

SRA BOARD

7 July 2025

CLASSIFICATION – PUBLIC*This paper will be published***2025/26 Practising Fees and Compensation Fund contributions**

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| Reason for paper | This paper outlines the proposed practising fees and Compensation Fund contributions for the 2025/26 practising year. |
| Decisions(s) | <p>The Board is asked to:</p> <ul style="list-style-type: none"> a) note feedback received from our consultation on our Draft Business Plan and budget 2025-26 b) approve the fee determinations for 2025/26 in respect of individual practising certificate fees, entity turnover based fees and Compensation Fund contributions. |
| Previous Board and committee consideration | The Board considered feedback on the budget element of the draft Business Plan and budget 2025-26 consultation at its meeting on 30 June 2025. It approved the SRA's budget for 1 November 2025 to 31 October 2026, of £86.5m to be provided by practising certificate fee income. |
| Next steps | Subject to Board approval, an application will be made to the Legal Services Board to approve the practising fees and Compensation Fund contributions. |

If you have any questions about this paper please contact Liz Rosser, Executive Director, Operations and Resources, liz.rosser@sra.org.uk

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CLASSIFICATION – PUBLIC**2025/26 Practising Fees and Compensation Fund contributions****Background**

- 1 The Board discussed the draft Business Plan, budget and Compensation Fund contributions for 2025/26 in April 2025. Consultation on the draft Business Plan, budget and Compensation Fund contributions took place between 8 May and 19 June.
- 2 The Board considered a summary of feedback on the proposed budget, and feedback on the Equality Impact Assessments relating to this from our consultation, on 30 June. The Board approved the budget to be collected from Practising Fees on 30 June and is now asked to make its final decision on Practising Fees and Compensation Fund contributions apportionment for 2025/26.
- 3 The Board agreed the SRA funding requirement for 2025/26 at its meeting on 30 June. The SRA requirement is £86.5m from practising fees in 2025-26, an increase of £16.3m (19%) compared to 2024-25. The Law Society received this for inclusion in the overall Law Society group funding requirement. The Law Society Council was informed of our requirement and, on 1 July, considered the additional requirements for TLS and external levies. This resulted in an overall requirement of £148.4m. The change from the previous year is shown in the table below.

| | 2025/26 £m | 2024/25 £m | Increase / (Decrease) £m |
|--------------|-----------------------|-----------------------|---|
| SRA | 86.5 | 70.2 | 16.3 |
| TLS | 37.6 | 36.8 | 0.8 |
| Levies | 24.3 | 24.8 | (0.5) |
| Total | 148.4 | 131.8 | 16.6 |

- 4 The amount collected for levies is determined by estimates provided by the relevant bodies¹. The actual amounts charged may differ from these estimates resulting in over collections from year to year. This occurred last year resulting in a reduced requirement for 2025/26.
- 5 This requirement represents an increase of £16.6m (11%). The overall requirement is split between individuals and firms, 40% and 60% respectively. Individuals pay a flat fee and SRA authorised firms also pay an entity fee based

¹ Legal Services Board, Legal Ombudsman, Solicitors Disciplinary Tribunal and the Office for Professional Body Anti-Money Laundering Supervision

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on their UK turnover. The proportion of turnover charged declines as turnover decreases.

- 6 £59.4m will be collected from individuals. At the time of writing there are almost 179,000 solicitors (and Registered foreign lawyers) on the roll and that figure is expected to increase to over 184,000 by the end of the practising year due to the annual peak of admissions in August and September. During the last decade, the number of solicitors holding practising certificates has consistently increased by more than 3,000 per year. This increase has been over 5,000 per year for the last two years.
- 7 Our best estimate of practising solicitors is that this increase will continue next year, however recognising that not everyone pays a full practising fee (discounts are available to some of those individuals, such as people on maternity leave, while others joining the profession part-way during the year pay a reduced rate), the equivalent of around 182,000 full practising fees can be expected in the year, equating to an individual fee of £326. The table below shows the split of this fee between SRA, TLS and external levies compared with the previous year.
- 8 The increasing number of practising certificate holders means that the individual practising certificate fee rise in 2025/26 will be lower than it would otherwise, despite the overall increase required. £190 of this fee is attributable to the SRA, a £26 increase from 2024-25. The table below shows the split of this fee between SRA, TLS and external levies compared with the previous year.

| | 2025/26 | 2024/25 | Increase / (Decrease) |
|--------------|-------------|-------------|--------------------------|
| SRA | £190 | £164 | £26 |
| TLS | £83 | £86 | (£3) |
| Levies | £53 | £57 | (£4) |
| Total | £326 | £307 | £19 |

- 9 The total amount to be collected from firms through the entity fees will increase from £79.1m to £89.0m. The impact on individual firms will vary depending on how their turnover has changed over the two years.
- 10 As previously discussed with the Board, the Compensation Fund contribution is proposed to decrease in 2025/26, following a decline in the significant payments from the Fund seen in recent years. The contribution for individuals will decrease from £90 to £70 and for firms holding client money will decrease from £2,220 to £1,950. These figures were previously discussed with the Board in March and April 2025.

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- 11 The total practising certificate renewal fee payable by individuals will therefore reduce from £397 in 2024/25 to £396 in 2025/26.

| | 2025/26 | 2024/25 | Increase / (Decrease) |
|--------------------------------|-------------|-------------|--------------------------|
| Practising certificate fee | £326 | £307 | £19 |
| Compensation Fund contribution | £70 | £90 | (£20) |
| Total | £396 | £397 | (£1) |

Consultation feedback

- 12 The Board considered a summary of feedback from our consultation on the draft Business Plan and budget 2025-26 in relation to the proposed budget, and feedback on the Equality Impact Assessments relating to this, on 30 June. There was no specific feedback that suggested that amendments should be made to the budget for 2025/26, which was then approved by Board.
- 13 Annex 6 provides a summary of feedback on the remainder of what was covered by that consultation. These are our proposed workplans and activities, level of practising fees and Compensation Fund contributions, and Equality Impact Assessments relating to these.
- 14 Seven responses were received in total with four responses through the online consultation form and three written responses from the Law Society (TLS), Legal Services Consumer Panel (LSCP) and Association of Consumer Support Organisations (ACSO).
- 15 We also engaged directly and heard from over two thousand stakeholders and members of the public through other engagement activities. This included broadcasting an on-demand webinar, through our social media channel, polling and focus groups with members of the public, and roundtable discussions with local law societies, sole practitioners, legal representative groups, consumer groups, and in-house solicitors.

Feedback on our prioritisation and workstreams

- 16 Generally, feedback focused on needing to focus on core activities which have regard to the regulatory objectives, including consumer need, and responding to the LSB Directions. We had good levels of support for our proposed areas of focus for 2025-26 and how are proposing to prioritise our work. There was recognition, including from the Law Society, of why we have done this in response to shifting risks and the need for our new and emerging areas of

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work. Feedback from the public focus groups also highlighted our new programmes of work as among our most important and backed the decisions we have taken to deprioritise certain other areas of work over the coming year.

- 17 We received helpful comments on where we can collaborate with others, and lead workstreams, as well as detailed comments of where we can or should do more.

Feedback on the proposed SRA proportion of the practising certificate fee

- 18 In general, we did not hear concerns about our proposed portion of the PC fee. For example, in their response TLS noted what they said was a 'significant increase' but that our 'share of the practising certificate fee is to be expected and has been well explained in the draft business plan.'

Feedback on the proposed Compensation Fund contributions

- 19 There was no opposition to the changes in the level of the Compensation Fund, with TLS and ACSO noting its decrease will help offset the proposed rise in our PC fee portion.
- 20 We did hear some concern, including from some practitioners and local law society representatives, about a disproportionate allocation of the fee upon small firms, suggesting that the basis for splitting the contributions between firms and individuals should be reconsidered.
- 21 The basis of how contributions are collected was considered as part of the ongoing client money in legal services work. Board considered this approach on 29 April with a decision not to change from the current 50/50 (individual solicitors / firms) split to a 70/30 (individual/firm) split.

Feedback on the draft Equality Impact Assessments (EIAs)

- 22 The overall level of feedback on our EIAs was limited, but what we did hear was positive about our work in relation to Equality Diversity and Inclusion (EDI).
- 23 The feedback we received also supports what we have said in our EIA regarding the impact on different groups from how our Compensation Fund is currently apportioned. We also heard views from various groups that support our aim to look at this again in future years. However, we recognise that the issues are complex and that we should take the time necessary to consider the impacts of any changes carefully.

Recommendations: the Board is asked to make the following determinations:

- a) the Practising Certificate Fee Determination [2025] in annex 1**

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- b) the Recognised Body and Recognised Sole Practice Fee Determination [2025] in annex 2**
- c) the Licensed Body Fee Determination [2025] in annex 3**
- d) the Determination of Compensation Fund contributions for individuals and firms [2025] in annex 4**
- e) the Determination of Compensation Fund contributions for Licensed Bodies [2025] in annex 5.**

Next steps

- 24 The Practising Fees and Compensation Fund contributions are subject to final approval by the Legal Services Board, and we will make the appropriate application following Board approval of the recommendations in this paper.
- 25 The Business Plan will be finalised following the Board feedback and presented to the Board for approval prior to the beginning of the next financial year.

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Supporting information

Links to the Corporate Strategy and/or Business Plan and impact on strategic and mid-tier risks

- 26 Approval of the fees to allow collection of the overall group funding requirement is essential to the delivery of all strategic objectives.

How the issues support the regulatory objectives and best regulatory practice

- 27 The draft SRA Budget for 2025/26 which underpins the SRA proportion of this funding requirement has been set in order to allow us to deliver against our strategic objectives, supporting our regulatory objectives.

What engagement approach has been used to inform the work and what further communication and engagement is needed?

- 28 The proposed budget for the SRA was included in the recent consultation on the 2025/26 Business Plan. The responses to this consultation were considered by the Board on 30 June 2025.

What equality and diversity considerations relate to this issue

- 29 The approach to setting practising fees and Compensation Fund contributions follows the structure adopted in 2010 as a result of the three Fairer Fees consultations. An initial Equality Impact Assessment has been carried out this year as in previous years and discussed in paragraphs 22-23.

Annexes

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|----------------|---|
| Annex 1 | Draft Practising Certificate Fee Determination [2025] |
| Annex 2 | Draft Recognised Body and Recognised Sole Practice Fee Determination [2025] |
| Annex 3 | Draft Licensed Body Fee Determination [2025] |
| Annex 4 | Draft Determination of Compensation Fund contributions [2025] |
| Annex 5 | Draft Determination of Compensation Fund contributions for Licensed Bodies [2025] |
| Annex 6 | Feedback on draft Business Plan and budget 2025-26 consultation (our proposed workplans and activities, practising certificate fee requirement, required Compensation Fund contribution, and any feedback on the equality impact assessments related to these) |