

Looking to the future

Flexibility and public protection - a phased review of our regulatory approach

Foreword

The legal services market is changing and changing faster than ever before. We protect the public by regulating more than 160,000 solicitors and around 10,400 organisations - the majority of the legal market - so it's vital that our approach to regulation keeps pace with those changes.

The public, and indeed businesses, are looking for the right legal services at the right price. The ways that people find, access and use services are changing. Solicitors, law firms and other organisations are responding by offering new services in new ways and through new business models.

Our regulation must be up to date and fit for purpose; fit to provide public protection without hampering the growth and innovation that drives a competitive and effective legal sector.

It's time to look to the future - we want to look at what we do with fresh eyes.

What more should we be doing to make sure that people understand what protection and redress they have - or do not have - if things do go wrong?

Do we really need such complex and restrictive rules when solicitors are already bound by core professional standards and principles such as integrity, confidentiality and independence? Freeing up businesses to do business benefits everyone and we need to do more to help and make sure we do not hinder.

Does it make sense that the public cannot access legal advice from a solicitor unless they go to an organisation authorised by a legal regulator? After all, people trust solicitors to look after their interests at some of the most difficult times in their lives, and even to go to court on their behalf, and yet there are restrictions on the type of organisation solicitors can work in.

Looking to the future is an opportunity to ensure that we provide proportionate, up to date public protection. We want to help people to understand what to expect from a solicitor and what safeguards are in place as well as doing more to allow flexibility for solicitors and freedom for firms to grow, innovate, compete and develop high quality services.

Reviewing our regulatory model means reviewing and simplifying our Handbook, which sets out what we do and how we do it. It's a big task and

we will take it forward in phases. This paper is the starting point. Please do read it and get involved. There will be plenty of opportunities to have your say and I am looking forward to hearing your views.

Enid Rowlands

Chair, SRA Board

Executive summary

This position paper sets out our early thinking on a review of how we regulate both individuals – solicitors and others – and organisations such as law firms. We have not asked any specific questions but want to share our developing views and would welcome your thoughts and discussion.

Why we are reviewing our regulatory approach

The way legal services are used, chosen and provided is changing faster than ever before. People are looking for the right legal services at a cost that suits them, and are finding and accessing the services in new ways. In response, legal service providers – law firms, solicitors and new types of organisations - are delivering new services in new ways and through new business models. And there is a growing unregulated market providing services such as legal advice.

Only individuals and firms regulated by one of the eight legal regulators can provide a small group of key legal services that over time have been set apart in law as 'reserved legal activities'. These are exercising rights of audience (the right to appear before a court), conducting litigation, preparing certain documents relating to probate and conveyancing, acting as a notary and administering oaths.

Non-reserved activities include, for example, will writing, most employment law and providing legal advice. Non-reserved activities can be provided by unregulated individuals without a formal requirement for particular training or qualifications. But at the moment solicitors can only offer these non-reserved services to the public when working in a firm regulated by us or another legal regulator.

We think the public and business users of legal services should be able to choose and use legal services flexibly from:

- a completely unregulated business;
- a regulated individual working in an unregulated business; or
- a fully regulated firm.

Our regulation does not currently allow the second option. That limits public protection, public choice and access to quality legal services, as well as

stopping solicitors from working in different ways and competing with others in this growing area of the legal sector. We want to address this outdated restriction, while making sure that there is proper public protection in place.

We need to change and modernise what we do to provide proper public protection, to help the public understand what to expect from a solicitor and what protections are in place, and to allow flexibility for solicitors and freedom for firms to grow, innovate, compete and develop high quality services.

What we are planning to do

We are proposing a two phase review of our regulatory approach and of our Handbook, which sets out the code, the principles, the rules and the procedures which underpin our approach to regulating individuals and organisations. The Handbook itself is too large, complex and detailed and needs regular amendment just to stand still.

Our review will look at how we regulate individuals and organisations, such as firms.

Solicitors should always be subject to the professional principles and code of conduct. A clear emphasis on these professional standards and robust action when things go wrong, means that further restrictions on how they practise should only be put in place when the level of risk makes it necessary.

Proposed model for discussion

- All solicitors will be subject to the core professional principles and our code of conduct, ensuring core public protection.
- Solicitors must deliver reserved legal services to the public through an authorised (a regulated) organisation, such as a law firm.
- If individual solicitors deliver non-reserved services to the public through an unauthorised organisation, protections, such as access to the Legal Ombudsman will remain. Depending on the circumstances, we will also for example:
 - impose restrictions around holding client money;
 - put in place personal responsibilities around professional indemnity insurance; and
 - limit access to our compensation fund.
- An organisation authorised to deliver reserved services will not need to do so at any particular point in time to retain authorisation – giving flexibility to provide such services if needed.
- Any organisation authorised by us (delivering reserved or non-reserved services):



- must have appropriate indemnity insurance;
- may hold client money if proper systems are in place;
- will have obligations and protections under our compensation arrangements.

Next steps

We plan to consult on our principles, our code of conduct and regulation framework for organisations in Spring 2016. A second phase of this work will look at areas such as our discipline and cost recovery rules.

Throughout the review, we will be engaging closely with solicitors, the public and other stakeholders. We will produce guides and a range of supporting materials for the public and the profession.

We expect that it will be Spring 2017, at the earliest, before any changes come into force.

Position paper

Background and purpose of the paper

In 2014 we said we would begin a programme of work in 2015 to review our regulatory approach, as currently set out in our Handbook. This marks a major next step in our ongoing work to reform what we do. Our regulatory reform programme is designed to make sure that we reflect the realities of a rapidly changing legal market, as well as delivering our core purpose of providing protection for the public, supporting the operation of the rule of law and the proper administration of justice.

This short paper sets out:

- details of the way we are planning to review our approach;
- the reasons for, and objectives of, the review;
- some of the issues with the current arrangements; and
- early thinking about how we might develop our approach to regulation and our regulatory arrangements.

Our 2011 Handbook was a step change in our approach to regulation. It focuses on outcomes - the end result - rather than setting prescriptive rules. It also introduced Alternative Business Structures – a new type of legal business which allows non lawyer management and control of legal businesses.

We know we need to do more to allow the individuals and firms regulated by us can adapt to the pace of change in the legal market. This includes, for example, addressing unnecessary and outdated restrictions which stop solicitors, except in some very limited circumstances, from practising in businesses that are not authorised by the SRA or another legal services regulator.

It also means that we should look at our current Handbook and make it fit for purpose for the future. We want to make it easier for the public and businesses to access the quality and variety of legal services that they want at a cost they can afford. We will be consulting on our plans directly with the public, and with consumer bodies. We will also be taking account of the outcome of the current consultation on professional standards: A question of trust.

The principles which might shape a new regulatory model are:

- greater flexibility for solicitors to participate in a diverse legal market, increasing access for the public to quality legal services;
- greater flexibility for firms to adapt and innovate in order to compete; and
- simplification, not complication - straightforward, proportionate and accessible rules, with support to help solicitors and firms comply, and help the public understand what they can expect from a solicitor or regulated firm and how they are protected.

Our review is an opportunity to look at removing non-mandatory guidance from the Handbook, and instead developing a suite of useful, relevant and supportive on-line resources such as case studies and toolkits.

A range of public and business facing guides may also be helpful. We want to help people to understand what protections in place, clarify standards of service and conduct they can expect of a solicitor and develop a range of tools to help with choosing the right legal services for their needs.

Our thinking has been informed by early discussions with a range of stakeholders. We will use this document as the basis for further discussion with the widest possible audience in advance of a formal consultation in Spring 2016. The views of both legal services providers and the public will be crucial to our getting the arrangements right, presented in a user-friendly manner, and effectively implemented.

The changing legal services market

The legal services market and the way people choose and buy legal services, is evolving faster than ever before. We are seeing people buying services from a wide range of different providers. This ranges from individual members of the public buying a will or managing a divorce,

through to small businesses seeking legal advice to help their business grow, and on to global corporations looking to align their legal services suppliers into a sophisticated supply chain.

We are also seeing changing service delivery models. For example:

- legal services are increasingly provided online;
- legal process outsourcing in various forms is growing;
- businesses providing qualified lawyers on a short-term basis to assist, for example, an in-house legal team experiencing a period of high demand, or to carry out a specific legal task for a commercial consumer;
- legal services subscription services; and
- 'unbundled' legal services where the legal services provider undertakes part of the work and the consumer does the rest themselves.

Within this changing market the public have different levels of regulatory protection, complaints handling and redress.

The Legal Services Act 2007 sets out a range of activities known as 'reserved legal activities' which can be defined as:

- exercising rights of audience,
- conducting litigation,
- preparing certain documents relating to probate and conveyancing,
- acting as a notary, and
- administering oaths.

In order to carry out those activities, an individual or firm must be authorised by, and subject to, the regulatory arrangements of a legal services regulator under the Act. Other legal advice or activities – unreserved activities - can be delivered by people who are not subject to regulation, or particular qualifications or training.

People are already using services outside of legal services regulation. There is much stronger consumer protection and competition law than was ever envisaged when our current regulatory model emerged in the 1970s. These general consumer protections continue to develop. For example, the new Consumer Rights Act 2015 consolidates and updates the main pieces of existing consumer law – such as placing greater responsibilities on businesses to be clear about their fees.

Solicitors work in traditional firms but also, increasingly, within businesses other than traditional solicitors firms. For example, many solicitors operate in regulated firms that combine different types of regulated lawyers. And of

course that applies to other regulated lawyers too - around 15% of barristers work in organisations regulated by the SRA ('authorised entities'), as do many notaries, legal executives and conveyancers. This means that we are no longer regulating only solicitors, but are increasingly becoming a regulator of the wider legal services market.

Many owners and managers of the firms we regulate are not solicitors or lawyers of any sort, and multi-disciplinary practices can be made up of lawyers and other business professionals, such as accountants. Equally, solicitors work in businesses regulated by other legal services regulators such as the Bar Standards Board and the Council for Licensed Conveyancers and beyond this, for example by the Financial Conduct Authority and accountancy regulators.

What is clear is that the legal market, in all its diversity, is responding to both public and business demand with new forms of practice and service. With such a large number of individual members of the public still not accessing legal services when they face problems, and many small businesses seeing services as both essential but also unaffordable, there is also real potential for further innovation and growth¹. The challenge for us is to do more to improve access to good quality legal services.

Rationale for change

Our current regulatory approach

Our 2014 Policy Statement, Approach to Regulation and its Reform [<https://www.sra.org.uk/sra/policy/regulation-reform/>] provides clarity about the purpose of our regulation and how we deliver it. It provided the foundations for the programmes of work set out in our Corporate Strategy 2014-2015 to 2016-2017 [<https://www.sra.org.uk/sra/strategy/>]. The first of four aims in our strategy is to:

'...reform our regulation to enable growth and innovation in the market, and to strike the right balance between reducing regulatory burdens and ensuring consumer protection.'

This current review is part of an ongoing programme of reform designed to meet that aim and to make sure:

- all solicitors are bound by clear ethical standards, deliver a proper standard of service and meet the competences set out in our Competence Statement [<https://www.sra.org.uk/solicitors/competence-statement/>];
- people receiving legal services from solicitors and regulated firms will benefit from the appropriate protections, including rights of complaint and redress, and understand what the protections are; and

- regulation does not present unnecessary barriers or restrictions and will enable growth and innovation in the market, benefiting both the profession and users of legal services, increasing access to legal services and helping to reduce current levels of unmet need.

In recent years we have made significant changes to our regulatory arrangements to provide greater flexibility for solicitors and firms to deliver services for their customers, and potential customers, and to maximise their competitiveness. Recent reforms mean that solicitors can now own and manage legal services firms that we do not authorise and regulate. We have removed obstacles to the formation of multi disciplinary practices (MDPs), where firms deliver legal services and other connected services (such as accountancy) in a one-stop-shop. Our rules must continue to evolve in light of changing public and provider behaviour and requirements.

Our Handbook, first published in 2011, sets out our regulatory arrangements. It represented significant progress towards modern regulation - marking the transition of the organisation from a 'rules based' regulator to an 'outcomes based' regulator with a focus on managing risk. However, as stated above, it is necessary and timely to review and update our approach given the rapid changes in the legal services market in recent years.

Despite the progress our current Handbook reflects, to a great extent, the position before the introduction of the Legal Services Act 2007, when we overwhelmingly regulated traditional law firms and solicitors practising in those firms or as in-house solicitors. For example, our rules still say that solicitors in firms not authorised by us or another legal services regulator cannot deliver any legal services to the public, except in certain limited circumstances.

These restrictions go further than those required by legislation and are no longer fit for purpose. For example, they may prevent membership organisations, charities and local authorities from providing legal advice to the public at an affordable price. The rules restrict choice, limit opportunities for solicitors and restrict the potential for firms to innovate and grow. Our current prescriptive rules put narrow and restrictive constraints around solicitors and authorised firms. This is in contrast with those who are providing legal services but are not bound by, or contained within, the regulatory framework.

Not only is regulation getting in the way of innovation in the legal market, but solicitors are not competing on a level playing field. We want to remedy that. One way to do that is through continuing to simplify our rules. We want to focus on the key standards for the individuals and organisations we regulate. We must make sure that they are protecting consumers and

upholding the rule of law, whilst providing the necessary freedom for individuals and entities to compete freely in the market.

In our view, the public and businesses wanting to use legal services should be able to choose from three core options:

- access to legal services in unauthorised businesses², protected by consumer law (currently exists);
- access to regulated solicitors in unauthorised business (currently restricted); and
- access to fully regulated firms employing regulated solicitors (currently exists).

This tiered approach recognises and embraces the reality of people accessing unregulated services, without reducing or preventing choice or competition. Rather, it would free up regulated solicitors and businesses to compete by allowing them to offer a range of services from which consumers can choose.

Realigning the scope and focus of our rules is not a standalone project. It is one component of, and an important channel for, our wider programme of regulatory reform. The fundamental foundations on which our regulatory approach rests have not changed, as our Policy Statement makes clear. A growing, competitive economy needs a growing competitive legal sector, and regulators must play a part. Our reform programme is ambitious, and we have a lot to do: we are keen to be judged by our results.

Any change to our regulatory model will must meet our core regulatory purpose of providing appropriate protection for the public, supporting the operation of the rule of law and the proper administration of justice. We will take account of all the regulatory objectives set out in the Legal Services Act 2007, including promoting competition and improving access to justice. We will be mindful of best regulatory practice and in particular that our regulation is proportionate and targeted only where needed.

The starting point for our work will be to explore how best to regulate individual solicitors on the basis of the services that they provide (and to whom), rather than on the type of organisation (the entity) they work in. This will help us to identify the best regulatory approach to provide the necessary level of protection for the public and consumers.

To enable firms to make their own business decisions, innovate and grow, we need to move towards a more flexible, less prescriptive and more accessible regulatory model. Under our proposed approach, we would only create rules which prohibit or restrict an activity where we consider that there is such a serious risk of harm to consumers or the rule of law or the proper administration of justice that such measures are needed.

Solicitors will be free, under our proposed new approach, to practise in the wider legal services market, delivering non-reserved legal services to the public outside of firms that we regulate. We do not consider that these changes will represent in any way a reduction or 'watering down' of the solicitor brand. On the contrary, the changes should strengthen it. With increased visibility and accessibility of solicitors, people can choose a qualified professional when that is what they want or need. Ultimately, the 'solicitor brand' will stand or fall on whether it remains relevant, and in particular if the reputation for excellence is matched by actual consumer experience.

Our proposed changes will improve access to regulated services for the public and business users - who will have increased access to the high standards of professionalism delivered by solicitors.

The solicitors we regulate play an important role in protecting the rights of citizens and in upholding the rule of law, which is the foundation of overall public protection. The more that we can facilitate access to the competent and ethical delivery of legal services, the greater the opportunity for the public to have a service that both meets their particular needs and ensures the proper administration of justice.

The structure of the current SRA Handbook

Changing our approach means changing our Handbook. The 2011 Handbook was indeed a step change in our approach to regulation. However, it contains a number of areas transferred from older versions of the rules and which still need to be looked at. We have also identified some structural issues which have come to light since its introduction four years ago.

Our Handbook remains large and complex in its scope and applicability. It needs regular amendment just to stand still. This is because:

- it operates on a 'one size fits all' basis. This makes it hard to navigate, does not reflect the differences between, for example, different types of business model, legal activity or consumer and means that we risk over-regulating in some areas; and
- it aims to be a 'one stop shop' for all the rules that apply to solicitors, resulting in a detailed and difficult to use product, much of which is only relevant to particular sectors of the market (such as our overseas or specialist services rules) or at a particular point in time (such as the rules relating to our authorisation and disciplinary procedures).

The Handbook also contains a significant amount of material that has been copied across from both legislation and case law. Inclusion or interpretation of legislation and case law inevitably risks inconsistency and inflexibility,

and adds an additional layer of complexity that needs to be considered where these change over time.

The Handbook is very detailed in many places, for example on the handling of client money, where it makes businesses fit into a single regime designed forty years ago before the advent of electronic banking and other innovations.

Our review of the Handbook must result in regulation being proportionate to and targeted at identified risks. In some areas of high risk, for example where life or liberty are under threat, further specific preventative measures may be needed. Making sure that there are consistent standards of competence across all areas of legal services is a cornerstone of a robust regulatory framework, and we may need more focused regulation in these areas. A more proportionate and targeted regulatory approach could also mean additional requirements where there is substantial evidence of risk that a redress scheme does not address.

A further example of the need for more proportionate and targeted regulation can be seen in the regulation of charities and other not-for-profit bodies. These bodies, classed in the Legal Services Act as special bodies, are entitled to a regime that reflects their unique status³. Our review of the Handbook will be designed to offer the flexibility that means that special bodies can be regulated appropriately. This will end the transitional arrangements currently in place - transitional arrangements which do not provide consumers with the protection around the provision of reserved legal activities that they have elsewhere.

A similar argument might be made for pro bono - for the public good - services delivered by solicitors working outside of their normal role. As we review our approach we will need to ensure that these important areas are tackled.

Our review also has to support the effective regulation of international practice. Whether it is solicitors or law firms seeking to work globally, or lawyers from other jurisdictions wishing to practise in England and Wales, we want a regulatory approach that facilitates an international trade in legal services, and supports the wider economy. We recognise the importance of regulation as one factor underpinning the reputation of the English and Welsh justice system and will seek to ensure that we have an effective and proportionate approach.

Our objective is a Handbook that can cope with the variety of modern practice, embrace new ideas for delivering legal services and make sure that the developing legal market works for the public.

A new approach to regulation - a model for discussion

Our current thinking is summarised below:

- all solicitors are subject to core professional principles and the code of conduct at all times;
- if delivering reserved legal services and related activities to the public or a section of the public, solicitors must do so through an authorised entity;
- individual solicitors may deliver other, non-reserved legal services to the public or a section of the public by practising in an unauthorised entity (the second of our core options at paragraph 23 above). If they do, regulatory protections such as access to the Legal Ombudsman and complaints handling obligations in the Code of Conduct will apply. Depending on the circumstances, we will also for example:
 - impose restrictions around holding client money;
 - put in place personal responsibilities around professional indemnity insurance;
 - limit access to the SRA Compensation Fund.
- an entity - i.e. an organisation - may be authorised by the SRA to deliver reserved legal services, but although then entitled to do so (because it meets the stringent tests), it does not need to deliver reserved legal services to retain its authorisation; and
- any entity authorised by us (delivering reserved or non-reserved services):
 - must have appropriate indemnity insurance;
 - may hold client money subject to proper systems being in place; and
 - will have obligations and protections under the SRA compensation arrangements.

This proposed new approach would keep the framework of, and build on, the existing foundations including protection of the solicitor title and reserved activities, as set out in law. It will be important to get the balance right between individual and entity regulation, and to focus on the appropriate requirements for different types of bodies depending on the level of risk they pose. Consideration will also need to be given to circumstances in which individuals, as opposed to organisations may need to hold appropriate indemnity insurance.

There would be different obligations on individuals and entities – organisations such as law firms. Our working model is as follows:

- individual based regulation is based on competence, ethics, values and behaviours, and is delivered through a code of conduct together with competence requirements (training and qualifications); and

- there will be a separate short set of rules that apply to the entity, focused on appropriate business level protections, systems and controls.

Taking primary legislation as a starting point, entity regulation will apply to two groups:

- those who deliver reserved legal activities to the public and must be regulated; and
- those who do not deliver reserved legal activities to the public at a given point in time but wish to be entitled to do so⁴ .

Our experience tells us that for many authorised firms and in house teams, the majority of work undertaken is non-reserved, however those firms value the flexibility to undertake reserved work when it would be in their client's interest to do so. Any firm that does not wish to undertake reserved legal activities can operate entirely outside of legal services regulation. But if they are entitled, through our authorisation, to carry out reserved legal activities, they will be able to choose to deliver non-reserved services under the same (single) regulatory framework. That framework is designed to ensure (and assure) the delivery of competent and ethical legal services. Such an approach gives firms the flexibility to deliver reserved services whenever it suits them and their clients.

Key to the success of our approach will be ensuring a minimum set of standards and safeguards and making it clear to everyone. There will be one, risk based, framework for all regulated entities. The framework will be sensible and proportionate and it will be clear to entities what those requirements are, and how they apply to them. Crucially, the framework will be broad and flexible enough to cover the full range of entities and business models (including special bodies such as charities).

As set out above, all individual solicitors will be subject to the core personal regulatory requirements wherever they practise. These would comprise qualification and on-going competence requirements, adhering to the professional principles and the individual Code of Conduct. Compliance with these core personal regulatory requirements is not optional.

Any consumer dealing with a solicitor or authorised entity should have access to complaints procedures. Individual and small business consumers will continue to have access to the Legal Ombudsman service to resolve complaints. Beyond this, additional individual regulation will depend on the type of role held or service offered.

We have work in hand to develop a regulatory framework for consultation. This work forms part of the first phase of the Handbook review which is outlined in more detail below.

Our Handbook - first phase of review

We currently propose that the review will proceed in two phases, although the first phase (and the development of the regulatory framework) will take into account what is required for the second stage. The first phase will focus on the rules about how solicitors and firms can practise and the behaviours, conduct and standards expected of them.

As part of the first phase, we will consult on our Principles in Spring 2016. We are keen to explore whether: we have the right number of principles – ten at the moment - whether the current principles remain fit for purpose or need to be revised and/or whether any of the current content can, or should, be better reflected in our Code of Conduct. On the other hand, the current Principles may now be embedded and understood, and change may be more disruptive than beneficial.

In addition, our Code of Conduct contains a range of mandatory Outcomes and non mandatory Indicative Behaviours. The Indicative Behaviours are intended to set out examples of '....the kind of behaviour which may establish compliance with, or contravention of the Principles.'

Our analysis of the current Code of Conduct, and a revised draft Code of Conduct and framework for entity regulation, will form part of the consultation to be published in Spring 2016. Following initial review, our view (which is also shared by a number of stakeholders) is that the Outcomes in the Code of Conduct remain relevant in the main. However there are areas of duplication and repetition, and some of the Outcomes could be made clearer. Some of the Outcomes are unnecessarily detailed, and there are significant areas where it is likely that the Code of Conduct can be sharpened, shortened, future-proofed and better focused. We will want to make sure that the Code is proportionate and targeted.

The core Outcomes may need to be supplemented by specific requirements relating to areas where specific/technical skills are required. This includes areas where there are particular legislative requirements and/or external drivers, such as consumer credit activities which are subject to European Directives and regulation by the Financial Conduct Authority.

We will also consider the rules about the protection of client money. We agree with feedback from stakeholders that this is an area where the current rules are particularly detailed and prescriptive. Our experience from receiving accountants' reports is that this leads to a focus on minor technical breaches rather than on client protection. In our November 2014 consultation on reporting accountant requirements, we signalled our intention to review and simplify the Accounts Rules. Our intention is to move to a more principles based approach that concentrates on risks to client's money.

We will look to amend the Accounts Rules to formalise appropriate protections for the clients of those firms that wish to use third party escrow accounts – holding accounts managed by an external provider - rather than hold client money. We consulted on these protections earlier in 2015. A further comprehensive review of our Accounts Rules will take place alongside the proposed changes to our Handbook (which will include a review of our Practice Framework Rules), with a consultation being launched in Spring 2016. Aligned to this, we have already signposted our intention to consult on our insurance and compensation arrangements.

Our Handbook – second phase of review

The second phase of the review (which is in the early stages of development) will be a further piece of work to consider the remaining content of the Handbook. This will include, for example, the Discipline and Costs Recovery Rules. These rules include a number of procedures and requirements that are inward facing, governing our own processes in different circumstances. We want to consider how best to present this information so that it can be readily accessed and understood by individuals and firms when they engage with those procedures.

Supporting Firms

We are aiming for simplification, not complication and will make sure that any guidance acts to reduce, not increase, the compliance burden. Our preliminary view is that the existing indicative behaviours and guidance notes within the Handbook are not clear and there are better ways of supporting firms. During both phases of the review, we are likely to consult on removing non-mandatory guidance from the Handbook, and instead developing a suite of useful, relevant and supportive on-line resources such as case studies and toolkits.

We will engage widely with a broad range of interested parties during the review. As part of that we anticipate that we will work collaboratively with a range of bodies and trade associations, membership groups and other groups on developing this supportive material. Many bodies play an important role in supporting firms and we want to help them do so by, for example, sense checking their own guidance to members to ensure it meets the requirements of the new regulations. This may in turn reduce the need for us to provide advice or guidance of our own.

We recognise that a new Handbook based on our working model will represent a significant change for the profession. We will undertake a comprehensive programme of stakeholder engagement to listen to the views, ideas and concerns of solicitors and others. We will also put in place a range of activities to support the implementation of any changes we make.

Helping the public and businesses choose and use legal services

We propose to develop public and business-facing guides that will be available on line. We plan to:

- help consumers to understand what protections they have when dealing with different types of regulated legal services providers, including their rights of complaint and redress;
- clarify what standards of service and conduct they can expect of a solicitor; and
- develop a range of tools to help with choosing the right legal services for their needs.

We will be consulting widely with consumer groups and other bodies to ensure the information we provide is clear and enables people to make informed choices.

Timeline and key dependencies

The current timetable is set out below, along with key dependencies. We intend to launch the Phase 1 consultation in Spring 2016, with new arrangements coming into force no sooner than Spring 2017. This will allow time for firms to prepare for the introduction of the new regulatory framework and to make any changes to their internal arrangements. The timeline does not yet include Phase 2 of the Handbook review, pending further work to develop and scope this next phase.

Winter 2015-16

Launch first Training for Tomorrow: assessing competence consultation

Spring 2016

Launch consultations on: proposed Code of Conduct, Practice Framework Rules and Accounts Rules

Launch consultations on: consequential impacts on appropriate consumer financial protection

Summer 2016

Publish 'A question of trust' policy statement and framework for assessing the relative seriousness of solicitors' actions

Launch second Training for Tomorrow: assessing competence consultation

Autumn 2016



Publish arrangements that form revised and restructured regulatory handbook (Principles, Code of Conduct, Practice Framework Rules and Accounts Rules)

Publish material to support compliance

Launch consultation on reform of professional insurance requirements and compensation fund

January 2017

Launch consultation on new regulatory arrangements for solicitor qualification

Spring 2017

Earliest date for new regulatory framework to come into force

Publish consumer guide supporting new handbook

Autumn 2017

Development and testing of new assessment for intending solicitors

Autumn 2018

Earliest date the new regulations for solicitor qualification come into force

Earliest date the new assessment for intending solicitors is available

Autumn 2018

Earliest date for introduction of fundamental changes to insurance and compensation fund arrangements

Notes

1. BDRC, Legal Services Benchmarking Report, June 2012 and Pleasance P and Balmer N In Need of Advice? Findings of a Small Business Legal Needs Benchmarking Survey (April 2013)
2. Any legal services provider not authorised by a legal services regulator.
3. The Legal Services Act 2007 gives transitional protection to bodies collectively known as 'special bodies' or 'non-commercial' bodies (not for profit bodies, community interest companies, and independent trade unions) means that they can currently provide reserved legal activities without a licence. The Legal Services Board has the authority to recommend that this transitional protection to end, has

indicated that it considers that it will do so once one or more legal services regulators have arrangements that it considers appropriate for these bodies.

4. Following our consultation 'improving regulation: proportionate and targeted measures' in September 2015 the SRA Board made rules to remove the power to revoke a firm's authorisation if they do not demonstrate a current intention to carry out reserved legal activities, and for firms to specify at the point of authorisation which activities they therefore intend to undertake. These Rules are awaiting approval by the LSB.