

‘Achieving the Right Outcomes’

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The SRA strategy



“To set, promote and secure in the public interest standards of behaviour and professional performance necessary to ensure that clients receive a good service and that the rule of law is upheld.”

What's changing?

Legal Services Act 2007 offers:-

- potential for more flexible and competitive delivery of legal services.
- easier access to justice
- alternative business opportunities to lawyers and those wishing to go into business with lawyers

A new way of regulating

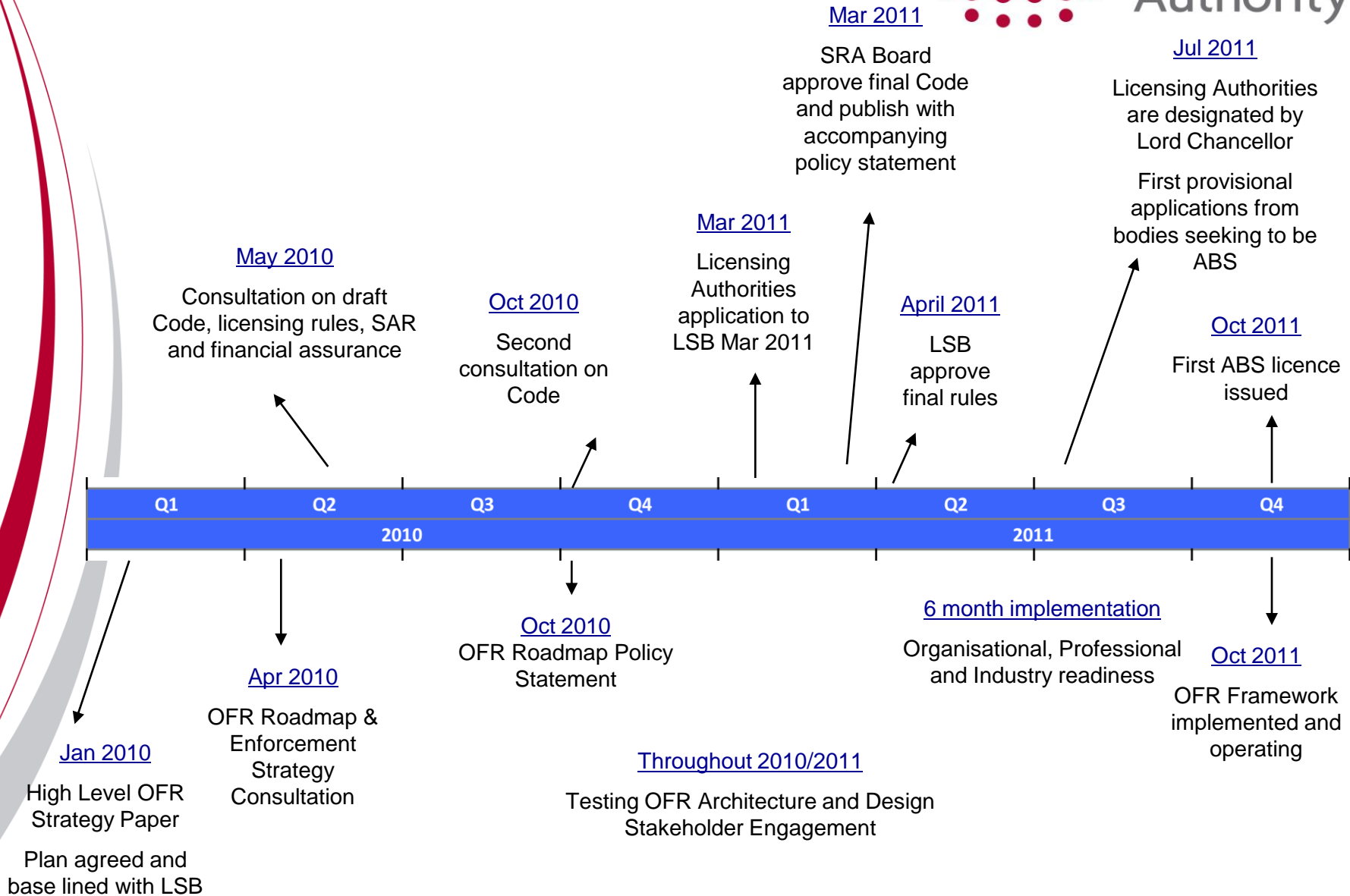


- In 2011 the SRA will move to a system of outcomes focused regulation which will offer the profession more flexibility in how they operate their businesses.

Timeline



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Our vision

- Transformation of the future regulation of legal services.
- Transformation of how we relate to and work with the profession.
- Transformation of how the profession relate to us.

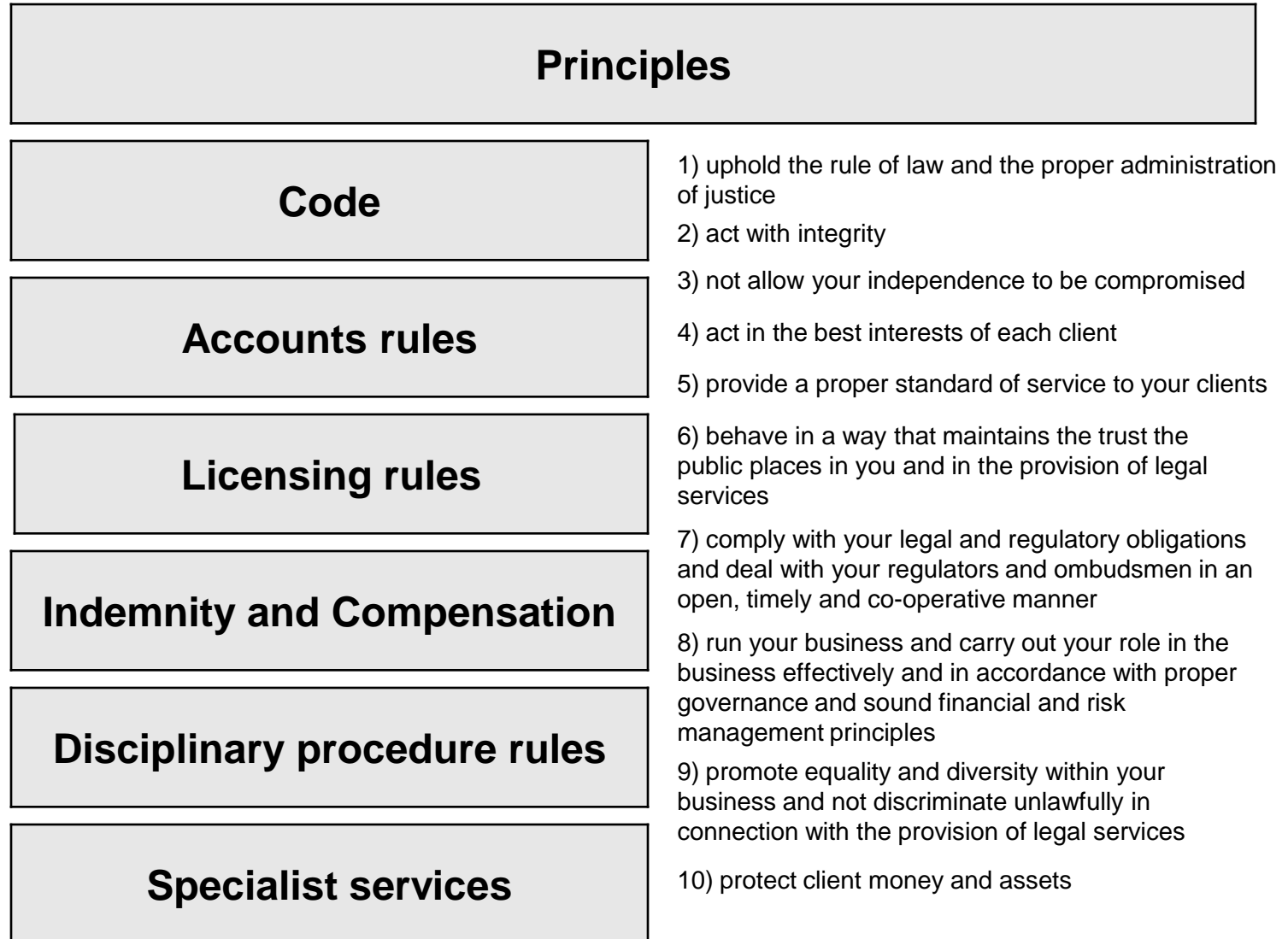
We want to:

- Concentrate our resources on dealing with those firms who pose serious risk to regulatory objective
- Encourage law firms to assess and tackle the risks themselves wherever possible, allowing us to concentrate on those who can't – or won't – put things right.

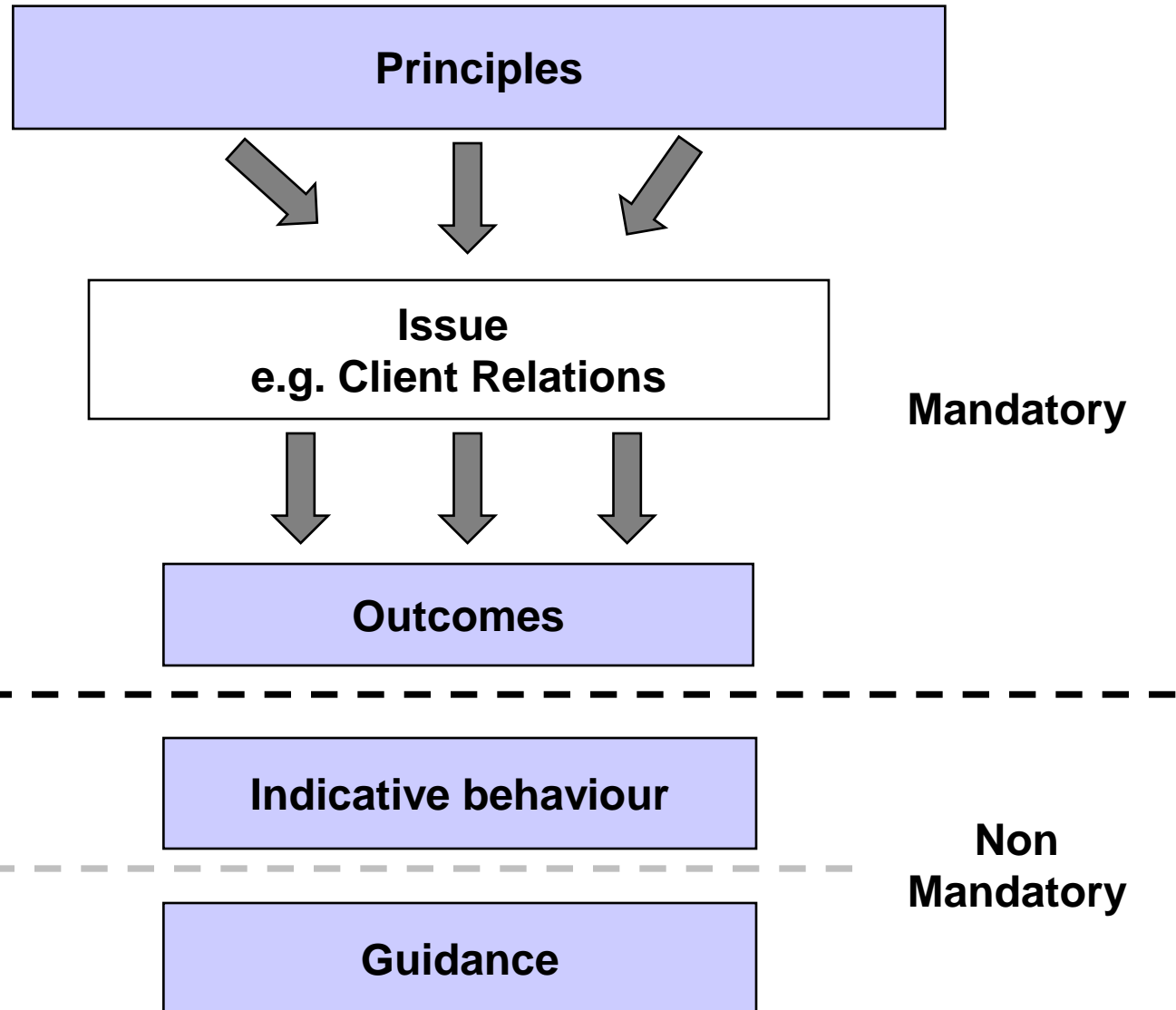
How will it work?

“The requirements on firms will be far more focused on acting in a principled manner to achieve desired outcomes for clients, rather than compliance with over detailed rules, and in turn our assessment of firms in our visits will look at the extent to which those outcomes have been achieved.”

Structure of handbook



Structure of code



The Characteristics of OFR



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- Overarching high level requirements that can be applied flexibly.
- It is both qualitative and quantitative.
- Largely behavioural standards.
- The aim is to set the right standards for firms in furtherance of the statutory objectives, rather than imposing best practice.
- Broad application to a diverse range of circumstances.
- Capable of being applied fairly.

The advantages of OFR



- Flexibility – enabling firms to deliver services better tailored to their clients' needs.
- More likely to produce behaviour which fulfils the regulatory requirements and delivers the right standards for consumers.
- Compliance should be easier – there can be differentiation between firms based on risk
- Focus on the purpose of the regulatory requirements.

The consumer interest

‘Clients are in a position to make informed decisions about the service provided and the options available to them, including costs.’

- Compliance will need to be demonstrated – for example through customer satisfaction surveys, analysis of client complaints, the results of internal file audits.
- This will enable firms to take greater responsibility for their professional conduct and quality assurance.

The new regulatory experience for consumers



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- Consumers of legal services will be key beneficiaries of the new approach
- Recent reports indicate there are many people who do not believe they are getting the outcomes they expect from their experience of the legal services sector
- We will not be looking at individual complaints but some matters that come to our attention may lead us to take further regulatory action
- Substantive complaints handling will sit with the Legal Ombudsman (LeO), not the SRA

A relationship of trust and understanding



- Firms – and individuals – who respond positively to this new approach will be able to enjoy a more constructive relationship with the SRA.
- Many of these firms will experience lighter supervision.
- Those who don't respond well can expect to be dealt with severely if something goes wrong.

The new regulatory experience for firms



- The move to OFR will require firms and individuals to take responsibility for identifying and managing the risk
- Firms that can do this will then be left largely to get on with running their businesses
- We will focus our resources on the small minority of firms and individuals that cannot or will not comply
- Good firms and individuals will need to be confident that we will not seek 'to catch them out'

How will it change your engagement with the SRA?



Authorisation

- To allow only those firms and individuals who are capable and willing to act ethically and deliver good outcomes for clients, to deliver legal services
- Authorisation and re-accreditation are important gateways for risk-based regulation

How will it change your engagement with the SRA?



Supervision

- To continue to help firms improve standards, reduce risk for clients and enhance the reputation of legal services
- Supervisory emphasis on assessing whether firms' risk management and controls are likely to exacerbate or mitigate risk
- More supervisory analysis of whether firms are achieving the specified outcomes
- Less emphasis on the detailed approach firms take.
- SRA visits are likely to be focused rather than broad-ranging reviews across all areas of a firm's compliance with the specified outcomes.

Information from firms

- A risk-based regulator needs information from many sources in order to assess risk, including the
 - broader economic environment
 - market specific information and
 - information from those it regulates
- New requirements to ensure that those managing a firm have clear lines of responsibility for compliance with the SRA's principles and outcomes and for competent running of the firm's business
- We will be engaging with stakeholders in our approach to this issue
- We need an understanding of the moral hazard risk of collecting too much information and the need to minimise the burden on firms.

Is this light touch regulation?

- No - one should not confuse OFR with light touch regulation.
- Where serious breaches of the principles and outcomes are detected they will be rigorously enforced, including taking appropriate action against individuals

In summary

- Regulation should focus more on the quality of clients' experience – and less on prescribing the approach that firms should take.
- A shift in emphasis from prescriptive, rigid rules to flexible outcomes focused requirements.
- A focus on the quality of clients' experience – and less on prescribing the approach that firms should take.
- Flexibility in how firms meet their regulatory obligations
- Openness with the regulator.