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Draft impact assessment on the proposed regulatory portion of the practising certificate fee, the compensation fund contribution and the SRA's Business Plan for 2026/27

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Introduction

This is a draft impact assessment of:

- 1) the proposed regulatory portion of the annual practising certificate (PC) fee for 2026/27
- 2) the proposed compensation fund contribution for 2026/27
- 3) the proposed activities outlined in the SRA's Business Plan 2026/27.

The focus of this impact assessment is on the equality impact of the quantum of the regulatory proportion of the practising certificate and the compensation fund contributions given that we are proposing a significant increase.

We appreciate that increasing the cost of regulation and consumer redress schemes affects all practitioners and this can in turn impact the way law firms and those employing solicitors operate. We have set out in the draft Business Plan the reasons why we consider these increases to be necessary and appropriate.

We will also further assess the impacts of specific work that we initiate under the priority headings outlined for consultation. And will undertake further impact assessments of new work that we begin under the headings outlined in the draft Business Plan.

Diversity data insights

This draft impact assessment is informed by data we collect from law firms, and which we publish in our [law firm diversity data tool](#). We have used this data to understand the diversity breakdown of firms and individuals most likely to be impacted by the proposed fees for 2026/27.

We do not collect data about individual solicitor income. However, for this assessment we make the following overarching assumptions about earning levels:

- solicitors working predominately or entirely in particular areas of law which are less profitable – such as criminal law – will be more likely to have lower personal income. This is compared to solicitors working predominately or entirely in more profitable areas of law, such as commercial law
- solicitors working in smaller law firms might be more likely to earn less than solicitors working in larger law firms
- solicitors working part-time or intermittently might be more likely to earn less than solicitors who are working consistently or on a full-time basis.

We do not have data about whether solicitors work part-time or intermittently. However, we do have data about the diversity of solicitors working in firms by size and by different areas of law.

For this assessment we are defining smaller firms as those operating with between one and five partners. Our law firm diversity data illustrates the diversity profile of solicitors working in these firms:

- there is a higher proportion of men in law firms with one to five partners (45 per cent) compared with their proportion in all firms (43 per cent)
- there is a higher proportion of Asian solicitors in law firms with one to five partners (20 per cent), compared with their proportion in all firms (12 per cent)
- there is a higher proportion of Black solicitors in law firms with one to five partners (5 per cent), compared with their proportion in all firms (3 per cent)
- there is a higher proportion of solicitors aged 45 and over in law firms with one to five partners (52 per cent), compared with their proportion in all firms (39 per cent). This is true for all three of the older age categories: 45 to 54, 55 to 64 and 65+
- there is a higher proportion of disabled solicitors in law firms with one to five partners (10 per cent), compared with their proportion in all firms (7 per cent)
- there is a higher proportion of Muslim solicitors in law firms with one to five partners (12 per cent), compared with their proportion in all firms (6 per cent)
- there is a higher proportion of solicitors from lower socio-economic backgrounds in law firms with one to five partners (18 per cent), compared with their proportion in all firms (15 per cent)

- there is a higher proportion of solicitors from intermediate socio-economic backgrounds in law firms with one to five partners (13 per cent), compared with their proportion in all firms (11 per cent).

We have also used data to consider different groups that are more or less likely to work in legal services that may be less profitable than others, such as criminal law.

In firms where the majority of work is in the criminal law sector, we can see that there are some differences:

- there is a higher proportion of men (55 per cent) compared with all firms (43 per cent)
- there is a higher proportion of solicitors from Asian (23 per cent) and Black (6 per cent) groups compared with all firms (12 per cent and 3 per cent respectively)
- there is a higher proportion of solicitors aged 45 and over (58 per cent) compared with all firms (39 per cent)
- there is a higher proportion of disabled solicitors (13 per cent) compared with all firms (7 per cent)
- there is a higher proportion of Muslim solicitors (15 per cent) compared with all firms (6 per cent)
- there is a higher proportion of solicitors from lower socio-economic backgrounds (18 per cent) compared with all firms (15 per cent).

All solicitors and firms in these cohorts are likely to feel the impact of increased fees. But overall, there is greater representation of the following diversity groups:

- men
- Asian and Black solicitors
- those aged over 45
- disabled
- Muslim solicitors
- those from a lower or intermediate socio-economic background.

Potential equality impact of the Draft Business Plan 2026/27

The regulatory portion of the PC fee provides the core funding that enables us to carry out our functions. We have set out the work we are proposing to deliver in our Business Plan 2026/27 consultation.

Equality, diversity and inclusion (EDI) considerations inform all areas of our work. For our core workstreams and commitments in the Business Plan 2026/27, we will evaluate the equality impact of our proposals.

We are focused on making sure that EDI considerations are systematically embedded across all areas of our work.

The proposed regulatory portion of the PC fee and proposed compensation fund contribution for 2026/27

The regulatory portion of the PC fee

Practising fees are determined annually and are paid by:

- 1) individual practising solicitors and registered lawyers who each pay a flat fee
- 2) law firms that pay a fee based on their turnover.

These fees cover the annual funding requirement, which includes the regulatory portion (our 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, called periodic fees, and determined firm-by-firm based on their turnover. The annual funding requirement due from firms has increased to £67m this year (an increase of £15m). The periodic fees have increased across all turnover bands.

The remaining 40 per cent is met by a flat fee payable by individual practising solicitors and registered lawyers.

Our draft Business Plan and funding requirement 2026/27 proposes that the regulatory portion of the individual PC fee will be £240. This would represent an increase of £50 compared to the regulatory portion of the PC fee that was payable by individuals in 2025-26, which was £190.

The proposed compensation fund contribution

The compensation fund is financed entirely by annual contributions paid by:

- all practising solicitors (except those working for the Crown Prosecution Service) and registered lawyers
- all law firms that hold client money.

The proposed compensation fund contributions for 2026/27 are:

- £120 for individuals – an increase of £50 from the £70 that individuals paid in 2025-26
- £3,600 from law firms that hold client money – an increase of £1,650 from the £1,950 that law firms holding client money paid in 2025-26.

The contribution is a flat fee, rather than being dependent on the law firm or individual's income or turnover.

Under the current arrangements, 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.

Our assessment of potential equality impacts

Potential equality impact of the individual regulatory portion of the PC fee and compensation fund contribution

The combined proposed increase for individuals across the regulatory portion of the PC fee and their compensation fund contribution is £100.

While most solicitors have their individual PC fee and compensation fund contribution paid for by their employer, the proposed increase will affect those individuals who meet the costs themselves.

Of these individuals, the increase is likely to be felt the most by those earning less (ie, those based in smaller firms, who work part-time or intermittently, or are working in less profitable areas of legal services).

As set out in the diversity insights section above, the diversity groups who are overrepresented in the firm cohorts more likely to be affected by the increase are:

- men
- Asian and Black solicitors
- those aged over 45, disabled
- Muslim solicitors
- those from a lower or intermediate socio-economic background.

Potential equality impact of the firm portions of the PC fee and compensation fund contributions

For 2026/27, we are proposing to increase the required contribution levels for the compensation fund for firms by £1,650 for each firm that holds client money. In addition, there will be an increase to the periodic fee firms pay.

The total cost to firms will vary but the impact on smaller firms will be greater than the impact on larger firms. This is because the compensation fund contribution will have a bigger relative impact on small firms, as the fee is the same for all firms no matter their size. However, smaller firms will continue to pay less than larger firms for the periodic fee as this is tied to firms' turnover.

Many firms also pay the individual fees due from the solicitors they employ. Where firms do this, based on similar assumptions set out above, it is likely that smaller firms (1-5 partners) and firms operating in less profitable areas of work will be most affected by the proposed increase. For example, those doing much of their work in criminal law.

As set out above, the diversity groups who are overrepresented in these firm cohorts more likely to be affected by the increase are:

- men
- Asian and Black solicitors
- those aged over 45
- disabled
- Muslim solicitors
- those from a lower or intermediate socio-economic background.

We recognise that law firms impacted by the increased contributions may take action to mitigate the impact of the increase. Actions could include changes to the way firms operate or the services they offer, as well as potentially increasing the fees they charge to clients.

Summary

We have identified the proposed increase in fees is likely to be felt by smaller firms, and firms and solicitors working predominately or entirely in particular areas of law which are less profitable – such as criminal law.

The diversity groups who are overrepresented in the firm cohorts more likely to be affected by the increase are:

- men
- Asian and Black solicitors
- those aged over 45
- disabled
- Muslim solicitors
- those from a lower or intermediate socio-economic background.

In relation to the proposed increase to the regulatory portion of the practising fee, there are some mitigations in place. We apportion the PC fee so that the greater burden of the total financial requirement is met by law firms, which helps keep the individual fee more manageable. We also provide a reduction in the individual fee for those who take time away for work as a result of parental leave. And by reducing the level of any fee payable for those who start practising part-way through the practising year.

In relation to the proposed increase to the compensation fund contribution, we have an obligation to maintain the fund and seek to raise only the funds that are necessary to do this. In our consultation, we explain the circumstances that have prompted the increase in more detail. We believe the increase is necessary and appropriate to ensure the protection which the fund provides to the public. Our engagement activity has consistently indicated that all parts of the profession, as well as consumers, support the existence of the compensation fund and the level of protection that it provides. The compensation fund plays an important role in protecting consumers, driving confidence and trust in legal services. It is largely accepted among solicitors that the whole profession benefits from the fund as it helps uphold its reputation.

We have considered whether there are any steps we could take that would help mitigate the impact of the proposed increase. This includes on smaller firms and those working in less profitable areas of law and individuals who bear the costs themselves.

When considering the impact of the proposed contribution last year (when we were able to reduce both individual and firm contributions), we decided not to change the way the way the compensation fund contributions were apportioned, but to consider this further in the longer term (please see below). Given that we are having to increase contributions for 2026/27, we have considered whether we can mitigate the impact by changing the apportionment for the 2026/27 year. This is ahead of undertaking a review of the compensation fund arrangements

at a future date. We have set out the potential impact of introducing this change for 2026/27 in the section below.

Impact of changing the apportionment of compensation fund contributions

In November 2024, we consulted on changing the apportionment of compensation fund contributions. We proposed moving from a 50:50 split between individuals and firms, to a 70:30 apportionment. Since the 50:50 apportionment was set originally, there has been a significant increase in the number of individual solicitors and a decrease in the number of firms. A 70:30 split would reflect this shift in the composition of the sector.

The consultation received mixed views and did not produce a clear consensus, with acknowledgement that any change would impact solicitors in different ways depending on their type of practice. Part of the feedback we received was that we should not consider changing how fees are apportioned ahead of completing our wider work around protecting client money, which may impact on the compensation fund and those that contribute to it. As a result, we did not implement changes following the consultation.

Our proposal for 2026/27 is based on the traditional 50:50 split between individual solicitors and law firms. However, given the significant increase in contributions required for 2026/27 and our assessment of its potential impact, we consider it is right to invite evidence and feedback on an alternative approach for next year where 70 per cent of contributions are apportioned to individual solicitors and 30 per cent to law firms.

If we to use a 70:30 split, the changes in the compensation fund contribution for 2026/27 would be as follows:

- the individual contribution would rise from £70 in 2025-26 to £166 in 2026/27 (as opposed to the £120 under a 50:50 split) – an increase of £96 instead of the proposed £50.
- the firm contribution would move from £1,950 in 2025-26 to £2,150 (as opposed to the £3,600 under a 50:50 split) – an increase of £200 instead of the proposed £1,650.

There would be winners and losers with this approach: individuals who pay their own contribution will pay more and law firms will pay less through the firm contribution. Firms which pay the contributions for the solicitors they employ will feel the impact of higher individual fees. Larger firms who have more solicitors are more likely to have a higher turnover than those employing fewer solicitors.

We have looked at the overall impact on firms who pay the contributions for their solicitors and have calculated that firms with more than 32 practising certificate holders will pay more than under the 50:50 split, and firms with fewer than 32 practising certificate holders will pay less. This means that the expected equality impacts on men, Asian and Black solicitors,

those aged over 45, disabled and Muslim solicitors and those from a lower or intermediate socio-economic background would be somewhat mitigated by the move to a 70:30 split. This is because smaller firms would pay less under this arrangement. Overall, we estimate that around 75 per cent of firms would pay less under a 70:30 split.

In terms of individuals paying more, this would be felt more by solicitors that are paid less (ie, those based in smaller firms, who work part-time or intermittently, or are working in less profitable areas of legal services). For smaller firms, employing fewer solicitors, a 70:30 split would reduce their costs and therefore potentially mitigate the equality impacts of these changes.

This option has been considered as a potential mitigation because of the increase proposed to compensation fund contributions for 2026/27. However, any change would impact solicitors in different ways depending on how they practice. Therefore, we are not minded to make any changes this year. However, given the significant increase in contributions required for 2026/27 and our assessment of the potential impact of this, we welcome evidence and feedback on an alternative approach for 2026/27 of 70% of fees apportioned to individual solicitors and 30% to law firms for 2026/27. We have thus included a consultation question to this effect

Any change would be to help address impacts identified by a rise in contribution in 2026/27 ahead of us undertaking a fuller review as part of our consumer protection work.

Next steps

We are seeking feedback about the regulatory and equality impacts of these proposals in our consultation. We will consider any feedback, including further mitigations of financial impacts we could make, and use this to finalise and publish the impact assessments, alongside our finalised Business Plan and budget in autumn 2026.

In the longer term, we are committed to reviewing the underlying approach to the compensation fund and the way that it is funded as part of our Consumer Protection Review. This will include looking at the apportionment between individual solicitors and firms, and wider questions including whether the flat fee model for firms - where all firms holding client money irrespective of characteristics such as size or potential risks presented - pay the same contribution to the compensation fund is appropriate. We will consider any changes in the underlying approach in the context of our broader work around the model of solicitors holding client money.



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