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Dear Duncan,

LBS vision for legislative reform of the regulatory framework

Many thanks for your letter of 11 January and the accompanying ICAEW response to our vision document.

I am grateful for your support for the LSB undertaking work in this area. We also think that looking ahead and championing change for the better are key parts of our role. This is something we have pursued for some time, not just through our recent vision document but also through previous work such as our 'Blueprint' document published in 2013.

We understand that ICAEW does not fully agree with our proposals, but we welcome contributions to this important discussion about the future shape of regulation. The existing regulators of legal services start from different positions in terms of their scale, scope and history and there will inevitably be a diversity of views about the best way forward. But new evidence, ideas and insights help ensure that a high quality debate takes place. The ICAEW seems well-placed (amongst other things) to bring a cross-sector perspective to bear. Any change will of course be a matter for government and ultimately Parliament. There would no doubt be a full public consultation as part of that process, with an opportunity for all stakeholders to share their views, before government put any change before Parliament.

You have suggested that the LSB has been 'modest hitherto in the debate' and that the LSB should take 'a more proactive role in the future regulatory framework'. I take a slightly different view. We think our proposals are anything but modest. We are seeking change to the scope, focus and structure of legal services regulation. We have been very proactive in developing and communicating these proposals, and in ensuring that the Competition and Markets Authority (CMA) gave these matters due consideration in its recent market study. In relation to the latter, I am pleased that the CMA has made clear recommendations following its market study that the MoJ should undertake reviews (i) in the short term of the

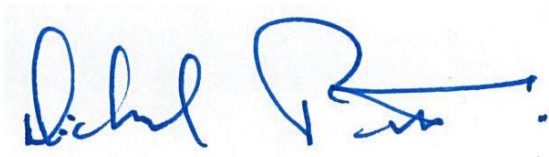
independence of the regulators and (ii) in the longer term of the regulatory framework, based on the principles that the regime needs to be more flexible, more risk-based and move away from regulation attached solely to professional titles. I await the MoJ's response to these recommendations with interest.

To the extent that you would suggest a bigger, less 'modest' role for the LSB in any future regulatory framework – for example, in relation to stronger oversight with more powers to ensure regulatory independence – our proposals in these areas are based on what we believe to be best for consumers and the public. This is why we think that, if there were a single regulator that was independent of both the professions and government, no oversight regulator would be needed.

I would welcome the opportunity to discuss the issues raised in your response to our vision document further. Could I suggest that we pick this up as part of the scheduled senior level meetings between the LSB and the ICAEW?

Many thanks once again for the time that ICAEW has taken to engage with and respond to our proposals for reform.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Michael Pitt', with a stylized flourish extending to the right.

Sir Michael Pitt
Chairman