SLS
Surrey Law Society

SRA Consumer Protection Review: Client Money in Legal Services - Safeguarding Consumers and Providing Redress

SURREY LAW SOCIETY RESPONSE

Submitted to the SRA on Thursday 20th February 2025

Consultation Part 1: The Model of Solicitors Holding Client Money

Part 1 Consultation Questions & Responses

Residual balances

Q1. We want to ensure we fully understand the issues firms encounter in returning excess funds to clients or third parties – please outline:

- **the circumstances in which residual balances may arise on a particular matter**

  There are many reasons why a residual balance may arise on a matter, for example:

  - *unexpected refunds from third parties*
  - *retentions negotiated between parties in a matter held for a period in respect of a liability that is unascertainable at the time, and which turns out to be a lower liability than was expected when it is ascertained*
  - *the firm has attempted to return funds by cheque, but the cheque is not cashed*
  - *the cost of disbursements is lower than anticipated*
  - *the amount of tax payable (e.g., stamp duty on shares or stamp duty land tax on property) is lower than anticipated*
  - *human error when preparing completion statements or bills of costs*

- **the steps that firms can take to make sure their client contact details remain up-to-date and any challenges with doing this**

  Clients may change their contact details and often forget or fail to tell their solicitor.

  Firms can (and many do) encourage their clients to keep them informed of any changes to contact details throughout a matter. Firms might also review their case management system or client contact information from time to time to update any data that may be out of date or inaccurate.

  However, firms can only maintain up-to-date contact details for clients if clients are willing and able to provide the necessary information.

- **mechanisms that firms use to trace clients/third parties and any challenges with this.**

  Firms must comply with data protection laws and confidentiality obligations when attempting to trace former clients/third parties.

  There are several mechanisms firms may use but it depends on the information held by the firm about the former client/third party. Options available include:

  - *Internet search*
  - *Public records*
  - *Writing to the last known address or email address*
  - *Tracing agents or private investigators*

  Using a third-party tracing agent or private investigator carries a monetary cost but there is also the time cost incurred whichever method is chosen by a firm to try and trace former clients/third parties.

Q2. Do you agree that we should replace the term 'promptly' in rule 2.5 of the Accounts Rules and introduce more prescriptive requirements around returning funds to clients and third parties?

No, we do not agree.

A prescriptive timeframe is likely to cause difficulties in practice as no two cases are ever the same and we consider the current provision in the SRA Accounts Rules of dealing with returning money 'promptly' to be adequate.

Guidance on what the SRA consider to be poor practice in this area based on the SRA's findings would be helpful.

Q3. Would a 12-week timeframe, from the conclusion of a case, provide sufficient time in which to identify an excess balance on a client account and return the funds to the client or third party where the firm holds their up-to-date contact details? If not, please give your reasons and include any specific examples of relevant issues?

No, please see our response above.

Examples of reasons why not are:

- *Following completion of a purchase, stamp duty and registration formalities need to be dealt with – this can take time, particularly in the case of land which can take years given the delays at HM Land Registry*
- *There are also delays at HMCTs*
- *Inevitably these delays mean solicitors hold funds for longer than they did previously*
- *Firms must deal with any retentions or deferred consideration and there may be completion accounts mechanisms that firms are involved in which may take time to calculate and agree between the parties*
- *There may be disputes with the client or third parties which may take time to resolve*
- *Clients may disappear or fail to give instructions*

Q4. Should it not be possible to return excess funds to the client or third party within 12 weeks of the conclusion of a matter, is a further 12 weeks a reasonable timeframe to make all reasonable attempts to trace the relevant client/third party and where this is unsuccessful, donate the residual balance to charity or apply to us for approval to do so?

Please see our response above.

Interest

Q5. We would like to understand current practices around interest on the client account. Please tell us about your experience of the arrangements for interest on clients' money, including:

- **the extent to which client accounts generate interest, and – if so – how interest is apportioned between the firm and the client?**

  The rates of interest offered to firms on client accounts vary. Interest rates have been low for well over a decade and have only recently increased and become a matter of regulatory concern.

  Most firms comply with the SRA's rules and firms are not motivated to hold client money for longer than is necessary because this increases risk.

  Under the SRA Accounts Rules, firms must pay clients a fair sum of interest unless an alternative arrangement is reached with the client.

  Removing the ability to earn interest could increase the cost of services for clients and have a wider impact on access to justice.

  We see no reason for a change to the current rules.

- **any arrangements firms have to receive less or no interest on client accounts and what, if anything, the firm receives in return?**

  We have not undertaken any research on this point, but we are not aware of any such arrangements.

- **whether and how firms make their clients aware (either directly or via terms and conditions) that their money could earn interest?**

  Clients are usually made aware of the interest policy in firms' terms and conditions of business or engagement letters.

- **whether clients are aware that firms may retain some of the interest earned on their money?**

  Please see our response above.

Q6. What are your views on the suggestion that we amend our rules to prevent firms retaining any of the interest earned on client money (subject to a de minimis)?

We see no reason for a change in the rules. The SRA's consumer research accompanying this consultation indicates that a very high proportion of consumers (79%) are comfortable with legal service providers managing their money.

Most firms comply with the SRA rules and with the firm's own policies on holding client money. No evidence has been provided by the SRA that suggests otherwise.

The likelihood is that if the rules are amended in the way the SRA suggests, firms will seek to pass on costs of undertaking transactions to consumers because interest earned on client money can be used to offset bank charges.

It's important to remember that under the current SRA Accounts Rules, law firms are required to account to clients for a fair amount of interest on the funds held on their behalf. If the rules were amended to require firms to pay interest to clients in excess of this amount, clients would in effect be benefiting from holdings funds with a law firm compared to with a high street bank. This may have the unintended consequence of compounding issues regarding residual balances.

Q7. Are there circumstances where firms retaining some of the interest earned would be of benefit to the client?

Yes. The SRA has itself stated that firms have reported retaining some of the interest earned on client money to offset bank charges.

Retaining some of the interest helps firms to keep costs down which, as we mention in response to question 7 above, would otherwise likely be passed on to consumers of legal services. This could have the consequence of worsening access to justice rather than improving it.

Q8. What do you think would be the impacts of removing the ability for firms to earn interest on money held in client accounts? How could any short-term and/or long-term challenges be overcome?

Please see our response to question 6 and our response question 7 above.

Firms would have little choice but to pass on costs to consumers. This would result in consumers having to pay more for legal services both in the short-term and long-term and could have the consequence of worsening access to justice. This would not be in the public interest.

Moving money from client to office account

Q9. Are there any circumstances in which it is in the client's best interests to transfer client money from the client account to the office account before the work to which it relates has been completed? If so, please describe the circumstances.

It's commonplace for firms to ask for money on account of their costs from a client based on an estimate of the costs likely to be involved in their matter. This is particularly the case when matters are charged on an hourly rate basis.

This money remains in client account until the firm properly requires payment of their fees, in which case they must first give or send a bill or other written notification of the costs incurred to the client. The money in client account is then earmarked for costs and must be transferred to the firm's office account.

Once a firm has recorded time on a matter as work in progress it is subject to tax, as all work in progress is taxed whether any funds have been received to pay that tax. If an interim bill is raised but not paid, the firm must pay VAT at the applicable rate in any event. Therefore, firms often raise interim bills at agreed intervals for work undertaken to date but before a matter has concluded to deal with this burden, and many clients prefer to pay at regular intervals to manage their legal spend.

Q10. Do you agree with our proposal to progress the amendment to rule 2.1(d) of the SRA Accounts Rules? Please explain your answer.

No, not as proposed. We suggest the rule should be amended as follows to make it clearer:

"2.1 "Client money" is money held or received by you:

d. in respect of your fees and any unpaid disbursements if held or received prior to the delivery of a bill, or other written notification, of the costs incurred."

Q11. Do you agree with our proposal to progress the amendments to rules 4.3, 4.3(a) and 4.3(c) of the SRA Accounts Rules, and the addition of rule 4.4? Please explain your answer.

No, your proposed amendments to rule 4.3(a) do not make sense as drafted.

We suggest it would make more sense to amend rule 4.3(a) as follows:

"(a) you must give the client or the paying party, a bill, or other written notification, of the costs incurred;"

We support the addition of rule 4.4 but with slightly amended wording so that there is no requirement to deliver a bill or other written notification before moving funds from the client account to the office account if it is in respect of a disbursement which has been incurred or paid by the firm on behalf of the client. We therefore suggest the following wording:

"4.4 Rule 4.3 does not apply where you withdraw client money from a client account in full or partial payment or reimbursement of any sums incurred or paid by you on behalf of the client, or third party for whom the money is held."

Q12. What are your views on the option to remove the ability for firms to enter into alternative arrangements about where client money will be held and how it will be used under the rule 2.3(c)? Please explain your answer.

We support this option given the risks associated with billing clients in advance for costs including if:

- *the client decides to terminate their retainer with the firm and asks the firm to repay the money they have paid*
- *the matter on which the firm is instructed does not proceed, for example the other side pulls out of a transaction.*
- *the firm suddenly must close due to incapacity or the death of the sole practitioner*

- *the firm becomes subject to an insolvency event - and the client's money is absorbed into the insolvent's estate as it is not held in a ringfenced client account.*

We also think it is sensible for consumer protection given the ongoing duty to safeguard money and assets that have been entrusted to the firm and the fact that the obligation to safeguard money entrusted to firms is not limited to only that money which is held in a client account.

Q13. What approaches do firms take when calculating the amount of money they request from clients in advance? In your response, please outline:

- **any areas of practice where you consider that it is important to take advance fees**
- **how a reasonable amount to request in advance can be calculated**
- **any alternatives to requesting advance fees**

The amount of money requested on account of costs is a business decision made based on several factors including:

- *the type of work involved*
- *the amount of time likely to be required to complete the work*
- *the urgency of the matter*
- *the level of anticipated disbursements*
- *the underlying credit risk to the firm of accepting the consumer as a client*

Solicitors have been requesting money on account for years and it is a practice used by other professionals. Requesting money on account reduces risk of non-payment and allows interim bills to be raised for costs incurred as matters progress. This is important for cashflow, particularly for small firms, because it allows funds on account to be transferred from client account to the office account.

If firms were not permitted to request money on account of costs, they would have to wait for payment at the end of a matter which may be many months or years away. Like any other business, cash is king and without the ability for law firms to convert work in progress into bills at interim intervals and those bills into cash regularly, many firms would simply not be viable. This would lead to less firms and less choice for consumers which is likely to result in increased costs for legal services and reduced access to justice.

Q14. When and how do you think we should, or should not, be more prescriptive about how much client money firms can request in advance of work being completed? In the areas where you think we should be more prescriptive, please outline what you think the implications would be for both clients and firms

We do not think the SRA should be more prescriptive at all. A rule prescribing the amount of client money that can be requested prior to completion of work will be almost impossible to implement because of the range of legal services undertaken by law firms and the circumstances of individual cases and clients and the varied factors considered by firms before deciding to request money on account of costs.

As we say in our response to question 13 above, the amount of money requested by firms is a business decision and we do not think the SRA, as a regulator, should involve itself in commercial business decisions of law firms.

Any prescriptive rule in this area is likely to have significant ramifications for the cost of legal services and access to justice.

Q15. What are your views of the long-term option of changing the model of firms holding client money? Please outline what you think the impact would be if firms were to hold no or substantially less client money?

Client accounts are fundamental for the efficient and effective delivery of many types of legal services. Preventing or reducing the ability of law firms to hold client money would have a detrimental impact on the delivery of legal services, including conveyancing, probate work, litigation and corporate transactions.

Transactions would likely be slower and more costly if firms had to involve a third-party holding funds on behalf of a client and this would be to the detriment of the client.

Q16. In your experience, are there areas of law or services in which it is essential for a firm to hold client money? What would happen if solicitors were not able to hold client money in these areas?

Yes. Please see our comments below.

Conveyancing – buying and selling property is highly reliant on solicitors' undertakings. For example, these are given in relation to exchange of contracts, completion, retentions, discharging mortgages/bank security and more.

Undertakings are personal promises that solicitors are personally liable for if breached. They are therefore very serious commitments. Solicitors will be unable to give undertakings to pay or do things when they are not in control e.g., because the funds required to pay are held by a third party and not by the law firm in its client account.

Given conveyancing transactions rely on solicitors' undertakings so heavily to operate smoothly, the whole process would grind to a halt and a complete overhaul of the current process would be required if solicitors were unable to hold client money.

Probate matters – the administration of estates would become much more expensive because money is gathered into estates, and distributed out, in a piecemeal fashion, often involving very small amounts of money and quite often the sending party does not put any reference or the correct reference on payments meaning the solicitor must identify it. A third party is unlikely to have the intimate file knowledge to be able to identify and reconcile such payments and the cost of processing all the transactions via a third party would need to be passed on to consumers of legal services.

Corporate matters – similarly to conveyancing matters, company and commercial matters rely on solicitors' undertakings and if firms are unable to hold client money, it would have a significant impact on corporate and commercial work particularly mergers and acquisitions (M&A).

M&A deals sometimes complete after banking hours and they can only do so because solicitors are able to remit funds the following day pursuant to an undertaking to do so. This would not be possible if firms are unable to hold client money.

M&A deals would become more complex and costly for clients and are likely to take longer if having to deal with third parties in respect of monies.

Q17. Do you have experience of any alternative method(s) of holding client money (such as a TPMA or other methods)? If you have experience of any alternative method, what has that experience been? What was the impact on clients and the firm?

No

Q18. If you have knowledge or experience of alternative approaches to holding client money, would you be open to further discussion with us as part of future development in this area? If yes, please confirm that you are happy for us to use the details you have provided to contact you, or please provide alternative contact details.

N/A

Equality, diversity and inclusion (EDI)

Q19. In the context of this consultation, do you agree with our assessment of equality, diversity and inclusion considerations in our impact assessment? If not, what else do you think we should consider?

Consideration should be given to the fact that the changes would likely increase costs for clients and would harm access to justice.

Consultation Part 2: Protecting the Client Money That Solicitors Hold

Part 2 Consultation Questions & Responses

Improving our oversight of firms

Q1. Do you think that we should be more prescriptive around the information that we must be notified of outside of our annual practicing certificate renewal exercise? If so, what information should we require and what risks should we target?

-The SRA currently gathers a significant amount of data regarding solicitors and law firms. However, a review conducted for the LSB revealed that the SRA functions in silos, resulting in crucial information about these solicitors and firms not being shared across its various departments. Therefore, the initial step for the SRA is to examine its internal data-sharing mechanisms. The SRA needs to analyse firms whenever there are changes, to comprehend the risks associated with the firm at each stage of its development.

-When firms alter their business structure or governance, the COLP should be required to inform the SRA of these changes. The SRA need to issue new rules and/or guidance detailing the information it requires. When changes are made there should be greater scrutiny and monitoring.

-The concept of the Practising Certificate Renewal Exercise each autumn is no longer necessary. Renewals should take place every 12 months from the date of authorisation. If a firm informs the SRA of a significant change impacting its authorisation status, the renewal should occur 12 months from the date of that change.

-The SRA Authorisation Rules are intricate and prone to misinterpretation. They should be rewritten to simplify businesses' understanding of their regulatory obligations regarding obtaining and maintaining authorisation. It might be beneficial to create separate rules for licensed bodies and recognised bodies, allowing each type of entity to concentrate on the rules relevant to them.

Q2. Do you think certain changes should require pre-approval by us and/or after-the-event monitoring and supervision? If so, which changes should this apply to and what risks should we target?

1 Changes necessitating re-Authorisation should be notified to the SRA for approval.

2 Where a firm (A) acquires another firm (B) then A should notify the SRA of the proposed acquisition together with any arrangements that are proposed in relation to:

- *a) indemnity insurance arrangements;*
- *b) client files (particularly where A does not acquire all of the business of B);*
- *c) client funds (particularly where A does not acquire all of the business of B);*
- *d) the financial stability and business viability of the new firm (this will include a business plan for the new firm).*

In addition, B must notify the SRA prior to the change of ownership (whether in whole or in part) of the arrangements made for the orderly wind-down of the firm, or transfer to A. The SRA should then consider the Authorisation status of the firm and apply conditions (or not) as appropriate.

3 Each of the approximately 9,000 firms authorised by the SRA should receive a risk rating. Firms undergoing frequent changes should be considered higher risk, warranting enhanced monitoring until they can demonstrate financial stability and business viability.

4 The SRA needs to ensure that is has access to the requisite skills to undertake the necessary risk assessment and due diligence enquiries.

5 To protect consumers and the reputation of the profession, more enhanced checks should be carried out by the SRA into non-lawyers before they are allowed any involvement with the firm.

Q3. What impacts might arise from notifying us of changes in advance? Please provide specific examples of where firms provide information about changes to other third parties, eg insurers.

The challenge lies in the nature of these changes, which are often tied to contractual agreements that remain unsettled until the last moment. In a pre-pack administration, where a failing firm is sold, circumstances can shift rapidly. Although it might be beneficial for the SRA to stipulate a 14-day notice period, this requirement could result in firms that might have been successfully transferred during a pre-pack administration instead facing failure, as creditors might demand payment sooner than the SRA's timeframe permits.

Mitigating risks associated with dormant law firms

Q4. To what extent to you agree or disagree with our proposed approach to addressing dormant firms - taking action where a firm has not provided legal services and/or recorded zero turnover for 12 months, unless legitimate circumstances apply?

- This is a reasonable provision, but it must be supported by amendments to the Authorisation Rules, as many recognised body law firms hire staff via a servicing company. Frequently, firms seek authorisation for the both the service company and the LLP for completeness, due to difficulties in comprehending the Authorisation Rules.

- The Authorisation Rules should be divided into distinct sets for licensed bodies and recognised bodies, such as The SRA Licensed Body Authorisation Rules and The SRA Recognised Body Authorisation Rules. These rules should be crafted to simplify understanding the authorisation requirements for each type of entity.

- After the new Authorisation Rules are released and firms have had the chance to confirm that their businesses are properly authorised, the SRA should proceed with implementing the proposed approach.

Q5. Are there other circumstances not presented here where you think a law firm can legitimately record zero turnover for an extended period?

As noted in response to Q4 above, firms frequently hire staff through a service company. Typically, these entities do not engage in trading and are used to differentiate employees from partners in an LLP or unincorporated partnership.

Accountants' reports

Q6. Which of these three options for improving compliance with our requirements for accountants' reports and our ability to monitor this do you prefer and why?

- **Re-introduce the requirement for non-exempt firms to submit their accountants' reports to us.**
- **Introduce an annual declaration for reporting accountants**
- **Introduce an annual declaration for firms**

- The preferred option is to introduce an annual declaration for firms. This would allow the SRA to cross-check the list of firms that completed the declaration with the total number of SRA-authorised firms. Firms that fail to submit the required declaration should face enforcement action.

- The SRA should take appropriate enforcement action to reduce the number of non-compliant firms from 10% to 1%, i.e. approximately 90 firms, based on current firm population figures. Whilst any level of non-compliance is unacceptable a degree of non-compliance is to be expected.

- When qualified reports are submitted, the SRA should evaluate the appropriate level of engagement with the firm to address the issues highlighted by the reporting accountant. In certain instances, immediate enforcement action might be necessary, while in other cases, agreeing on a programme of remedial action could be more suitable. Frequently, it is evidence from the accountant's report that the breaches reported are minor and do not require further action.

Q7. What are your views on whether we should consider requiring firms to periodically change their reporting accountant to safeguard independence, and if so, how often we should require this?

This is a prudent measure to safeguard independence. The period that a firm should change accountants will depend on the level of risk.

The recommendation is as follows:

High Risk – Every 3 years;
Medium Risk – Every 5 years; and
Low Risk – Every 7 years.

Q8. Should we retain the existing exemption from obtaining an accountant's report, amend it, or remove it?

The existing exemption is sound, but if it is poorly understood then the changes suggested may be appropriate. The exemption should either be retained or amended, but not removed as this will place a burden on small firms that is not necessary.

Strengthening checks and balances within law firms

Q9. To what extent to do you agree or disagree that any manager that can unilaterally make decisions that impact client money handling should not also be able to hold a COLP or COFA role? Please explain your answer and include any suggestions for ensuring appropriate internal checks and balances.

- In all but the smallest law firms, it is inappropriate for a manager to make unilateral decisions affecting the management of client money. Firms should implement suitable checks and balances, aligned with the business's size and structure, to safeguard client funds.

- For large law firms, the SRA rules should stipulate that an individual should not hold two or more of the compliance officer roles. For these firms the systems of checks and balances designed to protect client money should be documented and made accessible for inspection by the SRA and reporting accountants.

- For smaller law firms (excluding sole practitioners) it might be impractical to distribute compliance roles among multiple individuals depending on the firm's size. In these cases, the systems of checks and balances to safeguard client money should be documented and available for inspection by the SRA and reporting accountants.

Q10. Do you think this proposal should apply equally to all law firms, or should certain law firms – such as sole practitioners – be exempt if certain conditions are met? If so, what should these conditions be? Please explain the reasons for your answer.

As previously noted, the provisions should be applied in accordance with the organisation's size. Not all law firms are required to appoint an MLCO; this requirement depends on the firm's size and nature. The allocation of compliance roles should also be based on the firm's size and nature, with the expectation that large law firms, as defined in section 201 of the Economic Crime and Corporate Transparency Act 2023, have different individuals occupying the compliance roles.

Effectiveness of compliance officers

Q11. To what extent do you consider our proposals to build and launch a package of support for compliance officers, and to strengthen our expectations for law firms to support their compliance officers, are sufficient? Are there issues we should target to enable compliance officers to meet their responsibilities effectively?

The SRA needs to recognise that the role of a compliance officer has changed significantly since the introduction of the Legal Services Act 2007. In addition to compliance with the SRA rules, compliance officers deal with data protection compliance, AML and financial crime compliance, and more recently issues around bullying and harassment. This has led to the growth of compliance as a career and this needs to be recognised by the SRA. Many people working in compliance are not solicitors and the SRA needs to recognise the contributions that compliance officers make and then increased financial burden this has placed on firms.

The support package proposal is broadly welcomed but further detail is needed to express firm support.

Equality Impact Assessment

Q12. In the context of this consultation, do you agree with our assessment of equality, diversity and inclusion considerations in our impact assessment? If not, what else do you think we should consider?

Agreed

SLS
Surrey Law Society

Consultation Part 3: Delivering and paying for a sustainable compensation fund

Part 3 Consultation Questions & Responses

Contributions to the Fund

Q1. Do you agree that changing the apportionment of Compensation Fund contributions to 70% individuals and 30% firms is an appropriate and proportionate approach to setting contribution levels for 2025/26? Please give reasons for your answer.

No, we do not believe the case for reapportionment has been made. The profession has already had to pay significant increases in levy contributions, we can see no justification for changing the contribution proportions. The SRA should be able to adopt financial planning and projections to avoid significant spikes in contributions as have been required to be paid in 2024.

The proposed changes may favour smaller firms, however this disproportionally could shift the burden of expense to larger firms. Our preference would be to retain the current proportions of a 50/50 split between firms and solicitors. We have not seen any supporting evidence of a change to current arrangements would represent an improvement for the profession.

Q2. Are there any other important apportionment issues you think we have not considered here? If so, please explain what they are?

None

Differential Contributions

Q3. What are your views on the possibility of setting differential contribution levels for different firms?

It would be difficult to devise a system by which different firms would make different levels of contribution to the Compensation Fund. Many firms will conduct work that can be regarded as high risk and low risk, quantifying firm's contributions by work type could create complexities and generate additional compliance costs for firms. In the absence of any supporting evidence, the current system of a flat fee for all firms is the most simple and fairest option.

Q4. What are your views on the possible alternative methods of setting differential contributions to the Compensation Fund (based on enhanced requirements, risk categorisation, the amount of client money held, or annual turnover)?

We do not see that any of the options in the Consultation creates a better outcome than the present arrangements.

Contributions based on risk would in effect create a system whereby contributions are based on risk assessments of work type which may fluctuate with market conditions and changes in the economic cycle. For many firms such assessment may be unworkable or as stated above significantly increase the costs base of compliance operations. An adverse consequence could

be that firms withdraw from certain work types which may impact market competition and access to justice.

We have not seen any compelling evidence to support a change from the current arrangements.

Q5. Are there other alternative approaches to differential contributions you think we should consider?

We cannot find any justification for exempting firms that do not hold client money from making a contribution to a share of a cost of the fund. The Compensation Fund's expenditure is related not only to client funds but also in respect of interventions.

Payments from the Compensation Fund

Q6. To what extent do you agree we should move away from the current arrangements that allow us to impose a cap of £5m for connected claims?

If there is a need to limit the extent of connected claims, then a flexible cap may afford an appropriate compromise between protecting the interests of consumers whilst ensuring the Compensation Fund is financially viable. Any changes should be based on evidence and reasonable projections of future claims.

Q7. Would you support any of the other options discussed (a flexible cap for connected claims, removing the cap for connected claims, guaranteeing compensation up to a specified amount)? Please explain why.

As stated above more evidence is required before we can take an informed position.

reasonable projections of future claims.

Q8. Are there other important considerations you think we have not considered here? If so, please explain what they are.

The SRA may wish to undertake financial modelling and consider longer term funding of the fund other than direct contributions to soften the recently significant increases to levy payments made by the profession.

Amending our Compensation Fund Rules to exclude specific claims

Q9. What are your views on the idea of amending our Compensation Fund Rules to explicitly exclude specific types of claims? If you think specific types of claim should be excluded, which ones are these?

The proposal lacks information on the types of claims that the SRA seeks to exclude, however at the present time we are not convinced that there is a need to exclude specific types of claims.

We are concerned that blanket exclusions may undermine the purpose of the benefit of the fund, and consumer confidence in the profession.

Q10. Are there any other considerations we should take into account in relation to payments from the Compensation Fund? If so please explain what they are?

No, the Compensation Fund ensures consumer confidence, it materially distinguishes the profession from other service providers. We do not believe there is to be an advantage to further limit the grounds on which grants might be made or the classes of eligible claimants.

The Fund should be used solely to protect the interests of clients, or former clients, of SRA regulated law firms. The Compensation Fund should not be used to cover the costs of interventions, applications to the Funds and the handling/storage of client files from intervened firms.

Equality Impact Assessment

Q12. In the context of this consultation, do you agree with our assessment of equality, diversity and inclusion considerations in our impact assessment? If not, what else do you think we should consider?

Yes, we agree with the concerns as expressed by the SRA's equality impact assessment.