

FOR IMMEDIATE RELEASE

# REGULATION OF REFERRAL FEES FOR LEGAL SERVICES

## LSB DECISIONS MARK CONCLUSION OF REVIEW

The Legal Services Board - the independent body overseeing the regulation of lawyers in England and Wales – has today published its decisions about the future regulation of referral fees in the legal services market.

The decisions mark the conclusion of a review, based on detailed economic analysis, research into the views of consumers and formal advice from the Legal Services Consumer Panel. This was designed to fill significant gaps in evidence and inform a new cross-sector approach to the regulation of referral fees.

During 2010, the LSB consulted on preliminary recommendations to manage the impact of referral fees and prevent abuses by strengthening transparency obligations, rather than seeking a simple ban on the arrangements.

Following consultation, the Board's final decisions endorse this approach. The Board is also providing more flexibility to the approved regulators in the sector on how to secure the right outcomes for consumers across different parts of the market.

The new guidance requires approved regulators to make sure that consumers know when referral fees are in operation and to whom they are being paid. The approved regulators will also need to improve regulatory policing of lawyers' obligations.

The approved regulators will be free to enact measures that they consider best suit their part of the market in achieving these outcomes. However, when considering applications by the approved

regulators to change their regulatory arrangements, the LSB will take into account the extent to the consumer outcomes are served.

Additionally, to ensure requirements remain fit for purpose in a rapidly changing market, the Board will undertake a thematic review in 2013-14 of the approach to the regulation of referral fees.

**David Edmonds, Chairman of the Legal Services Board** said:

Before this exercise, the debate on referral fees was characterised by high passions but a lack of hard evidence. Following this detailed investigation, we are persuaded that the interests of consumers are best served by continuing to permit referral fees, but managing their impact through shining the light of transparency on them.

We have set out a range of measures that can help achieve this – with the approved regulators free to choose what is best suited to their part of the market. Whilst they will have the flexibility to tailor action, securing these outcomes is essential and we will track progress carefully over the coming months.

**Notes for editors:**

1. The decision paper can be found [here](#).
2. The consultation by the LSB on early proposals, which closed in December 2010, can be found [here](#).
3. The Consumer Panel's advice can be found [here](#).
4. The Legal Services Act ("The Act") created the Legal Services Board as a new regulator with responsibility for overseeing the regulation of legal services in England and Wales. The new regulatory regime became active on 1 January 2010.
5. The LSB oversees eight approved regulators, which in turn regulate individual lawyers. The Approved Regulators, designated under Part 1 of Schedule 4 of the 2007 Act, are the Law Society, the Bar Council, the Master of the Faculties, the Institute of Legal Executives, the Council for Licensed Conveyancers, the Chartered Institute of Patent Attorneys, the Institute of Trade Mark Attorneys and the Association of Costs Lawyers.
6. In addition, the Institute of Chartered Accountants in Scotland and the Association of Chartered Certified Accountants are listed as Approved Regulators in relation only to reserved probate activities.
7. The legal profession consists of some 15,157 barristers, 116,122 solicitors and 12,116 individuals authorised to operate in other aspects of the legal profession such as

conveyancing. In total the legal sector employed over 324,000 individuals in 2010. The sector was valued at £25.97 billion per annum during 2008.