

To:	Legal Services Board	
Date of Meeting:	11 July 2012	Item: Paper (12) 50

Title:	Conveyancing review	
Workstream(s):	Ensuring effective redress for consumers (see Business Plan 2011/12)	
Author / Introduced by:	Chris Baas, Project Manager Christopher.Baas@legalservicesboard.org.uk Fran Gillon, Director of Regulatory Practice Fran.Gillon@legalservicesboard.org.uk / 020 7271 0087	
Status:	Unclassified	

Summary:

The attached draft paper sets out analysis of the conveyancing market and the regulatory risks particularly around mortgage fraud that may potentially arise. While risks are identified in conveyancing, there is evidence that the regulators and others are taking steps to reduce the risks for consumers. It is proposed that the draft report be shared with the relevant ARs and the Legal Ombudsman through the course of July and August with the view to publishing the report in September.

The question that the review sought to address is whether there is evidence that the risks consumers face are not being managed well enough by the approved regulators (ARs) for the LSB to intervene. The evidence that we have to date shows little evidence that there is widespread systemic failure. That is not to say that there are not issues for the ARs to manage, but the ARs are taking steps to respond to the risks in the market.

The report makes the following recommendations that are designed to help the ARs (and future regulators) shape their regulatory approach:

- a. The costs and benefits of holding client money need to be carefully assessed. The costs should include the risk costs that arise from mortgage fraud as well the costs of compensation fund and compliance
- b. Alternatives to providers holding client money should be explored
- c. Regulators should consider having different authorisation requirements for those who hold client money
- d. Regulators should develop a better understanding of the conveyancing services market(s) using the Oxera framework developed for the LSB and target their regulation accordingly
- e. Consideration should be given to the current training requirements, particularly ongoing professional development requirements and regulators should consider if specialist training should be made mandatory for those who undertake conveyancing

- f. As new insurance products become available, regulators should keep under review whether the design of their PII arrangements is optimal
- g. Regulators should track and respond to new trends in the market and monitor changing risks for consumers and wider systemic risks.

Recommendation(s):

The Board is invited to note and comment on the draft report.

Risks and mitigations

Financial: None

Legal: None

Reputational: There is a risk that the LSB's reputation will be damaged if there is increased mortgage fraud in future.

Resource: Sufficient

Consultation	Yes	No	Who / why?
Board Members:		X	
Consumer Panel:		X	
Others:	None		

Freedom of Information Act 2000 (Fol)

Para ref	Fol exemption and summary	Expires
Main paper	s22 - intended for future publication	N/A

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