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*Dear Ms. Lagarde*

**Regulation of the legal profession**

I write, as the Chairman of the independent oversight regulator for the legal profession in England and Wales, in response to recent reports that the IMF is encouraging those countries in need of its assistance to make arrangements for independent regulation of the legal profession.

In particular, I have noted the concerns raised recently by the Council of Bars and Law Societies of Europe (CCBE) and the American Bar Association (ABA), which suggest that the introduction of an independent regulator would lead to erosion of the independence of the profession, the rule of law and the administration of justice.

These concerns are well-documented, but not in my view well-founded. The introduction of such arrangements for the legal profession as those proposed by the IMF has had quite the opposite effect in England and Wales. The changes brought about by the Legal Services Act 2007, rather than diminishing the principle of the rule of law, embed it. These changes included:

- the creation of my Board, the Legal Services Board (LSB), to provide oversight to the regulators of the legal profession, backed by strong statutory powers to ensure decision making is focused on public and consumer interests, not professional ones
- the separation of the frontline regulators' representative and regulatory functions
- the liberalisation of the market brought about by alternative business structures, allowing for non-lawyer ownership of law firms to provide a more consumer focused service
- better access to effective and appropriate redress through the creation of an independent ombudsman service.

By binding the LSB to statutory duties and ensuring that it can be called to account by Parliament, the Legal Services Act guarantees that the Board is run independently of Government. Appointments to my Board are made with the approval of the Lord Chief

Justice, an important additional safeguard to guarantee independence from both Government and the profession.

Independent and transparent regulation is an essential hallmark of a credible regulatory system that best promotes the public interest. Consumer confidence in a regulatory regime run by those who are regulated by it, and focusing only on individual conduct without considering wider competition and consumer issues, cannot be sustained. Not least when set against the backdrop of developments in financial markets in recent years. Now, more than ever, consumers must have faith that regulation is designed to protect their interests and society as whole must be assured that the public interest and rule of law are being promoted by a properly regulated legal services market. Accordingly, it is right to expect that the regulation of legal services is not controlled or prejudiced by people elected specifically to represent the interests of the providers of those services.

Independent regulation goes hand in hand with market liberalisation. If consumers can have faith that regulation protects their interests, they can be empowered to make choices on services that best meet their needs. By removing the barriers to entering the legal services market, and in particular the restrictions on capital investment and management responsibility for non-lawyers in law firms, we expect to see a more competitive market and increase incentives to innovate and offer services at lower cost.

I would be very happy to explore the areas briefly covered by this letter with any of your colleagues, should IMF business take them to London.

I am copying this letter to Alex Gibbs, the IMF's United Kingdom Director, and the Rt. Hon. Kenneth Clarke QC MP, Lord Chancellor and Secretary of State for Justice. I am also making a copy of this letter available publicly on our website.



**David Edmonds**  
Chairman