

**CLASSIFICATION – PUBLIC**

**SOLICITORS REGULATION AUTHORITY  
Minutes of the SRA Board meeting  
held on 11 March 2015 at 1.45pm  
at 24 Martin Lane London, EC4R 0DR**

**PUBLIC**

Present: Enid Rowlands (Chair)  
Julia Black  
Graham Chisnall  
Martin Coleman  
Jane Furniss  
Bill Galvin  
David Heath  
Cindy Leslie  
Moni Mannings  
Paul Marsh  
Peter Phippen  
Chris Randall  
Shamit Saggar  
Elaine Williams  
David Willis

In attendance: Paul Philip, Richard Collins, Robert Loughlin, Jane Malcolm, David Middleton, Juliet Oliver, Crispin Passmore and Dominic Tambling

**1 APOLOGIES**

1.1 The Chair welcomed everyone to the meeting. There were no apologies.

**2 MINUTES OF THE MEETING HELD ON 21 JANUARY 2015**

2.1 The minutes of the meeting held on 21 January 2015 were agreed.

**3 MATTERS ARISING AND DECLARATIONS OF INTEREST**

3.1 Julia Black declared an interest in item 10(a) on the Competence Statement given her role as a member of the Law Department at the London School of Economics.

3.4 The Chair congratulated David Willis on his appointment as a trustee of United Response and reminded Board members of the need to inform the SRA of any new interests and appointments.

**4 CHAIR'S UPDATE**

4.1 The Chair reported that she had attended numerous meetings including an interesting and helpful one with the Lord Chief Justice. She thanked Board members for attending the dinner with Law Society (TLS) Office holders and

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those who had attended the Global Law Summit on which Jane Furniss had collated views and circulated a helpful note.

### **5 COMMENTS RELATING TO THE CONFIDENTIAL SESSION**

- 5.1 The Chair reported that there had been some interesting discussions in the morning session of the Board, but that discussion on proposals relating to regulatory reform had been reserved for the public session.

### **6 CHIEF EXECUTIVE'S REPORT**

- 6.1 Paul Philip drew the Board's attention to paragraphs 3 and 4 of his report on Criminal Legal Aid and the organisation's plans for dealing with an anticipated increase in work depending on the outcome of the appeal which was currently being heard.
- 6.2 The report also explained that a commitment had been made to look at the 49 firms which had entered the Extended Indemnity Period having failed to secure Professional Indemnity Insurance. Investigations had revealed that in fact only six had failed to secure cover and there were compelling reasons why the names of three of those should not be published. The names of the three remaining firms would be published in the near future.
- 6.3 Paul Philip drew the Board's attention to the section on the Legal Services Board's Regulatory Standards report which was generally very positive. It did highlight three areas for consideration by the SRA: in implementation of IT systems; on the Board holding the Executive to account; and on increased transparency for Board activity. All three areas were being addressed and significant improvements had been made since information for the report had been gathered.
- 6.4 The second section of Chief Executive's report set out progress against the SRA's Business Plan for 2014-15. Paul Philip highlighted good progress with the design of assessment plans for new apprenticeships and against the Equality, Diversity and Inclusion Strategy, although there was no room for complacency in this area.
- 6.5 Board members asked if consideration could be given to publishing more information on performance against KPIs, including a commentary which explained whether or not performance was improving. They also asked whether the reported improvement in performance in relation to allocation simply meant that cases were getting stuck further on in the system.
- 6.6 Paul Philip said that more commentary could be provided, although the tendency was not to provide a great deal when the results were generally positive. The intention was to produce a more detailed annual report for the regulated community in the future and this would address thematic issues including what the numbers being reported meant for what the SRA did in future.
- 6.7 It was also suggested that the CEO report could from time to time include some more personal thoughts on what the particular areas of focus or causes for concern were and Paul Philip agreed to consider this.

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### **7 INDEPENDENT COMPLAINTS RESOLUTION SERVICE (ICRS) ANNUAL REPORT JANUARY 2014 - DECEMBER 2014**

- 7.1 The Chair welcomed Elizabeth Derrington of the ICRS to the meeting. Ms Derrington said that the number of complaints dealt with by ICRS had reduced in 2014 from 2013 which indicated that the SRA had been more successful in resolving complaints internally. She also congratulated the SRA on improvements in the way it communicated with complainants, in particular providing feedback on how a complaint was being addressed.
- 7.2 The Board noted the content of the ICRS Annual Report 2014 and the main areas the complaints team would focus on in 2015 to improve the SRA's service to complainants: communication with stakeholders, operational excellence, and proportionality of regulatory action.

### **8 APPROVAL OF RESPONSE TO CONSULTATION ON COMPETENCE STATEMENT**

- 8.1 Crispin Passmore explained that the aim of the Competence Statement was to set out what competences were required at the point of entry to the profession and then to maintain standards through a solicitor's career. Some of the responses to the consultation included arguments about how to assess competences but these were decisions for the future. There had been wide engagement even before consultation.
- 8.2 Martin Coleman said that adoption of the Statement had two main implications for the profession: firstly, it provided the answers to maintaining standards given the end of a mandatory requirement in terms of the amount of continuing professional development (CPD) undertaken; and secondly it underpinned underpin the work being done to look at pathways of quality and assessment, especially at the point of qualification.
- 8.3 Jane Furniss said that the Equality, Diversity and Inclusion Committee had been given the opportunity to contribute to the development of the Statement and underlined the need for it to continue to be involved as this work progressed.
- 8.4 The Board agreed to:
- a) approve the response to the consultation;
  - b) approve the publication of the amended Competence Statement for solicitors, and its associated documents;
  - c) note the position in relation to the development of new apprenticeship routes to qualification as a solicitor; and
  - d) approve an amendment to the guidance notes under Principle 5 of the SRA Principles 2011 to make clear that, for a solicitor, meeting the competences set out in the Competence Statement forms an integral part of the requirement to provide a proper standard of service in accordance with Principle 5 by including the following statement:  
  
"For a solicitor, meeting the competences set out in the Competence Statement forms an integral part of the requirement to provide a proper standard of service."

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## 9 REPORTING ACCOUNTANT REQUIREMENTS AND OVERSEAS RULES

- 9.1 Crispin Passmore said that the paper covered two main areas: changes to reporting accountant requirements; and changes to Overseas Rules and also sought approval for a minor amendment to correct an error in the SRA Handbook.
- 9.2 There had been wide engagement, including with accountants, on these changes which were designed to enhance targeting of those firms which had problems and to make the requirements more proportional and focused. The changes to the Overseas Rules had been discussed previously by the Board as part of a package of changes.
- 9.3 Julia Black said that the Standards Committee had discussed the proposed changes and although it had commented on the transitional arrangements there had been no objections to the substance of the proposals.
- 9.4 The Board agreed to:
- a) proceed with the proposed approach to amending the Accounts Rules and reporting format to place more emphasis on the professional judgement of the accountant subject to providing detailed drafting points and guidance on key issues;
  - b) carry out further modelling and assessment before taking a decision as to whether to remove the requirement to obtain an accountant's report from further categories of low risk firms;
  - c) not require firms to make an annual declaration on the practising certificate return that they have obtained an accounting report and submitted it where qualified;
  - d) not tighten or enhance existing obligations on reporting accountants to notify us immediately of significant concerns during the course of preparation of their reports;
  - e) retain the obligation to submit qualified accountant's reports and that this should remain with the firm, rather than with the accountant;
  - f) announce these decisions of principle now; and
  - g) defer the formal decision on the formal changes to the Accounts Rules and Overseas Rules, until its meeting in July 2015.
- 9.5 In relation to Overseas Rules the Board agreed to:
- a) proceed with moving the accounting provisions for overseas practices into the Overseas Rules - this automatically widens their application;
  - b) implement a new Overseas Rule 5.1 (a short and revised version of current Accounts Rules 50.3-50.6) subject to detailed drafting to reflect some of the comments made;

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- c) revise the proposed glossary definition of 'client money overseas' to reflect comments made;
- d) reflect further on the overseas accountant's report issue in tandem with the way thinking has moved on in relation to domestic requirements to submit a report, albeit that the different circumstances may well require a different solution; and
- e) proceed with these changes to the same timetable as the changes to the domestic Accounts Rules.

9.6 The Board also agreed to correct an error in the definition of "out-of-scope money" in the SRA Handbook Glossary 2012.

### **10 INSOLVENCY REGULATIONS CONSULTATION RESULTS AND POLICY RECOMMENDATION**

10.1 Crispin Passmore reported that there had been a wide consultation on proposals for the SRA to stop regulating solicitor Insolvency Practitioners (IPs) and a round table had been held for solicitor insolvency practitioners. They were unhappy at our proposals to stop regulating this area of work but on balance, for the reasons given in paragraph 6 of the paper, it was recommended that the original proposals should stand.

10.2 Julia Black said that the Standards Committee had focused on the fact that of the 129 solicitor insolvency practitioners, only 22 actually took insolvency appointments.

10.2 The Board agreed:

- (a) to approve publication of the consultation response;
- (b) that we take appropriate steps to stop regulating solicitor insolvency practitioners with effect from 1 November 2015;
- (c) to make the amendment rule at Annex 2 and agree that we submit an application to the Legal Services Board to approve the revocation of the SRA Insolvency Practice Rules 2012 with effect from 1 November 2015; and
- (d) to charge solicitor IPs a reduced fee of £460 for 2015.

### **11 DRAFT SRA AMENDMENTS TO REGULATORY ARRANGEMENTS (SOLE PRACTITIONERS) RULES [2015]**

11.1 Crispin Passmore said that the paper updated the Board on the implementation of previous decisions to changes to the regulation of sole practitioners to move away from a system of annual endorsement to authorisation that does not need to be renewed annually.

11.2 The Board agreed to:

- a) note the position with regards to the removal of transitional arrangements from the SRA Handbook; and

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- b) make the draft SRA Amendments to Regulatory Arrangements (Sole Practitioner) Rules [2015].

### **12 QUALITY ASSURANCE SCHEME FOR ADVOCATES (QASA) RULE CHANGES**

12.1 Crispin Passmore explained that the QASA timetable had been delayed because of the judicial review proceedings challenging the scheme. There was therefore a need to amend the timetable and it was recommended that the dates for registration should no longer be within the rules to provide greater flexibility in the event of any future delays.

12.2 The Board agreed to:

- (a) make the SRA Amendments to Regulatory Arrangements (QASA) Rules [2015].

### **13 HIGHER RIGHTS OF AUDIENCE TRANSITION RULE REMOVAL**

13.1 Crispin Passmore said that the recommended amendments were necessary because there had been no sunset clause when transitional arrangements had been put in place and some applicants were seeking to use this as a loophole to achieve higher rights of audience in a way that had not been intended.

13.2 The Board agreed to:

- (a) make the SRA Amendments to Regulatory Arrangements (Higher Rights of Audience) Rules [2015].

### **14 QUALIFIED LAWYERS TRANSFER SCHEME (QLTS) – CHANGES TO REGULATORY ARRANGMENTS**

14.1 Richard Collins explained that the proposal before the Board was to stop assessing the eligibility of applicants wishing to sit the QLTS assessment, issue certificates of eligibility or require applicants to hold these until 1 November 2015 when preciously agreed amendments to the regulations would remove these requirements.

14.2 The Board agreed to:

- (b) approve the proposal not to assess the eligibility of applicants wishing to sit the QLTS assessment, issue certificates of eligibility or require applicants to hold these, for the period of 9 February 2015 to 31 October 2015, pending amendment to the Qualified Lawyers Transfer Scheme Regulations 2011 to remove these requirements from November 2015; and
- (c) approve the non collection of fees amounting to £80k which has been forecast to be collected during this period.

### **15 ANY OTHER BUSINESS**

14.1 The Board noted the minutes of the Regulatory Risk Committee on 24 February 2015.

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**NEXT MEETING: WEDNESDAY 3 JUNE IN LONDON, VENUE TO BE CONFIRMED,  
COMMENCING AT 2.00PM**

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### Solicitors Regulation Authority Action Log: Public - 11 March 2015

Meeting date	Paragraph	Action	Owner	Date for action
3 Dec 2014	6.4	Bring further recommendations to Board on possible extension of post six year run off cover for one or two years	Crispin Passmore	Late spring/early summer
11 Mar 2015	6.2	Publish the names of firms which have not secured PII	Paul Philip	End March 2015

### Solicitors Regulation Authority Board Record of Actions Completed: Public 3 June 2015

Meeting date	Paragraph	Action	Owner	Date completed
21 Jan 2015	6.2	Response to LSB consultation on Strategic Plan and Business Plan to be redrafted and cleared with the Chair	Richard Collins	20 Feb 2015
21 Jan 2015	8.4	Executive to continue discussions with FCA and HMT on regulation of consumer credit activities and request extension to the deadline for transitional provisions.	Crispin Passmore	Deadline extension secured on 22 Jan 2015, further discussions ongoing