees and 29 agency and contractor staff. The chart below shows that the proportion of agency/contractor staff fell significantly during the last quarter. This is largely due to the end of the PC renewal exercise which takes place between October and February. The scale of the PC renewal exercise means that a considerable number of temporary staff are needed between these months each year.

Agency staff / contractors as proportion of all staff



Staff turnover for the 12 months to March 2010 stands at 6.6% - slightly higher than the proportion in quarter 4 2009, but marginally less than the same month last year. Indeed, March 2009 saw the largest proportion of staff turnover during the last 12 months, with the rate at its lowest in July 2009. 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.

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 Regulatory 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