

**FOR IMMEDIATE RELEASE:**

## **LSB MAKES PROPOSALS ON THE REGULATION OF REFERRAL ARRANGEMENTS**

### **Transparency and compliance key to their retention**

The Legal Services Board (LSB) has today published proposals for improving the regulation of referral fees and arrangements. The proposals, which can be found [here](#), are subject to a 12 week consultation – with responses informing a final decision paper to be released in the second quarter of 2011.

The findings released today are the culmination of a comprehensive programme of evidence-gathering both inside and outside of the legal services sector.

In November 2009, the LSB commissioned its independent Legal Services Consumer Panel, chaired by Dr Dianne Hayter, to provide the Board with advice on the consumer interest in this area. The Panel reported on its findings in May. The LSB also commissioned new research into the economic impact of referral arrangements, which was released at the beginning of the summer. Alongside a series of research seminars and stakeholder discussions, this evidence has shaped and informed today's report. It constitutes the LSB's provisional view on the most appropriate and proportionate way to regulate referral fees, to provide for the positive contribution they make to access to justice to continue whilst minimising the potential for consumer detriment.

The LSB's proposals reinforce the findings of the Consumer Panel by stopping short of an outright ban on referral fees and arrangements. The package does, however, recommend a detailed set of clear disclosure and transparency requirements for those who enter into these arrangements – designed both to give the consumer better awareness of the details behind the transaction and to secure a more consistent approach to transparency across the sector. They can be summarised as reveal, regulate, and only then, retain.

**David Edmonds, Chairman of the Legal Services Board said:**

*There has been long-running debate around these issues. But empirical evidence has been lacking. The proposals we are making today are underpinned both by economic analysis across the market, and by investigation of consumer attitudes.*

*As a regulator we are committed to proportionate intervention. Our hypothesis is that neither an outright ban nor a laissez-faire free-for-all would be appropriate. Instead, we suggest that clear obligations on transparency would preserve the beneficial impacts of the arrangements, whilst addressing the conditions that underpin concerns about consumer choice and transparency. Final decisions will rest on responses to this consultation.*

**For more information please contact Craig Jones, Media and Public Affairs Manager on [craig.jones@legalservicesboard.org.uk](mailto:craig.jones@legalservicesboard.org.uk) or on 07702 428210**

**Notes for editors:**

1. The Consumer Panel research and report can be found [here](#).
2. The Charles Rivers Associates research can be found [here](#).
3. The Legal Services Act ('The Act') provides for the creation of the Legal Services Board as the oversight regulator for legal services in England and Wales. The new regulatory regime enacted by the Act became fully active on 1 January 2010.
4. The legal profession currently consists of some 16,455 barristers, 112,246 solicitors and 12,200 individuals authorised to operate in other aspects of the legal profession such as conveyancing. The sector has been valued at £25.97 billion per annum. In total the legal sector employed 323,000 individuals in 2008. [ONS]
5. Section one of the Act defines the following regulatory objectives that guide the work of the Legal Services Board and its partners the Approved Regulators:
  - Protecting and promoting the public interest;
  - Supporting the constitutional principle of the rule of law;
  - Improving access to justice;

- Protecting and promoting the interests of consumers of legal services;
- Promoting competition in the provision of legal services;
- Encouraging an independent, strong, diverse and effective legal profession;
- Increasing public understanding of the citizen's legal rights and duties;
- Promoting and maintaining adherence to the professional principles;

6. The 2010/11 LSB business plan can be found [here](#).

7. The LSB oversees eight "Approved Regulators", which in turn regulate individual lawyers and organisations. The eight approved regulators, designated under Part 1 of Schedule 4 of the 2007 Act, are the Law Society, the Bar Council, the Master of the Faculties, the Institute of Legal Executives, the Council for Licensed Conveyancers, the Chartered Institute of Patent Attorneys, the Institute of Trade Mark Attorneys and the Association of Law Costs Draftsmen. In addition the Institute of Chartered Accountants in Scotland and the Association of Chartered Certified Accountants are listed as Approved Regulators in relation only to reserved probate activities.