

SLS RESPONSE TO SRA DRAFT BUSINESS PLAN AND FUNDING REQUIREMENT 2026/27 CONSULTATION

Prepared on behalf of Surrey Law Society members - 16 June 2026

INTRODUCTION

Surrey Law Society welcomes the opportunity to respond to the Solicitors Regulation Authority's consultation on its proposed Business Plan and Funding Requirements for 2026/27.

Surrey Law Society is a membership organisation representing approximately 1,200 legal professionals across Surrey. This response has been informed by feedback from members representing a broad cross-section of the profession, including sole practitioners, small, medium and large firms, together with managing partners, partners, compliance professionals, practice managers and fee earners. Respondents practise across a wide range of legal disciplines, including residential conveyancing, commercial property, private client, family law, litigation, employment, corporate and commercial law, personal injury and legal aid.

Overall, members broadly support the SRA's objective of delivering effective, proportionate and trusted regulation and recognise that appropriate investment may be necessary to improve regulatory performance and better protect consumers. However, there is significant concern regarding the scale of the proposed funding increases, the justification for the additional funding sought and the longer-term sustainability of the current Compensation Fund model. Members consistently highlighted the importance of transparency, accountability, measurable outcomes and ensuring that future funding arrangements are fair, proportionate and reflective of the diversity of the legal profession.

The responses set out below reflect both Surrey Law Society's position and the key themes emerging from member feedback.

Question 1 - Do you have any comments on our proposed work commitments for 2026/27 under our 'operational excellence' priority?

Surrey Law Society welcomes the SRA's focus on improving operational excellence and recognises the importance of delivering a regulator that is efficient, proportionate, responsive and trusted by both the profession and the public. Members broadly support the proposed focus on improving investigations and enforcement, strengthening organisational capability, modernising IT systems and driving a high-performance culture across the organisation.

However, member feedback consistently reflected the view that many of these commitments represent the standard of service the profession would already expect from its regulator, rather than new or enhanced functions. Whilst there was support for investment that delivers genuine improvements, respondents expressed concern that firms and individual solicitors are being asked to fund improvements to core regulatory functions that should already be operating effectively. Surrey Law Society therefore considers that confidence in these proposals will depend on the SRA demonstrating measurable improvements in operational performance, transparency and accountability through clear objectives, regular reporting and tangible outcomes.

Question 2 - Do you have any comments on our proposed work commitments for 2026/27 under our 'develop the ability to proactively identify and address risk' priority?

Surrey Law Society supports the principle of a more proactive, intelligence-led approach to identifying and addressing regulatory risk. Members recognise that earlier intervention has the potential to reduce consumer harm, improve confidence in the profession and lessen the need for lengthy and costly enforcement action. Respondents generally supported proposals to strengthen risk-based prioritisation, improve intelligence and data analytics, and establish a more proactive supervision function, provided these initiatives are implemented proportionately and transparently.

However, respondents consistently sought greater clarity regarding how the proposed supervision model will operate in practice. In particular, members would welcome further information on how risk will be identified and assessed, what factors will trigger supervisory engagement, and how the SRA will ensure that regulatory interventions remain proportionate, consistent and evidence-based.

A number of respondents also expressed concern that an expanded supervisory model should not result in unnecessary or disproportionate engagement with firms that present little regulatory risk. There was a clear expectation that any increased supervision should be targeted towards those firms or business models that present the greatest potential risk to consumers, while avoiding unnecessary regulatory burden for well-managed and compliant practices, particularly smaller firms.

Several members highlighted the importance of learning from recent high-profile firm failures and questioned whether greater focus should be placed on firms or business models presenting the greatest regulatory risk, including larger or more complex firms where failures may have the greatest impact on consumers and the Compensation Fund. Members also stressed the need for robust governance around the proposed use of data analytics and artificial intelligence, with appropriate safeguards to ensure transparency, reliability and human oversight.

Question 3 - Do you have any comments on our proposed work commitments for 2026/27 under our 'focus on the biggest issues' priority?

Surrey Law Society agrees that regulatory resources should be directed towards the areas posing the greatest risk to consumers and public confidence. Members support a more targeted, intelligence-led approach, provided that priorities are clearly identified and consistently applied.

Respondents particularly supported greater oversight of firms undergoing significant structural or ownership changes, stronger protection of client money and increased focus on areas where failures have the potential to cause widespread consumer detriment. Many members considered that recent high-profile firm failures demonstrate the importance of effective supervision and earlier intervention in higher-risk firms and business models. Some respondents also welcomed continued work to improve confidence in the SQE and to support responsible innovation, provided these initiatives remain appropriately prioritised.

However, members questioned whether some of the proposals represent new priorities or simply reinforce responsibilities that the profession already expects the SRA to undertake, particularly in relation to protecting client money. There was also some concern that the consultation provides limited detail regarding which projects are to be paused or deprioritised, making it difficult to assess whether resources are being allocated appropriately.

Several respondents emphasised that regulatory intervention should remain genuinely risk-based. There was a view that firms or business models presenting greater regulatory risk should receive greater regulatory attention, while compliant firms should not experience unnecessary regulatory burden.

Overall, Surrey Law Society supports the principle of focusing regulatory effort on the areas of greatest risk. However, we encourage the SRA to provide greater transparency regarding how priorities have been determined, how success will be measured, and how resources will continue to be balanced between addressing major systemic risks and maintaining confidence in the wider regulatory framework.

Question 4 - Do you have any comments about our proposed funding requirement via the practising certificate fee for 2026/27?

Surrey Law Society recognises that effective regulation requires appropriate funding and that investment may be necessary to improve operational performance and deliver the ambitions set out in the draft Business Plan. However, our members expressed significant concern regarding the scale of the proposed increase in the SRA's funding requirement and whether it has been sufficiently justified. Many firms are already facing rising operating costs and increasing regulatory obligations, making such a substantial increase particularly challenging.

While members generally supported investment that delivers demonstrable improvements, there was a consistent view that additional funding should be accompanied by greater transparency regarding how resources will be allocated, what efficiencies have already been identified, and how success will be measured. Several respondents questioned whether organisational and operational improvements should first be evidenced before such a significant increase is sought. Surrey Law Society therefore encourages the SRA to provide clearer reporting on the outcomes it expects to achieve, the value delivered by additional investment and how improved regulatory performance will be demonstrated over time.

Question 5 - Do you agree that the SRA's required proportion of the practising certificate fee is reasonable and appropriate?

Surrey Law Society does not consider that the proposed proportion of the practising certificate fee has been sufficiently justified. In our member survey, 73% of respondents disagreed that the proposed increase was reasonable and appropriate, while 20% agreed and 7% were neutral or unsure.

While members recognised the need for effective regulation and accepted that additional investment may be necessary, there was a consistent view that confidence in the proposal depends upon the SRA demonstrating that the additional funding will deliver measurable improvements in regulatory performance, greater efficiency and better outcomes for both the profession and consumers.

Question 6 - Do you agree with the compensation fund contribution for individuals for 2026/27?

Surrey Law Society does not support the proposed Compensation Fund contribution for individuals in its current form. In our member survey, 86% of respondents disagreed with the proposed increase. Whilst members recognised the importance of maintaining a financially robust Compensation Fund to protect consumers, there was widespread concern that the scale of the increase has been driven by recent high-profile firm failures which many believe could have been mitigated through earlier and more effective regulatory intervention.

Members consistently expressed the view that the proposed increase places a disproportionate burden on compliant firms and individuals, particularly sole practitioners and smaller firms, who are effectively being asked to meet the costs arising from failures elsewhere in the profession. Surrey Law Society therefore encourages the SRA to consider whether future Compensation Fund contributions should better reflect firms' risk profiles and compliance records, alongside demonstrating how lessons have been learned to reduce the likelihood of similar failures occurring in future.

Question 7 – Do you agree that for 2026/27, we should maintain the apportionment of compensation fund contributions to 50% individuals and 50% firms as the current position rather than moving to 70% for individuals and 30% firms? If you do not agree, please provide any insights and suggestions you have on why we should change for the year 2026/27?

In our member survey, 60% of respondents supported retaining the current 50% individual / 50% firm apportionment, while 20% favoured moving to a 70% individual / 30% firm split and 20% were unsure. On balance, Surrey Law Society therefore supports retaining the current apportionment for 2026/27.

However, member feedback suggests that the more fundamental issue is not the balance between individuals and firms, but whether the current Compensation Fund model remains sustainable and equitable in the longer term. Several respondents questioned whether a flat-rate approach appropriately reflects the diversity of the profession, including differing firm sizes, turnover, risk profiles and evolving business models. There was also a strong view that greater emphasis should be placed on earlier regulatory intervention and effective supervision to reduce the likelihood of future large-scale claims. Surrey Law Society would therefore encourage the SRA to undertake a broader review of the

Compensation Fund model to ensure it remains fair, financially sustainable and fit for a changing legal sector.

Question 8 - Do you have any comments on the impact assessment of our proposed fees for 2026/27 and EDI-related work commitments for 2026/27?

Surrey Law Society considers that the impact assessment should give greater consideration to the practical effect of the proposed fee increases on sole practitioners, smaller firms and those operating in financially constrained sectors, such as criminal legal aid. Members felt the assessment should more clearly demonstrate that the proposed increases are justified and represent value for money. There was limited feedback on the SRA's EDI-related work commitments, although those who commented supported continued investment in this area, provided the outcomes and benefits are clearly evidenced and reported.

Question 9 - Do you have information that will help us to further build our understanding in relation to impacts on different groups of solicitors?

Member feedback suggests that the proposed fee increases are likely to have a disproportionate impact on sole practitioners, smaller firms and those undertaking predominantly legal aid work. These practices often have limited ability to absorb increased regulatory costs or pass them on to clients. In particular, legal aid firms operate within fixed fee structures, limiting their ability to recover additional regulatory costs, whilst also having little or no exposure to the types of work that have given rise to recent significant Compensation Fund claims. Surrey Law Society therefore encourages the SRA to ensure that future impact assessments give greater consideration to the differing financial resilience, business models and risk profiles across the profession.

CONCLUSION

Surrey Law Society encourages the SRA to use this consultation as an opportunity to strengthen confidence in its regulatory approach and ensure that future funding arrangements are equitable, transparent and sustainable. Whilst our members broadly support the strategic direction set out in the proposed Business Plan, there is clear and consistent concern regarding the scale of the proposed funding increases, particularly their impact on sole practitioners, smaller firms and those operating in financially constrained sectors.

Members expect any additional investment to be accompanied by greater transparency, demonstrable improvements in regulatory performance and clear evidence that the additional costs will deliver tangible benefits for both the profession and the public. We hope these comments assist the SRA in refining its proposals and look forward to continuing constructive engagement as the Business Plan and funding arrangements develop.