



**LEGAL SERVICES
BOARD**

The Chief Executive's Office
Legal Services Board
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Desmond Hudson
Chief Executive
The Law Society
The Law Society's Hall
113 Chancery Lane
London
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29 July 2010

Dear Des,

Approval of the application made by the Law Society (TLS) and the Solicitors Regulation Authority (SRA) to the Legal Services Board under s.51 of the Legal Service Act 2007 for the level of practising fees

I am pleased to inform you that the 2010/11 practising fee levels as set out in your application of 19 July 2010 and the supporting documents have been approved by the Legal Services Board. This decision has been made under the authority delegated to me as Chief Executive by the LSB Board and follows the changes to the practising fee structure that were approved on 14 July.

We are content that the information that you have provided indicates that the criteria within the Board's Practising Fee Rules (with the one exception noted below) have been met. In particular, the process undertaken by TLS/SRA presented a significant step forward from previous practice in providing your members with transparency of the fee setting arrangements and how the collected money is being used. I am grateful to the TLS and SRA representatives that have worked with my staff during the approval process to reach this position.

We look forward to maintaining dialogue going forward to ensure that we continue to improve the process for next year. We have highlighted that an issue of concern for the LSB is that the application did not include a breakdown of costs by each of the permitted purposes; a requirement that we set out in the criteria for approving each practising fee applications. We accept that a breakdown was not possible this year as systems are not yet set up to carry out this function. We expect that this will be addressed in time for submission of next year's practising fee application.

We also had some concerns that the breakdown of revenue provided indicative allocations to activity not associated with or incidental to functions that are permitted purposes. A subsequent letter received from the TLS on 21 July 2010 provided assurance that the

value allocated to non-permitted purposes is off-set by the contribution made from Law Society commercial revenue / reserves to permitted purposes. This has satisfactorily resolved the issue for this round. However, I should note for the record that we remain concerned about the policy and legal acceptability of applying some of the practising fee monies to costs associated with purposes which are not permitted purposes and will consider this further in the context of next year's round.

Please contact Sonya Gedson, Regulatory Associate, sonya.gedson@legalservicesboard.org.uk or 020 7271 0073 if you have any questions.

I have written in identical terms to Antony Townsend.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Kenny', with a long horizontal flourish extending to the right.

Chris Kenny
Chief Executive

E chris.kenny@legalservicesboard.org.uk

A simple handwritten checkmark or tick mark in black ink.