

SRA BOARD

30 June 2026

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**Funding requirements and Compensation Fund contributions
for 1 November 2026 to 31 October 2027:
consultation feedback and next steps**

Reason for paper	This paper describes our next steps for finalising our funding requirement from practising fees and Compensation Fund contributions ahead of seeking approval from the Legal Services Board.
Decisions(s)	The Board is asked to: a) note the initial summary of feedback received from the consultation on our draft Business Plan and funding requirements 2026-27, and broad support for the priorities we have set out (annex 1) b) note the concerns from consultation feedback regarding the impact of fees and Compensation Fund contribution increases for 2026-27 c) note that due to the disproportionate equalities impacts and access to justice concerns identified, we are proposing to change the apportionment of the Compensation Fund contributions to reduce the costs for small firms d) approve the change in the Compensation Fund apportionment model for 2026-27 so that individual contributions will cover 70% (previously 50%), and firm contributions will cover 30% (previously 50%) e) approve the SRA's funding requirement for 1 November 2026 to 31 October 2027, of £111.5m to be provided by practising certificate fee income f) approve the fee determinations for 2026-27 in respect of individual practising certificate fees, entity turnover based fees and Compensation Fund contributions (annexes 2-6).
Previous Board and committee consideration	The Board considered a draft Business Plan and funding requirements consultation at its meeting on 21 April 2026. The Board's feedback and discussion informed the development of the consultation proposals.
Next steps	We will:

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	• make an application to the Legal Services Board on behalf of the SRA and the Law Society to approve the practising fees • make an application to the Legal Services Board to approve the Compensation Fund contributions • return to the Board in September 2026 to ask the Board to agree the Business Plan 2026-27 and budget.
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If you have any questions about this paper please contact Liz Rosser, Executive Director, Operations and Resources, liz.rosser@sra.org.uk and Aileen Armstrong, Executive Director, Strategy and Policy aileen.armstrong@sra.org.uk

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**Funding requirements and Compensation Fund contributions
for 1 November 2026 to 31 October 2027:
consultation feedback and next steps**

Background

- 16 The Board considered the draft Business Plan and funding requirements for 2026-27 in April 2026. Following this, a consultation began on 8 May seeking views on the draft Business Plan and funding requirements as well as the proposed Compensation Fund contributions for 2026-27.
- 17 In addition to our proposed workplans and activities for 2026-27, the consultation paper also described our proposals to secure income of £111.5m from practising fees in 2026-27, an increase of £25m (29%) compared to 2025-26. The proposal for the Compensation Fund (the Fund) was that the contributions would rise to £120 for an individual, an increase of £50 (71%) and to £3,600, an increase of £1,650 (85%), for an SRA-regulated firm holding client money. We also asked whether respondents agreed that we should maintain the apportionment of Compensation Fund contributions to 50% individuals and 50% firms.
- 18 The consultation began on 8 May and closed on 22 June. It has been widely publicised including via a press release and on social media. We have conducted focus groups with members of the public in England and Wales. The consultation was promoted in our monthly SRA Update bulletin, which is circulated to over 200,000 solicitors and subscribers, and at a live Business Plan Q&A webinar broadcast on 22 May. We held roundtable discussions with local law societies, sole practitioners, consumer groups, small firms, and in-house solicitors. The consultation also included an impact assessment on our proposals and sought views on these.

Consultation responses

- 19 The key themes we heard from the feedback we received can be summarised as follows:
 - A clear message from the public of the importance of the SRA protecting client money, maintaining standards, and building trust in the profession. Most saw our proposals as core regulatory functions.
 - The expected cost increases appeared to be reasonable to most members of the public who took part in our focus groups. Some were willing to share more of the cost burden with solicitors for higher-stakes legal services they needed (e.g. for conveyancing) than for simpler legal services (such as power of attorney) in the English-speaking groups. In the Welsh-speaking group, there was some concern that rising legal fees could push people away from regulated services and increase reliance on unregulated advice.

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- General support across all other stakeholders for our proposals for a more proactive, risk-based, and proportionate approach to regulation, but with:
 - strong concern expressed about the potential impact of the increased level of fees overall – both those needed to fund our activities and the Compensation Fund. There was particular concern raised about what they saw would be a disproportionate impact on parts of the profession, and in particular sole practitioners and smaller firms, as well as the impact there might be for consumers in terms of access to justice, particularly for the most vulnerable
 - questions over whether we will deliver the changes we say we are setting out to make, and asking us to be more transparent on the changes we plan, progress on these, and their impacts, including for consumers
 - A clear view from all stakeholders of the importance of the Compensation Fund to protect consumers when things go wrong, but concern over the disproportionate effect of contributions increases on small firms (and potentially consumers indirectly), and a widespread call for us to review the contributions methodology in the round considering the size and risk profile of different firms. On the question of apportionment of the Compensation Fund, there was strong feedback that the current flat rate fee is no longer fit-for-purpose. The preference is to move the Fund's fee structure to be based on turnover, risk profile, or ability to pay.
 - There was limited feedback on the specific question about the possibility of switching the balance so that individuals pay 70 per cent of the total Fund costs rather than 50 per cent at present. This was however supported by the Sole Practitioners Group and some of its members in their feedback as a step ahead of any wider review.
- 20 A more detailed description of what we have heard during consultation can be found in **annex 1: Summary of consultation feedback on draft Business Plan and funding requirement for 2026-27**. A full assessment of feedback will be prepared alongside the final Business Plan, to be considered by the Board in September ahead of publication in October.
- 21 The consultation responses raised concerns regarding the operational funding sought by the SRA through practising certificate and entity fees. However, there was broad acknowledgement that moving to a more proactive, risk-based approach is necessary and justified. Feedback consistently highlighted a strong desire for the SRA to set out clearly how the funding collected from the profession will be spent and seek to measure the impact it has.
- 22 We plan to address the key themes we have identified following the consultation feedback through our communications and engagement activities

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in coming weeks. Our application to the LSB will also consider this. This includes:

- Acknowledging the concerns expressed regarding the impact on fees and further explaining the rationale for why change is required
- Providing greater clarity over specific proposals and the impact that we intend for them to have
- Demonstrating different ways that we are committed to spending money wisely
- Increasing transparency by publishing regular updates on progress being made on specific proposals

Recommended approach

- 23 The Board is asked to approve the SRA funding requirement of £111.5m to be raised from practising fees, which represents an increase of £25m (29%) on the 2025-26 amount. We set out the reasons for the proposed funding requirement in our draft Business Plan and funding requirement 2026-27. Having considered the feedback from the consultation, we are not proposing any fundamental changes to our business plan that would suggest we need to adjust this figure.
- 24 The Law Society has completed consultation on its share of the practising fee income. On 1 July the Law Society Council is expected to approve that requirement of £38.3m for TLS and £28.4m for external levies leading to an overall requirement of £178.2m, summarised below.

	2026-27 (£m)	2025-26 (£m)	Increase (£m)
SRA	111.5	86.5	25.0
The Law Society	38.3	37.6	0.7
Levies ¹	28.4	24.3	4.1
Total	178.2	148.4	29.8

- 25 If the Law Society Council make any unexpected changes to their requirement, we may have to amend the fee determinations to take this into account. In these circumstances we will ask the Board to approve any changes by circulation of amended determinations.
- 26 This requirement represents an increase of £29.8m (20%) on the figure for 2025-26. The overall requirement is split between individuals and firms, 40%

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

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and 60% respectively. Individuals pay a flat fee and SRA authorised firms also pay an entity fee based on their UK turnover. The proportion of turnover charged declines as turnover increases.

- 27 £71.3m will be collected from individuals. At the time of writing there are over 185,000 practising solicitors (including Registered foreign lawyers) on the roll and that figure is expected to increase to over 189,000 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 3,500 per year and by more than 5,000 per year for the last three years.
- 28 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 186,000 full practising fees can be expected in the year, equating to an individual fee of £382 (2025-26, £326).
- 29 The increasing number of practising certificate holders means that the proportionate increase in individual practising certificate (17%) is lower than the increase in the overall requirement (20%). £239 of this fee is attributable to the SRA, an increase of £49 from £190 in the current year. The table below shows the split of this fee between SRA, the Law Society and external levies compared with the previous year.

	2026-27	2025-26	Increase / (Decrease)
SRA	£239	£190	£49
The Law Society	£82	£83	(£1)
Levies ²	£61	£53	£8
Total	£382	£326	£56

- 30 The total amount to be collected from firms through the entity fees will increase from £89.0m to £106.9m. The impact on individual firms will vary depending on how their turnover has changed from year to year. How the fees are calculated according to the entity's turnover is outlined in the fee determinations at annexes 3 and 4.

Compensation Fund

- 31 The draft Business Plan 2026-27 consultation also proposes a significant increase in Compensation Fund contributions. We are seeking to collect £46.3m

² Levies are payable to the Legal Services Board, Legal Ombudsman, Solicitors Disciplinary Tribunal and Office for Professional Body Anti-Money Laundering Supervision

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in contributions, increased from £26.0m for 2025-26. In our draft Impact Assessment³, we noted that this increase based on the current apportionment model would significantly impact smaller firms including those working in less profitable areas of law, and that solicitors with certain protected characteristics are overrepresented in these firms.

Context

- 32 We require contributions to the Fund from any individual solicitor holding a practising certificate – except those working for the Crown Prosecution Service – and all firms that hold client money (approximately 6,400 firms). Unlike with practising certificate fees, we have a flat fee approach to contributions, so each firm holding client money pays the same contribution irrespective of size, turnover, amount of money held or potential risk to the Fund.
- 33 When the Compensation Fund was set up in 2010 it was decided to split contributions 50:50 between individuals and firms that hold client money with an expectation that this would be reviewed at a later point. Contributions were not as significant figures as they are today – fees were initially set at £10 for individuals and £120 for firms.
- 34 We considered the methodology for calculating Fund contributions in our 2024 [consultation](#): Client money in legal services - safeguarding consumers and providing redress: Delivering and paying for a sustainable compensation fund. This formed part of our first CPR consultation package.
- 35 In this consultation, we put forward ideas about potential models that linked contributions on a risk/impact basis rather than being a flat fee for any firm holding client money. Potential options we invited views on were:
 - a discount for firms who could demonstrate that they have in place enhanced risk controls e.g. external audit or cyber security accreditation
 - vary contributions to the Fund based on risk categories assigned to each firm e.g. regulatory history, practice areas, financial stability, staff turnover
 - amount of client money held or annual turnover
- 36 The ideas put forward were high level and we made it clear that these would be “long-term in nature”. There was some support for the idea of risk based differential contributions in theory. However, there was no agreement on the options put forward. There was a view that contributions linked to either positive or negative risk factors in firms may be proportionate and targeted. But it would be difficult to assess risk factors in firms and it would be an administratively burdensome approach.

³ <https://www.sra.org.uk/globalassets/documents/sra/consultations/2026/draft-impact-assessment-sra-business-plan-26-27.pdf>

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- 37 Views on how contributions should be calculated if based on the amount of client money held or annual turnover often varied based on the circumstances of the respondent. For example, smaller firms argued that they should contribute proportionally less on both affordability grounds and because the quantum of Fund claims would be lower in relation to these firms. Larger firms were more likely to argue that they had more robust risk control systems and it was less likely that there would be claims on the Fund related to them.
- 38 As part of that consultation in 2025 we also consulted on changing the apportionment to 70% from individual solicitors and 30% from firms holding client money. This is because since the 50:50 apportionment was set originally, there has been a significant increase in the number of individual solicitors and a decrease in the number of firms. A 70:30 split would reflect this shift in the composition of the sector. It would also help mitigate the disproportionate impact on smaller firms with the connected equality impacts. Responses highlighted that we should look at more fundamental questions around the Fund methodology rather than changing the apportionment.
- 39 Following the consultation, in July 2025, the SRA Board decided to pause work on the complex issue of Fund contributions methodology to prioritise regulatory safeguards around client money that could be delivered in the near term, in line the LSB Axiom Ince directions i.e. strengthening checks and balances provided by compliance officers, improving the reporting accountants regime and introducing notification requirements around mergers and acquisitions.
- 40 When the LSB approved the 2025-26 Business Plan it outlined six expectations⁴. Two of these expectations are relevant to the Fund's apportionment, noting our own impact assessments:
- [1] Evidence the further consideration it [the SRA] has given to the structure of the contribution between individuals and firms and the efficacy of a turnover-based approach in next year's Compensation Fund application.
 - [6] Consider in detail the need for additional mitigation measures concerning the structure of contributions to counter the adverse equality impacts identified in the application.

Options Analysis

- 41 The only option for change that we can practicably make this year is changing the 50:50 apportionment. We have prioritised making the changes to the current regime per the LSB Axiom Ince directions over exploring further how the structure of contributions could be changed. In any case, we cannot operationalise changes to the Fund's model beyond the apportionment percentages for 2026-27 as any wider changes (i.e. moving away from a flat fee) would need IT changes that take time. In the Business Plan consultation,

⁴ <https://legalservicesboard.org.uk/wp-content/uploads/2025/09/Decision-Notice-SRA-Compensation-Fund-contributions-2025.pdf>

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we said that we were planning on retaining the 50%:50% apportionment. But given the significant increase in contributions, we asked for evidence of impacts of this and of a 70% to 30% split.

- 42 We have explored two options for the Fund in the 2026/27 year – maintaining a 50:50 split or moving to a 70:30 split. The contributions in each case are:

	2025-26	2026-27 (50:50)	2026-27 (70:30)
Individual contribution	£70	£120 Increase of £50	£170 Increase of £100
Firm contribution	£1,950	£3,600 Increase of £1,650	£2,170 Increase of £220

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- 43 We have completed an options analysis, the pros and cons of each are set out in the table below. We do not have definitive evidence around the likely impact of the apportionment options to show a clear-cut preferred option on a quantitative basis.

	Pros	Cons
50:50	Feedback has been that more fundamental policy positions around the contributions models that we cannot achieve this year (i.e. size, turnover based, risk based) are preferable Less likely to cause inadvertent negative impacts on certain groups because we do not have data model impacts of a change with any certainty	Small firms face significant cost increases with attendant equality impacts. Retaining the same split does nothing to mitigate the significant additional burden on small firms. Maintaining the status quo would not respond to the concerns of parts of the profession about the impacts - particularly the feedback that small firms would face sustainability issues.
70:30	Firms that hold client money with less than 29 solicitors will be better off. This will mitigate impact of increases on small firms and the associated equality impacts that we have identified 66% of firms (covering approx. 26k solicitors) would pay less than under a 50:50 split. We are taking action and responding to part of the profession's concerns around sustainability in important access to justice areas	We are unsure of all the groups that will pay more however we do know the following will be negatively affected: - firms of more than 29 solicitors that hold client money - entities that do not hold client money (therefore do not pay the firm fee) but cover individuals' contributions. Which demographic groups may be relatively more affected is unclear and we have heard concerns about impacts on e.g. not for profits and local government.

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- 44 We consider that there is a justifiable rationale to move to 70:30 split. This would align to the relative proportions of the 50:50 split when it was set originally given the increasing number of solicitors and reducing number of firms. It would mitigate the known equalities issue and concerns raised about potential access to justice impacts. Consequently, the contribution for individuals will increase from £70 to £170 and for firms holding client money from £1,950 to £2,170.
- 45 The broader question around the methodology for setting contributions, including reviewing the current flat fee approach, was consulted on previously as part of the Consumer Protection Review. This is a complex issue which will require substantive long-term work and engagement to further develop options. Even then we do not expect there to be any straightforward solution that will be welcomed by all as there will be positive and negative impacts on different groups with any change.
- 46 Work on the underlying Fund model is currently on hold and we need to consider when we can return to it. We have been focused on delivering the aspects of the Consumer Protection Review that we committed to delivering under our Implementation Plan to meet the LSB's Directions following Axiom. Going forward, we will need to consider when we can prioritise a review of the approach to contributions to the Compensation Fund given other key policy questions, including revisiting the model of firms holding client money and whether we should move to a senior accountability regime.

Regulatory and Equality Impacts of a 70:30 split

- 47 When we consulted on the 2026-27 Business Plan we highlighted the expected [equality impacts](#) under a 50:50 apportionment. The burden of the increases was identified as falling on smaller firms due to flat rate for firm contributions. This means that diversity groups who are overrepresented in small firms would be affected to a greater degree. Our data identified the following groups: men, Asian and Black solicitors, those aged over 45, disabled and Muslim solicitors and those from a lower or intermediate socio-economic background. No further groups were specifically identified for inclusion in the Equality Impact Assessment from consultation feedback.
- 48 Moving to a 70:30 split would mitigate most of the impact on small firms accruing under a 50:50 split. The firm contribution is still high relative to previous years, but the increase will be £1,430 less – a material difference for small firms.

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- 49 We do not have a clear picture of what equality impacts may be created by moving to a 70:30 split. For example, we know that those individual solicitors who pay their own fees will be worse off under a 70:30 split. They would be paying a further additional £50. There will also be impacts on those entities that pay the fees for their employees, and these providers will include providers of legal aid services and local government services for example. Although those which are also paying the firm contribution would also be paying a significantly smaller fee than under 50:50. Given the limited changes we can make for next year, on the evidence we have, we think that it is sensible to make the change and monitor for evidence of the impacts.
- 50 We will continue to consider Compensation Fund contributions and apportionment annually through the business planning process. We will know more about the equality impacts of the 70:30 split following a year of implementation, and we will consider longer term options to mitigate impacts on particular cohorts should the need arise.
- 51 The table below provides some examples of the overall impact on firms of different sizes. This assumes that firms pay the practising fees on behalf of their practising solicitors and that turnover is unchanged year on year. Increased turnover would of course lead to a larger fee increase. Firms that do not hold client money do not pay the firm related Compensation Fund contribution.

	Turnover	Practising solicitors	Client money?	Total fees 2026/27	Total fees 2025/26	Increase (£)	Increase (%)
A	£200k	1	No	£1,754	£1,512	£242	16%
B	£200k	1	Yes	£3,924	£3,462	£462	13%
C	£2m	9	No	£14,670	£12,510	£2,160	17%
D	£2m	9	Yes	£16,840	£14,460	£2,380	16%
E	£50m	150	No	£218,802	£185,546	£33,256	18%
F	£50m	150	Yes	£220,972	£187,496	£33,476	18%

Next steps

- 52 Following approval of the Law Society contribution at their Council meeting of 1 July, a joint application will be made to the Legal Services Board for final approval of practising fees. A separate application will be made for approval of the Compensation Fund contributions. These fees and contributions will be collected from October 2026.

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Recommendations: the Board is asked to:

- a) note the initial summary of feedback received from our consultation on our draft Business Plan and funding requirements 2026-27, and broad support for the priorities we have set out (provided annex 1)**
- b) note the concerns from consultation feedback regarding the impact of fees and Compensation Fund contribution increases for 2026-27**
- c) note that due to the disproportionate equalities impacts and access to justice concerns identified, we are proposing to change the apportionment of the Compensation Fund contributions to reduce the costs for small firms**
- d) approve the change in the Compensation Fund apportionment model in 2026-27 so that individual contributions will cover 70% (previously 50%), and firm contributions will cover 30% (previously 50%).**
- e) approve the SRA's funding requirement for 1 November 2026 to 31 October 2027, of £111.5m to be provided by practising certificate fee income**
- f) approve the fee determinations for 2026-27 in respect of individual practising certificate fees, entity turnover based fees and Compensation Fund contributions (annexes 2-6).**

Annexes

Annex 1	Summary of consultation feedback on draft Business Plan and funding requirement for 2026-27
Annex 2	Draft Practising Certificate Fee Determination [2026]
Annex 3	Draft Recognised Body and Recognised Sole Practice Fee Determination [2026]
Annex 4	Draft Licensed Body Fee Determination [2026]
Annex 5	Draft Determination of Compensation Fund contributions [2026]
Annex 6	Draft Determination of Compensation Fund contributions for Licensed Bodies [2026]

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Supporting information

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

- 53 This paper requests approval of the funding requirement to fund the work activities proposed in the draft Business Plan and funding requirements 2026-27.

How the issues support the regulatory objectives and best regulatory practice

- 54 The SRA funding requirement for 2026-27 which underpins the SRA proportion of this funding requirement has been set 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?

- 55 The proposed funding requirement for the SRA was included in the recent consultation on the draft Business Plan and funding requirements 2026-27, with details of our engagement set out in annex 1.

What equality and diversity considerations relate to this issue?

- 56 Equality, diversity and inclusion activities are central to the workstreams we describe in our Business Plan and funding requirements. Our summary of consultation feedback on Business Plan and funding requirements for 2026-27 considers feedback received in relation to the Impact Assessment.