

Section 69 Order: modification of the Solicitors' Regulation Authority Compensation Fund

**SRA response to LSB consultation under
Section 70 of the Legal Services Act 2007**

July 2012

Response of the SRA to the LSB consultation under Section 70 of the Legal Services Act 2007 on proposals to make a Section 69 Order modifying the Solicitors Act 1974 for the purposes of the SRA making compensation arrangements.

Introduction

- 1.1 The SRA is the independent regulator of solicitors, the firms in which they operate and all those working within those firms. We regulate in the public interest.
- 1.2 This is the response of the SRA to the LSB consultation under Section 70 of the Legal Services Act 2007 on proposals to make a Section 69 Order modifying the Solicitors Act 1974 for the purposes of the SRA continuing to make compensation arrangements to cover ABS firms as well as sole practitioners and recognised bodies.
- 1.3 The SRA agrees with the explanation of the background to this consultation in paragraphs 6 to 10 of the consultation paper.

What are your views on the proposal to enable the SRA to operate a single compensation fund for ABS and non-ABS?

- 2.1 In the view of the SRA a single compensation fund covering ABSs and other SRA-regulated bodies is necessary to ensure continuing compensation cover for clients of all firms regulated by the SRA.
- 2.2 We wish to distinguish short-term and long-term needs:
 - 2.2.1 In the short term, it is necessary for the SRA Compensation Fund to cover ABS firms. At present there are very few ABS firms, but numbers are slowly increasing. However the potential claim on a compensation fund arising from an ABS is at least as high as for any other firm. It is not practical to require this small body of contributors to sustain a viable independent compensation fund. The mandatory contribution of each firm would be prohibitively high while the fund was becoming established.
 - 2.2.2 In the long term, the SRA will be reviewing current compensation arrangements, which raises the possibility of future proposals for reform. As the body of ABS firms becomes established we will have a clearer picture of the number and size of firms, and of the major risk factors which may lead to compensation claims. We do not wish to pre-empt the results of our review, or try to predict how the ABS sector will develop. For this reason, we cannot at this stage elucidate our preferred long term arrangements for ABS compensation.
- 2.3 In summary, we regard the proposal to remove the time limitation from the 2011 Order by the making of a further Section 69 Order to be a necessary measure.

Do you agree with the LSB's preferred approach to the drafting of the Order?

- 3.1 The SRA strongly agrees with the LSB's preferred approach: to remove the time-based element of the order and to make the change permanent.

3.2 This preferred approach will ensure adequate time for the SRA's review and subsequent revision (if any) of compensation arrangements.

Do you have any comments about the drafting of the SI on this issue?

4.1 The drafting of the SI reflects the SRA's preferred option (see 3.1 and 3.2 above) and therefore we agree with the drafting of the SI on this issue.