

BY EMAIL

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BOARD**

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Dear Paul and Catherine,

Approval of application made by The Law Society and Solicitors Regulation Authority (SRA) to Legal Services Board (LSB) under section 51 of the Legal Services Act 2007 (the Act) for the level of practising fees for 2015/16

I confirm that the levels of the 2015/16 fee determinations for practising certificates, recognised sole practices, recognised bodies and licensed bodies, as set out in your joint application and supporting documents of 22 July 2015 have been approved by LSB. We are content that the information provided by The Law Society (TLS) Group met the criteria of LSB's Practising Fee Rules 2009.

We are pleased that the level of PCF for individuals and firms will not be increased for 2015/16. Nonetheless, we are concerned that this is against the background of the total SRA budget falling for the third successive year, despite the SRA's increased contributions to TLS Group shared services. There have been other reductions such as the decrease in the LSB and the Legal Ombudsman levy, as well as a reduction in the Solicitors Disciplinary Tribunal costs. In the context of wider concerns about the cost of regulation, it may become more difficult to justify increasing (or even not decreasing) the level of PCF when the operational expenditure of the SRA appears to be falling.

We note that collection of fees at the approved level is expected to result in an over-collection of approximately £2.4m. This arises because the fee level was set in anticipation of change to the treatment of income which would have resulted in all income, including that generated from PCF funded activities, being allocated to non-permitted activities.

We recognise that in reaching the decision on the proposed treatment of income, the Law Society took steps to satisfy itself that such an approach was consistent with the

provisions of Section 51 of the Act. I hope that you appreciate that the LSB has to satisfy itself of this also as well as considering other issues raised by this change, and that this would not have been possible in the normal timescale in which we aim to deal with such applications. We appreciate the Law Society's decision not to implement the change this year to allow time for a full and proper consideration of the issues. While the over-collection is far from ideal, it represents a very small proportion (just 2.3% of the £105.8m total) income collected from the PCF. The LSB is reassured that you have committed to holding this in permitted reserves and to applying it to reduce the net funding requirement for 2016/17.

Finally, we would like to comment on the SRA planned review of fees and charges. We noted that the application confirmed that the SRA is finalising the scope of a project which will include options for changes to practising fees, other fees for regulatory activity and the Compensation Fund. Following further enquiries in our assessment, I understand you expect to be in a position to update us with a more specific timetable in October/November and that the SRA has offered to discuss its current thinking with us to understand how we can align your work to the LSB work on the cost of regulation. We very much welcome this offer and opportunity.

Yours sincerely



Caroline Wallace
Strategy Director

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