

SRA BOARD

14 January 2025

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This paper will be published

Chief Executive's Report

Purpose

- 1 This report provides an update to the Board on our priorities and any key developments that it needs to be aware of. It also provides information on important external developments and our engagement activity with key stakeholders.

Recommendations

- 2 The Board is asked to:
 - a) consider the Chief Executive's report.

If you have any questions about this paper please contact: Paul Philip, Chief Executive, paul.philip@sra.org.uk, 0121 329 6940.

Chief Executive's Report

Update against priorities / key developments

Practising Certificate Renewal Exercise

- 3 The annual practising certificate renewal exercise (PCRE) took place from 1 October to 31 October 2024. As of 6 January 2025, we had collected over £162 million in practising fees and Compensation Fund contributions, which was in line with our forecast. We have processed around 49,000 renewal applications.
- 4 The renewal window went smoothly with improvements made to customer experience. This was due to improvements to our IT systems and performance enhancements to ensure that our systems ran more effectively. In the Contact Centre, 89% of calls were answered within 60 seconds and nearly 100% of emails responded to within 2 days. We also saw reduced levels of contact on previous years from the firms in our Regulatory Management cohort (the largest City, international and national law firms and certain multi-disciplinary practices).
- 5 We introduced a new process for PCRE 2024 to identify those individuals who did not complete the continuing competence questions at the point of application, and by omission, did not meet the criteria to demonstrate that they had addressed any identified learning and development needs and were competent in all aspects of their role. To date, 534 individuals answered 'not applicable' and 188 answered 'No' to the continuing competence declaration. Of these individuals, only 16 required conditions on their Practising Certificate, having not supplied evidence of their competence within the seven days provided to do so. These numbers are significantly less than forecasted and show that our targeted communications were successful in helping to drive the correct behaviours.
- 6 As of 6 January 2025, we had revoked 5,045 individuals who had not renewed despite reminders. This is a small increase (7%) on the number of individuals revoked compared to last year. In our pre-revocation communications with firms, we included a warning of the possibility of a fixed financial penalty being issued to encourage proactive compliance. As at 9 December 2024, 1,193 firms had not fully completed their bulk renewals. By 6 January 2025, this figure had reduced to 86 firms, and we are continuing to communicate with these firms to bring them into compliance.

High profile cases

- 7 At the end of December, the Serious Fraud Office (SFO) [announced](#) that it had charged five individuals over the collapse of Axiom Ince with offences including fraud, conspiracy to use false instruments and conspiracy to conceal, destroy or otherwise dispose of documents. We will work closely with the SFO. At this stage, it is extremely likely that our investigation into the events and actions of

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solicitors that resulted in us having to intervene into the firm will continue to be on hold pending the outcome of criminal proceedings.

- 8 With the consent of the SFO, we have progressed with regulatory steps to protect the public by imposing practice restrictions under s43 Solicitors Act 1974 in relation to three unadmitted individuals who worked at the firm. The practising certificates of the solicitors involved in the key events were suspended as a consequence of the intervention last year.
- 9 On 1 November, we [published](#) a further update on our investigations on the SSB Group in relation to former clients unexpectedly being pursued to pay adverse legal costs in relation to discontinued cavity wall insulation litigation claims. This updated on our investigation work, and projected timelines. It highlighted that we had taken interim action to place conditions on the practice of a solicitor involved in this work, in order to protect the public pending the outcome of our investigation. We are committed to moving as swiftly as possible to complete our investigation, and we originally aimed to do this in the autumn, but due to the volume of evidence and complexity of issues, we now anticipate we will have completed the investigation early in 2025. In the meantime, we have continued to engage with a range of stakeholders to keep them up to date with progress on our work in this area and options for redress for those impacted. This has included a meeting with around 30 former-SSB clients, and briefing Citizens Advice advisers.
- 10 [REDACTED] Policy work in progress as a result of changing and emerging risks identified, and linked to Axiom and SSB cases, is covered below (please see paragraphs on the consumer protection review and high-volume consumer claims).
- 11 The appeal hearing in the case of Dentons will be heard later this month, on 29 January 2025. This relates to the Solicitors Disciplinary Tribunal's decision to make no findings of regulatory breach in respect of due diligence and governance failings under the Money Laundering Regulations, despite having made factual findings that there were breaches of the money laundering regulations in respect of these failings. We will update the Board in due course.

Consumer protection review

- 12 In November, we [published](#) our first consultation for the review: client money in legal services – safeguarding consumers and providing redress. We are consulting on proposals in three parts. Firstly, the model of solicitors holding client money, including whether we should be looking at ways to minimise the client money held by solicitors. Secondly, protecting the client money that solicitors do hold and considering what controls, checks and balances are appropriate. Thirdly, delivering and paying for a sustainable Compensation Fund – how should payments from the profession be calculated and grants from the Fund to reimburse consumers be allocated.

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- 13 As part of our review, and to help inform the proposals and ideas in the consultation, we commissioned a series of external research reports. This included some deliberative consumer research to understand what consumers value in terms of protections against losing their money, and the possible trade-offs they believe are acceptable in the provision of these.

High-volume consumer claims

- 14 We have [published](#) a warning notice to the profession on unsolicited approaches, cold calling and publicity materials, particularly targeted at those carrying out high-volume consumer claims work.
- 15 We are also running a campaign focused on informing consumers who are considering making a 'no win, no fee' claim. The aim is to help them better understand how it works, understand their options, including risks, and what they should expect from a legal service provider who is working to a proper standard. In December, our campaign resulted in more than a 100,000 people viewing our guide for consumers, with more than 8 out of 10 saying they found the information useful.
- 16 We are also working with consumer organisations, such as Citizens Advice and Consumer Voice, to promote the information and will continue to consider how we promote information for consumers to help inform them about 'no win, no fee' claims, particularly in relation to engaging with providers dealing with high-volume consumer claims.
- 17 I wrote a piece [for Legal Futures](#) outlining our rising concerns about issues with some firms working in high volume consumer claims. We will take action where we need to step in to protect the public, but some issues extend beyond legal regulation, for instance, around third-party litigation funding. We are discussing these issues with stakeholders, so we can work together to identify solutions.

Solicitors Qualifying Examination (SQE)

- 18 We expect to see a high volume of candidates sitting SQE1 in January 2025. We also expect to see the highest number of candidates yet taking SQE2 in April 2025. As a result of the increased demand for SQE2 seats, Kaplan intends to use multiple written papers for high-volume sittings (it already uses multiple tasks for the oral assessments). This will enable more candidates to be accommodated in a single SQE2 window. Scaled scores will be used for SQE2 for the January 2025 sitting onwards, both to accommodate the use of multiple written exam papers and to bring the way SQE2 results are presented in line with SQE1.
- 19 We are preparing to distribute money in the SQE Access and Reinvestment Fund. The Fund is available as a result of our contractual arrangements with Kaplan, the SQE assessment provider, which require financial penalties incurred

by Kaplan and profits that exceed a specified margin to be paid into the Fund. We will invite organisations already running schemes supporting aspiring solicitors to apply to us for funding to cover selected candidates' SQE fees. In this way, the fund will be used to support aspiring solicitors who will need to overcome significant barriers to qualify.

Trade agreement between the UK and Switzerland

- 20 On 1 January 2025, the provisions of a wide-ranging trade agreement between the UK and Switzerland came into force. This agreement includes provisions on the recognition of professional qualifications (RPQ) and an annex specifically relating to legal services. The RPQ Agreement provides for Swiss lawyers to apply to be admitted as solicitors of England and Wales, either by passing an aptitude test or by completing a three-year supervised adaptation period. Although new registrations of European lawyers (REs) have come to an end, those who are currently practising as REs have had this right extended, as long as they maintain their registration.
- 21 Our new rules, which implement the scheme, have been approved by the LSB, and are scheduled to come into force on 14 January 2025, when all details of the scheme will also be published.

Higher Rights of Audience Qualification

- 22 We have signed a contract with the University of Law to become the sole assessment organisation for the criminal and civil Highers Rights of Audience qualifications. The University of Law will begin delivering assessments from October 2025. All existing assessment providers have been informed. We will consult in spring 2025 on changes to Regulation 6 of our Education, Training and Assessment Provider Regulations to reflect the move to a sole, rather than multiple, assessment provider model.

Thematic reviews of professional obligations and probate

- 23 We have [published](#) two new thematic reviews into professional obligations, and probate and estate administration. We found some positive examples of good practice in both reviews. However, they also indicated that in some areas there is room for improvement. In particular, they highlight solicitors should be careful not to focus their learning and development activity too narrowly on technical legal knowledge and should give proper consideration to developing wider knowledge and skills including regulatory and ethical matters.
- 24 The reviews followed the publication of our 2023 Annual Assessment of Continuing Competence and are part of our work to understand the steps solicitors take to keep their knowledge and skills up to date, including awareness of their professional obligations. We have also carried out a review of

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probate [training records](#), alongside the probate and estate administration thematic review.

Anti-Money Laundering (AML) update

- 25 During August and September we carried out a major data-gathering exercise collecting information from the whole profession about AML, sanctions and Suspicious Activity Reports. The exercise concluded with a 99.9% response rate. The information obtained will be used to improve our understanding of risk and allocation of resources.
- 26 We [published](#) our annual report on our AML work in October, which showed that in 2023/24 we took more action against firms for AML breaches, while more proactive firm visits and action had contributed to evidence of a marked improvement in the way firms assess AML risks. At the same time, we [published](#) our thematic review of AML training, which I covered in my last report.
- 27 In November, the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) held a conference for Professional Body Supervisors (PBS). At the conference, OPBAS indicated that it was considering seeking additional assurance from all PBSs in the form of an annual AML Compliance Assurance Statement, signed on behalf of the organisation by either the CEO or Board. A second requirement comes under the heading of 'Baseline Financial Resilience Data', with the purpose being to improve OPBAS' understanding of the resilience of each PBS, insofar as that links to specific regulatory requirements within the Money Laundering Regulations 2017. The information requested is already information contained within the public domain, with the exception of any wind-down plan.
- 28 One of OPBAS' objectives is to improve the quality of Suspicious Activity Reports (SARs). A SAR is a piece of information which alerts law enforcement of suspicious activity that might indicate money laundering or terrorist financing. OPBAS is seeking to inspect SARs submitted by regulators across the legal and accountancy sectors and has opted to inspect our SARs. They have given us a provisional date of Friday 14 February 2025, when they will be in our offices at the Cube. They will be inspecting our SARs submissions, speaking with our Money Laundering Reporting Officer, as well as staff in the AML Directorate.
- 29 We expect the next full OPBAS inspection of us to take place in quarter two of 2025. We will be given 12 weeks' notice of the proposed inspection. In this inspection, OPBAS intends to review our compliance with all areas of its Sourcebook.
- 30 We took part in the Law Society Economic Crime Conference in October and delivered AML sessions at our Compliance Conference in November, which were well-received.

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CLASSIFICATION – PUBLIC***Research into the overrepresentation of Black, Asian and minority ethnic solicitors in our enforcement work***

- 31 The research by the Universities of York, Cardiff and Lancaster into the overrepresentation of Black, Asian and minority ethnic solicitors in the early stages of our enforcement processes was [published](#) in October. The research focused on the reports received by the SRA and those taken forward for investigation after passing through our assessment process.
- 32 The research confirmed this is a complex issue, with no single or simple solution, but provided insight into the factors which affect overrepresentation. Some of these intersect with ethnicity, including the size of the firm where the solicitor works and the firm's practice area, but do not fully account for the overrepresentation seen. In their review of our assessment processes, the universities concluded that our process is robust and designed to ensure fairness and consistency in decision making, but there are improvements we can make. We are talking to stakeholders about the findings and will be taking forward a range of actions, including considering how we can more effectively tailor compliance and support materials to smaller and one partner firms in light of the challenges they might face.
- 33 We will build on the strengths identified in our assessment process by developing guidance for staff on handling complex borderline cases and taking forward a process for improving the systematic recording of relevant information. And we will be considering how we can improve how we collect and use data, to give us better insight into the issues and trends for future monitoring work.

Guidance for in-house solicitors

- 34 On 18 November 2024, we [published](#) an updated package of guidance for in-house solicitors, following feedback from more than 50 individuals on the draft package of guidance that we published in March 2024. The updated package includes standalone guidance on legal professional privilege following requests from the in-house community.
- 35 We will continue to improve our offering to the in-house community and plans include: developing case studies that focus on specific sectors and videos that focus on specific challenges, including eight in-house legal teams in our Regulatory Management cohort, regular meetings with our in-house virtual reference group, engaging with the Financial Reporting Council about how they might raise awareness with governing boards about the obligations of in-house solicitors, engaging with the Chartered Institute of Personnel and Development about how guidance may be cascaded in HR teams, and delivering an in-house conference in March 2025.
- 36 Juliet Oliver spoke at the Lawyers for Local Government conference about challenges, priorities, and opportunities for in-house solicitors. She also attended

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with colleagues our regular quarterly meeting with the City of London Law Society and symposium which focused on updated guidance for in-house solicitors.

First-tier complaints

- 37 Following publication of the LSB's Statement of Policy on First Tier Complaints earlier this year, we met with the Legal Ombudsman (LeO) in November and again in December to discuss opportunities for collaborative work. This follows their published letter and annual data setting out their concerns that consumers are getting poor outcomes due to poor service and poor complaints handling at first-tier. We also met with the Bar Standards Board to discuss our respective work in this area. We will begin a thematic review in January 2025, focusing on First Tier Complaints as part of a wider programme of work in this area.

Legal Choices / Regulatory Information Service

- 38 In October we presented an update on the Regulatory Information Service (RIS) to the Legal Services Consumer Panel (LSCP), our progress on this was well received. The Board will recall that our ambition, working with other front-line regulators, is to develop a single portal for consumers to access information about legal service providers – linking to existing resources where necessary – so that people and small businesses can be better informed about services offered and quality before engaging a provider.
- 39 We provided a further update to the LSB and LSCP in November as part of regular meetings to discuss RIS. We shared the latest findings from phase two of our user testing with consumers as part of the design phase of the project.
- 40 The Legal Choices Steering Group has also met, where we presented our proposed approach to an evaluation of the [Legal Choices website](#), the consumer-focused website which we run on behalf of legal services regulators. We will be keeping the other regulators updated as this work progresses, as well as the LSCP.

Innovation and Technology – Regulators Pioneer Fund

- 41 We are continuing to progress our Regulators Pioneer Fund (RPF) project in collaboration with the Access to Justice Foundation and The Law Society. We have engaged with representatives from law, housing, employment, government and business sectors, to understand more about the barriers to Online Dispute Resolution (ODR) adoption and potential solutions. In collaboration with Bangor University, we have developed a prototype Generative AI (GenAI) tool to illustrate how such tools might assist vulnerable individuals in identifying their legal issues in employment law. Our first round of user testing with employment solicitors received positive feedback on the tool's legal accuracy, and our second round of testing is due to take place in January with free legal advice agencies and frontline workers.

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CLASSIFICATION – PUBLIC***Annual reports for 2022/23***

- 42 We have [published](#) our suite of annual reports for 2022/23. The five reports provide data on our operational work, and cover enforcement, education and training, equality, diversity and inclusion, the authorisation of firms and solicitors, and client protection work, including applications and grants for the Compensation Fund.

Cardiff office space

- 43 We have given notice on our existing office in Cardiff after having successfully found new office space similar to the standard of our Birmingham and London offices, and with some capacity to grow our resources based in the Wales office. We have taken the new space initially on a two-year managed service contract and are expecting to move during the spring of this year.

Stakeholder engagement

- 44 Our annual in-person Compliance Conference in Birmingham attracted around 1,300 people, with more than 40 speakers and 30 marketplace stands. 100% of attendees who fed back said they would come to a similar event again. Our virtual version of the event has resulted in more than 8,000 views of sessions – with 97% of viewers of sessions say they would attend similar sessions again.
- 45 In November I spoke at the Expert Witness Conference, the UK’s largest gathering of expert witnesses, organised by Bond Solon on the issue of solicitors’ ethical conduct. I have also met with Immigration Services Commissioner, John Tuckett.
- 46 Ben Fisher, Deputy Executive Director, Strategy, Innovation and External Affairs attended an event in the House of Commons on the value of the legal sector organised by the Industry and Parliament Trust. The event was attended by around ten MPs and Peers including the new Attorney General Lord Hermer KC.
- 47 In October we attended the Legal Wales conference in Pembrokeshire, west Wales where we had the opportunity to meet with legal sector stakeholders from all over Wales. The third meeting of the Welsh Legal Regulators Forum has also taken place, where we were able to join regulator colleagues in updating on our work relating to Wales. We led a session on Welsh language issues, to share good practice between non-legal sector UK regulators as to how they take account of the Welsh language in their work. This will directly feed into activity we will be undertaking in this area.



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