

# **Equality impact assessment on the regulatory portion of the practising certificate fee and compensation fund contribution for 2025-26**

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October 2025

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# Introduction

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This is an equality impact assessment of:

- the regulatory portion of the annual practising certificate (PC) fee for 2025-26
- the compensation fund contribution for 2025-26.

It covers:

- our diversity data insights
- an overview of the regulatory portion of the PC fee and the compensation fund contribution
- our assessment of potential equality, diversity and inclusion (EDI) impacts
- our response and our next steps.

## Diversity data insights

Our equality impact assessment is informed by data that we collect from law firms, and which we publish in our [law firm diversity data tool](#).

We do not collect data about individual solicitor income. However, for this assessment we have made the following assumptions about the earnings of solicitors working in certain working environments, including that:

- solicitors working predominately or entirely in particular areas of law which are less profitable than others – such as criminal law – will be more likely to have lower personal income. This is compared to solicitors working predominately or entirely in areas of law that may be more profitable – such as commercial law
- solicitors working in smaller law firms may be more likely to earn less than solicitors working in larger law firms – small firms are defined here as firms with one to five partners
- solicitors working part-time or intermittently may be more likely to earn less than solicitors who are working consistently or on a full-time basis.

To help us assess the equality impact on individuals, we have therefore looked at the diversity profile of solicitors working in small firms and those working in criminal law firms (ie firms who do 50 per cent or more criminal work).

We use these cohorts as proxies for solicitors who are likely to be earning less and more likely to feel the impact of the increased practising fee. We do not hold data on whether a solicitor works part time or intermittently, so we cannot assess the impact on this group using our diversity data.

Our law firm diversity data illustrates the profile of solicitors working in small firms, including that:

- Black and Asian solicitors are overrepresented in law firms with one partner, and Asian solicitors are overrepresented in law firms with two to five partners

- men are overrepresented in law firms with one partner, but not in law firms with two to five partners
- solicitors aged 45 and upwards are overrepresented in law firms with one to five partners
- disabled solicitors are slightly underrepresented in law firms with one partner but not in firms with two to five partners
- gay and lesbian solicitors are slightly underrepresented in law firms with one to five partners
- Hindu, Jewish, Muslim, and Sikh solicitors are overrepresented in law firms with one partner. And for law firms with two to five partners, Hindu and Muslims solicitors are overrepresented
- solicitors from lower or intermediate socio-economic backgrounds are overrepresented in law firms with one to five partners.

In firms which undertake 50 per cent or more of their work in the criminal law sector the diversity profile is as follows:

- men are overrepresented
- solicitors from Black, Asian and other minority ethnic groups are overrepresented
- solicitors aged 45 and upwards are slightly overrepresented
- disabled solicitors are slightly overrepresented
- gay and lesbian solicitors are underrepresented
- Hindu, Muslim and Sikh solicitors are overrepresented
- solicitors from a lower or intermediate socio-economic background are overrepresented.

## Regulatory portion of the PC fee and compensation fund contribution for 2025-26

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### The regulatory portion of the PC fee

Practising fees are determined annually and are paid by:

- individual practising solicitors and registered lawyers (flat fee)
- law firms (fee based on their turnover).

Practising fees cover the annual funding requirement, which includes the regulatory portion (meaning the SRA's operating costs), certain Law Society activities, and levies that fund the work of:

- the Solicitors Disciplinary Tribunal
- the Legal Services Board
- the Financial Conduct Authority (Office for Professional Body Anti-Money Laundering Supervision)
- the Legal Ombudsman.

Sixty per cent of the annual funding requirement is met by practising fees paid by law firms, determined firm-by-firm based on their turnover.

The remaining 40 per cent is met by the PC fee, paid by individuals.

Our Business Plan and budget 2025-26 confirms that the regulatory portion of the individual PC fee is £190. This represents an increase of £26 compared to the regulatory portion of the PC fee that was payable by individuals in 2024-25.

### The compensation fund contribution

The compensation fund is financed entirely by annual contributions. These are paid by all practising solicitors (except those working for the Crown Prosecution Service), registered lawyers and by law firms that hold client money.

The compensation fund contribution for 2025-26 is:

- £70 for individuals – which is a reduction of £20 from the £90 that individuals paid in 2024-25
- £1,950 from law firms that hold client money – which is a reduction of £270 from the £2,220 that law firms holding client money paid in 2024-25.

The contribution is a flat fee, rather than being dependant on the law firm's or individual's income or turnover. Currently, 50 per cent of the required total amount for the compensation fund is met by individual contributions, and the remaining 50 per cent is met by law firm contributions.

Between November 2024 and February 2025, we consulted on proposals for [delivering and paying for a sustainable compensation fund](#) and alternative

approaches for setting the contributions. It included proposing to move away from our existing '50/50' model and instead using a 70/30 model. This is where 70 per cent of the required total amount for the compensation fund is met by individuals, and the remaining 30 per cent is met by law firms that hold client money.

Having considered the responses to this consultation, we decided that, for 2025-26, we will continue to use the '50/50' model while we continue to evaluate potential longer-term approaches. We have published a document [summarising the consultation responses and the rationale for our position](#).

## Combining the regulatory portion of the PC fee and the compensation fund contribution

The total amount payable by individuals in 2025-26, once the two amounts are combined, is £260. This represents an overall increase of £6 from the combined amount of £254 that individuals paid in 2024-25, in respect of the SRA's work.

There is no single total amount payable by all law firms, because the PC element for law firms is calculated based on each firm's turnover. Our [fee policy 2025-26](#) confirms the calculation that we make and illustrates practising fees that are payable by firms with differing levels of turnover.

In some cases, individual solicitors pay both the regulatory portion of the individual PC fee and the individual compensation fund contribution themselves, from their own earnings. We understand that most solicitors working in law firms have their fees paid by their employer on their behalf. Any changes to the PC fee or the compensation fund contribution fees may therefore impact firms that pay fees on behalf of their employees differently from firms that do not.

## Our assessment of potential equality, diversity and inclusion impacts

### Potential impact of the regulatory portion of the PC fee

Looking firstly at the increase of £26 to the individual regulatory portion of the PC, we think that any increased financial requirement is likely to be felt the most keenly by those earning less.

Based on the assumptions set out above this includes individual solicitors who pay for their own PC and work in smaller firms and/or less profitable areas of legal services or who work part time or intermittently. It will also include law firms who pay the PC fee on behalf of solicitors who they employ, in particular those which are smaller and / or operate predominately in less profitable areas of legal service.

Our data insights above highlight the diversity groups which are overrepresented in these cohorts and may therefore be more likely to be adversely impacted by the increased financial burden.

### Potential impact of the compensation fund contribution

For 2025-26, we are reducing the required contribution levels for firms and individuals. However, we recognise that the contribution for 2025-26 remains higher than in previous years, following a significant increase in 2024-25. So, despite the reduction in the contributions this year, the potential impacts on firms and individuals remain similar to those identified in our 2024-25 impact assessment.

Our data insights above highlight the diversity groups which are overrepresented in these cohorts and may therefore be more likely to be adversely impacted by the increased financial burden.

### **Potential impact of the combined PC fee and compensation fund contribution**

The overall increase for individuals (and firms which pay the individual fees on behalf of the solicitors they employ) is £6 per person.

Our assessment suggests that there may continue to be adverse impact for solicitors who meet the costs themselves. This will be felt the most by solicitors who earn less.

Based on the data insights above, the groups affected would include:

- older solicitors
- disabled solicitors
- men
- Black, Asian and minority ethnic solicitors
- those from Hindu, Jewish (those working in small firms), Muslim and Sikh faith groups
- people from lower or intermediate socioeconomic backgrounds.

It could also include solicitors working part time or intermittently, who we can assume will be paid less than those working full time throughout the year. We do not know who works part time or intermittently, so we do not know the diversity profile of this cohort. However, it is likely that a higher proportion of women work in this way as a result of childcare and career breaks and disabled people because of health issues.

## **Conclusions on the equality impact of the PC fee and compensation fund contributions for 2025-26**

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In light of the potential differential impacts, we have considered whether there are ways of mitigating these adverse impacts, while continuing to deliver our objectives:

- We continue to mitigate the financial burden of PC fees for those who take time away for work because of parental leave (by offering a fee reduction) and by reducing the level of any fee payable for those who start practising part-way through the practising year.
- We have not identified further appropriate mitigations for potential adverse impacts on the groups identified. As explained above, we considered whether we could further mitigate the financial impact of the compensation fund on small firms by adopting an alternative approach to apportioning contributions between individuals and firms. We noted there would be winners and losers. We decided not to make a change while we continue to evaluate potential longer-term approaches.

Taking into account our assessment of the impacts, our ability to mitigate potential adverse impacts and the reasons for the overall increase in payments due from firms and individuals, we have concluded that the practising certificate fees and compensation fund contributions are proportionate and necessary.