



Solicitors
Regulation
Authority

SRA Summary of Performance Measures and Statistics

September 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.

There are further details on *Freedom in Practice* available on the SRA website including our most recent consultation, launched on 21st October 2010, reference information from past consultations and presentation slides from recent SRA road shows - please see www.sra.org.uk/freedominpractice for further details.

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

- **120,917** practising solicitors, with a further **33,054** non-practising solicitors
- **283** registered European lawyers
- **1,617** registered foreign lawyers
- **10,962** firms, of which **304** are now Legal Disciplinary Practices

In the third quarter of 2010 we have

- answered **69%** telephone enquiries from the public within 20 seconds
- effected **100%** interventions within target
- issued proceedings at the SDT within an average of **4.8** months against a target of 6 months
- answered **90%** calls to the Ethics Guidance Helpline within 45 seconds
- paid **£5.72m** to claimants from the Compensation Fund
- distributed **£6.8m** from monies held on statutory trust following intervention
- risk assessed **2,775** allegations
- concluded **2,247** casework investigations
- answered **15,033** calls to our Ethics Guidance Helpline
- **2,667** claims in progress on the Compensation Fund representing a liability of **£157m**
- undertaken **243** practice standards monitoring visits to firms
- issued **55** sets of proceedings at the SDT
- issued **67** reprimands
- effected **18** 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% at the end of September 2010 compared with the same time last year. The number of solicitors on the roll at the end of September was 153,971 - up 3.4% on the same time in 2009.

Population of practising solicitors since January 2008

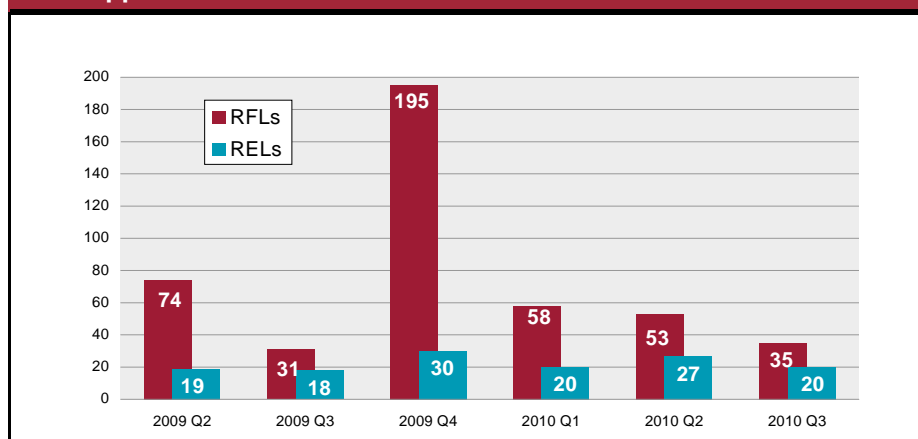


Registered foreign lawyers and registered European lawyers

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 Q2 2009.

At the end of quarter 3, there were a total of 283 RELs and 1,617 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	September 2009	December 2009	March 2010	June 2010	September 2010
Incorporated Company	1541	1657	1742	1862	2001
Limited Liability Partnerships	1101	1129	1167	1242	1309
Multinational / Overseas	169	164	162	129	126
Partnership	3897	3874	3787	3676	3561
Sole Practitioner	4095	4083	4056	4034	3880
Other	48	51	61	83	85
Total	10851	10958	10975	11026	10962

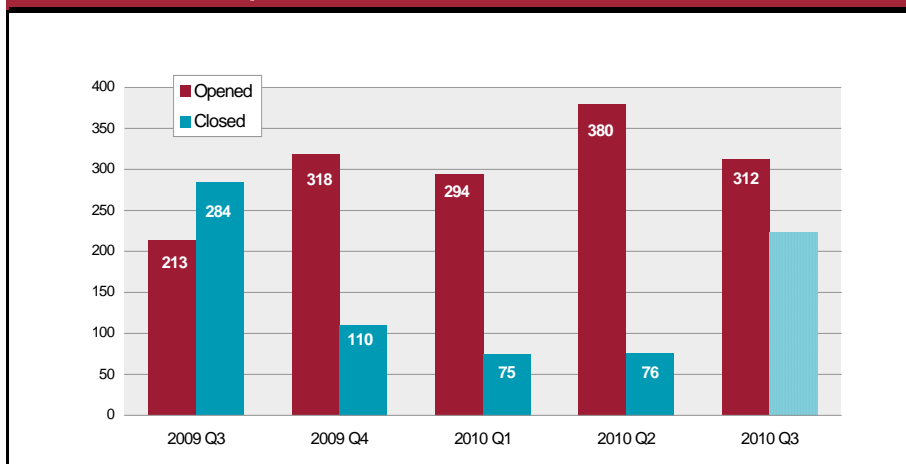
The number of firms fell slightly during quarter 3, a trend which has been observed in the same quarter in previous years. The number of sole practitioners fell by 4% compared with the end of quarter 2 2010, whilst the number of partnerships fell by 3%. The number of incorporated companies and LLPs continued to increase, as observed over recent quarters.

Firms opening and closing

During the last 12 months, 1304 new firms opened and 484 firms closed. A number of firms have merged during this time resulting in an overall increase of 111 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 3 is not yet available - indications are that it will be less than the corresponding figure in 2009. The final closure figure for quarter 2 shows a 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

On 21st October 2010 a consultation entitled "The Architecture of Change Part 2—the new SRA Handbook" was launched, providing a final opportunity for comments on the SRA's new Handbook which will underpin the regulation of solicitors and law firms from October 2011. The paper also includes feedback from earlier consultations. This consultation will close on 13th January 2011.

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 Sep 09	12 m to Sep 10	variance	% variance
Qualifying Law Degree	4,228	3,889	-339	-8%
Conversion Course	2,293	2,183	-110	-5%
QLTT *	2,226	1,594	-632	-28%
Other	222	1,060	838	377%
Total admitted	8,969	8,726	-243	-3%

* Qualified lawyers transfer test

45% of those admitted in the 12 months to September 2010 completed a qualifying Law Degree. 25% 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).

18% 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 came into force in September 2010.

The remaining 12% 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 jurisdictions who may receive exemptions currently but may not do so once the new Qualified Lawyers Transfer Scheme comes into effect.

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.

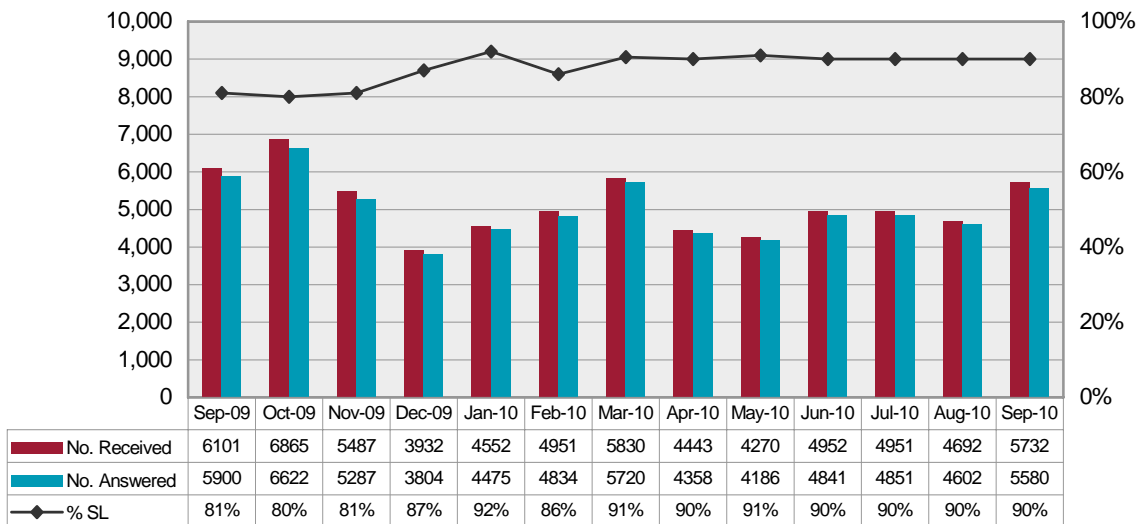
Ethics Guidance Service

The **Professional Ethics Guidance Team** provides 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
- Practising Certificates
- Requirements of Practice

Calls to the Ethics Guidance Helpline



The service level for the Ethics Guidance Helpline is for staff to answer calls within 45 seconds. The service level on the graph above shows the percentage of calls that were answered within this time.

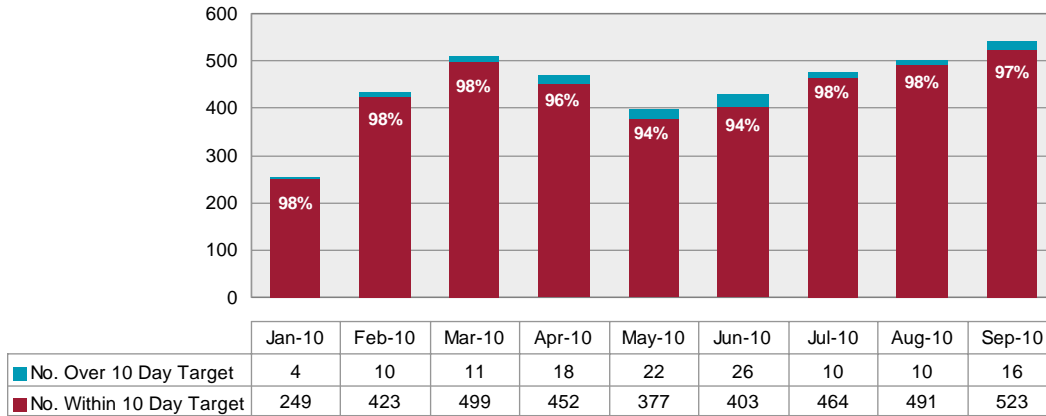
Since the start of 2010 the Ethics Unit has aimed to answer 90% of calls within 45 seconds (previously 80%).

89% of calls were answered within this target throughout quarter. Only 2% of calls to the Helpline were abandoned during quarter 3. There were 5% fewer calls received by the Ethics Guidance Helpline in quarter 3 2010 compared with the same period in 2009. A total of 15,375 calls were received and 15,033 answered in the quarter (4% 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.

Ethics – Correspondence completed per month



The team aim to respond to all correspondence within 10 working days, 98% of correspondence was completed within this service level during the third quarter. In the third quarter, 1,514 pieces of correspondence were completed, this is a 15% increase on quarter 2.

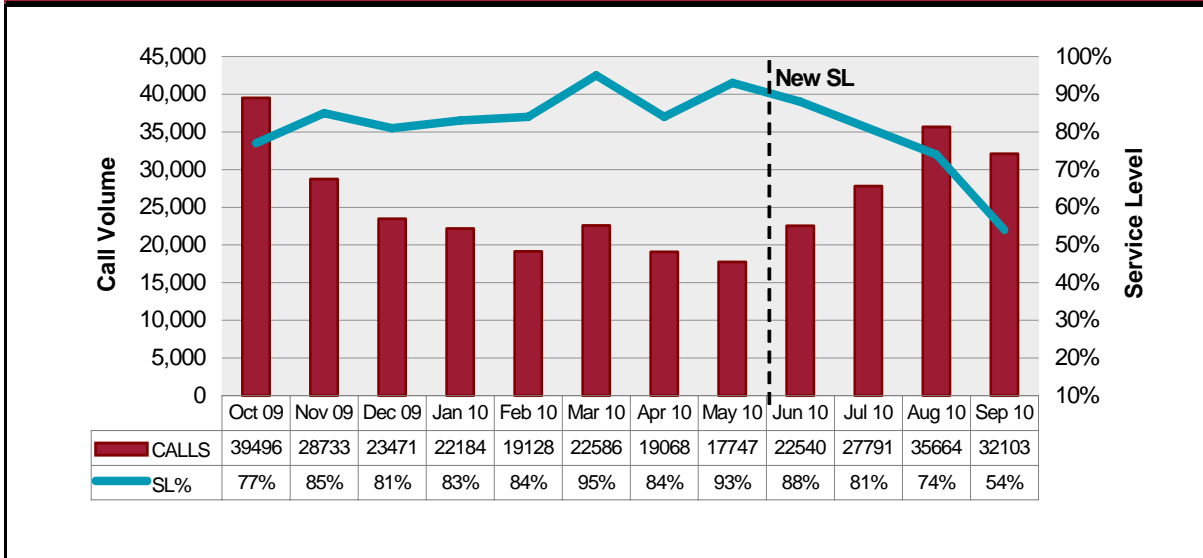
Support & Monitoring

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 95,558 calls from the profession of which 61,738 calls were to the profession line and 33,818 calls to the seasonal lines. In June 2010 a new service level of 80% of calls answered within 20 seconds was implemented. Within the third quarter of 2010, 69% of calls were answered within 20 seconds, which is below the new target of 80%.

The Contact Centre's service levels have fallen below the new target of 80% in 20 seconds due to unprecedented call levels. The changes to the Qualified Lawyers Transfer Regulations generated a significant peak of calls during August, and into September, coinciding with the call peaks that we received during the Student Enrolment exercise. Due to processing times in CAU unit, Student Enrolment has impacted the Contact Centre for a longer period this year, overlapping with the start of the 2010 renewals project calls. Renewals calls have also been significantly higher this year. Queries about turnover figures, and delays in delivering some of the renewal forms have created the additional demand, which on some occasions has resulted in 500-1000 additional calls per day.

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.

During 2010 PSU have been used to support the SRA's 'Enforcement strategy – Assigned Risks Pool' by monitoring firms which were not eligible to remain in the ARP beyond 30 September 2010. Prior to 30 September 2010, PSU were involved in the close monitoring of the firms in the form of telephone calls and visits to assess the position regarding insurance. Further visits were undertaken post 1 October to establish the position at that time and advisers monitored those that were closing to check that it was undertaken in an orderly manner. Where there were concerns that firms were continuing to practice beyond 1 October 2010 without insurance, advisers have gathered evidence to support possible regulatory action. For further information on the enforcement strategy see <http://www.sra.org.uk/sra/strategy/sub-strategies/arp-enforcement-strategy.page>

PSU Monitoring Visits

Volumes	Q4 2009	Q1 2010	Q2 2010	Q3 2010
No. of Visits	182	218	213	240
On-Site Days	457	511	423	(327)*

* Q3 figure is provisional as it does not include any on-site days for 33 visits awaiting data.

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	Q4 2009	Q1 2010	Q2 2010	Q3 2010
1	2	6	5	3
2-4	47	54	61	52
5-7	108	138	129	61
8-9	17	15	8	4
Awaiting Grade	8	5	10	33
Not Graded	-	-	-	87*
Total Visits	182	218	213	240
% Grade 5 - 9	72%	72%	67%	54%

* In Q3 the ARP visits were not graded due to the nature of these visits.

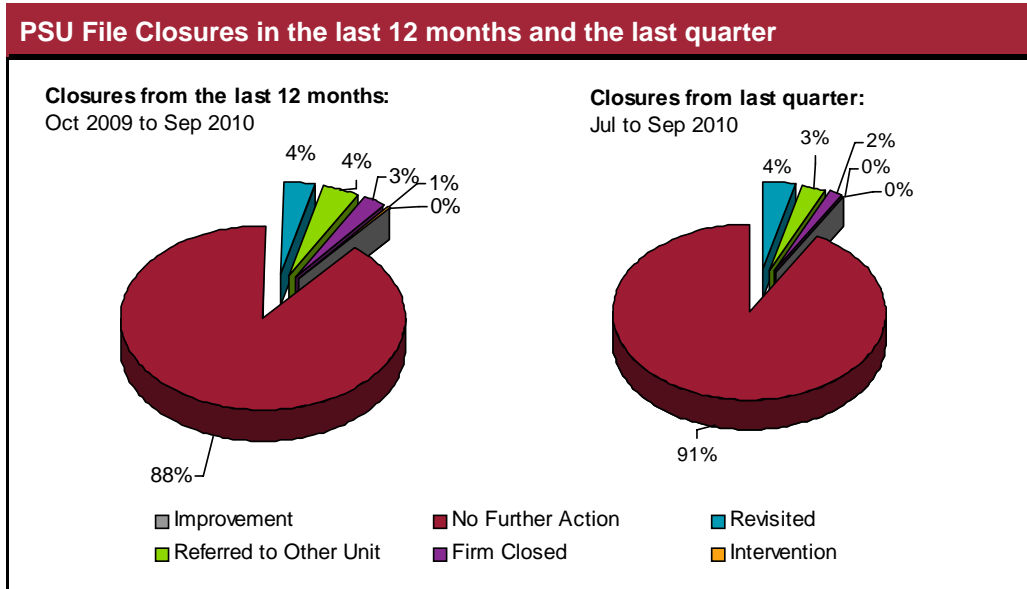
A firm receiving an overall grade of 1 will have had no or only minor breaches of SRA rules and regulations. There would be no impact on clients and no further action would be required as a result of the visit. At the other end of the scale, a firm receiving a grade of 9 will most likely have had systematic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

Support & Monitoring

Following a visit, PSU may make referrals to other SRA units for further action or for information. 11% of firms were formally referred to another SRA unit for action in the last quarter, as compared with an overall percentage of 7% over the 12 months to Sept 10.

In addition, 9 intelligence referrals were made by PSU in the last quarter (73 in the last 12 months) where information was shared with other departments.



Each visit file is given a final outcome upon closure. In the last 12 months 89% 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

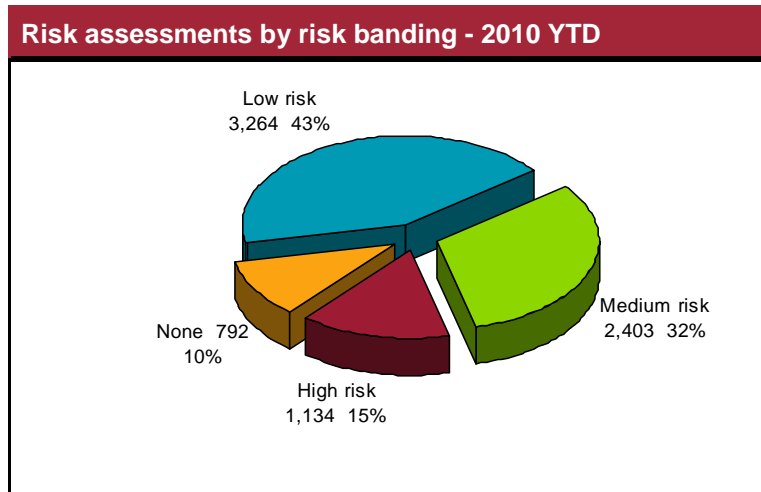
The Risk Assessment & Designation Centre (RADC) is the primary gateway for the receipt of regulatory information other than confidential intelligence, which is gathered by our Fraud & Confidential Intelligence Bureau (FCIB).

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 is assessed for risk and is categorised as either high, medium, low or no risk. This data is now based on information received into RADC only (previously information received by FCIB was also included). The chart above shows the output by risk banding for the first three quarters of 2010. 47% incoming matters were classed as medium or high risk, in line with the proportion rated high or medium risk 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

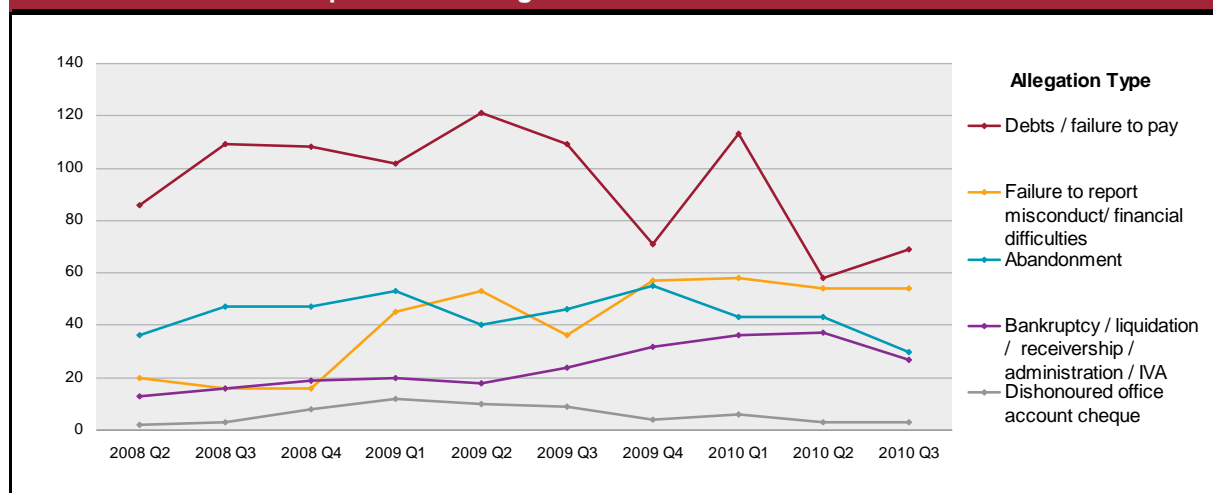
Allegations received by compliance risk

Total allegations by category		Q4 2009	Q1 2010	Q2 2010	Q3 2010
Efficiency, management and administrative competence		1,548	1,818	1,637	1,660
.. of which..	Character and suitability	1,104	1,207	1,205	1,187
	Conflict of interest	95	79	61	51
	Requirements/ framework of practice	349	532	371	422
Financial		880	1,013	836	794
.. of which..	Abandonment of practice	55	65	81	66
	Costs/ fees/ referrals	76	49	87	45
	Financial	488	602	449	450
	Fraud/ dishonesty/ money laundering	261	297	219	233
Legal competence		384	434	310	321
.. of which..	Breach of undertaking	84	105	91	60
	Mortgages and property	205	258	146	177
	Professional competence/ client relations	95	71	73	84

Numbers of risk assessments undertaken in quarter 3 were very similar to the number of assessments in quarter 2, with just over 2,400 undertaken in the three months. Each assessment may involve multiple allegations. Allegations relating to mortgages and property increased compared with quarter 2, but remain lower than the numbers observed in earlier quarters, whilst the number of legal competence allegations has increased compared with quarter 2.

The graph below shows the changes 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 third quarter of 2010.

Most common referrals to FCIB

Topic	% of all topics referred
Holding out as a solicitor	36%
Mortgage / property fraud	21%
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.

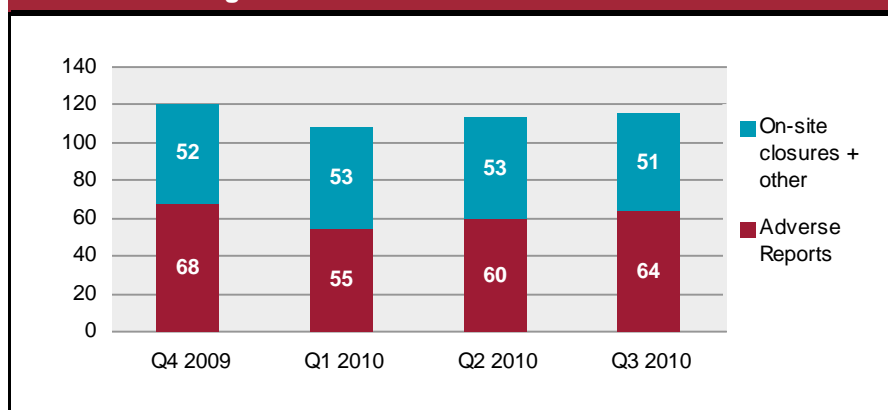
At the conclusion of an investigation, an on-site certificate is issued to the firm where the identified breaches or conduct are not material, or minor corrective action is required following an investigation. Alternatively, where there is evidence of serious breaches of the rules or professional obligations, 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 Sep 09	12 months to Sep 10	Variance	Monthly average to Sep 10
New investigations authorised	510	539	6%	44.9
Investigations Concluded	420	456	9%	38.0
Rescinded / Other	94	17	-82%	1.4

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 a small increase in the number of investigations authorised (6% increase to 539) and investigations concluded (9% increase to 456) between the year to September 2009 and the year to September 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 82% between the 12 months to September 2009 and September 2010, from 94 to 17 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. 56% of the visits concluded in quarter 3 2010 had an adverse report, a slightly higher proportion than recent quarters. However, this is less than the proportion of visits which concluded with an adverse report in 2009 where the overall proportion was 63%. A revision to the figures for Q2 2010 has seen the number of on-site closures of other outcome visits increase by one from 52 to 53.

During quarter 3 there were five Investment Business monitoring visits concluded, with a total of 22 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.

The number of Regulation 3 applications decreased this quarter due to the end of the practising year. Where in quarter 2 there were 275 applications completed, quarter 3 saw just 60 of these applications concluded. The number of applications completed is expected to increase in the next quarter as applications relating to the new renewal period are dealt with. Of the 60 caseworked Regulation 3 applications concluded, 19 (32%) related to individuals who were already subject to Section 12 / Regulation 3 when applying. 11 of these files had restrictions continued and 8 had restrictions varied.

41 (68%) of applications were from individuals newly subject to Regulation 3. Restrictions were imposed on 30 (73%) of these applications.

29 applications were dealt with in respect of the new SRA Recognised Bodies Regulations 2009 which enable the SRA to place conditions on a firm's recognition. Conditions were placed on 11 of the recognised bodies and two applications were refused.

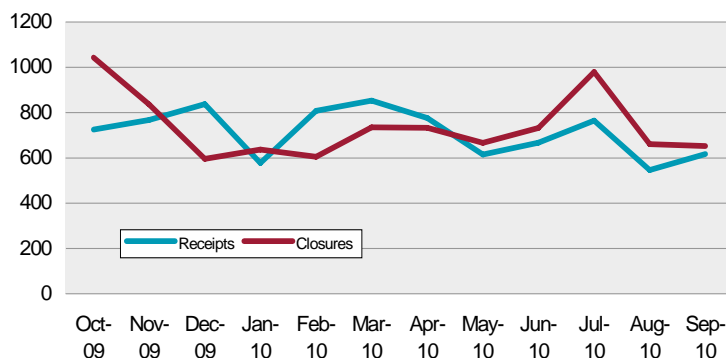
The unit also dealt with over 200 other applications, the majority of which relate to the requirement to file regular accountant's reports with the SRA. A comprehensive picture of the numbers of individuals being made subject to practising or registration conditions is shown on the following page.

Casework investigations

Casework Investigations primarily take place within the Conduct Investigation Unit (CIU) and Regulatory Investigation Unit (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 investigate 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 to the left shows new conduct and regulatory investigations alongside numbers closed each month. This chart does not include regulatory applications.

This quarter there has been an 8% increase in the number of investigations completed from the quarter 2 figure.

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 Q4	2010 Q1	2010 Q2	2010 Q3	% variance from last quarter
Allegation Upheld	340	250	426	454	7%
*Letter of Advice	165	132	205	266	30%
*Finding and warnings	66	47	81	70	-14%
*Rebuke / reprimands	80	62	74	67	-9%
SDT Referral	88	88	102	73	-28%
Ongoing other action / Added to existing DPs	260	218	230	341	48%
No Regulatory Action Required	1707	1351	1266	1379	-6%
TOTAL	2395	1907	2024	2247	11%

* 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 Q4	2010 Q1	2010 Q2	2010 Q3
Solicitors with PC conditions applied	206	404	148	76
REL's or RFL's with conditions applied	12	0	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

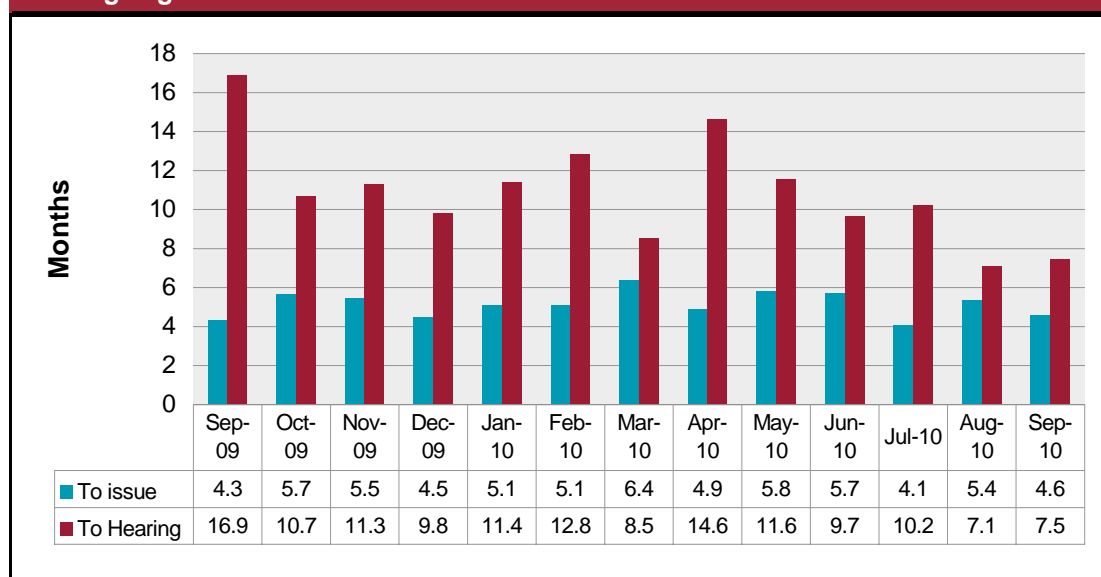
Disciplinary Proceedings

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 55 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 Sep 09	12 months to Sep 10	Variance	Monthly average Last 12 months
Fined	150	152	+ 1%	12.7
Struck off	68	82	+ 21%	6.8
Suspended	45	48	+ 7%	4.0
No Order	19	17	- 11%	1.4
Reprimand	50	43	- 14%	3.6
Other	34	32	- 6%	2.7
TOTAL	366	374	+ 2%	31.2

The total number of SDT orders increased by 2% in the last 12 months. The proportion of these orders that resulted in the striking off of a solicitor from the roll has increased by 21% in 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. 18 interventions took place in the last quarter, of which 5 involved reason to suspect dishonesty.

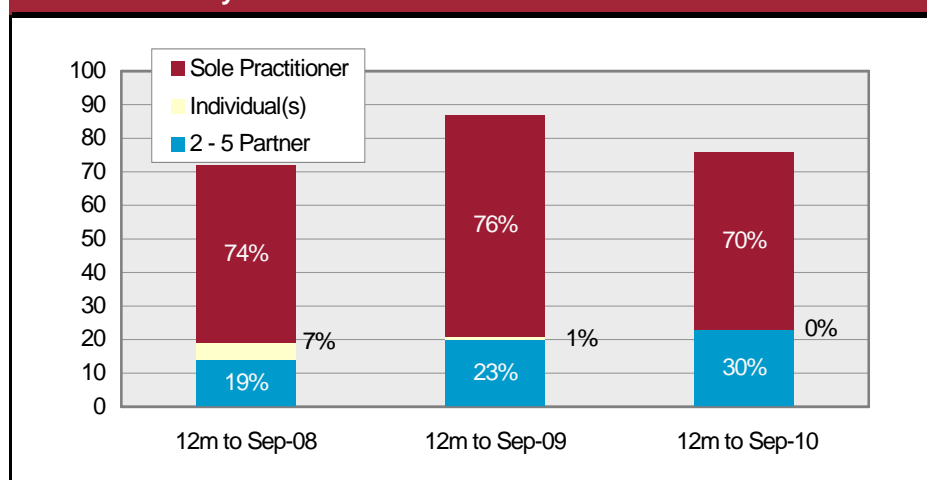
Interventions Summary

12 month figures	Interventions effected	Suspected Dishonesty	Non-Dishonesty	Individual(s)	Sole Practice	2 - 5 Partner firm
12 months to Sep 09	87	26	61	1	66	20
12 months to Sep 10	76	20	56	0	53	23
% variance	-13%	-23%	-8%	-100%	-20%	15%

The number of interventions in the last 12 months was 13% lower than in the 12 months to September 2009.

The chart that follows shows the number of interventions effected in 12 month periods by size. The chart illustrates the reduction in interventions over the last year to a level comparable with the 12 months up to September 2008. However, the chart also shows a year on year 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. All of the interventions taking place in the last 12 months were within the target.

Consumer Protection, Enforcement & Discipline

Grounds for Intervention

Most common grounds for intervention

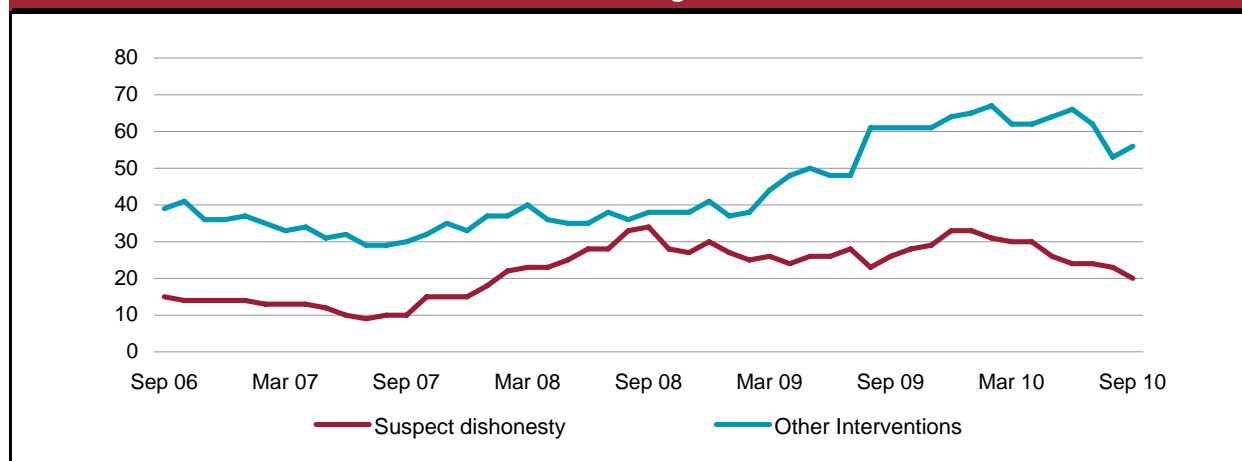
For the 87 interventions in 12 Months to Sep 2009 and the 76 interventions in 12 months to Sep 2010	12 months to Sep 09		12 months to Sep 10	
	No. interventions	% of interventions	No. interventions	% of interventions
Protect interests of clients / beneficiary	38	44%	59	78%
Accounts rule breaches	47	54%	41	54%
Code breaches	17	20%	27	36%
Reason to suspect dishonesty	26	30%	20	26%
Abandonment of practice	16	18%	7	9%

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 30% to 26%. The last quarter saw 28% 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

	Q4 2009	Q1 2010	Q2 2010	Q3 2010
No. of new claims	708	1555	1248	994
Total amount claimed	£29.15 m	£42.98 m	£36.15 m	£38.19 m
£ paid out	£4.51 m	£4.80 m	£7.61 m	£5.72 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.

Whilst the number of claims received in quarter 3 was considerably lower than the previous quarter the number continues to be substantially higher than in previous years. This increase is due to the higher number of interventions in the last 2 years.

The average claim amount increased this quarter compared to last. The average claim amount for quarter 3 was £37,875.

New claims received

Number of claims by reason	Q4 2009	Q1 2010	Q2 2010	Q3 2010
General client money	346	1182	723	678
Counsel Fees	96	34	65	10
Mortgage fraud	57	46	46	62
Experts Fees	34	13	24	23
Probate	39	47	21	22
Stamp Duty Land Tax	63	168	303	153
Retention	10	12	10	6
Ratification	32	6	0	2
Unredeemed mortgage	14	16	11	5
Gross overcharging	3	1	2	0
Other / unspecified*	14	30	43	33
Total	708	1555	1248	994

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

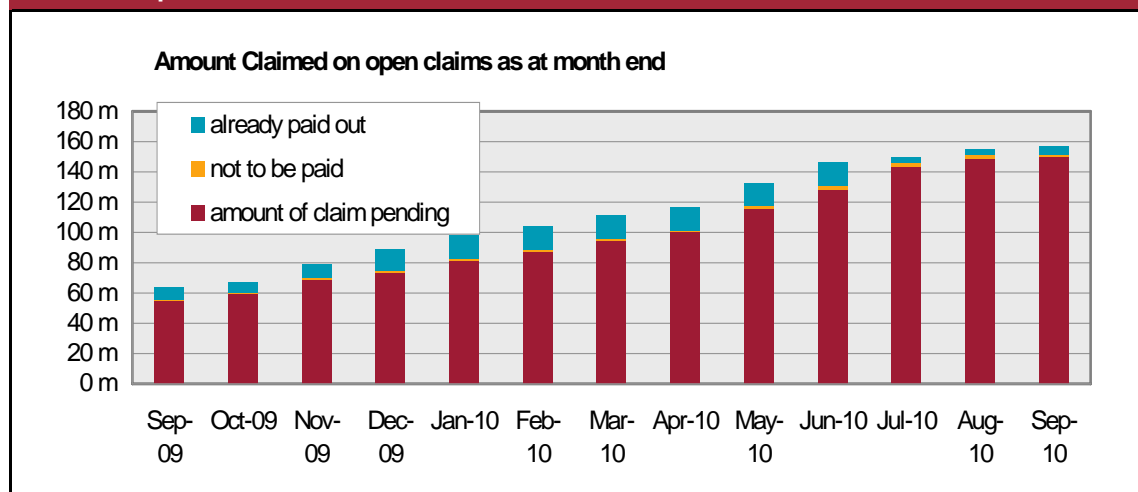
The vast majority of claims received in quarter 3 were claims for general client money. These primarily related to small amounts of money that claimants have paid on account to a solicitors firms that were subsequently intervened into. Where this money cannot be easily identified in client accounts, a claim is made against the Fund.

Consumer Protection, Enforcement & Discipline

Ongoing Claims

The graph below shows the total value of the 2,667 claims currently under investigation.

Value of open claims at month end



The value of open claims at the end of September was £157m, this is 7% higher than the value at the end of June and £94m more than at the same time in 2009. This is due to the higher number of claims under investigation and also the increase in the average claim amount.

Payments on Application Concluded

The following table shows whether claims that were closed in the last 12 months were paid, either partially or fully. This quarter has seen a decrease in the proportion of claims closed with a payment made.

Claims closed				
Payment status	Q4 2009	Q1 2010	Q2 2010	Q3 2010
No. of claims closed	717	474	734	1195
Payment made	62%	50%	57%	44%
Not paid	38%	50%	43%	56%

The next table shows the amount claimed on closed matters and the amount paid on those claims. This quarter has seen the percentage paid return to a level consistent with the first quarter of the year.

Payments on claims closed				
Proportion paid	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Total amount claimed	£17.91 m	£17.99 m	£10.08 m	£12.59 m
Total paid out	£4.75 m	£4.91 m	£4.58 m	£3.52 m
% paid	27%	27%	45%	28%

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

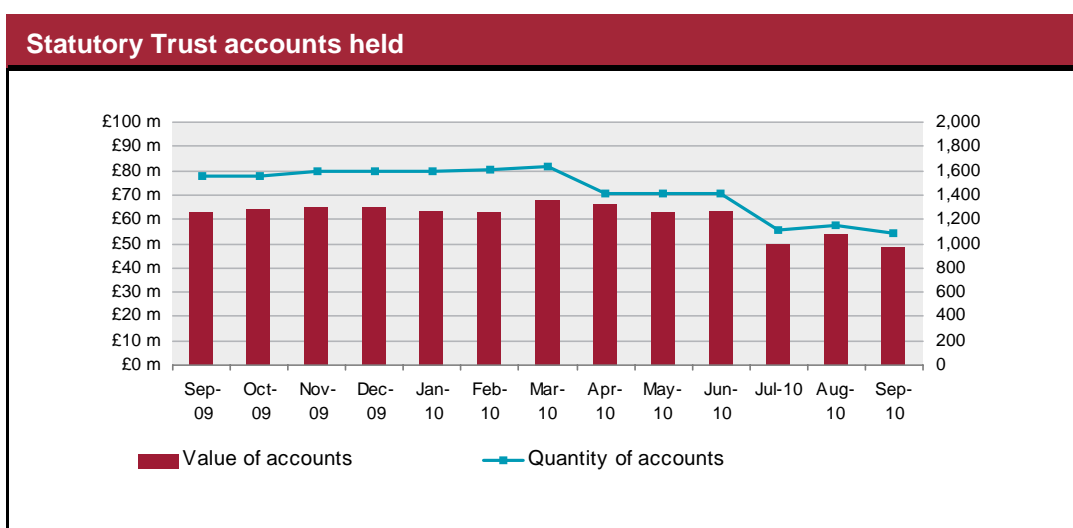
Statutory Trusts & Intervention Archives

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

9 months Jan to Sep 2010	Jan 2010 position	New accounts + additional deposits	Distributions made	Sep 2010 position
Volume of Accounts	1,598	367	-878	1,087
Value of Accounts	£64.8 m	£19.7 m	-£35.9 m	£48.62 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 our most recent open consultation, 'The Architecture of Change Part 2—the new SRA Handbook', and materials from recent road shows, 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 type of firm comprising of 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 September 2010, 304 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	133
5 to 10	89
11 to 25	52
26 to 80	21
81 +	9
TOTAL	304

Managers in LDPs

Manager type	No. of managers
Solicitors	3,640
Legal Executives	102
Other lawyer managers	37
Non-lawyers	200
TOTAL	3,979

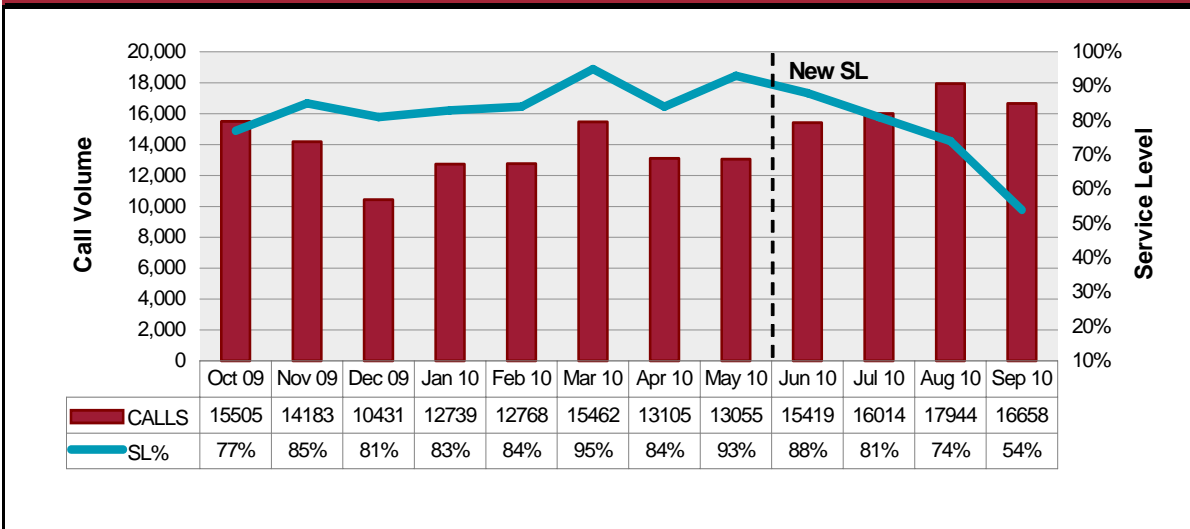
Nearly 4,000 managers now work in LDPs. Non-lawyer managers include professions such as accountants, teachers and lecturers and financial planners. Lawyer managers are made up predominantly of legal executives but also include patent attorneys, licensed conveyancers and barristers.

Access to Justice, Transparency and Consumer Information

Enquiries from members of the public

As well as dealing with enquiries from the profession over the last quarter, the Contact Centre received some 50,616 calls from members of the public. In June 2010 a new service level of 80% of calls answered within 20 seconds was implemented. Within the third quarter of 2010, 69% of calls were answered within 20 seconds, which is below the new target of 80%.

Calls to the Contact Centre Non-Profession Line



The Contact Centre 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 108 tracing requests each month.

The Contact Centre's service levels have fallen below the new target of 80% in 20 seconds due to unprecedented call levels. The changes to the Qualified Lawyers Transfer Regulations generated a significant peak of calls during August, and into September, coinciding with the call peaks that we received during the Student Enrolment exercise. Due to processing times in CAU unit, Student Enrolment has impacted the Contact Centre for a longer period this year, overlapping with the start of the 2010 renewals project calls. Renewals calls have also been significantly higher this year. Queries about turnover figures, and delays in delivering some of the renewal forms have created the additional demand, which on some occasions has resulted in 500-1000 additional calls per day.

Access to Justice, Transparency and Consumer Information

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) that we started on or after 1 January 2008. 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 and agreed outcomes with individuals.

Published Decisions

Category of decision	12 months to Sept 10	Q3 2010
Prosecute	86	4
Control on individual's practice	290	25
Closure of practice	71	17
Agreement	61	9
Total No. of Decisions	508	55
No. of Individuals to which decisions relate	446	54

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 increase 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 almost 98% of cases during quarter 3 2010, a greater proportion than the 95% in the previous quarter, and 94% in quarter 1 2010. The main reason cited for information classed as unsuitable for disclosure during quarter 3 was that it could lead to disclosure of a source.

Information received Q3 2010

Month	Disclosable	Non-disclosable	Total
July 2010	827	20	847
August 2010	720	27	747
September 2010	856	5	861
Q3 2010	2403	52	2455

Organisational Improvement

Budget Report

Summary of SRA expenditure and income this year to date:

Direct Costs Summary for the 3 months to Sept 2010

Amounts in £000's	YTD actual	YTD forecast	variance	% variance
Total Staff Expenditure:	-18,796	-19,229	+ 434	+ 2.3%
> Salary Costs	-18,533	-18,804	+ 271	+ 1.4%
> Other staff costs	-262	-425	+ 163	+ 38.3%
Total Administration Costs	-15,221	-17,660	+ 2,440	+ 13.8%
GROSS Expenditure (before recoveries)	-34,016	-36,890	+ 2,873	+ 7.8%

Recoveries	20,790	21,826	-1,035	+ 4.7%
GROSS Expenditure (after recoveries)	-13,226	-15,064	+1,838	+ 12.2%

Income	6,260	6,088	+172	+ 2.8%
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NET EXPENDITURE	-6,966	-8,976	+2,010	+ 22.4%
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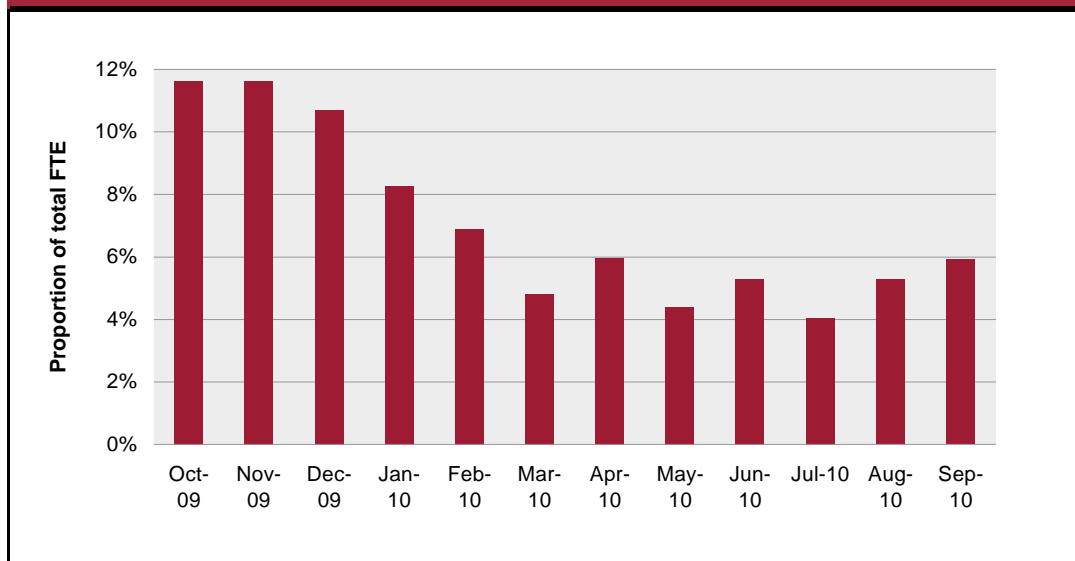
Note: A positive variance denotes favourable position against forecast.
A negative variance denotes an adverse position against forecast.

Organisational Improvement

Human Resources & Development

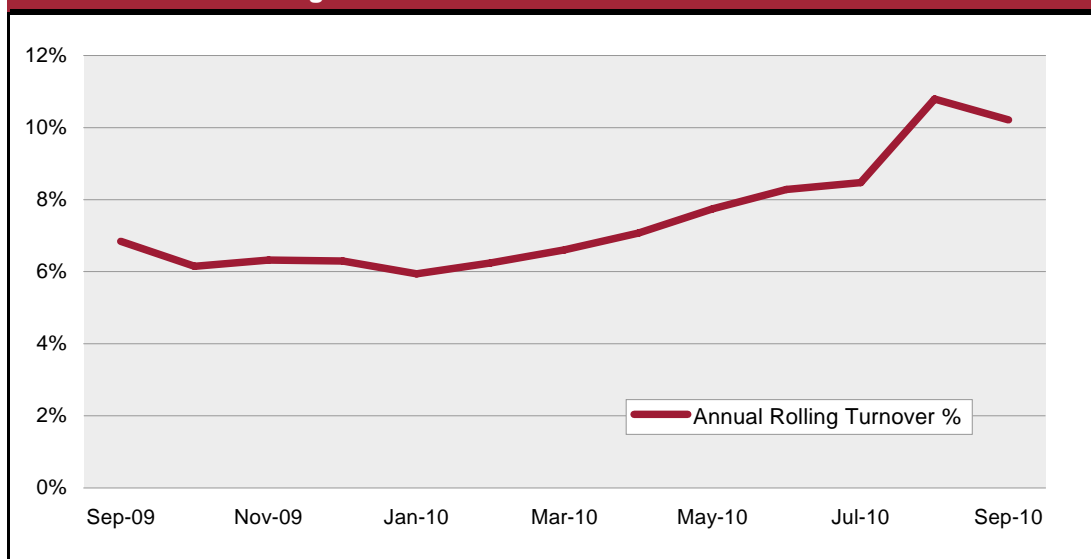
As at 30th September 2010, the SRA has 511 full time equivalent (FTE) permanent employees. In addition, there are 77 fixed term temporary employees and 37 agency and contractor staff. The chart below shows that the proportion of agency/contractor staff was relatively low between May and July 2010, and has begun to rise during quarter 3 2010. The number of fixed term temporary employees tends to rise during quarter 4 each year, largely due to the PC renewal exercise which takes place between October and February.

Agency staff / contractors as proportion of all staff



Staff turnover for the 12 months to September 2010 stands at just over 10%. In August the figure stood at almost 11%, higher than at any point since April 2007. The staff turnover calculation is based on 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
CIU	Conduct Investigation Unit
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
RIU	Regulatory Investigation Unit
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