

News release

Fall in Compensation Fund contributions

05 June 2019

The Compensation Fund contributions we set for the next practising year are set to fall.

The individual contribution for 2019/20 will be £60 (reduced from £90), while the firm contribution will be £1,150 (down £530 from £1,680). These figures are subject to final SRA Board and Legal Services Board approval.

One of the main reasons for the fall is a decline in the number and complexity of interventions - where we close down a firm to protect client's interest. However, the overall contribution remains higher than recent years because of the continuing risk of a greater number of high value claims, particularly due to solicitors' involvement in dubious investments schemes.

The level of contributions is set by our Board considering historical and existing claim numbers, and an analysis of potential future claims. The Compensation Fund makes discretionary payments to those that have lost money in certain circumstances, when a solicitor misappropriates or fails to account for money when providing legal services. It is a key part of the regulatory framework and helps to maintain trust and confidence in regulated law firms.

We do not want to impose unnecessary costs on those we regulate, but it is important that the Fund has a sufficient reserve to meet anticipated claims. This is why we increased the contributions in the previous two years.

Paul Philip, SRA Chief Executive, said: "The Compensation Fund provides an essential safety net for those who need it, helping to maintain trust in the profession.

"We have to make sure there are enough funds to cover potential claims, both on current applications and those we expect to receive. The two year on year rises in contribution reflected forecasts of potentially significant increases in claim values on the Fund, especially from involvement in investment schemes.

"With fewer than expected interventions over the last year or so, I am pleased that we have now been able to bring contributions down."

Compensation Fund contributions are collected in October as part of the annual renewals process.

Our net funding requirement, paid for from practising fees collected for the whole Law Society Group, will increase from £52.6m to £54.1m. This returns is funding levels to those last seen in 2015/16.

Among the reasons for the rise is an increase in the amount of work to combat money laundering.

Practising fees for 2019/20 have been recommended to remain at the same levels.

Practising year	Individual contribution	Firm contribution
2015/16	£32	£548
2016/17	£32	£548
2017/18	£40	£778
2018/19	£90	£1,680
2019/20	£60	£1,150

Note to editors

The latest Compensation Fund 2018 financial statements can be found here: Compensation Fund Unaudited Annual Report and Financial Statements 2018

[<https://www.sra.org.uk/globalassets/documents/sra/news/compensation-fund-2018.pdf?version=4a1ab8>] (PDF 21 pages, 103K)