

**Application made by the Solicitors Regulation Authority  
Board to the Legal Services Board under Part 3 of  
Schedule 4 to the Legal Services Act for the approval of  
changes to regulatory arrangements relating to  
Compensation Fund contributions  
19 July 2019**

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**Application made by the Solicitors Regulation Authority Board to the Legal Services Board under Part 3 of Schedule 4 to the Legal Services Act for the approval of changes to regulatory arrangements relating to Compensation Fund contributions.**

**A. Proposed alterations**

**Compensation Fund Contributions**

1. The SRA needs to set the Compensation Fund contributions for the practising year 2019/20. The methodology used to allocate the cost of the Fund throughout the regulated community remains the same as last year. Regulated individuals will contribute 50% of the funding requirement and regulated firms holding client money will contribute 50%.
2. A contribution level of £17.5m (2018: £25.6m) would result in an individual contribution of £60 (2018: £90) and a firm contribution of £1,150 (2018: £1,680). This is a decrease year on year but, based on the best information available, is set at a level to properly manage the Fund on a sound financial basis.
3. The proposed level of contribution has been calculated in line with the established methodology, which involves assessing expected pay outs and levels of claims by looking at historic trends in relation to claim numbers, amounts and timings and refined to take account of relevant more specific information where available.
4. This year, we have continued the approach adopted last year and made a further increase to the Fund's appropriate reserve, to take account of a number of high-value exceptional cases. Primarily, these arise from solicitor involvement in investment schemes where individual clients have potentially suffered significant losses. We have however seen a decline in the number of interventions and claims which reduces the "business as usual".
5. The calculation also uses the best view of predicted numbers and costs of interventions for 2018/19 onwards, continuing trends for business as usual, the impact of the closure of the Assigned Risks Pool (ARP) and claims in relation to uninsured firms with consideration also being given to any high-risk potential liabilities where known.
6. The forecast sum for grants during 2019/20 is £13.6m, plus a provision of £10m for claims arising from the small number (but high total value) of investment scheme cases. The latter is our best assessment of payments that may be made on these cases in 2019/20.
7. The contributions are not practising fees under the Legal Services Act 2007 (LSA), and so approval is needed under Part 3 of Schedule 4 rather than under section 51 of the LSA.

**B. Details of the relevant regulatory arrangements**

**Nature and effect of the existing position**

8. Under statute, we may maintain a Compensation Fund to compensate consumers who lose money due to the dishonesty or failure to account of solicitors (including

REs and RFLs) or firms. The Compensation Fund applies to all firms we authorise and regulate.

9. The statutory powers permit the SRA to require the regulated community to contribute to the Compensation Fund. The Compensation Fund Rules require both regulated individuals and regulated firms to make an annual contribution, collected mainly during the annual renewal/data collection exercise. Payment is required by 31 October for the following practising year.
10. We propose keeping the same arrangement for collecting the Compensation Fund contributions as we have done in previous years (i.e. collecting 50% from solicitors and 50% from firms).
11. Each year, our Board reviews and sets how much individual solicitors and firms should contribute towards maintaining the Fund. The contributions must fund the cost of claims, reserves and the cost of handling the claims. Our Finance and Audit committee reviews the nature of claims and any trends, level of reserves and budget for staff to handle the claims before making a recommendation to the Board. The Board then makes the final decision on how the total funding requirement should be divided between individuals and firms and sets out the contribution by resolution (the Compensation Fund determination).

### **C. Nature and effect of the proposed change**

12. The Finance and Audit committee, having gone through a detailed review, recommended that the funding requirement for 2019/20 should be £17.5m. The basis of this recommendation is included at annex A, which sets out the relevant financial analysis to support the need for £17.5m. Our Board considered and approved this on 23 May 2019. We now seek approval of the following determinations from the LSB:

#### **Annex B: Determination of Compensation Fund contributions 2019**

- This details how much individual and firms must contribute to the Compensation Fund

#### **Annex C: Determination of Compensation Fund contributions for licensed bodies 2019**

- This details the contributions licensed bodies must contribute towards the Compensation Fund

### **D. Rationale for level of contribution**

13. The funding requirement for the Fund will vary year on year, depending on the nature of claims and any trends. The proposed level of contribution has been calculated in line with the established methodology and refined to take account of relevant, more specific information where available, with consideration being given to additional high-risk potential liabilities.
14. Over the years, the level of contribution has varied, with sometimes significant increases, for example, during property recessions. The reserving policy referred to in annex A and forecasting seeks, as much as possible, to avoid large swings and has been refined to take account of relevant, more specific information where

available, with consideration given to additional high-risk potential liabilities. Our Finance and Audit committee has debated the additional reserve in detail.

15. The table below shows the expected cash inflows and outflows to the Fund.

	<b>2018–19</b>	<b>2019–20</b>
	<b>£000's</b>	<b>£000's</b>
<b>Income</b>		
Compensation Fund contributions	*7,049	17,471
Subrogated claims	8,921	8,614
Compensation Fund recoveries	1,469	1,800
Residual balances from statutory trust accounts (STAs)	901	632
Bank and investment income	170	131
<b>Total income</b>	<b>18,510</b>	<b>28,648</b>
<b>Expenditure</b>		
Compensation Fund grants	11,787	13,535
Fees, tax and other costs	79	60
SRA support costs recharged	9,649	10,523
<b>Total expenditure</b>	<b>21,515</b>	<b>24,118</b>
<b>Surplus/(deficit)</b>	<b>(3,006)</b>	<b>4,530</b>
<b>Opening balance</b>	<b>48,911</b>	<b>45,905</b>
<b>Closing balance</b>	<b>45,905</b>	<b>50,435</b>

\*As the majority of contributions are paid in advance of the practising year, the contributions collected in relation to the 2018/19 practising year was in excess of £22m. The majority of that amount was collected in the 2017/18 year. Although the £17.5m collection for 2019/20 is shown in that year, some cash will be collected during October 2019 and the actual year-end balance will be higher as a result.

16. The reserve level (closing balance before exceptional cases) is established through an agreed formula and each year we calculate the level of reserves required for the following three years. We then consider exceptional cases and the fluctuations in contributions with the aiming of smoothing where possible. The level of contribution for 2019/20 has been decreased to smooth the fluctuations over the next two years.

## **E. Statement in respect of the Regulatory Objectives**

17. The existence and effective operation of the Compensation Fund primarily protects and promotes the interests of consumers. It makes sure consumers receive compensation if their money is lost or not accounted for while in the hands of a regulated individual or entity. However, it also promotes the public interest and improves access to justice, as it gives the public the confidence to entrust funds to and therefore use solicitors' and firms' legal services. It is also in consumers' interests to make sure the Compensation Fund is properly maintained, to meet claims without delay.

## **F. Statement in respect of the Better Regulation Principles**

18. The way in which the Compensation Fund requirement is allocated among the profession was reviewed in 2010. This was, among other things, to improve transparency and accountability.

## **G. Statement in relation to desired outcomes**

19. In decreasing the contributions towards the Fund, our aim is to make sure it is properly funded and maintained and able to meet claims without delay. The Fund is reviewed annually and is also subject to audit. Regular reports on the nature of claims and any trends are made to our senior management team, and the Fund's financial status is a key priority for our Finance and Audit Committee.

## **H. Statement in relation to impact on other approved regulators**

20. There is no impact on other approved regulators. The decrease in contribution only applies to individuals and/or firms we regulate.

## **I. Implementation timetable**

21. The timetable is as follows:

- our Board finalised the Compensation Fund contributions in May and will confirm the determinations at its meeting in July before seeking LSB approval
- during August, final preparations for this year's renewal exercise will be made, and, on 1 October 2019, firms and individuals will be contacted and asked to make the various renewal applications online
- firms and individuals must submit the relevant Compensation Fund contributions and other fees by 31 October 2019

## **J. Stakeholder engagement**

22. As is standard practice, a comprehensive communications plan was drawn up to promote the determination of the 2019/20 practising fees, including the proportion of Compensation Fund contributions. The purpose of the communications plan was to make sure that the regulated community and relevant stakeholders were informed of:

- what their fees pay for
- the availability of the fees calculator to help them
- the level of fees to be collected

23. The following elements of the communications plan for fees and Compensation Fund activities have been delivered or are scheduled for delivery:

- 11 December 2018 – outlined SRA Business Plan to journalists at media briefing. Comments on Plan and associated spending are invited from fee payers each year

- 22 May - We outlined information about the grants we made from the Compensation Fund in our Annual Review
- 5 June – The Law Society Group published its net funding review consultation, which covers the Compensation Fund
- The consultation was publicised through media releases by both us and the Law Society. We published a separate announcement focussing on the changes to the Compensation Fund
- Social media posts – including LinkedIn, Facebook and Twitter, also promoted this consultation
- SRA Compensation Fund statements for 2018 published at the same time
- Further promotion came through the Law Society’s Professional Update weekly newsletter, and our newsletters, Compliance News (7 June) and SRA Update (16 July)
- 17 July – SRA Board agrees fee-collection mechanism
- Mid August – following LSB decision/approval update of web materials confirming fees
- September – large-scale communications will be sent to firms ahead of the renewal period, outlining the level of fees and contributions we are asking for

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**Annex A - Basis of recommendation**

**Annex B - Determination of Compensation Fund contributions 2019**

**Annex C - Determination of Compensation Fund contributions for Licensed Bodies 2019**

# Annex A – Basis of recommendation

## Compensation Fund Contribution for 2019/20

### Recommendation

1 The SRA Board approved the contribution to the Compensation Fund (“the Fund”) for 2019/20 at £17.5m resulting in:

- Individual contribution £ 60 (2018/19 - £90)
- Firm contribution £1,150 (2018/19 - £1,680)

### Background and Approach

- 2 The Fund pays discretionary grants to people who have lost money as a result of dishonesty or failure to account by solicitors or law firms. It also has jurisdiction to pay discretionary grants to people who cannot recover damages from a solicitor or law firm because of a failure to obtain indemnity insurance. That was put in place following the abolition of the Assigned Risks Pool which provided similar cover. Very little has been paid out under the new jurisdiction. It is referred to as “uninsured loss” in this paper.
- 3 Each year, the Board decides how much to raise from law firms and individuals to finance the Fund.
- 4 We propose that the contribution this year decreases following the increase last year as follows:
- Individual contribution from £90 to £60
  - Firm contribution from £1,680 to £1,150
- 5 It is the long-standing approach of the Fund, agreed by the Finance and Audit Committee and the Board, to maintain an appropriate reserve fund as a contingency against unexpected numbers of claims or unexpectedly large claims.
- 6 The decision last year to significantly increase the total level of contribution and subsequently the contributions for firms and individuals was because of an assessment that future payments were likely to rise above the historic trend as a result of claims arising from dubious investment schemes.
- 7 This year we have reviewed the position of high value contentious cases relating mainly to dubious investment schemes, including the three reported last year when the contribution was set at a level to include provision for potential claims over a three-year period relating to those cases. These cases have been presented to the Finance and Audit Committee where they have been reviewed and debated.
- 8 While it also remains the case that the Fund is not likely to make payments on a number of cases, it is possible that this position will be challenged given the amounts involved.

- 9 As a result, our approach is to continue to increase the appropriate reserve to accumulate £30m over the three year period, 2019/20 being the second of the three years, thus adopting the approach agreed last year.
- 10 We are seeing a decline in the number and complexity of interventions (2015/16 37, 2016/17 50, 2017/18 33) with 11 interventions in the first 6 months of 2018/19. The impact of a lower number of interventions and an assumed lower level of claims reduces the “business as usual” Compensation Fund contribution to arrive at the level of minimum reserve required.
- 11 The £30m to be accumulated over the three year period is an additional provision added to the minimum reserve in respect of the high value contentious cases, resulting in what is referred to as the appropriate reserve.
- 12 The diminishing trend in the number of interventions and claims has resulted in a higher than anticipated level of reserve for 2018/19 and lower expected payments from the Fund for 2019/20.
- 13 In order to smooth the fluctuations in the Compensation Fund fees, the total contribution estimated for the next two years is being evenly split between 2019/20 and 2020/21 which will help smooth the fluctuations in the Compensation Fund fees over the next two years.

#### **Position as at 31 March 2019**

- 14 Total grant payments for the practising year 2017/18 were £18.1m (£15.2m 2016/17).
- 15 Forecast grant payments for this practising year (2018/19) are £11.8m as discussed further below.
- 16 The gross value of open claims received as at 31 March 2019 was £67.8m (£104.4m 31 March 2018). We forecast that in the year 2018/19 we will pay grants of £11.8m (£18.1m 2017/18). It is normal for the gross value of claims to be much higher than what is eventually paid. Claimants often seek much more compensation than is actually payable from the Fund.

#### Claims for uninsured loss

- 17 These are applications to the Compensation Fund (from October 2012 and following closure of the ARP at the end of September 2013) for losses suffered as a result of the civil liability of a firm which did not have insurance against which claims could be made. Capita deals with these claims on our behalf because of their experience of handling negligence claims which they also deal with as manager of the ARP.
- 18 At the end of March 2019 there have been 105 claims (93 claims March 2018), of which 11 are currently under investigation with a total claim value of £2.1m.

#### Cost Pressures

- 19 Since raising the risk in last year’s application of the impact on the Fund from a small number of very high value claims largely arising from dubious investment schemes the

SRA have through the Finance and Audit Committee (FAC) continued to monitor and assess this risk.

- 20 The most recent update provided to the FAC concluded that overall the imminent risk of very high payments remains relatively low but some cases may change quickly. The position remains unchanged from last year with the highest risk being a sudden need to deal with multiple claims under £2m that cumulatively total a large amount. However given the nature of these claims we would expect that the lead time for potential payments being made from the Compensation Fund will be quite lengthy so it is likely to take a matter of time before significant payments are made.
- 21 On the basis of the review of the high value contentious cases, FAC were advised and agreed that the approach adopted, and outlined in full in our application last year, to increase the appropriate reserve to a level above the calculated minimum reserve should continue with consideration given to smoothing any fluctuations in the fees for this and the third year.
- 22 Although we are proposing to continue to increase the level of appropriate reserve the total level of contribution is reducing compared to last year due to lower levels and interventions and grants within the normal business as operations of the Fund. The proposed decrease in the level of contribution over the next two years will continue to smooth the potential impact of a significantly increased level of grant payments on the profession.
- 23 The impact of any changes resulting from the current consultation that is proposing reforms to PII and the Compensation Fund will not change the position of the existing high value contentious matters and have therefore not been considered in the recommendation for the level of contribution in 2019/20. Any changes from the reforms will not be implemented imminently and are unlikely to be applied retrospectively. However, if agreed, the reforms are likely to lead to lower contributions at some point over the next 5 – 10 years.

#### Other Payments from the Fund

- 24 We charge a range of overheads to the Fund. The recharges included as costs to the Fund are included as recoveries in the SRA NFR.

#### **Calculation of Recommended Contribution for 2019/20**

- 25 As in previous years, the recommended contribution has been calculated by taking the opening balance of money held in the Fund and then taking account of:
- calculation of the appropriate reserve required (see paragraph 27-29)
  - forecast cash outflows (i.e. grants and costs – see paragraph 30-35)
  - forecast cash inflows (excluding the contribution – see paragraph 36-38)
- 26 This leads to the required contribution being identified as a balancing figure.

#### Appropriate Reserve

- 27 At FAC in February 2017 we agreed to refer to the "appropriate reserve" which is defined as being the formula based "minimum reserve" plus further reserves which provide contingency for exceptional matters.
- 28 We continue to adopt the approach taken last year to increase reserves to £30m over a three year period to take account of an increase in the level of grants paid for the medium to high risk high value contentious cases.
- 29 The calculation used in recent years for the appropriate reserve produces the following figure for 2019/20 and includes the cumulative total of £20m for two years collection of reserves for potential grants on the high value contentious cases:

- (1.5 x weighted average grants in previous 7 years) + (3 months' costs)
- |  |               |
|--|---------------|
| Being: £21.8m (1.5 x £14.5m) + (£2.6m) | £24.4m        |
| Plus potential grants on HVC cases     | £20.0m        |
| <b>Total Reserve</b>                   | <b>£44.4m</b> |

#### Future Claims and Costs

- 30 The main factors in forecasting grants are the numbers of current claims and expected future claims. The latter is determined by the expected number of interventions.
- 31 For the purpose of this calculation, we have assumed that there will be 40 interventions in this and subsequent practising years. This cautious estimate is based on the number of interventions over the last 3 years and the number of interventions year to date and expected activity for the rest of the year.
- 32 Interventions also account for the bulk of the costs paid by the Fund. We liaise closely with several internal departments on potential interventions to help forecast future intervention costs more accurately (as well as to prepare operationally). Forecasting intervention numbers beyond that is very difficult.
- 33 We have seen a slight decrease in the number of interventions in the first five months of this financial year. The interventions are also smaller and less complex in nature. This decrease in number and complexity will impact both the costs charged to the Fund and also the level of claims made.

#### Costs paid from the Compensation Fund

- 34 The amount forecast to be paid from the Fund for 2018/19 is £9.6m based on the intervention costs included in the SRA budget.
- 35 For 2019/20 the predicted recharge is £10.5m. This is made up of £7.0m intervention costs and the remainder is staff related costs and a share of support costs.

#### Cash Inflows

- 36 The main cash inflows to the Fund (excluding contributions) are transfers from Statutory Trust Accounts (STAs) through rights of subrogation and the transfer of residual balances.

- 37 Based on evidence of previously closed STAs and the ongoing work on live accounts, subrogated and residual funds are expected to total £9.8m in this year and £9.2m next year.
- 38 Money is also recovered from intervened solicitors or from claims against the indemnity insurer of an intervened firm. Recoveries are forecast at £1.5m in 2018/19 increasing to £1.8m in 2019/20 and £1.9m in 2020/21.

### **Recommended 2019/20 contribution**

- 39 The required contribution is £17.5m, which is £8.1m lower than last year (£25.6m in 2018/19).
- 40 For the purposes of calculating an individual and firm contribution it has been assumed that there will be the equivalent of 144,600 individuals paying a fee and approximately 7,620 firms paying a contribution.
- 41 Based on these figures, a collection of £17.5m would result in an individual contribution of £60 and a firm contribution of £1,150.
- 42 Given the uncertainty over the extent and timing of the claims described any future forecasts are highly uncertain and therefore have not been included. The forecasts are based on the currently available information and may change as we move through the next financial year.
- 43 We continue to closely monitor the development of these cases and as the position becomes clearer on each we will review and update future forecasts. At the most extreme position, should all of the current cases where there are potential claims result in payment then there would necessarily be future increases in contribution levels. However, as we have explained we are simply not in a position to make this definitive judgment at this stage.
- 44 If the recommended reduction in contributions is approved, we have a detailed communications plan in place. This is summarised at appendix 1 of this annex.

### **Supporting information**

#### **Links to the Strategic Plan and / or Business Plan**

- 45 This proposal relates to our strategic objective to “improve our operational performance and make fair and justifiable decisions promptly, effectively and efficiently” in the context of ensuring client protection through an effective and efficient Compensation Fund.

#### **How the issues support the regulatory objectives and best regulatory practice**

- 46 A properly run Compensation Fund provides transparency and accountability.

#### **Impact of the new Compensation Fund Rules**

- 47 Our Standards and Regulations which allow solicitors to practise in a range of new ways come into force on 25 November 2019. Up to October 2020, the position for

Compensation Fund contributions will mirror the position we are setting out in this application. So for this period solicitors practising in these new ways, for example, individual solicitors practising on their own either providing reserved or unreserved legal services and a solicitor working in a non-authorized firm will pay the £60 individual solicitor fee only.

- 48 We are reviewing the methodology of how contributions are set in future years as part of our broader Compensation Fund reforms. In our consultation “Protecting the users of legal services: balancing cost and access to legal services”, we acknowledged that the way solicitors could practise was changing. Accordingly, we sought views on whether the existing methodology remained the fairest and most appropriate way to calculate contributions to the Compensation Fund.
- 49 We will use the responses received in relation to that consultation question and details of any claims received, to help inform any changes to the methodology for collecting contributions for future years, in accordance with the Standards and Regulations. Any changes would, of course, need to be consulted on, agreed and made by our Board and approved by the LSB.

#### **What equality and diversity considerations relate to this issue**

- 50 The level of the contribution to the Compensation Fund is likely to have a greater impact on sole practitioners and firms with 2 - 4 partners and therefore indirectly for BAME solicitors who are disproportionately represented in this cohort. Unlike the firm Practising Certificate fee which is calculated by turnover. We will consider the implications of any changes to the Compensation Fund rules and its associated funding as part of wider changes that we are considering making to the Compensation Fund in 2020
- 51 We provide reasonable adjustments for older solicitors who are unable to close their firm at retirement due to high levels of insurance costs. The SRA supports older solicitors through this process.

## **Appendix A - Compensation Fund contributions communications approach**

### **Communications approach**

The steep rise in Compensation Fund contributions last year led to a significantly increased interest in the contributions. In particular, there was correspondence from smaller firms concerned about the contributions, including why there was such a large rise, and whether the burden feel unfairly on smaller firms.

Given the fall in contributions we would anticipate some drop in the level of interest, while still being mindful that there will be interest and the contribution is still higher than most recent previous years.

Our communications approach will aim to offer reassurance to the profession by explaining:

- It is in the interests of the public and the profession that the Fund can provide compensation for claims that meet the criteria
- The reasons for the level of contributions. They are down this year due to reductions in immediate pressures on the Fund - we have had fewer and less complex interventions than anticipated. But higher levels are still necessary, because of the ongoing risk of dubious investment schemes, which could result in more high-value exceptional claims on the Fund
- We are managing the Compensation Fund efficiently and effectively, and will make sure the profession pays no more than they need to
- We always notify contribution levels well in advance to help firms to plan ahead

In order to manage the communications risks, we plan to take a proactive approach, with a focus on making sure our messages reach legal professionals. We aim primarily to do this through the legal trade press – with associated social media messages - and direct correspondence with law firms of all sizes.

### **Key messages**

#### **Compensation Fund is essential to protect public and maintain trust in profession**

- The Compensation Fund is essential if we are to protect the public and maintain trust in the profession
- People can be confident that if they use a regulated solicitor, they have the protection of professional indemnity insurance, with a further backstop of the Compensation Fund for cases, for instance, that involve dishonesty

#### **Contributions down from last year's levels**

- There have been fewer - and less complex - interventions than expected this year, and therefore less claims on the Fund
- We do not need to raise as much this year to cover all potential claims

- We promised the profession contributions would drop if pressure on the Fund decreased

**Contributions still higher than previous years – following on from increases in the last two years to make sure sufficient funds to cover claims**

- We need to make sure that there is sufficient funding, including reserves, available to cover valid claims
- Our assessment of the level of risk related to current and potential cases means that contributions still remain at levels much higher than in recent years
- We continue to see dubious investment schemes involving solicitors with consumers continuing to lose significant amounts. Every case will not result in successful claims, but we need to make sure we have appropriate funding available
- The evidence suggests we could still see an increase in high value exceptional claims

**We are committed to making sure we use the profession’s money effectively. We will continue to monitor this issue**

- As well as maintaining trust in the profession, we are committed to making sure we use the profession’s money efficiently and effectively
- We will continue to monitor this issue, so that we can make sure Compensation Fund contributions are set at an appropriate level

**Background:**

On the basis proposed, the contribution for 2019/20 would total £17.5m with individual and firm contributions increasing for the first time in three years to:

- Individual contribution: £60 (2018/19 - £90)
- Firm contribution: £1,150 (2018/19 - £1,680)

**Core activities**

- Detail on Compensation fund activity in new Annual Review, published May 22
- 5 June: Announcement of expected contributions, communicated through press release and social media message
- 5 June: This tied in with announcement on The Law Society Group consultation on practising fees. This will include:
  - press release to trade media from Law Society, linking back to Compensation Fund release
  - Associated social media messages
  - Update web materials - and fees calculator - to reflect new information and key messages around Compensation Fund

- Include core messages in next editions of our professional newsletters, SRA Update and Compliance News
- August: following LSB approval, update web materials confirming final fees
- September onwards: reference in PCRE warm-up communications and subsequent communications

We will also develop reactive lines, for use with media, stakeholders and on social media, so we are in a position to respond quickly to queries and challenges of our approach. This will include lines about how we make sure we manage the Compensation Fund in an efficient and effective way.

## **Annex B - Determination of Compensation Fund contributions 2019**

This determination is made by the Solicitors Regulation Authority Board under rule 2.3 of the SRA Compensation Fund Rules 2011 and rule 1.2 of the SRA Compensation Fund Rules, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

- (1) Every person who applies for a practising certificate to commence on or after 1 November 2019, or who applies for initial registration or renewal of registration as a registered European lawyer or registered foreign lawyer to commence on or after 1 November 2019, shall pay with the fee payable in respect of that application, a contribution of £60 to the Fund.
- (2) Every recognised body or recognised sole practice that has held or received client money (as defined in the SRA Accounts Rules 2011) during the period 1 November 2018 to 31 October 2019, shall pay with the annual periodical fee, a contribution of £1,150 to the Fund.
- (3) Every person that:
  - (a) applies for initial recognition as a recognised body or initial recognition as a recognised sole practice to commence during the period 1 November 2019 to 31 October 2020; and
  - (b) intends to hold or receive client money (as defined in the SRA Accounts Rules 2011 or, after 25 November 2019, the SRA Accounts Rules) at any time during the period 1 November 2019 to 31 October 2020.

shall pay with the fee payable in respect of that application, a contribution to the Fund as follows:

- i. £1,150 on applying for initial recognition to commence in the period 1 November 2019 to 31 December 2019;
  - ii. £863 on applying for initial recognition to commence in the period 1 January 2020 to 31 March 2020;
  - iii. £575 on applying for initial recognition to commence in the period 1 April 2020 to 30 June 2020;
  - iv. £288 on applying for initial recognition to commence in the period 1 July 2020 to 31 October 2020.
- (4) The SRA may waive the contribution payable under paragraph (3) above in circumstances where the initial application is made by a body which is changing its legal status or is succeeding to the practice of another authorised body and the predecessor body or practitioner has already paid a contribution to the Fund.
  - (5) In this determination:

**Fund** means the Solicitors' Compensation Fund established and maintained under rule 2.1 of the SRA Compensation Fund Rules 2011 or, after 25 November 2019, rule 1.1 of the SRA Compensation Fund Rules;

All other terms are to be interpreted in accordance with the Practising Certificate Fee Determination 2019.

- (6) This determination shall come into force on 1 November 2019.

## Annex C - Determination of Compensation Fund contributions for Licensed Bodies 2019

This determination is made by the Solicitors Regulation Authority Board under rule 2.3 of the SRA Compensation Fund Rules 2011 and rule 1.2 of the SRA Compensation Fund Rules, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

- (1) Every licensed body that held or received client money (as defined in the SRA Accounts Rules 2011) at any time during the period 1 November 2018 to 31 October 2019, shall pay, with the annual periodical fee, a contribution of £1,150 to the Fund.
- (2) Every licensed body that intends to hold or receive client money (as defined in the SRA Accounts Rules 2011 or, after 25 November 2019, the SRA Accounts Rules) at any time from the date on which the body is authorised to 31 October 2020, shall pay, with the initial periodical fee, a contribution to the Fund as follows:
  - i. £1,150 on applying for initial recognition to commence in the period 1 November 2019 to 31 December 2019;
  - ii. £863 on applying for initial recognition to commence in the period 1 January 2020 to 31 March 2020;
  - iii. £575 on applying for initial recognition to commence in the period 1 April 2020 to 30 June 2020;
  - iv. £288 on applying for initial recognition to commence in the period 1 July 2020 to 31 October 2020.
- (3) The SRA may waive the contribution payable under paragraph (2) above in circumstances where the initial application is made by a body which is changing its legal status or is succeeding to the practice of a recognised body or recognised sole practitioner and the predecessor body or practitioner has already paid a contribution to the Fund.
- (4) In this determination:

**Fund** means the Solicitors' Compensation Fund established and maintained under rule 2.1 of the SRA Compensation Fund Rules 2011 or, after 25 November 2019, rule 1.1 of the SRA Compensation Fund Rules;

All other terms are to be interpreted in accordance with the Licensed Body Fee Determination 2019.
- (5) This determination shall come into force on 1 November 2019.