

Chairs of regulatory bodies

Consultation on an amendment to the Internal Governance Rules to require that the Chairs of the Boards of the regulatory arms of each applicable approved regulator be a lay person.

This consultation will close at 5pm on Tuesday 19 November 2013

This Consultation Paper may be of interest to:

Consumer Groups

Existing and prospective providers of legal services

Approved Regulators

Legal Representative Bodies

Accountancy Bodies

Legal Academics

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Executive Summary

1. The Legal Services Act 2007 (the Act) placed the Legal Services Board (LSB) under a duty to set rules to ensure the approved regulators carry out regulation independently from representative interests¹ (see below at paragraph 9). These are our Internal Governance Rules 2009 (IGRs)², which require that the majority of members of the regulatory boards are lay people. We are now consulting on a change to the IGRs to require chairs of the regulatory boards to be lay.
2. The LSB's almost four years' experience of overseeing legal services regulation since becoming fully operational have shown us that the approved regulators are still tied too closely to their individual branches of the profession. Our analysis is that overly strong ties to the history, culture and rules of professional self regulation are having a negative impact on the better regulation principles and putting the regulatory objectives at risk (see paragraph 16-21). While many regulators have taken significant steps forward in terms of allowing alternative business structures (ABS), shifting their models towards outcomes and refocusing on risk based supervision, we are in no doubt that reform would have come further under regulators who were not tied to the profession³.
3. A further push for independent regulation is consistent with the LSB's vision for the future of legal services regulation, detailed in our response to the Ministry of Justice (MoJ)'s recent call for evidence⁴. It is our view that lay chairs are a likely route to improved outcomes and greater independence not only from the representative bodies, but also from the profession as the regulated community. It seems probable that better balanced boards would emerge if more of the chairs had leadership experience in a risk based regulatory context rather than professional experience of self regulation as a member of the profession.
4. This change would be another step towards giving regulators the best possible opportunity to be as independent and effective as they can. It would ensure that the person leading each regulatory board would start from a perspective of effective regulation aligned to the better regulation principles, rather than the history, culture and practice of self-regulation. We do not believe that lay chairs would lead to regulators losing touch with the profession. While very important, we consider that the profession should be one key voice alongside others rather than being uniquely determinative.

¹ Section 30, Legal Services Act 2007,

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http://www.legalservicesboard.org.uk/what_we_do/regulation/pdf/internal_governance_rules_2009.pdf

³ See Legal Services Board *A blueprint for reforming legal services regulation* (September 2013) at sections 3-4

http://www.legalservicesboard.org.uk/what_we_do/responses_to_consultations/pdf/a_blueprint_for_reforming_legal_services_regulation_lsb_09092013.pdf

⁴ Legal Services Board *A blueprint for reforming legal services regulation* (September 2013)

http://www.legalservicesboard.org.uk/what_we_do/responses_to_consultations/pdf/a_blueprint_for_reforming_legal_services_regulation_lsb_09092013.pdf

5. We accept that this proposal is ultimately a matter of judgement based on what we have seen over almost four years of overseeing regulation, rather than on empirical evidence. Out of the range of options we have considered the change to the IGRs detailed at paragraph 30 and in annex A would have a greater immediate impact, be less resource intensive and maintain a significant impact in the medium term when compared to the other options.

Introduction

7. Independent regulation is central to the aims of the Legal Services Act 2007 (the Act). The perception that the regulation of legal services was skewed in favour of lawyers, rather than the public or consumers, was a significant driver of the reforms brought in by the Act.
8. The Act requires the chairman of the Legal Services Board (LSB) to be a lay person⁵, as well as the chairman of the Office for Legal Complaints (OLC)⁶ and the Chief Ombudsman⁷. The issue of independence from both government and from vested interests is also critical in relation to the approved regulators and in particular to the applicable approved regulators (AARs) (see paragraph 10). Detail of how this should be achieved is not specified in the Act. The LSB was instead placed under a duty to make rules to ensure that approved regulators carry out regulation independently from representative interests. These are our IGRs⁸, which focus on institutional separation of regulatory and representative functions⁹.
9. The IGRs include a range of requirements for regulators to meet. Central to these is a duty to both have in place arrangements that observe and respect the principle of regulatory independence and to act in a manner compatible with that principle at all times. The IGRs explain the principle of regulatory independence¹⁰ as being the principle that 'structures or persons with representative functions must not exert, or be permitted to exert, undue influence or control over the performance of regulatory functions, or any person(s) discharging those functions'¹¹.
10. The general duty within the IGRs to have in place arrangements that respect the principle of independence, and to act in a way compatible with that principle, applies to each of the approved regulators. However, the schedule to the IGRs, which contains more detailed principles, rules and guidance, applies only to the AARs. AARs are approved regulators that discharge both regulatory and

⁵ Schedule 1, para 2(2) Legal Services Act 2007. At section 8 the Act also requires the members of the Legal Services Consumer Panel to be lay but uses a different definition of lay for the Panel

⁶ Schedule 15, para 2(2) Legal Services Act 2007

⁷ Section 122, Legal Services Act 2007

⁸

http://www.legalservicesboard.org.uk/what_we_do/regulation/pdf/internal_governance_rules_2009.pdf

⁹ Section 30, Legal Services Act 2007

¹⁰ Legal Services Board *Internal Governance Rules 2009* Version 1 (December 2009) at para 1

http://www.legalservicesboard.org.uk/Projects/pdf/internal_governance_rules%202009_final_km.pdf

¹¹ This contrasts with the more widely understood notion of regulatory independence as being independence from the executive arm of government. See Yarrow, George *Response to the MoJ's legal services review call for evidence* (2013) at p9

representative functions in respect of providers that are primarily regulated by them to undertake reserved legal activities¹².

11. The Council for Licensed Conveyancers (CLC) and the Master of the Faculties have no representative functions. They are therefore excluded from the scope of the schedule to the IGRs, which is where we propose making a change. The Association of Chartered Certified Accountants (ACCA), the Institute of Chartered Accountants of Scotland (ICAS) and the Institute of Chartered Accountants in England and Wales (ICAEW) would also be excluded should they become active approved regulators/ licensing authorities under the Act¹³. This is because the providers that these bodies regulate are primarily regulated in relation to accountancy services and not reserved legal activities.
12. Membership of the regulatory boards was considered by the LSB in 2009, when determining the contents of the IGRs. In light of the other duties imposed by the IGRs it was decided at that time to require the boards to have a lay majority, with no restrictions on whether the chair was a professional or a lay person. Since those rules were set the LSB has benefited from almost four years' experience of overseeing regulation in the legal services sector.

¹² The full and precise definition of AAR as set out in the IGRs can be found in the glossary to this paper.

¹³ ACCA and ICAS are approved regulators under the Act in relation to probate activities but have no regulatory arrangements or regulated community in respect of reserved legal activities. ICAEW is currently under consideration for designation as an approved regulator and licensing authority in respect of probate activities

Lay chairs for regulatory boards

Existing policy on lay chairs

13. The existing IGRs that govern the composition of the regulatory boards of the approved regulators were set by the LSB in 2009¹⁴. At that time we considered requiring the chairs of the regulatory boards of the applicable approved regulators to be lay¹⁵. We rejected imposing that specific requirement, instead deciding to require board memberships where a majority of the members were lay and the selection and appointment of the chair is not restricted by virtue of any legal qualification..

14. We acknowledged at the time that this area raised a legitimate public perception issue, in that having lay chairs of the regulatory boards would help bolster public confidence in the independence of regulation from vested interests. However, at that time, the arguments for this measure were finely balanced. In that situation the LSB will always opt for the least onerous measure first and allow it a chance to work. In this situation it was felt that the prohibition on lawyer majorities within the boards should be able to address sufficiently the need for regulatory independence, so the less restrictive standard was set.

15. We have chosen to revisit this position in light of the analysis set out below.

The case for change

16. As part of the reforms brought in by the Act the AARs have made significant progress by accepting the principle of independent regulation and separating regulatory functions out from their representative arms. However, our almost four years' experience of overseeing regulation since the introduction of the IGRs in 2009 has shown us that the approved regulators are still tied too closely to the individual branches of the profession that they oversee. We have reached this conclusion on the basis of:

- Day to day interaction with approved regulators
- Almost four years experience of carrying out the dual self certification process
- Almost four years experience of dealing with rule change applications

¹⁴ IGRs were published in December 2009, coming in to force on 1 January 2010 when the LSB became fully operational.

¹⁵ The definition of 'lay' given in the Act and used in the LSB's IGRs is:

a person who has never been—

- (a) an authorised person in relation to an activity which is a reserved legal activity;
- (b) a person authorised, by a person designated under section 5(1) of the Compensation Act 2006, to provide services which are regulated claims management services (within the meaning of that Act);
- (c) an advocate in Scotland;
- (d) a solicitor in Scotland;
- (e) a member of the Bar of Northern Ireland.

- Knowledge gained from our regulatory standards work
- Learning gleaned from the ongoing Bar Council investigation (see paragraph)

17. It is our view that this closeness is detrimental to both the public and consumer interests in regulation that is independent from government and other vested interests. We are now convinced that we need to go further by mandating lay chairs of regulatory boards.

18. This is in no sense a comment on the commitment to good regulation of the individual chairs of those organisations. It is – as our recent paper on a blueprint for the regulatory future suggests – an institutional issue¹⁶.

19. In our recent response to the MoJ we outlined four features of the current regulatory framework that drive excessive regulatory burdens and costs¹⁷. The risks that we aim to tackle by the proposed change to the IGRs flow from the second feature:

the culture and the practice of the approved regulators maintaining a legacy of professional self-regulation centred on detailed rule books, that have never undergone a comprehensive review against the better regulation principles. These rule books still form the basis of new outcome based codes where these have been developed

20. We consider that overly strong ties to the history, culture and rules of professional self regulation within specific sub-groups acts as a significant drag on the better regulation principles and therefore put the regulatory objectives at risk. In particular, this manifests as inappropriate barriers to entry so as to negatively impact on the objective of promoting competition in legal services in order to improve innovation, value, consumer choice and therefore access to justice¹⁸.

21. While many regulators have taken significant steps forward in terms of allowing ABS, shifting their models towards outcomes and refocusing on risk based supervision, we are in no doubt that reform would have come further under regulators who were not tied to their particular arms of the profession. We

¹⁶ Legal Services Board *A blueprint for reforming legal services regulation* (September 2013). Available at

http://www.legalservicesboard.org.uk/what_we_do/responses_to_consultations/pdf/a_blueprint_for_reforming_legal_services_regulation_lsb_09092013.pdf

¹⁷ Legal Services Board *A blueprint for reforming legal services regulation* (September 2013) at section 3

¹⁸ See regulatory Policy Institute *Understanding the Economic Rationale for Legal Services Regulation* Report for the Legal Services Board prepared by Dr Christopher Decker & Professor George Yarrow (October 2010) <https://research.legalservicesboard.org.uk/wp-content/media/Why-regulate-legal-services-RPI-report.pdf>. In their analysis of the impact of self regulation Decker and Yarrow observed that “well-recognised problems can arise when the remit of self regulation moves beyond what is necessary to certify quality. In the limit, these can lead to some of the familiar adverse consequences associated with monopolisation and cartelisation.”

consider that regulators still tend to view change from the standpoint of their part of the profession. Non-traditional business models, with owners and practitioners drawn from a range of different backgrounds both within and outside the legal professions, are regarded with some caution (and, on occasion, even suspicion). This is despite the fact that both the Act and early changes were deliberately intended to enable greater fluidity and variety in professional roles and ownership models.

22. It is our view that lay chairs are a likely route to improved outcomes and greater independence not only from the representative bodies, but also from the profession as the regulated community.
23. The current IGRs stress the importance of each board having the right skill set. This remains an important objective. Clearly knowledge of the current and potential future patterns of practice of the relevant regulated community is one important component of this skill set. But it should not be the only one. Nor should it be given unique priority in determining board composition and leadership. Given the greater profile and time commitment inherent in the role of the chair, there is a danger that this could happen almost by default in cases where the chair was professionally qualified.
24. In practice, there has been a danger of the approved regulators confusing breadth of background (having a lawyer from a large firm, small firm, in house, legal aid etc on a board in a quasi-representative manner) with breadth of skills and knowledge (eg in relation to leadership, regulatory expertise, governance and non-executive challenge). It seems probable that better balanced boards would emerge if more of the chairs had leadership experience in a risk based regulatory context rather than professional experience of self regulation as a member of the profession. The ability to address questions of board composition, balance and performance is more likely to have been tested in people with a broader background than a purely legal one.
25. In proposing this change we are acknowledging the crucial role played by chairs in leading their boards. It seems logical that the tendency of the regulators to hold on to what they know would be diminished by having a 'fresh pair of eyes' at chair level provided that, in the round, Boards have the right balance of skills and knowledge.
26. We accept that this is ultimately a matter of judgment. We are not arguing that all lay chairs will perform to an exceptional standard, or that all professional chairs would be unable to take appropriate regulatory decisions. However, it does seem likely that in a closely balanced argument a professional would, consciously or unconsciously, be more likely than a lay person to come down on the side of their profession and its traditions.

27. In light of the importance of independence to effective regulation, and its central position in the Act, we consider that this is the next step to be taken in a push for further change. We do not consider that the IGRs as they stand are in need of replacement. Rather we consider that the introduction of lay chairs would be another step in giving regulators the best possible opportunity to secure the regulatory objectives aligned with the 'better regulation principles'. It would ensure that the person leading each regulatory Board would start from a perspective of effective regulation aligned with the better regulation principles, rather than the history, culture and practice of self-regulation of different parts of the profession.

28. It is, of course, essential that the regulators continue ensuring the profession (both individual practitioners and groups) maintains a key voice in informing the development of legal services regulation. But it should be one key voice, alongside others, not uniquely determinative. The aim is to raise the relative importance of other stakeholders' voices, such as those from other sectors, non legal businesses and consumers, who in many (if not most) cases are less likely to be aware of regulators' activity and less able to engage with the subject matter. A lay chair is likely to be in a position to facilitate this more effectively than a member of the profession.

Options for change

29. We have considered a number of options to push for greater independence among the regulators. These are listed below. It should be noted that these options are not mutually exclusive. In addition, the first option does not require consultation. It is necessary, but has proven to be an insufficient tool on its own. We consider that less emphasis will need to be placed on option one following the introduction of lay chairs.

1. **Increased focus on compliance with the overarching principles in the IGRs.** This would entail investigating potential breaches and taking enforcement action where appropriate. This option would likely be high impact where used but also resource intensive for both the LSB and regulators in monitoring and the delivery of any investigation
2. **Seeking a supervisory role in Board appointments.** In the health regulatory sphere, the Professional Standards Authority has a remit comparable to the Office of the Commissioner for Public Appointments (OCPA) in scrutinising appointment processes and job and person specifications for Board roles (but with no authority to challenge the individuals appointed). Our initial view is that this would be intrusive and do little more than duplicate the OCPA like processes which many of the regulators already have in place

3. **Prescribe a generic competency framework for the position of chair or whole regulatory boards.** This would set out the range of skills, knowledge and experience that each board needs to demonstrate collectively and in the chair. It could be enshrined in section 162 guidance, with the effect of causing regulators to follow the guidance or explain why they have not. However, we consider that work on board balance, rather than immediate leadership, would be better approached through regulatory standards work or targeted/thematic activity so as to garner ownership of skills, performance and development at existing boards
4. **Make a simple rule change as shown in annex A.** We consider this option would have a greater immediate impact and be significantly less resource intensive for all parties. This option is also likely to have the most significant impact over the medium term.

Proposed change to the IGRs

30. We are proposing a change to the wording of the schedule to our IGRs. The proposed change is shown in annex 1 to this consultation paper. Rule C of part 1 of the schedule would have the following italicised text added:

In appointing persons to regulatory boards, AARs must ensure that:
a majority of members of the regulatory board are lay persons; and

~~the selection and appointment of a chair is not restricted by virtue of any legal qualification that person may or may not hold, or have held~~ *the chair of the regulatory board is a lay person.*

Question 1: Do you agree with the proposed change to the IGRs in order to deliver lay chairs?

Implementation

31. The change being proposed could take effect in one of two ways:

- Immediate effect, applicable to currently serving chairs
- Future effect, applicable to next appointed chairs

32. We invite views on which of these options is the most suitable. In the event of the change taking immediate effect we would be bound to take appropriate, proportionate enforcement action against those regulators failing to comply. We expect that a commitment by a regulator to appoint a lay chair at the end of the current term would be a satisfactory response, provided that the existing professional chair was not acting unreasonably.

Question 2: Do you think the proposed change should take immediate effect or only be applicable to future appointments?

Applicability

33. As the change being proposed is to the schedule to the IGRs it would only affect the AARs. This would exclude the CLC and the Master of the Faculties. It would also exclude ICAEW should it be designated as an AR, and ACCA and ICAS should they become active legal services regulators.
34. CLC and the Master of the Faculties do not have representative arms and as such do not require rules to ensure an appropriate separation of functions.
35. The organisations regulated by the accountancy bodies currently provide only accountancy or broader business advice services. A small minority of accounting firms provide some non-reserved legal services and, were the bodies to be designated or become active as legal regulators, it is likely that at least some of their regulated community would also provide reserved legal activities. However, in the first instance, numbers are likely to be small in absolute terms and legal services regulatory activity is likely to be a small proportion of these bodies' overall regulatory effort. Therefore, it would be disproportionate for the LSB to include them in the definition of an AAR at present. However, the LSB may in future choose to designate the accountancy bodies as AARs if their impact grows in relation to legal services, for example in terms of the numbers of authorised persons regulated and the number of reserved activities overseen.
36. The LSB has at this stage taken the view that the proposed requirement for a lay chair should not extend to these bodies but should apply only to AARs. While structural independence from professional bodies is either not an issue, or less of an issue, with regulators that are not applicable approved regulators, we do see that there remains some risk of closeness to the profession. However, on balance our judgement is that this is less of a risk for CLC and the accountancy regulators because the bodies appointing the chair are not a professional body predominantly for providers of reserved legal activities. We will keep this under review as necessary. Our position regarding the Master of the Faculties is different and is set out in paragraph 37.
37. By schedule four to the Act the Master of the Faculties is the approved regulator for notaries in England and Wales. The Master is an individual who is also the Dean of the Arches, the senior ecclesiastical judge in England. This regulator is in a unique position, in that it is an individual rather than a corporate body with the individual having an additional judicial function. Even if the LSB decides that the requirement for lay chairs should apply to regulators other than AARs, it is minded to conclude that the Master of the Faculties should be exempt because of its unique position.
38. We would welcome views on the application or otherwise of the requirement for lay chairs to these regulators, particularly from consumer groups and consumers of legal services, as well as from practitioners and other stakeholders.

Question 3: Do you agree that the requirement for lay chairs to apply only to the AARs?

Effect on the smaller regulators

39. The requirement to employ a lay person as chair could place some pressure on the resources of the smaller regulators, although we are not convinced at this stage that a lay chair should be a more expensive appointment. We note the doubts raised by the Consumer Panel over the capacity and capability of some of the regulators to be effective and consumer focused, echoing the findings of Dr Nick Smedley in his report on the smaller approved regulators¹⁹. The Panel has stated that '[r]egardless of size, every regulator should have the ability to protect consumers and to deliver the wider regulatory objectives in their market segments²⁰.'
40. The capacity of the smaller regulators is closely related to their viability. We consider that if any regulator is of insufficient size to be able to meet the requirement for a lay chair it is unlikely that they have the capacity to be delivering effective regulation.

Timing of this consultation

41. Structural separation of regulatory and representative functions has largely been achieved, although we are still monitoring whether the operation of those structures is delivering sufficient independence in practice. However, the assessments on regulatory standards we conducted this year have raised some concerns²¹. In addition, we are currently investigating the Bar Council's involvement in the Bar Standards Board's (BSB's) application for approval to introduce standard contract terms with solicitors.
42. Furthermore, we set out in some detail in our September response to the Ministry of Justice (MoJ)'s call for evidence that cultural independence from the profession has proven difficult to accomplish²². We set out our view that this is having a detrimental impact on the regulatory objectives and the better regulation principles. The experience described above at paragraph 16 helped us to arrive

¹⁹ Smedley, Nick *The Smaller Approved Regulators- An assessment of their capacity and capability to meet the requirements of the Legal Services Act 2007, with analysis and recommendations* (2011) <https://research.legalservicesboard.org.uk/wp-content/media/Smaller-ARS-2011-report.pdf>

²⁰ Legal Services Consumer Panel *Breaking the Maze, Simplifying Legal Services Regulation* (2013) at para 7.10 http://www.legalservicesconsumerpanel.org.uk/publications/consultation_responses/documents/2013_0902MoJsimplification.pdf

²¹ For the assessment of the SRA see http://www.legalservicesboard.org.uk/Projects/pdf/20130226_regulatory_standards_SRA_final.pdf. For the assessment of the BSB see http://www.legalservicesboard.org.uk/Projects/pdf/bsb_regulatory_standards_final.pdf. for the assessments of the smaller regulators see http://www.legalservicesboard.org.uk/Projects/pdf/regulatory_standards_assessment_of_five_of_seven_regulators.pdf

²² Legal Services Board *A blueprint for reforming legal services regulation* (September 2013)

at the conclusions drawn in that response. A further push by the LSB for independent regulation is consistent with our vision for the future of legal services regulation.

43. New appointments to the chairs of the boards of the BSB and Solicitors Regulation Authority (SRA) are due in 2014. Due to the size of their regulated community and the impact in terms of number of consumers served, the selection of lay chairs for these regulators would set the tone for the other approved regulators and send a clear message about the importance of independence to consumers of legal services and the rest of the sector. We also note that it took some approved regulators several years after the introduction of the IGRs to become compliant with the requirement for no fewer than half the members of the regulatory board to be lay.
44. Each of the factors highlighted here has persuaded us that now is the appropriate time to consult on this further step towards independent regulation.

Questions for consultation

45. We welcome views on the specific questions below and any more general comments or observations on the issues discussed in this paper.

1. **Do you agree with the proposed change to the IGRs in order to deliver lay chairs?**
2. **Do you think the proposed change should take immediate effect or only be applicable to future appointments?**
3. **Do you agree that the requirement for lay chairs to apply only to the AARs?**
4. **Do you agree with the proposed exclusion of the Master of Faculties from the proposed change?**

How to respond

46. Views on our proposals by any interested are welcome by 5pm on Tuesday 19 November 2013 – this provides six weeks for interested parties to respond. We consider a six week period to be appropriate as this is a tightly targeted issue with few questions being asked, which we stakeholders are already aware we were planning to consult on.

47. We would prefer to receive responses and representations electronically (in Microsoft Word or pdf format), but hard copy responses by post, courier or fax are also welcome.

48. Responses should be sent to:

Email: consultations@legalservicesboard.org.uk

Post: Michael Mackay
Legal Services Board
7th Floor, Victoria House
Southampton Row
London WC1B 4AD

Fax: 020 7271 0051

49. We propose to publish all responses to this consultation on our website unless a respondent explicitly requests that a specific part of the response, or its entirety, should be kept confidential. We may record and publish the identity of the respondent and the fact that they have submitted a confidential response.

50. We are also happy to engage in other ways and would welcome contact with stakeholders during the consultation period. Please contact Chris Handford by e-mail: chris.handford@legalservicesboard.org.uk or telephone: 020 7271 0074.

Complaints

51. Complaints or queries about the LSB's consultation process should be directed to Michelle Jacobs, Consultation Co-ordinator, at the following address:

Michelle Jacobs
Legal Services Board
7th Floor
Victoria House
Southampton Row
London WC1B 4AD

Or by e-mail to: michelle.jacobs@legalservicesboard.org.uk

Glossary of Terms

Applicable approved regulator	An Approved Regulator that is responsible for the discharge of regulatory and representative functions in relation to legal activities in respect of persons whose primary reason to be regulated by that Approved Regulator is those persons' qualifications to practise a reserved legal activity that is regulated by that Approved Regulator
Approved regulator	A body which is designated as an approved regulator by Parts 1 or 2 of schedule 4, and whose regulatory arrangements are approved for the purposes of the LSA and which may authorise persons to carry on any activity which is a reserved legal activity in respect of which it is a relevant approved regulator
Authorised Person	A person authorised to carry out a reserved legal activity
BSB	Bar Standards Board – the independent regulatory arm of the Bar Council
CLC	Council for Licensed Conveyancers – the regulator of Licensed Conveyancers
Consultation	The process of collecting feedback and opinion on a policy proposal
Consumer Panel or the Panel	The panel of persons established and maintained by the Board in accordance with Section 8 of the Legal Services Act 2007 to provide independent advice to the Legal Services Board about the interests of users of legal services
Lay Person	<p>Has the meaning given in Schedule 1, paragraphs 2(4) and (5) of the Act:</p> <p>(4)... a reference to a “lay person” is a reference to a person who has never been—</p> <ul style="list-style-type: none"> (a) an authorised person in relation to an activity which is a reserved legal activity; (b) a person authorised, by a person designated under section 5(1) of the Compensation Act 2006, to provide services which are regulated claims management services (within the meaning of that Act); (c) an advocate in Scotland; (d) a solicitor in Scotland; (e) a member of the Bar of Northern Ireland; (f) a solicitor of the Court of Judicature of Northern Ireland. <p>(5) For the purposes of sub-paragraph (4), a person is deemed to have been an authorised person in relation to an activity which is a reserved legal activity if that person has before the appointed day been—</p> <ul style="list-style-type: none"> (a) a barrister; (b) a solicitor; (c) a public notary; (d) a licensed conveyancer; (e) granted a certificate issued by the Institute of Legal Executives authorising the person to practise as a legal executive; (f) a registered patent attorney, within the meaning given by section 275(1) of the Copyright, Designs and Patents Act 1988

	(c. 48); (g)a registered trade mark attorney, within the meaning of the Trade Marks Act 1994 (c. 26); or (h)granted a right of audience or a right to conduct litigation in relation to any proceedings by virtue of section 27(2)(a) or section 28(2)(a) of the Courts and Legal Services Act 1990 (c. 41) (rights of audience and rights to conduct litigation).
LSB or the Board	Legal Services Board – the independent body responsible for overseeing the regulation of lawyers in England and Wales
LeO	Legal Ombudsman - The single organisation for all consumer legal complaints
the Act	Legal Services Act 2007
Principles of Better Regulation	The five principles of better regulation, being proportional, accountable, consistent, transparent and targeted
Regulatory Objectives	There are eight regulatory objectives for the LSB that are set out in the Legal Services Act (2007): <ul style="list-style-type: none"> • protecting and promoting the public interest • supporting the constitutional principle of the rule of law improving access to justice • protecting and promoting the interests of consumers promoting competition in the provision of services in the legal sector • encouraging an independent, strong, diverse and effective legal profession • increasing public understanding of citizens legal rights and duties • promoting and maintaining adherence to the professional principles of independence and integrity; proper standards of work; observing the best interests of the client and the duty to the court; and maintaining client confidentiality.
SRA	Solicitors Regulation Authority - Independent regulatory body of the Law Society

Annex A

1. The proposed change to the IGRs is shown below. The relevant paragraph is highlighted in yellow, with the text to be inserted shown in italics.

Principle	Rule	Illustrative guidance
<p>Part 1: Governance</p> <p>Nothing in an Applicable Approved Regulator's (AAR's) arrangements should impair the independence or effectiveness of the performance of its regulatory functions.</p>	<p>A. Each AAR must delegate responsibility for performing all regulatory functions to a body or bodies (whether or not a separate legal entity/separate legal entities) without any representative functions (herein after 'the regulatory body' or 'the regulatory bodies').</p>	<p>An AAR should take all reasonable steps to agree arrangements made under these Rules with the regulatory body or, as the case may be, the regulatory bodies.</p> <hr/> <p>If an AAR wishes otherwise than through its regulatory body/bodies to offer guidance to its members or more widely on regulatory matters, it should:</p> <ol style="list-style-type: none"> 2. ensure that it does not contradict or add material new requirements to any rules or guidance made by the regulatory body/bodies; and 3. consult with the regulatory body/bodies when developing that guidance.
	<p>B. The regulatory body or, if more than one, each of the regulatory bodies, must be governed by a board or equivalent structure (herein after the 'regulatory board').</p>	
	<p>C. In appointing persons to regulatory boards, AARs must ensure that:</p> <ol style="list-style-type: none"> 4. a majority of members of the regulatory board are lay persons; and 5. the selection and appointment of a chair is not restricted by virtue of any legal qualification that person may or may not hold, or have held. <i>The chair of the regulatory board is a lay person.</i> 	