



# **High-Volume Consumer Claims: Discussion paper summary of responses**

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July 2026

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# Introduction

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This paper provides a summary of the responses we received to our [2025 discussion paper](#) on challenges in the high-volume consumer claims (HVCC) sector.

The discussion paper was published on 19 September 2025, followed by an 8-week period of engagement with stakeholders within and beyond the legal services sector. This included consumer representatives, insurers and litigation funders and stakeholders from the financial services and housing sectors.

We received more than 50 written responses (see Annex) and engaged with more than 700 people, including 100-plus stakeholders offering their insights through meetings and events. The breadth and depth of discussion and feedback was encouraging and we are very grateful to all those who shared their time, knowledge and experience with us.

Alongside other evidence and insights from our work, responses to the discussion paper have helped inform and prioritise our actions to tackle concerns in this market:

- we are focusing our immediate efforts on the areas of greatest harm and risk by consulting on new requirements for those using and arranging third-party litigation funding for consumer claims. Our proposals will give us earlier visibility of emerging risks and strengthen our approach to make sure that when firms use this type of funding, they do so responsibly and in line with their professional obligations
- we are developing and testing a range of onboarding materials with consumers and firms – including checklists and a key facts document – and will be piloting these shortly. These materials aim to:
  - improve how consumers receive and engage with key onboarding information
  - support clearer understanding of costs, risks and available options so that they can make informed choices.
- we are exploring whether using additional explanatory text alongside the use of the term ‘no win, no fee’ would improve understanding of the risks involved in these arrangements
- we have also established a supervision taskforce to identify and address risks earlier through enhanced engagement with some HVCC firms. Our aim is to identify and tackle problematic behaviour before it leads to poor outcomes for consumers
- we will publish additional guidance to set clearer expectations for firms in areas where outcomes have not been consistently strong and where we are concerned about unacceptable risk to the market and consumers.

The issues in the HVCC sector extend beyond our regulatory remit, so addressing challenges requires collaboration – particularly in areas like motor finance and housing disrepair which involve multiple regulatory regimes. We are working in partnership with the Financial Conduct Authority (FCA), the Advertising Standards Authority (ASA), and the Information Commissioner’s Office through the joint regulatory taskforce, established to proactively address harms in the motor finance claims sector. We are also working closely

with the FCA on the Claims Management Market Study, sharing data and analysis, and playing an active part in governance.

We also continue to engage with Government on key issues facing the HVCC sector, including engagement across housing, business and trade, and justice. This allows for a holistic understanding of risk and strengthening our ability to improve outcomes for firms and consumers.

## Key themes

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### Views on the market

A number of respondents, including financial bodies, lenders, consumer representatives, social housing organisations and some legal services providers expressed concerns about the HVCC market. Several respondents took time to provide highly detailed comments, noting issues with areas including transparency, due diligence, bulk processes, data practices and the influence of third-party funders. They supported regulatory reform to help tackle what they saw as significant risks to consumers, particularly vulnerable consumers.

A smaller number of respondents, mostly legal services providers, felt that the HVCC market broadly worked well in increasing access to justice, but that targeted actions may be needed in some areas. Some felt we should focus on firms in breach of the current rules.

### Quality of work

Several respondents told us that in their experience there were high volumes of poor quality claims, many of which use standardised or automated templates and are often speculative, of low merit or misrepresent the law.

### Housing disrepair

Responses from social housing organisations expressed serious concerns about exploitation of vulnerable tenants, highlighting particular issues with the operation of high-volume claims practice in this area.

### Opportunities to improve

Overall, there was broad agreement among a number of respondents on:

- a view that poor practice may be widespread, including in relation to Data Subject Access Requests and standardised and/or low-merit claims
- a need to improve transparency, onboarding, and disclosure
- a need for clearer oversight of litigation funders and After-the-event insurance (ATE) insurance
- a need for proportionate but fast and robust SRA action, particularly on data practices and template claims
- issues caused by perceived regulatory gaps between the SRA and the FCA.

Respondents' views diverged in relation to:

- how far reform should go: a number of respondents favoured stronger regulation and possible FCA involvement, while some law firms stressed proportionality and warned against the risk that access to justice could be impaired if additional regulation was too burdensome for firms

- scale of problems in the sector: some consumer and financial bodies see the sector as 'industrialised' and risky for consumers; some legal services providers see the problems as confined to a small number of non-compliant firms.

In the discussion paper, we identified five challenges in this market we thought needed to be tackled. The responses have provided insights into how and where we might act, including with others, to address the concerns we are seeing in this sector.

In particular, this feedback has shown:

- some consumers do not understand the information they are being given about making a claim. They do not fully understand the financial risks, or that there might be any financial risk at all to them. This lack of understanding is not limited to use of the term 'no win, no fee', but all information on costs, fees and funding arrangements
- supporting consumers to understand the implications of making a claim requires a holistic approach, including providing clear materials about the claims process as a whole that do not overwhelm and are free of jargon. It should focus in particular on risks and consumers' obligations when they sign up to make a claim
- some consumers will be in a vulnerable situation when making a claim and sometimes because of their reason for making a claim. Solicitors and law firms should do more to recognise vulnerability and tailor the service they provide to properly support their clients
- there is a need for clear rules, and proportionate and effective deterrent action to make sure rules are upheld. High volume consumer claims can and do support access to justice but only where appropriate standards are met
- there is support for the SRA enhancing our regulatory approach to this sector, in a proportionate and targeted manner, to address poor practice and consumer harm. This includes additional support for compliance and improved oversight of firms
- there is also support for taking a more coordinated approach with other regulators to tackle the problems across this sector that the SRA cannot address alone.

# Challenge 1: Improving transparency and clarity for consumers about their claim

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Under our Codes of Conduct, clients should receive information tailored to their circumstances so they can understand their available options and how their claim will be handled. This is so they can make informed decisions about whether to work with a solicitor or law firm. A common issue we are seeing around HVCC, in both our thematic review and wider work, is a lack of transparency and clarity for consumers about key aspects and arrangements required to pursue their claim. We asked the following questions about this challenge:

- How can we enhance our regulation of HVCC, so consumers are clear about what they are signing up to (for example through developing standardised wording or checklists for firms to refer to during the onboarding process)?
- What approaches do other sectors take to ensure consumers are appropriately informed about risks?
- Are there any examples from other sectors that should be avoided?
- The term 'no win, no fee', falsely implies that there is nothing to be lost in commencing such litigation, which is clearly not the case. What further should be done here to impress upon consumers the risks of litigating in these circumstances?
- The term 'no win, no fee' is clearly aimed at giving confidence to clients to enter into such arrangements. Should we seek to restrict, prevent or caveat use of the term 'no win, no fee'? Should this marketing term be banned across the board?
- Are firms doing enough to accommodate individual needs through high-volume claims processes? If not, what more could firms do to meet the needs of consumers with vulnerabilities through a high-volume consumer claim? Do we need to make regulatory changes to achieve this?

## Summary of responses

### Marketing high-volume consumer claims

A number of respondents told us they are concerned about the advertising or marketing of HVCC. Marketing might happen online, by email or telephone call, by knocking on a person's door, or canvassing in the local community. Sometimes this reported activity is against SRA rules. Concerns vary depending on type of marketing activity but there are commonalities:

- putting pressure on and/or misleading people to make a claim
- using language which is misleading or not clear. This sometimes results in consumers being unaware that they have signed up to a claim or signing up with multiple providers without realising
- where a third party is employed to find new claims on behalf of a solicitor or law firm, not all of them are carrying out necessary checks to make sure the third party behaves in accordance with regulators' rules and the law. These third parties are often referred to as 'third-party referrers' or 'lead-generators'.

Some respondents provided us with examples illustrating their concerns about different types of marketing tactics.

### **In-person marketing**

Sometimes called 'cold calling', this often involves housing disrepair claims and can include marketers targeting postcodes with lots of social housing often lived in by residents in vulnerable situations. Marketers may leaflet homes before knocking on doors. The information they present about who they are and about making a legal claim can be misleading. We heard marketers may put pressure on residents to make a claim and threaten costs should a resident try to discontinue the claim.

One housing provider told us: 'Misrepresentation is rife...firms and their agents are not presenting themselves as legal firms...Instead... 'tenant support services'...'charity aid organisations'...or implying they are the housing association [to access residents' homes].' It also said: 'This is not a passive failing but an active strategy of misrepresentation by lead generators and some firms'.

Another housing provider told us some marketers misled consumers [to gain access to residents' homes and assess disrepair] by 'claiming to be working for or with our Council.'

### **Online marketing**

Some respondents told us that online marketing is often misleading and lacks transparency. Eligibility checks are a good example. A person responds to an online advert offering to check their eligibility to make a legal claim and provides personal information for that assessment. Having done so they believe themselves to be providing consent to assess eligibility, but they are sometimes being signed up to make a claim. If the person does not provide consent they might be bombarded by text and other messages about signing up to a claim.

One housing provider told us about a person who accidentally signed up to a claim online. The firm had the words 'Support Helpline' in their title. The person went ahead with the claim but became frustrated about the lack of updates. When they suggested they may not proceed with the claim they were threatened with being charged for costs.

### **Consent**

Some respondents said that consent to proceed with a claim is not always informed and sometimes not provided at all. A respondent described inappropriate use of social media and forged signatures, saying 'I have worked with tenants who really did not realise they had raised a disrepair claim...electronic signature has been forged.'

A financial firm told us: 'Consumers...click 'find your agreement' unaware they are...signing a Conditional Fee Agreement or Damages Based Agreement...We have seen customers allegedly signing documents dated after their death.' A solicitor stressed the need for authentic signatures and identity checks after cases involving deceased tenants and impersonation. One respondent told us some sectors ensure informed consent through layered information, requiring firms to highlight key risks up front while providing detailed documentation separately.

### **Providing clear and transparent information to consumers**

Solicitors and law firms have an obligation to provide introductory information about their services to new clients. This includes information on costs and fees. A number of respondents told us consumers are often confused about making a claim, are poorly informed or unaware of free redress routes, and frequently do not understand the obligations

of entering into a claim or the meaning of different types of costs and fees, including ‘no win, no fee’.

The Chartered Institute of Housing (CIH) told us that vulnerable residents in housing claims are being targeted by unclear practices and representation that lack transparency regarding both costs and the wider consequences for residents. Another respondent said templates used refer to obsolete regulations.

In some cases, confusion and/or lack of transparency may lead to consumers unknowingly signing up with different providers for the same claim.

### **Providing information to consumers who are in vulnerable situations**

Some respondents talked about consumer vulnerability, saying a consumer’s vulnerability significantly increases the risk that they will suffer detriment in the claims process. We were told by some respondents that some high-volume claims firms are not adequately accommodating individual needs, especially for vulnerable consumers and that current practices are often template-driven, automated, and insufficient to identify or support vulnerability. Respondents from social housing bodies said they have serious concerns about exploitation of vulnerable tenants in housing disrepair claims.

The CIH said: ‘Solicitors should be required to pause litigation where safeguarding concerns are raised.’

The Legal Services Consumer Panel (LSCP) told us we should explicitly embed the principles of the FCA’s guidance on vulnerable customers into our Standards and Regulations.

Angieon Group stated that clients with ‘literacy challenges, disabilities, language barriers, or limited digital access’ are excluded. It suggested multiple channels for communication (telephone, postal, digital), accessible formats, and easy-read documents.

Some respondents called for mandatory assessments of vulnerability, and a legal services provider recommended that given the difficulty of identifying individual vulnerability firms should operate on the assumption that some clients will be vulnerable. Rather than trying to make an assessment, all clients should be offered terms and support as if they were vulnerable.

### **Making information easier to understand**

Respondents suggested ways of making information about making a claim easier to understand. A number of respondents supported the creation of standardised, plain English, consumer focused information, with some suggesting that use of these should be made mandatory. There were suggestions about the best format for these materials:

- a key facts style document
- templates for information on costs, fees and insurance
- onboarding checklists to confirm client understanding, or a standardised onboarding form
- a plain English summary of risks and obligations.

The Law Society (TLS) told us: ‘The SRA should work with the profession, to explore developing standardised onboarding protocols that require firms to disclose key information in plain language. This should include the nature of the legal agreement, the potential costs,

the risks of litigation outcomes, both the ones inherent to litigation generally and those particular to the client's case, and the implications of funding and any insurance arrangements.'

The LSCP suggested that materials should be interactive to help establish if the client truly understands the information, saying: '...This shifts compliance from a 'tick-box' exercise to an evidenced process of ensuring understanding, mirroring the NHS's informed consent model, which is a process and not a form.'

A number of respondents told us that consumers do not typically understand fee structures, cancellation fees, adverse cost risks, or what 'no win, no fee' does not include. Suggestions to help them included explicit risk statements of all financial risks if unsuccessful, withdrawal costs, shortfall costs, success fee amounts and claimant responsibilities. One respondent suggested a public education campaign explaining 'no win, no fee' with supporting social media resources.

Some respondents warned against too much standardisation, saying their preference is for adaptable checklists. One said templates should be 'guidelines...rather than strict/mandatory rule(s) to preserve flexibility for different client needs.'

A number of respondents noted the financial and insurance sectors provide a good model for the legal sector. The LSCP told us the FCA's Consumer Duty is the leading example, requiring firms to prove they are delivering good consumer outcomes through communications that are understood.

### **'No win, no fee'**

Part of the discussion paper focused on the phrase 'no win, no fee' and the benefits, but also the risks this can pose to consumers. A number of respondents talked about 'no win, no fee' in conjunction with the other information that consumers should be made aware of. Some respondents said that consumers don't understand the meaning of 'no win, no fee'. They assume it means there is no risk of them having to pay anything if the claim fails. There was a range of views on how these issues could be resolved.

Some respondents told us the term should be banned. One solicitor told us that the term is disingenuous at best. However, this was not the majority view. A number of respondents said we should focus on helping consumers to better understand costs and fees and the financial risks of making a claim.

The LSCP told us: 'Banning 'no win, no fee' may be rhetorically appealing but is pragmatically flawed... Instead, restricting and caveating its use is the essential, consumer focused solution. The direction of travel must be unambiguously toward proactive, evidence-based regulation that prioritises consumer understanding and protection over mere procedural compliance.'

One respondent said: "No win, no fee' has become part of the public lexicon, and removing the term altogether may not improve consumer outcomes. If anything, it risks prompting a new wave of marketing euphemisms that are just as confusing, or more so, and introduces even greater inconsistency in how these arrangements are described... the real issue is ensuring people genuinely understand the risks.'

Another respondent echoed this, saying in some cases risks are minimal, so the term isn't always misleading. Instead, firms should ensure 'clear and transparent explanations.' A number of respondents suggested solutions, most of them similar to those outlined already. The overarching theme is that language for materials should be simple and there should be a focus on risk. Other suggestions included:

- hypothetical examples with potential fees
- information that includes the statement, 'customers cannot withdraw from litigation without incurring costs'
- a process which includes a telephone conversation with a qualified solicitor covering key risks, followed by a written summary. The call should be recorded and follow a standardised script
- adopting practices from other sectors, which seek to bring key risks to clients' attention
- allocating greater [SRA] resources to monitoring and enforcement.

Some respondents also noted that more should be done to help consumers understand how after the event insurance (which may be required to make a claim) works and its limitations.

### **Working with others**

Some respondents stated that there was a need for better co-ordination between regulators and more aligned regulation to understand and tackle poor practice. One respondent told us that differences in regulation between insurers, funders, and solicitors can create consumer risk.

UK Finance suggested coordination with the ASA and FCA to tackle misleading advertising and improper use of other organisations' names and logos in digital advertising (such as falsely suggesting a firm is or is aligned to, for example, a local council, housing association or consumer support organisation). It proposed 'routine publication of aggregated data' and regulatory oversight of intra-industry data sharing. Another respondent told us the SRA should adopt FCA-style frameworks, for example the Consumer Duty.

### **Access to justice**

There is a need for clear rules and proportionate and effective deterrent action to ensure rules are upheld. High volume consumer claims can and do support access to justice, but only where appropriate standards are met. One legal services provider told us different claim types require different levels of individualisation. It said that the level of potential consumer vulnerability varies by claim type; housing disrepairs claims may need more individual support than, for example, flight delay claims. It warned against 'one-size-fits-all regulation.'

In terms of funding for claims, one respondent from the financial services sector recognised 'a role for third-party funding in aiding access to justice.' The CIH said that social residents must not be prevented from seeking redress for housing disrepair 'due to financial constraints.'

### **What can we learn from other sectors**

A number of respondents told us that other regulated sectors, especially financial services and insurance, have more structured and consumer-focused approaches to inform consumers about risks, which we should learn from. The FCA's regulatory requirements, were the most frequently mentioned by respondents. The LSCP referenced the FCA's Consumer Duty which requires firms to prove they are delivering good consumer outcomes through communications that are understood. This includes risk warnings, use of summary boxes, using standardised formats to allow easy cost comparison, and use of suitability assessments which ensure products are appropriate for the consumer's circumstances.

UK Finance described the requirement by the FCA for claims management companies to confirm awareness of alternatives such as free to use schemes: 'Firms must also check whether consumers are aware of these alternatives and obtain written confirmation if they choose not to use them.'

Two respondents mentioned examples for securing informed consent in the healthcare sector, noting written consent forms and clear explanations of risk are mandatory before treatment, and that procedures, risks, and alternatives are explained in clear language, requiring explicit acknowledgment.

Respondents also provided examples from other sectors that they thought should be avoided:

- tick-box or 'click-to-agree' models and digital onboarding without human interaction
- approaches that rely heavily on formality or excessive documentation, which may obscure rather than clarify key risks for consumers. Any measures introduced should prioritise clarity, accessibility, and genuine consumer understanding.

## Challenge 2: Managing risks around third-party litigation funding

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Third-party litigation funding has a role to play in supporting access to justice by helping meritorious claims to progress. But we are concerned that the incentives of funders may not always be aligned with the best interests of firms or consumers, leading to harmful consequences. The scope of this issue is such that multiple organisations and regulators have a part to play. In the discussion paper we asked the following questions:

- What information do claimants need to have about funding agreements?
- What options are there to make sure this information is provided at the right time, and in a way claimants can easily understand?
- What steps could we take (such as routinely collecting information) to make sure firms regulated by us manage the risks around third-party litigation funding so that consumers are adequately protected?
- What information and data do others collect to monitor firms' financial stability?
- What tools do others have to respond, or what tools would be useful to have to act on such information?

### Summary of responses

#### Role of third-party litigation funding

The Association of Litigation Funders (ALF) said that financing for HVCC can be, and often is, delivered responsibly and plays an important role in access to justice. It said the key underlying issue that can cause consumer harm is where firms fail to discharge their professional duties effectively, including by lacking adequate case acceptance procedures and due diligence, failing to put in place adequate ATE insurance and/or failing to progress cases adequately. This is not an issue with third-party funding in and of itself and regulatory attention should principally be given to these issues. The Collective Redress Lawyers Association (CORLA) said no regulatory change is required, except that the SRA should provide guidance to firms to ensure that solicitors explain the risk and costs of litigation funding.

#### Consumers' understanding of funding agreements

Echoing responses to Challenge 1 (above) several respondents told us that consumers who enter third-party litigation funding agreements are not always clear on the terms of the agreement and any liabilities they may assume. Many respondents called for greater transparency and clear disclosure of information to clients before entering agreements.

#### Firms' financial stability

A number of respondents also told us that third-party litigation funding can pose risks to firms' financial resilience, therefore the SRA should introduce further data collection and monitoring to understand firms' financial resilience and identify emerging risks. Some respondents expressed support for routine data collection and monitoring, while the ALF and International Legal Finance Association (ILFA) suggested introducing targeted spot checking rather than blanket reporting requirements. The LSCP told us that other regulators collect granular data including capital adequacy ratios, liquidity coverage ratios and stress testing results to understand the financial health of those they regulate. TLS said the SRA should

assess the adequacy of a firm's funding arrangements at authorisation and regular intervals thereafter.

One insurer said that a minimum rating requirement for funders (in line with existing minimum rating requirements for PII insurers) would help solicitors and claimants decide how to fund their claim. It added that disclosure of a funder's risk exposure would also be helpful, such as by issuing a public document similar to an Own Risk and Solvency Assessment (ORSA) and ensuring all third-party funders are subject to regulation in line with that of the Prudential Regulation Authority.

A legal services provider suggested that any additional data collection should be timed to coincide with SRA's annual data collection during practising certificate renewal to limit the administrative burden on firms. It also expressed concern that increased data collection and financial monitoring could lead to overregulation, and that law firms are best placed to manage their own finances with the help of accountants and financial advisers.

The LSCP said that where the SRA becomes aware of poor firm financial resilience, it should have early intervention powers to protect consumers. This should include the ability to require a firm to submit a capital adequacy plan or restrict it from taking on new cases. One legal services provider said the SRA should consider introducing a notification requirement if a firm's ability to conduct a claim through to trial is contingent on litigation funding, and the circumstances in which funding can be terminated or ceased.

### **Conflicting interests**

Some respondents said that the model of third-party litigation funding can result in a tension between financial incentives and the needs of a client. The ALF and ILFA highlighted that difficulties can arise where funding is drawn down by firms on a per case basis as this can incentivise firms to prioritise volume over client outcomes.

UK Finance expressed concern that some funders can seek to exert influence over cases such as through settlement timing, case selection or client communication, and this should be prohibited. One law firm said that the SRA should await the outcome of the CJC review before making any regulatory changes. The Association of Personal Injury Lawyers said it should be mandatory for funders to be members of the ALF and abide by its Code of Conduct.

Several respondents said that the SRA should produce guidance for firms engaging with litigation funding.

## Challenge 3: Making sure after-the-event insurance meets consumers' needs

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ATE insurance is a widely used product that can benefit consumers when they are pursuing claims. But it only works for consumers when law firms fulfil their obligations under the policy and meet their obligations under our standards and regulations, including the SRA Financial Services (Conduct of Business) rules which include provisions around insurance product information. In our discussion paper we asked:

- What more could be done to improve the protection that ATE insurance offers consumers when they are pursuing claims, by us and by others?

### Summary of responses

#### Securing ATE insurance

A number of respondents highlighted the risks posed to consumers where firms fail to ensure an ATE insurance policy is put in place for clients or fail to ensure that this policy provides sufficient cover for all unexpected costs. For example, because exclusions, coverage limits and other liabilities remain.

Some respondents said that ATE insurance should be mandatory. Others including the LSCP, ILFA and ALF and Close Brothers focused on the importance of insurers using policy wording that is appropriate and therefore provides sufficient cover. It was suggested that the SRA could develop recommended policy terms or standardised wording or issue guidance on how firms should select insurance and communicate the terms of policies to clients.

The LSCP said solicitors should be required to conduct and document a suitability assessment for the recommended ATE policy, ensuring the client understands key exclusions. We were told by some respondents that inadequate disclosure of policy terms and limitations means that clients are often unaware that ATE policies do not necessarily eliminate all cost risks.

#### Refusing claims

Some respondents raised concerns with ATE insurance providers declining claims and suggested that the SRA could require firms to only work with approved providers, while another said the SRA could consider publishing alerts when it had concerns about a particular ATE provider. Some respondents, including ILFA and the ALF, said ATE insurance should only be sought from rated insurers. A number of respondents supported mandating the inclusion of anti-avoidance clauses in ATE policies on the basis that it could ensure insurers accept claims.

However, some other respondents expressed concerns with such an approach, including that removing conditions around dishonesty and misrepresentation creates moral hazard, the additional risks to underwriting predictability will increase premiums (which are already high) and increased premiums and risks for insurers could result in fewer ATE products being available on the market. The International Underwriting Association also noted that Courts have concluded that termination is valid by ATE insurers 'in instances including fraud by any person; material non-disclosure by claimant; termination before insured party required to pay their costs; and sanctions clauses.'

One insurer said that where claims are not accepted as a result of a solicitor's poor practice (for example, not providing information to the insurer when required), an insurer would pursue a claim against the solicitor for their losses, which would likely be covered by the firm's professional indemnity insurance.

### **Consumer protection**

Some respondents highlighted the importance of using insurers which afford clients Financial Services Compensation Scheme protection, as without the protection of compensation consumers may find their ATE policy does not meet their needs should the insurer become insolvent.

### **The ATE insurance market**

One respondent said that credible ATE providers will typically offer their insurance on a deferred and contingent premium basis, but notable law firm failures in the HVCC space have been supported by ATE policies where premiums were paid up front. One law firm said it would like to see a deferred premium model, where premium payment was only due upon issue of proceedings. It said this would ensure premiums are managed in a more controlled and predictable manner.

Some respondents said that, in their experience, the ATE insurance market is working well and that claims acceptance rates are high, with some respondents arguing that the primary reason ATE insurance may not protect a client is where the solicitor has failed to meet their obligations. One insurer said that insurance schemes often operate under delegated authority, where solicitors issue policies and ensure compliance with vetting criteria, which can pose risks to clients if not carried out effectively. It said the SRA should issue guidance on minimum vetting and compliance standards for delegated authority to prevent poor practice in this area.

## Challenge 4: Making sure SRA regulation keeps pace with a changing market

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This challenge focused on the SRA's approach to regulating this part of the legal market, and we asked two groups of questions:

- Should we enhance our regulation of firms working in HVCC? For instance, should we have an enhanced authorisation process for all firms working in this area? Should we continue our programme of proactively checking compliance of firms already working in this area? Are there other things we could be doing? Or if you don't think we need to enhance our regulation in this area, why not?
- What factors should we take into account to make sure consumers' interests in HVCC are well protected if their files are transferred to another firm?

### Summary of responses

#### Enhancing regulation

It was suggested by a number of respondents that the rapid growth in HVCC is challenging the SRA's current regulatory system, and that it is not well tailored to the risks in this sector.

Several respondents noted opportunities to enhance the SRA's approach, but there was a divergence of views on:

- whether new rules are required or whether existing rules need to be better enforced
- whether specialist accreditation is needed for high-volume claims work.

A number of respondents supported increasing requirements for law firms wishing to operate in the market, across initial authorisation, standards and through ongoing monitoring and oversight and proactive enforcement. Some noted that any regulatory change should be proportionate and targeted to the risks that need to be tackled. Some webinar commentators suggested that the SRA adopt a holistic rather than punitive approach to helping firms develop and improve.

The LSCP told us: 'We strongly advocate for a three-pillar strategy:

1. **Enhanced Authorisation:** A new regime requiring firms to demonstrate robust financial modelling, adequate compliance resources and proven systems for clear communication and vulnerability support before they can operate in this sector.
2. **Permanent Proactive Monitoring:** The current compliance programme must be made permanent and expanded, incorporating mystery shopping and data-led targeting of firms showing risk indicators.
3. **A Specialised Code of Conduct** [for firms conducting HVCC].'

A smaller number of respondents cautioned against enhancing regulation. Some respondents felt that increasing regulation risks reducing access to justice and others suggested that additional burdens could make HVCC cases economically unworkable.

Others stated that HVCC work is not inherently high risk and that, in their view, existing SRA tools would be sufficient to manage the risks. Finally, others stressed that regulatory changes to address risks in HVCC should not result in any unintended consequences for other areas of legal services where conditional fee agreements or ATE insurance are used.

## **Protecting consumers' interest when files are transferred**

A number of respondents agreed that consumer protection during file transfer is an important issue for HVCC. Alongside concerns about the impact on vulnerable consumers involved in HVCC, other concerns were highlighted including how frequently HVCC firms fail or exit the market, consumers' understanding that their representation will change and that transferred files can contain faulty or incomplete work.

Consumers' understanding of what has happened and what rights they have were key themes reported in respondents' feedback. The response from TLS summarises points made by several respondents: 'Consumers must be clearly informed about the transfer, including the reasons for it, the identity of the new firm and any changes to the terms of representation...The receiving firm must ensure it has the financial stability, capacity, competence and resources to take over the files without compromising the quality of service or delaying progress on claims. Where vulnerable clients are involved, additional safeguards should be in place to ensure that their needs are met and that they are not disadvantaged by the transition.'

During our engagement events we heard from respondents in the ATE insurance sector that when a firm closes and files are transferred, consumers may not always know they have an ATE policy and the insurer may not know what has happened with a claim. Two insurers told us that in theory if a case is transferred to another law firm, the insurer must approve the law firm in order for the ATE policy cover to transfer. In practice, we were told, the transfer would not be refused without good reason.

## Challenge 5: Delivering wider improvements across the system for consumers

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This challenge focused on where improvements may be delivered for consumers across the wider system. We also posed the question:

- We believe there is scope for consumer interests to be better protected by the wider system. Thinking about good practices seen in similar areas such as Group Litigation Orders (GLOs), is there more we could do in this area? What more could others do?

### Summary of responses

A number of respondents told us that the problems in the HVCC sector could not be solved by the SRA alone, and encouraged collaborative, system-wide approaches.

### Regulatory collaboration and coordination

Respondents and attendees at our engagement events identified a broad range of regulators and other organisations that could usefully share data and collaborate to tackle issues and improve the collective response to concerns, such as Ministry of Housing, Communities and Local Government, FCA, Action Fraud, housing associations, local authorities, the ASA, Trading Standards, UK Finance, Royal Institution of Chartered Surveyors, CORLA and the Financial Ombudsman Service.

A number of respondents noted the different regulatory frameworks applying to HVCC and noted that this can cause issues for consumers and firms alike. UK Finance commented that 'Fragmented oversight creates opportunities for regulatory arbitrage.... Greater collaboration and data sharing between regulators would help identify systemic risks earlier.' Some respondents also expressed concerns about unregulated claims management companies and their involvement in HVCC work.

Some responses identified that improvements in consumer protection can be delivered through better coordination among regulators, supported by guidance and consistent standards. A small number of responses suggesting moving regulation to the FCA.

### Working with the profession

TLS advised working with providers of HVCC legal services: 'Improving the consumer experience requires a coordinated effort across the legal sector... the SRA should look to work with the profession in the development of standardised onboarding protocols, and clearer consumer guidance. Firms should be encouraged to explore adopting technology that can enhance transparency and communication, while ensuring that individual client needs are met. Vulnerable consumers must be identified and supported throughout the claims process... The SRA must ensure that all consumers are aware of their redress options.'

### Learning from Group Litigation Order experience

Respondents' views on lessons that could be learned from GLO practice varied. Some considered that GLO practice would not translate well to the HVCC sector, while others noted that while these are structurally different, certain principles could be useful to explore, such as structured due diligence, certification and reporting. The LSCP told us: 'We can look to other areas of civil justice for models worth exploring. Group Litigation Orders (GLOs), for instance, demonstrate the value of centralised oversight and standardised practice in

managing multiple claims. We are not suggesting that it works perfectly with GLOs, but rather that the framework ... has some advantages.'

### **Wider policy change**

Some respondents also identified wider policy changes in their responses that they considered may improve outcomes for consumers in the HVCC sector. One legal services provider suggested reform should focus on enabling collective redress mechanisms for modest-value claims. Another suggested that high-volume motor finance claims 'could benefit from a structured framework similar to Group Litigation Orders'. A third said: 'The MOJ should prioritise legislative reform extending Competition Appeals Tribunal collective proceedings jurisdiction and review GLO accessibility; the CJC should develop guidance on adapting collective proceedings for consumer protection; and the Competition Appeals Tribunal should share collective proceedings expertise.'

## Annex: Responses to the discussion paper

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We are grateful to all those who provided comments on the five challenges we outlined in the discussion paper. We are listing below those organisations who confirmed they were happy to be named as respondents:

- Angeion Group International
- ARAG
- Association of Consumer Support Organisations
- Association of Litigation Funders
- Association of Personal Injury Lawyers
- Austen Hays Limited
- Chartered Institute of Housing
- Close Brothers Ltd
- Community Housing Cymru
- Collective Redress Lawyers Association
- Credit Services Association
- Fair Civil Justice
- Financial Ombudsman Service
- Guardian Legal Services Limited
- Hugh James
- International Legal Finance Association
- International Underwriting Association
- Legal Services Consumer Panel
- Factor Risk Management
- Mishcon de Reya
- Society of Motor Manufacturers and Traders Limited
- Temple Legal Protection
- The Claims Guys Legal Ltd
- The Law Society
- The Legal Ombudsman
- UK Finance