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**BY POST & FAX TO: 020 7271 0051**

27 August 2010  
Your ref:  
Our ref: TNG/ASS0010001

Dear Mr Kenny

**Re: Association of Law Costs Draftsmen Limited**

My client has asked me to reply to your letter dated 15 July 2010 which they acknowledge. The points which appear to call for a reply on my client's part are shown in bold font below and my client's responses appear immediately afterwards.

**The board were interested to understand if the ALCD considered any other options that and if so how you conclude that the option provided within the action plan is the most appropriate.**

A number of alternative approaches were considered including removing the representative function from ALCD or establishing a trading style which would convey the impression of separation (as the Law Society of England and Wales has done). However, neither option (or others e.g. outsourcing the regulatory function) was considered able to achieve the desired level of separation if functions required by the LSA.

The ALCD consider the selected method the only credible approach to ensuring Costs Lawyers are properly regulated in accordance with the LSA.

As part of the process of developing compliance with the LSA consideration is being given to a pooled compliance and investigation resource to serve some or all of the smaller AARs. Further work on this aspect is expected to be undertaken during September 2010 and the Board will be kept apprised of developments.

**We also reiterate our view that we must be confident that each of the regulatory arms of ARs must be competent, have appropriate resources and the regulatory arrangements in place to deliver effective regulation that protects consumers and is compatible with the regulatory objectives.**

Noted and, of course, accepted. In paragraphs 4(h) and 5 of the Action Plan, ALCD confirmed it is committing as much capital and human resources as are necessary to ensure this objective is met. CLSB will then be provided with sufficient funds (via the practising certificate fee income) year on year to ensure it can meet this objective.

Turning to the specific issues raised in numbered paragraphs and adopting the same numbering I respond on my client's behalf as follows:

- (i) The recruitment panel for CLSB members has experience of and applies best practice for public appointments and in particular the Code of the Commissioner of Public Appointments.**

Confirmed

- (ii) The specification for Chair must not include the requirement that the Chair be experienced in costs law but rather selected wholly on merit following open and fair competition, with no element of election or nomination by any particular sector or interest groups. Having such a Chair in place to oversee the building of CLSB and its function would provide an indicator of appropriate independence.**

Agreed

- (iii) No member of the CLSB board should be a serving member of the ALCD council.**

Please see response to point (iv), below.

- (iv) The ALCD should reconsider the proposal to initially appoint a Board with a professional majority even if it would take slightly longer to put in place a Board with a lay majority. It may be acceptable to allow a longer appointments process to achieve compliance in this area, provided slippage in the wider timetable was avoided.**

For a short period a professional majority may be unavoidable. The professional majorities on the Boards of a number of the other AARs are noted in this regard as are the LSB's requirements to reduce that presence. My client notes the approach and indeed latitude indicated by the LSB as to the appointments process and ALCD will seek to approach matters in the way suggested.

- (v) **The development of a CLSB board member code of practice should be included as an activity during phase II. This code should include sections on appointment, remuneration, appraisal and reappointment**

Agreed

- (vi) **A protocol confirming the relationship between the ALCD and CLSB should be completed during phase I. This protocol will include requirements for the ALCD not to dismiss or interfere in the running of the CLSB without the concurrence of the LSB. It should also confirm the CLSB's independence from the ALCD.**

Agreed

- (vii) **ALCD should provide detailed estimates on the likely costs of setting up the CLSB and the ongoing costs and an assessment of how this will impact the practicing fee and membership levels.**

Noted, my client is preparing that data for your review.

- (viii) **The LSB reserve the right to suggest amendments to the order of activities in their action plan and we reserve the right to negotiate the plan and proposed arrangements as and when they are presented to the board.**

Noted, my client looks forward to continuing a positive dialogue with the Board.

- (ix) **The process of working together to deliver compliance with the Act and the rules continues the process of informal resolution under the powers of the Act and the LSB's enforcement and compliance statement of policy.**

This is noted and agreed and has already proved to be enormously helpful.

**The ALCD will be expected to deliver the timelines detailed in any revised action plan, even though they may be taxing.**

As I explained in the Action Plan (paragraph 3.1) the timetable is demanding (as you acknowledge) and includes the Summer holiday period and thus there may be slippage. My client will make every effort to avoid slippage entering but this possibility should not be discounted. I expect to be liaising with the Board about draft Code and a set of IGRs toward the end of September 2010 and will review progress against milestones on that occasion.

**We would appreciate a more detailed action plan for Phase II.**

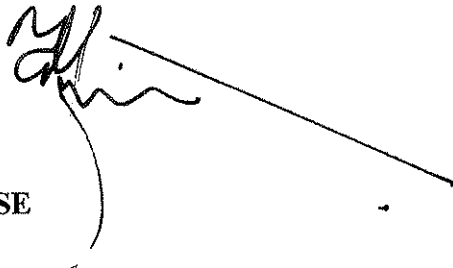
This request is noted and the more detailed Plan will be supplied for review by the Board in due course.

**The LSB will keep the action plan under review as work progresses and we will seek to agree metrics for doing so (including cost and impact analysis) with ALCD. The ALCD may wish to reflect on the best way to measure progress and the impact of the changes.**

Noted, thank you. We will incorporate measurement data and progress tools in the documentation we are preparing.

If you wish to discuss any part of my client's response do not hesitate to call me. As mentioned above, I anticipate taking advantage of your kind offer to review draft documents and procedures in the next few weeks.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony N Guise', with a long horizontal line extending to the right from the end of the signature.

**TONY N GUISE**