

**Legal Services Board (LSB) Draft Business
Plan 2014/15**
SRA response

Introduction

- 1 We welcome the opportunity to comment on the LSB's draft Business Plan for 2014/15.
- 2 We note that the overall approach taken within the plan is consistent with that taken for 2013/14.
- 3 Our response is structured into two parts:
 - i. A response to the general approach planned by the LSB
 - ii. Comments on specific elements of the draft plan

Part one – the LSB's general approach

- 4 We are supportive of the direction of travel indicated by the Business Plan that the LSB has put forward. We think that it shares broadly common goals and outcomes with the SRA's own plans and therefore provides scope for a degree of collaboration on a number of key issues. As an example, the LSB's focus on liberalising the legal workforce aligns with the work that we will be doing to deliver the Training for Tomorrow programme.
- 5 We are pleased that many of the LSB's objectives align with the SRA objectives of creating a competitive and diverse market which operates in the interest of the public and consumers. The SRA is working on improving its performance and we welcome the LSB challenge in this area; one of our key objectives is to ensure that our regulation is efficient and effective and meets the better regulation criteria.
- 6 While we broadly support the LSB plans, there are some detailed areas which cause us some concern, which we have highlighted below.

Part two – specific comments

Regulator performance and oversight

Regulatory standards and performance

- 7 At section A of the business plan, the LSB outlines its plans to approach regulator performance and oversight during 2014/15, the first of three strands of delivery for its work programme. We look forward to working with LSB in this area.
- 8 We are well advanced in building on our existing KPIs and performance measures to provide a transparent assessment of our regulatory performance and the outcomes we are achieving. These should provide a similar level of information and assurance to the approach identified by the LSB in its draft plan. Given this, we believe it would be beneficial if the SRA and LSB were able to collaborate to ensure that developing reporting mechanisms utilise information already collected by the SRA to avoid duplication and inefficiencies.

Strategy development and research

Regulatory reform

- 9 This section of the business plan sets out an ambitious programme of work. The SRA business plan is already aligned with many of these activities.
- 10 We are pleased to see that the LSB will look at changes which could be made to Schedule 13 to the LSA dealing with the approval by the relevant licensing authority of the holding by a non-authorized person of a restricted interest in a licensed body. The provisions concerning who is subject to such approval are extremely complex and prescriptive. The SRA has now had experience of licensing more than 200 bodies and the complexity of Schedule 13 has been one of the factors that has led to the licensing process taking time to complete. We believe that it is important to be able to require the approval of individuals throughout the ownership structure of a licensable body but it is the mandatory nature of Schedule 13 that sometimes causes difficulties and does not allow the SRA to take a risk based approach to regulation.
- 11 We are also pleased to see LSB considering the review of section 15 of the Act, and this is relevant to the SRA's programme to review the approach to the regulation of employed solicitors not working in regulated entities.
- 12 The proposal to review the regulators' approach to consumer engagement is welcomed by the SRA. Earlier this month we launched, together with other regulators, a consumer facing website 'Legal Choices'. We will be monitoring how the website is performing and where it can be improved.
- 13 The identification of, and supervision of, firms in financial difficulty has been an area of focus for the SRA in the last year and continues to pose a challenge. The programme of work around financial instability has enabled us to identify those firms that are most likely to be in financial difficulty and to target resource to those which pose the highest risk to consumers as a result of disorderly collapse resulting from financial failure. Supervision has undertaken significant engagement with those firms experiencing financial difficulty with the aim of effecting an orderly transfer or wind down where possible. The approach is proving successful with firms across the impact spectrum, and has led to the avoidance of intervention in a number of firms. We are pleased that the LSB is looking at this issue across all regulators and we are happy to share our learning.

Liberalising the legal workforce

- 14 In response to the report of the Legal Education and Training Review, the SRA has launched "Training for Tomorrow" an initiative to transform the training framework and continuing competence of the profession. We have published our first consultation on changes aimed at removing unnecessary regulations. We anticipate that we will be able to make good progress against any agreed action plan.
- 15 We continue to follow LSB guidance on diversity data. The online submission of diversity data by firms closed on 31 January and we will be completing a full analysis of the information provided with a report to be published later this year.

Improving the consumer experience

- 16 We agree that quality of service is an important issue. The standard of legal advice was identified as an emerging risk in our autumn 2013 Risk Outlook update. As a result we are conducting research into legal services for asylum seekers as part of our work on vulnerable consumers.
- 17 The SRA is working with the Bar Standards Board with the view to ensuring clients are made aware of their rights to complain. We are looking to agree joint guidance which will be applicable to solicitors and barristers. This work will be followed up with a co-ordained supervisory thematic assessment.
- 18 While we are keen to work with the LSB to improve consumer experience, we are concerned that this activity may become very resource intensive if not managed carefully. We will be monitoring the impact of all these initiatives on resources and will discuss with the LSB if we feel it is hindering our ability to allocate resources to higher risk issues.

Research and evaluation

- 19 We agree that it is sensible to defer a full update to the market evaluation of the impacts of regulation until 2015/16 in order to allow time for regulatory reforms to settle and to improve the evidence base. A number of research proposals are put forward. We suggest that priority should be given to the legal services benchmarking survey and research entities regulated by the smaller approved regulators.

Statutory decision making

- 20 We consider that statutory decision making is the core function of the LSB and we are pleased to note that the LSB will continue to ensure that applications are dealt with within statutory timeframes. Our experience is that this area of activity is working very efficiently.