

**CLASSIFICATION – PUBLIC**

**SOLICITORS REGULATION AUTHORITY  
Minutes of the SRA Board meeting  
held on 3 June 2015 at 1.45pm  
at the Grange Holborn Hotel, 50-60 Southampton Row, London, WC1B 4AR**

**PUBLIC**

Present: Enid Rowlands (Chair)  
Graham Chisnall  
Martin Coleman  
Jane Furniss  
Bill Galvin  
David Heath  
Cindy Leslie  
Peter Phippen  
Chris Randall  
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. Apologies had been received from Moni Mannings and Paul Marsh. Shamit Sagggar and Julia Black had had to leave having attended the confidential session.

**2 MINUTES OF THE MEETING HELD ON 11 MARCH 2015**

2.1 The minutes of the meeting held on 11 March 2015 were agreed.

**3 MATTERS ARISING AND DECLARATIONS OF INTEREST**

3.1 The Chair noted that the solicitor members of the Board had previously declared their interests as solicitors and therefore part of the regulated profession. The Board reviewed the action log and noted that:

- i further recommendations on the possible extension of post six year run off cover would be brought to the Board later in the year; and
- ii the names of firms which had not secured PII had been published on 19 March 2015.

**4 CHAIR'S UPDATE**

4.1 The Chair congratulated David Heath on his appointment to the Privy Council. She also congratulated the Chief Executive and Executive on the Legal Services Board's revocation of the Section 55 notice relating to the SRA's Alternative Business Structure (ABS) authorisation data on the back of clear evidence of improvements in the time taken to process licence applications.

## **SRA BOARD**

- 4.2 The Chair informed the Board that work was progressing on the recruitment of new Board members for 2016 and on the second phase governance review on which she was grateful for members' comments and suggestions.

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

- 5.1 The Chair reported that the Board had discussed the net funding requirement and budget for 2015/16 following discussion at Finance and Resources Committee. These would now be put to the Business and Oversight Board and then the Law Society Council on 9 July for approval. The Legal Services Board would then consider them in the context of the proposed fee levels for the coming financial year. It was important to ensure that solicitors were clear what proportion of the Group budget related to the SRA.

### **6 COMMITTEE MEMBERSHIP**

- 6.1 The Chair reminded the Board that the three members who had joined in January 2015 been asked to attend as many committee meetings as possible during their first few months in post. It had now been agreed that they would join:

- i. David Heath, Equality, Diversity and Inclusion Committee;
- ii Elaine Williams, Standards Committee; and
- iii David Willis, Finance and Resources Committee.

- 6.2 In addition the Chair was delighted that Jane Furniss would remain as Senior Independent Director until 2017 and that Moni Mannings had agreed to take over as Chair of Equality, Diversity and Inclusion Committee from July 2015.

### **7 CHIEF EXECUTIVE'S REPORT**

- 7.1 Paul Philip drew the Board's attention to paragraph 3 of his report which dealt with consumer credit. Crispin Passmore said that he wished to update the Board on discussions which were ongoing with the Financial Conduct Authority in relation to the requirement for the SRA it have in place regulatory arrangements governing how SRA-authorized firms carry on consumer credit activities.
- 7.2 In addition to previously reported progress, an in principle agreement had now been reached with the FCA which would prohibit some areas of consumer credit activity that few if any SRA authorised firms would undertake and were not necessarily related to practise as solicitors. Firms that wished to undertake these activities would require authorisation from the FCA. This would mean that a large amount of additional material which would otherwise need to be included in the Handbook to little or no purpose could be omitted.
- 7.3 The proposed timetable was for full implementation of the new arrangements in April 2016 and it was therefore likely that a further extension for implementation would need to be requested from the FCA. The policy team was already talking to a range of solicitors about the proposals and a paper would go to Standards Committee on 22 June 2015 with the intention of undertaking a short and focused consultation in July.

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- 7.4 Paul Philip said that the regulatory reform programme was progressing well. Richard Collins had spoken to the Sole Practitioner's Group on 10 May 2015 and launched the SRA response to the consultation on initiatives to improve the regulation of small firms. A list of key points from this was included in paragraph 6 of the report.
- 7.5 Section 2 of the report looked at operational performance and showed that cases were being dealt with more rapidly, especially within Authorisation and Supervision.
- 7.6 Paragraph 17 set out some of the engagement with local law societies and others which the Board and Executive were undertaking. Finally, paragraph 19 reported on the SRA's very positive representation at the Birmingham Pride parade on 23 May 2015. The organisation would be similarly represented at the equivalent London event later in June.

## **8 COMPENSATION FUND CONTRIBUTION FOR 2015/16**

- 8.1 David Middleton introduced the paper and explained that the three primary aims in setting the contribution levels were: to keep the fee levels stable; to reduce the overall balance in the Fund; and to maintain the minimum reserve.
- 8.2 Graham Chisnall reported that in considering this issue the Finance and Resources Committee had paid close attention to efforts to get to the minimum reserve level but was cognisant of the potential for volatility in demands on the Fund.
- 8.3 Cindy Leslie asked whether charging flat level contributions to individuals and firms was the right approach. An alternative would be to consider the level of risk engendered by each firm (for instance based on size) and charge accordingly. Crispin Passmore said that a discussion document on Professional Indemnity Insurance would be produced in the summer which would look at funding options, though there was some way to go yet before any proposals for change were proposed. The wider review of fees would also consider this point.
- 8.4 The Board agreed to recommend that TLS Council approves the contributions to the Compensation Fund for 2015/16 totalling £8.5m, resulting in a level of Compensation Fund contribution for 2015/16 of:
- individual contribution - £32; and
  - firm contribution - £548.

## **9 SCHEDULE OF DELEGATION - COMPENSATION FUND**

- 9.1 David Middleton explained that the paper proposed amendments to the Schedule of Delegation which would enable applications which are clearly not now eligible for a grant to be refused without the need to carry out a full investigation. This reflected new rule changes which had come into force on 1 April 2015. The proposed amendment was limited to the new rules in cases where there was no effective discretion and there was an appeal process in place.
- 9.2 The Board approved the proposed amendment to the Schedule of Delegation.

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### **10 CHANGES TO THE SEPARATE BUSINESS RULE AND TO ACTIVITIES THAT CAN BE PERFORMED BY RECOGNISED BODIES AND RECOGNISED SOLE PRACTITIONERS**

- 10.1 Crispin Passmore said that the proposals set out in the paper were the latest in a long line of reforms going back to the 2011 version of the Handbook and sought to reflect changes in the way that consumers purchase legal services.
- 10.2 The first issue that the proposals addressed was that at present the only people barred from the management and ownership of separate businesses were those who the SRA regulated as solicitors. The second was the expansion of the services that recognised bodies and recognised sole practitioners could carry out.
- 10.3 There had been a range of responses to the consultation and support from the consumer panel has been qualified. The Law Society had resisted the proposals and had said that it would be content to continue with waivers. The London Law Society did not support the proposals, principally because it wanted reform to go further.
- 10.4 Chris Randall reported that the Standards Committee had discussed the proposals and agreed that the current system of regulation by waiver was unsatisfactory and needed to be addressed. There had been a detailed discussion about the likely impact of the proposed changes, especially in relation to the BAME sector, and this was reflected in the paper. There had also been concern about Rule 4 and how the changes would affect those working in the unregulated part of any business and assurance had been given that this would be looked at later in the year. On balance, the Committee had felt that it was important to try and achieve a level playing field in this area and therefore believed that the proposed changes were warranted.
- 10.5 Board members agreed that it was important that consumers were well informed about how the different parts of an operation were regulated, but that overall the balance in relation to consumer protection looked about right. They also agreed that it would be important to keep a close eye on the effect of these changes with a view to developing a broader strategy around the relation between unregulated and regulated services.
- 10.6 The Chair said that there were three important questions to answer: were services for consumers likely to be better or worse with these changes?; would consumers prefer to deal with regulated firms rather than unregulated ones?; and would a member of the public be misled if solicitors and non-solicitors were working together in the same firm? The answer to these seemed to be yes; yes; and that the requirements for firms to inform customers should deal with this point.
- 10.7 The Board:
- (a) noted the report summarising the outcome of the consultation on the separate business rule and permitted activities for recognised bodies and recognised sole practitioners, together with reports on the impact of the proposals on consumers and the market;

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- (b) agreed to make the draft SRA Amendments to Regulatory Arrangements (Separate Business and Services) Rules [2015], which were proposed to come into effect on 1 November 2015 (subject to the approval of the Legal Services Board); and
- (c) approved in principle the guidance to firms on the new Separate Business and Services provisions.

### **11 ANY OTHER BUSINESS**

- 11.1 The Board noted the minutes of the Regulatory Risk Committee on 8 April 2015 and Equality, Diversity and Inclusion Committee on 20 May 2015.

**NEXT MEETING: WEDNESDAY 15 JULY AT 24 MARTIN THE CUBE, 199 WHARFSIDE STREET, BIRMINGHAM, B1 1RN COMMENCING AT 1.30PM**

## SRA BOARD

### 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	September
3 June 2015	5.1	Ensure that solicitors are aware what proportion of the Group budget relates to the SRA.	Richard Collins/Jane Malcolm	Following approval of budget by LSB

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

Meeting date	Paragraph	Action	Owner	Date completed
11 Mar 2015	6.2	Publish the names of firms which have not secured PII	Paul Philip	19 March 2015