

Strictly confidential for addressee only

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29 May 2018

Dear Paul

Embargoed: Final Investigation Report and Enforcement Action

1. Thank you for the comments submitted by TLS on 13 April 2018 in response to the factual accuracy check of the investigation report (the Report) which we carefully considered.
2. We have concluded our investigation into TLS's oversight and monitoring arrangements for the Solicitors Regulation Authority (SRA) and completed the factual accuracy check with all parties to the investigation. Please find enclosed a **confidential** copy of the final version of the Report.
3. You will see that we have made some minor amendments, however the substantive findings and drafting remain the same as the previous version sent to you on 14 March 2018. The changes made were for clarification purposes and to highlight that the Audit Committee's terms of reference were open to different interpretations.
4. In its letter of 13 April, TLS noted its surprise and disappointment that it was not invited to meet with the investigation team when this opportunity was offered to the SRA. Due to the level of TLS's co-operation with the investigation and extent of the evidence provided to us, we considered that we had a full understanding of TLS's position. We therefore did not consider it necessary to meet with TLS.

Decisions of the Board

5. On 24 April 2018, the Board confirmed their finding that TLS breached Rule 8 of the Internal Governance Rules (IGR) because the SRA's effectiveness was impaired by TLS's oversight and monitoring arrangements. It made a decision regarding enforcement action and approved the final version of the Report for publication.

6. In accordance with the requirements of the Legal Services Act 2007 (the Act) and the LSB's Statement of Policy on Enforcement (the Enforcement Policy), the Board considered whether TLS's acts or omissions were unreasonable and whether they were sufficiently serious to warrant enforcement action.
7. The Board considers that the failings of TLS are unreasonable. In forming this view it was particularly concerned at the extent of the governance failings of TLS given that the statutory framework and IGR have been in place for a number of years. The Report makes clear that TLS's governance arrangements in relation to the SRA were neither proportionate nor transparent.
8. The Board considered the evidence of failings and the consequential breach of the IGR as detailed in the Report and formed the view that these had or were likely to have an adverse impact on one of the regulatory objectives, namely protecting and promoting the public interest (s1(a) of the Act).
9. In line with the requirements of the Act and the Enforcement Policy, the Board took into account the desirability of resolving matters informally. It concluded that whilst there were actions that could be resolved informally, the findings in the Report were such that the matter warranted formal enforcement action.
10. **Therefore, on 24 April 2018, the Board decided that the appropriate and proportionate enforcement action would be a public censure in accordance with s35 of the Act. This action is in combination with, and in consideration of, anticipated agreement of informal undertakings.**

Notice

11. In accordance with s36(1) of the Act this letter is notice of the Board's intention to publish a statement of censure. Enclosed is a copy of the proposed statement of censure (s36(1)(a)), in which the acts/omissions of TLS are specified (s36(1)(b)).
12. Thank you for confirming by letter dated 25 May 2018 that TLS agree to waive their right to make representations, as provided by s36(1)(c) of the Act.
13. Accordingly, we propose to publish this letter alongside the censure, undertakings and final version of the Report on Thursday 31 May 2018.

Undertakings

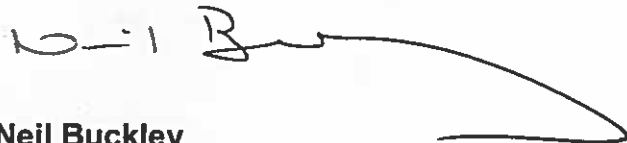
14. As stated above (at paragraph 9), the Board decided that the failures of TLS warrant a combination of both informal and formal action. I am grateful to TLS for co-operating with the LSB and agreeing to informal undertakings which address the Board's concerns.

15. As specified in the undertakings, TLS will provide LSB with a written report by 30 November 2018 which will describe how TLS governance arrangements with the SRA have operated in the previous 12 months with a focus on their impact on the SRA's effectiveness.

Confidentiality and publication

16. I confirm that an embargoed copy of the Report and the undertakings will be sent to Paul Philip, at the SRA. The external members we met as part of the investigation will be sent an embargoed copy of the Report only.
17. As noted above at paragraph 13, the final version of the Report will be published on **Thursday 31 May 2018** (at or after midday) alongside this letter, the statement of censure and the undertakings.
18. **The Report and associated documents are currently embargoed. The Report, extracts of the Report, its findings and the decisions of the Board should not be disclosed to any other parties prior to publication.**
19. Finally, we would like to thank you again for your co-operation during the investigation.

Yours sincerely



Neil Buckley
Chief Executive

Encs: Final version of the Report, May 2018
Statement of public censure
Undertakings – for signature

