

Application made by the Solicitors Regulation Authority (SRA) Board to the Legal Services Board (LSB) under Part 3 of Schedule 4 to the Legal Services Act 2007 (LSA) for the approval of changes to regulatory arrangements to introduce the SRA Transparency Rules and the SRA Roll, Registers and Publication Regulations

Section A – details of the proposed alterations

A1 Context

1. This application seeks LSB approval for changes to our regulatory arrangements to introduce the SRA Transparency Rules and the SRA Roll, Registers and Publication Regulations¹, which will provide consumers with more transparent information about legal services.
2. In our policy statement, [Approach to Regulation and its Reform](#), published in November 2015, we explained that one of our two key purposes is to protect consumers of legal services. This is due to the significant difference in knowledge and understanding of legal services between providers of legal services and most consumers. This puts the consumer at a disadvantage when selecting legal services.
3. We therefore began to develop proposals to increase transparency in the legal services market. Our work and subsequent proposals have been significantly influenced by the recommendations made by the Competition and Markets Authority (CMA) in its [legal services market study](#).
4. Our SRA Transparency Rules and SRA Roll, Registers and Publication Regulations will ensure that consumers have more information to make informed choices about purchasing legal services. They will also deliver on the central commitments we made in our [action plan](#) in response to the CMA's legal services market study.
5. The SRA Transparency Rules and SRA Roll, Registers and Publication Regulations will complement the new SRA Principles, Codes, Rules and Regulations, which are the subject of a separate application to the LSB.

A2 Proposed changes which are the subject of the application

6. This application consists of the SRA Transparency Rules and the SRA Roll, Registers and Publication Regulations. These are the two rule sets that govern our transparency reforms.
7. The SRA Transparency Rules are attached at Annex 1. They will:
 - require firms to publish, on their website, price and service information for specified legal services;
 - require firms to publish, on their website, their complaints procedure, including how and when complaints may be made to the Legal Ombudsman or the SRA;

¹ The SRA Transparency Rules is a new set of rules. The SRA Roll, Registers and Publication Regulations largely bring together existing requirements, as explained in the body of the application.

- require firms to display on their website a digital badge that verifies that a firm is regulated by us;
 - require solicitors, Registered European Lawyers (RELs) and Registered Foreign Lawyers (RFLs)² who are providing legal services to the public through a firm that is not regulated by us or another approved regulator to inform clients, at the point of engagement, that they are not subject to our requirements for compulsory professional indemnity insurance (PII) and require them to disclose their insurance position. They will also be required to inform their clients that they cannot submit a claim to the SRA Compensation Fund. This requirement does not extend to solicitors working in non-commercial bodies. Individual self-employed solicitors (freelance solicitors)³ will need to inform clients that they are not required to have PII that meets our minimum terms and conditions and explain what insurance arrangements they do have in place. Eligible clients of freelance solicitors will be able to submit a claim to the SRA Compensation Fund.
8. The SRA Roll, Registers and Publication Regulations are attached at Annex 2⁴. They set out the information we will keep in electronic form and the information we will publish. These regulations will help to facilitate the development of our digital register. They pull together register-related requirements previously found in our SRA Keeping of the Roll Regulations and in parts of our SRA Authorisation Rules and SRA Practising Regulations. They include a new requirement that will allow our digital register to include the types of work that firms offer, as well as the existing requirements for information on individuals⁵ and firms. Individuals will continue to have to tell us where they are working and will also have to tell us whether that business is regulated by another approved regulator. Individuals will have to tell us if they are practising as a freelance solicitor.
 9. They also make clear what information we may publish. There is a new provision which sets out that we may publish further information if we consider it in the public interest to do so. This allows us to be transparent and add to the regulatory information in the registers, as necessary in the public interest. As a public interest regulator, we can already publish information in the public interest. This is set out in our publication guidance, but we are now seeking to make it clear in our regulatory arrangements.
 10. Tracking documents which make clear exactly what has and has not changed from our existing regulatory arrangements, are attached at Annexes 6 and 7.

² RELs and RFLs are foreign lawyers who are practicing in England and Wales and registered with us. Subject to LSB approval, our new rules will allow them (and solicitors) to provide unreserved legal activities to the public through bodies that we, or any of the other legal services regulators, do not authorise. These rules will be submitted to the LSB for approval in an application to the LSB shortly.

³ As part of a separate application to the LSB, we are proposing to allow individual self-employed solicitors and RELs that are working alone as freelancers to provide reserved legal services to the public under their individual authorisation.

⁴ Since the SRA Board approved these Regulations, we have identified a typographical error at 2.1(i)(ii) and so the words “is suspended” have been removed from the version we published on 14 June 2018.

⁵ For ease of reading, this application sometimes refers to individuals we regulate as “solicitors”. This should be taken to include all the individual lawyers we regulate.

A3 Overall rationale for the project

11. Our objective is that consumers should have the information they need to make informed choices about the purchase of legal services. Specifically, we aim to ensure that consumers have the information they need about firms, the services they offer, the prices they charge and the protections they have in place. This will enable consumers to compare different providers and make informed choices about which provider will best meet their needs.
12. The CMA, in its legal services market study, also concluded that a lack of transparency means that some consumers do not obtain legal advice when they would benefit from it and weakens competition between providers. We expect our new transparency requirements to increase competition and mean that some consumers will obtain legal advice when they would otherwise not have done so.
13. The SRA Transparency Rules complement our other new regulatory arrangements – the new SRA Principles, Codes and Rules. Subject to LSB approval, these new arrangements will give consumers greater choice of legal services, through enabling solicitors to deliver unreserved legal services to the public through an organisation that is not regulated by an LSA regulator. To fully realise the benefits of these changes, consumers need the right information to understand the full range of choices and protections available to them.

A4 Outline chronology

14. In November 2015, we published our policy statement [Approach to Regulation and its Reform](#) which explained that one of the two purposes of our regulation is to protect consumers of legal services because “the supplier’s knowledge and expertise potentially puts the consumer at a disadvantage in selecting services.”
15. As part of its open data project, the LSB commissioned the Legal Services Consumer Panel (LSCP) to review what information regulators could collect from those they regulate to help consumers. In February 2016, the LSCP issued its report [Opening up data in legal services](#). It included recommendations for approved regulators to improve the provision of regulatory information. The LSB [responded](#) to this report in April 2016 broadly supporting the LSCP’s recommendations, while acknowledging that the decision as to whether to publish some data was finely balanced.
16. In October 2016, we launched our discussion paper [Regulatory data and consumer choice](#). In that paper, we asked for views on intervening in the legal services market to increase transparency. We explored what information we could publish about individual solicitors and the firms we regulate, and what information we may require solicitors and firms to provide to consumers themselves. We received a variety of responses, which we considered carefully.
17. In December 2016, the CMA published its [final report on the legal services market](#). It concluded that competition in the market is not working well for ordinary consumers and small businesses and called for them to be given access to more information to help them navigate the market and make informed choices when purchasing legal services.

18. The report also concluded that:
- consumers generally lack the experience and information they need to find their way around the legal services sector and to engage confidently with providers;
 - consumers find it hard to make informed choices because there is very little transparency on the services offered. In particular, there is not enough information available on price, quality and service to help those who need legal support choose;
 - this lack of transparency weakens competition between providers and means that some consumers do not obtain legal advice when they would benefit from it, and
 - obtaining the right service at good value can be challenging, as consumers can face wide variations in the cost of similar services. They can also struggle to find enough information to help them identify their legal needs in the first place.
19. In September 2017 we published our consultation on our proposals. The consultation ran until December 2017. Our consultation responded to the CMA report and took account of the feedback to our discussion paper. We also liaised with other frontline regulators to ensure a consistent approach wherever possible. Details of our consultation and supporting engagement are set out at Section H below. The responses to our consultation are attached at Annex 3, and our post-consultation position is set out in Annex 4.
20. The consultation responses and other stakeholder feedback helped us shape our final requirements. For example, stakeholder feedback informed our decisions to:
- put our transparency requirements into rules rather than guidance, to make it clear what our mandatory requirements are;
 - provide consumers with details of our professional indemnity insurance requirements and Compensation Fund through our new digital badge rather than asking firms to publish this information on their websites;
 - include areas of practice within the digital register;
 - move away from our original plans to publish first tier complaints data, and
 - require solicitors working in non-LSA regulated firms to inform clients of the insurance arrangements in place.
21. In May 2018 our Board made the SRA Transparency Rules and the SRA Roll, Registers and Publication Regulations, subject to the approval of the LSB.

Section B – nature and effect of the existing regulatory arrangements

22. Currently, the requirements in the SRA Transparency Rules do not exist. Price transparency and the other information requirements in the proposed regulations are not currently regulated by the SRA. The register-related requirements currently found in our SRA Keeping of the Roll Regulations and in parts of our SRA Authorisation Rules and SRA Practising Regulations are drawn together in the SRA Roll, Registers and Publication Regulations, attached at Annex 2.

Section C – nature and effect of the proposed alteration

23. The new rules will require firms to publish cost and service information on their websites if they provide specified legal services. Firms that do not have a website will need to provide the same information on request.
24. The areas of legal services for individual consumers and businesses on which price and service information must be published, and our reasons for choosing this area, are set out in the table below. In general, we have chosen services in which we believe firms can fairly easily predict the activities that will need to be carried out, and so can fix or estimate prices.

Area	Our reasons for requiring publication
Residential conveyancing	<ul style="list-style-type: none"> • This is an area which can be relatively commoditised. The work is reasonably standardised for most transactions. • Price publication is more common for this service than others, with around 13 percent of firms currently publishing prices. • Respondents to the consultation who did support mandating price publication commonly cited residential conveyancing as a good area to start with. • Working with other regulators, we hope that price transparency requirements will cover the whole of the regulated market.
Probate	<ul style="list-style-type: none"> • Information suggests that it is an area where price competition could be improved and where there are currently significant and unexplained differences in prices quoted for the same work. • Working with other regulators, we hope that price transparency requirements will cover the whole of the regulated market.
Motoring offences	<ul style="list-style-type: none"> • This is an area where many consumers are likely to be making distress purchases with little knowledge of either the process or what to expect.
Employment tribunal (employer)	<ul style="list-style-type: none"> • Services in this area can often be distress purchases. • Small businesses are cost sensitive and more knowledge of the upfront cost of a case proceeding to tribunal (and what it entails) gives an opportunity to make an informed choice on how to proceed with an employment matter.

Employment tribunal (employee)	<ul style="list-style-type: none"> • Access to price and service information about employment tribunals should also be provided to employees. • The upfront cost of taking a case to tribunal can be significant. Access to more price and service information can help an individual assess the merits of taking their matter forward or take alternative action. More knowledge of the process leads to more informed decisions. • Individuals will often be making a distress purchase when seeking these services.
Licensing applications	<ul style="list-style-type: none"> • This is a common issue for small businesses and an area which can be relatively commoditised. • The types of transactions this will cover includes the sale or supply of alcohol and a change of opening hours for entertainment purposes.
Debt recovery	<ul style="list-style-type: none"> • Services in this area can (and often are) commoditised. • This is a legal problem for many small businesses that they do not currently seek legal help for. More price information can lead to more businesses seeking this type of legal service.
Immigration (not including asylum)	<ul style="list-style-type: none"> • We did not include this area within our consultation, but asked respondents if there were any areas they felt were missing. A number of stakeholders asked us to consider immigration, given the vulnerability of clients. Stakeholders also raised concerns about unexplained differences in prices for the same work. • Excluding asylum, immigration matters are commonly privately funded. • Working with other regulators, we hope that price transparency requirements will soon cover the whole of the regulated market.

25. The Transparency Rules provide clear definitions for each of the areas.

26. We believe that our price publication requirements will most clearly assist individual consumers and small businesses. The CMA report also focussed on these consumers. Large commercial clients are not at the same disadvantage in making informed purchasing decisions and are unlikely to use comparison information in the same way when choosing a legal services provider. The areas of legal services we

have chosen are deliberately focused on issues most affecting individual consumers and small businesses.

27. We considered an exemption for firms who carry out work exclusively for large commercial clients and sought views on this in our consultation. Having taken into account the feedback we received from stakeholders, we have concluded that an exemption could not be justified. Firms that specialise in providing relevant services to wealthier or business clients will need to comply with our price publication requirements. Appropriate price and service information will help these clients make informed choices, for example about whether they would like a basic or a high-end service.
28. However, we are keen to ensure that our requirements are targeted and proportionate and have given careful thought to how to frame them. The requirement to publish cost and service information will only apply to firms who publish, as part of their usual business, the availability of any of the services set out in the SRA Transparency Rules. In practice, this means that if a firm does not normally carry out work in one of the relevant areas, but agrees to carry out such work for an existing client, this would not make them subject to the price publication requirements. For example, a firm may agree to carry out work in relation to an employment tribunal for a large commercial client, or agree to conduct a conveyancing transaction for an individual employee of a large commercial client.
29. We have considered whether some firms may decide to stop publishing the availability of the specified services in order to avoid being subject to the SRA Transparency Rules. Our view is that firms who choose to do this would be at a huge competitive disadvantage as increasing numbers of consumers use the internet to find and choose a legal services provider. Firms who choose not to publish the availability of their services will therefore struggle to attract new business. For this reason, we consider it very unlikely that firms would choose to take this route.
30. Only 18 percent of firms (around 1800) currently advertise prices for any of the services they provide⁶. Clearly, many more firms will need to do so under our new requirements. We have used the data we collect to estimate that around 8180 firms may provide at least one of the relevant services. This is 82 percent of all the firms we regulate. This will include a proportion of firms who do very little work in the specified areas and therefore may not advertise that they offer this service. These firms would not be required to publish their prices. Around 10 firms provide services in relation to all of the specified areas.
31. We know that these figures overestimate the number of firms that will be affected by our price publication requirements. This is because we do not collect data in relation to the precise services set out in the SRA Transparency Rules. For example, we collect data on the number of firms who provide criminal legal services, but not on the number of firms who provide services in relation to motoring offences. However, overestimating enables us to ensure we have the right level of support in place and to develop a communications strategy to reach all firms affected.
32. We are aware that some firms are concerned about the burden of publishing this information. We will provide guidance to firms to help them implement the changes, including practical tips and price publication templates. This will reduce the burden on firms. However, we do not agree that our requirements represent only a burden to

⁶ Solicitors Regulation Authority, [Price transparency in the legal services market – firm perspective](#), 2017, p.4.

firms. Our research shows that consumers want and value this information. In our research, they expressed a clear appetite for searching the market when purchasing legal services, as explained at paragraph 46 below. This means that our requirements provide firms with an opportunity to be more competitive in the legal services market and therefore attract new clients.

33. Costs information on price will include the total cost of the service, or where not practicable, the average cost or range of costs. However, it will also include other key costs information that consumers will need to know:
 - the basis for the firm's charges, including any hourly rates or fixed fees;
 - the experience and qualifications of those carrying out the work and of their supervisors;
 - descriptions and costs of any likely disbursements;
 - whether any fees or disbursements attract VAT, and the amount of VAT;
 - what services are included in the cost, including key stages of the matter and likely timescales, and
 - in conditional fee or damages based agreements, the circumstances in which clients may have to make any payments themselves for the firm's services.
34. Firms will be required to publish on their websites details of their complaints handling procedure, including details about how and when a complaint can be made to the Legal Ombudsman and to the SRA.
35. We will require firms to display on their websites their SRA number and the SRA's digital badge. A firm's letterhead and emails will continue to be required to show its SRA number and the words "authorised and regulated by the Solicitors Regulation Authority".
36. Where (under other proposed changes to our regulatory arrangements which are subject to LSB approval) solicitors provide legal services to the public other than through a firm that is regulated by the SRA (except for where the solicitor is working in an authorised non-SRA firm or a non-commercial body), the Transparency Rules will require them to:
 - inform clients before engagement where the SRA's professional indemnity insurance minimum terms and conditions requirements do not apply and explain any alternative insurance arrangements that are in place, and
 - where applicable, inform clients that they will not be eligible to apply for a grant from the SRA Compensation Fund.
37. We have thought carefully about each of our requirements and whether they should apply to freelance solicitors. Freelance solicitors who have a website will be subject to the requirements to publish price and service information and complaints information. Freelance solicitors without a website will (like firms without a website) be required to provide this information on request. The digital badge will be provided to regulated firms only and therefore will not be provided to freelance solicitors.
38. Under the proposals in our other imminent application to the LSB regarding our Principles, Codes, Rules and Regulations, freelance solicitors will be required to hold PII that is adequate and appropriate, and clients of freelance solicitors will be eligible to apply for a grant from the Compensation Fund. In respect of information for

consumers, freelance solicitors will need to inform clients that they are not required to hold PII that meets our MTCs and explain what insurance they do have in place.

39. We will monitor compliance with the rules and any breaches will be dealt with in accordance with our enforcement strategy.

Section D – rationale for amendment

40. The difference in knowledge and understanding of legal services between providers of legal services and most consumers puts the latter at a disadvantage when choosing a provider. This is not in the public interest. Our policy development and stakeholder engagement since 2015 has looked at the question of whether a regulatory intervention to increase transparency in the market is justified.
41. We agree with the CMA findings that there is strong evidence to suggest a regulatory intervention to make the legal services market work better for consumers is required. We believe our new regulatory arrangements will bring significant consumer benefits and make the market a better place for consumers.
42. Our justification for this intervention is based on a number of driving factors:
- increasing access to justice;
 - empowering consumers to make informed choices;
 - increasing competition on price and quality.

Increasing access to justice

43. In its final report, the CMA concluded that a lack of transparency in the legal services market means that some consumers do not obtain legal advice when they would benefit from it. Research shows that 63 percent of adults and 83 percent of small businesses see legal services as unaffordable.⁷ When people deal with legal issues without the help of a solicitor, this is often the reason.⁸
44. We believe that increased price information will help to overcome this. Consumers will be able to compare the prices of a range of providers and choose one that offers services they can afford.

Empowering consumers to make informed choices

45. Only 27 percent of consumers shop around when purchasing legal services.⁹ Part of the reason for this is that there is very little information easily available. Only 18 percent of firms publish price information. This is despite the fact that 83 percent of firms have a website and 6 percent are in the process of developing one.¹⁰
46. Consumers in our research expressed a clear appetite for searching the market when purchasing legal services, with 66 percent saying they considered more than one solicitor when instructing conveyancing work and 71 percent spending more than

⁷ Hodge, Jones & Allen, [Unjust Kingdom: UK Perceptions of the Legal and Justice System](#), Innovation in Law Report 2015, 2015, p.10.

⁸ Ipsos Mori, [Online survey of individuals' handling of legal issues in England and Wales](#), research commissioned by the Legal Services Board and The Law Society, 2016, p. 6.

⁹ Legal Services Consumer Panel, [Tracker Survey](#), 2017, p.1.

¹⁰ Solicitors Regulation Authority, [Price transparency in the legal services market – firm perspective](#), 2017, p.4.

an hour researching options. However, the majority said that price information was not readily available. Only 15 percent were able to get price information without having to contact a solicitor directly for a specific quote or approaching a third party.¹¹

47. The CMA concluded that consumers find it hard to make informed choices because of a lack of transparency, in particular, on price quality and service.
48. The SRA Transparency Rules will ensure that consumers have the information they need about firms, the services they offer, the prices they charge and the protections they have in place. We believe this will enable consumers to compare a number of firms who could deliver the legal service they are looking to purchase and select the one that best suits their needs based on balancing the cost of that service with other factors that matter to them.

Increasing competition

49. The CMA concluded that a lack of transparency was weakening competition between providers. Our transparency reforms aim to increase competition on price and quality, leading to more affordable prices and higher standards.
50. In terms of price, we know that consumers can make significant savings by searching the market when choosing a provider. Research commissioned by the LSB asked firms to price a standardised scenario. The findings show the same service being quoted at costs between 17 percent and over 400 percent of Average Weekly Earnings in the UK.¹²
51. Price and service publication could help address these differences, whilst providing an opportunity for firms who do want to charge higher fees to compete by explaining to consumers the service they are offering for that additional money.
52. In terms of raising standards, research has shown that price is an important factor when choosing a provider. Reputation is the most important, but price is second.¹³ However, our research also shows that only a small minority choose the cheapest provider. In a survey of 1,000 legal service users we commissioned, only six percent of participants said they chose a provider because it was the cheapest.¹⁴ This means that with increased transparency firms will need to compete on quality as well as price, leading to a driving up of standards.

Section E – statement in respect of the LSA regulatory objectives

LSA Regulatory objective	Impact of the change
Protecting and promoting the public interest	It is in the public interest that the legal services market serves the needs of consumers, including their need for informed choice and for getting value for money. Our Transparency Rules will address the imbalance in knowledge of legal services between providers and

¹¹ Economic Insight Ltd, [Price transparency in the conveyancing market – A report for the Solicitors Regulation Authority](#), October 2017, p.34.

¹² Legal Services Board, [Prices of Individual Consumer Legal Services 2017 – Main Report](#), 2017, p. 9.

¹³ [Legal Services Consumer Panel Tracker Survey 2017](#), p.2-3.

¹⁴ Economic Insight Ltd, [Price transparency in the conveyancing market – A report for the solicitors regulation authority](#), October 2017, p. 42.

	consumers, which is currently impacting negatively on consumer choice.
Supporting the constitutional principle of the rule of law	This change to regulatory arrangements is neutral in respect of this objective.
Improving access to justice	<p>As explained in paragraph 43, most adults and small businesses see legal services as unaffordable. This perception is a de facto barrier to access to legal services. Better price transparency will help remove this perception and help consumers choose the right professional help for the legal issues they are facing.</p> <p>These new regulatory arrangements complement our new SRA Principles, Codes, Rules and Regulations, which give consumers greater choice of legal services. They do this through enabling solicitors to deliver unreserved legal services to the public through an organisation that is not regulated by an approved regulator. Giving consumers information to understand the full range of choices and protections available to them will allow the benefits of this change to be realised.</p>
Protecting and promoting the interests of consumers	<p>We believe that this change to regulatory arrangements will significantly help us better meet this objective. At the moment, as explained in detail in paragraphs 40-47, the legal services market is not working well for consumers, especially individuals and small businesses. Our rules will empower consumers by giving them better information to make informed choices.</p> <p>Our requirements to publish information on complaints processes is likely to particularly benefit Black, Asian and Minority Ethnic (BAME) consumers. Research by the LSCP shows that consumers from BAME backgrounds are more likely to be ‘silent sufferers’ and less likely to make a complaint if they are dissatisfied.¹⁵ By requiring firms to publish information about how to make a complaint, to the firm, the Legal Ombudsman and the SRA, we believe more BAME individuals may be encouraged to complain when they are dissatisfied.</p>
Promoting competition in the provision of legal services	We believe that this change to regulatory arrangements will significantly help us better meet this objective. As noted at paragraph 49 above, the CMA reported that the current lack of transparency weakens competition. For example, the current high levels of variation in price experienced by consumers (see paragraph 50) indicate that competition is not fully open and transparent in the

¹⁵ Tracker Survey 2016, Briefing note: experiences of Black and Minority Ethnic groups in legal services, Legal Services Consumer Panel, November 2016

	<p>legal services market. Increasing transparency will promote competition on both price and quality.</p>
<p>Encouraging an independent, strong, diverse and effective legal profession</p>	<p>These new regulatory arrangements will drive competition on price and quality. We believe this will lead to higher standards. In addition, as the information to be provided to consumers will include the experience and qualifications of persons doing the work, the requirements will be an incentive to firms to properly train and develop their qualified staff.</p> <p>We carefully considered any diversity impacts on the profession and our Impact Assessment is at Annex 5. Our analysis shows that most BAME firms (defined as those firms with a majority of BAME lawyers) are less likely to carry out work in price publication areas than the majority of white firms. However, our analysis indicates that there is a high concentration of BAME firms providing immigration services. We do not consider that this should prevent us going ahead given that we believe the impact is not significant and given the importance of making the cost of immigration services available.</p> <p>All firms will be given support and guidance in how to comply with the price publication requirements and the overall diversity of the profession will not be impacted. Our Impact Assessment (Annex 5) sets out all of the diversity issues we have identified.</p>
<p>Increasing public understanding of the citizen's legal rights and duties</p>	<p>The new regulatory arrangements are largely neutral in respect of this objective, except that firstly, our requirements relating to providing information on complaints and protections will ensure that clients of the providers we regulate will be better informed about their rights of complaint and redress.</p> <p>Secondly, these reforms may increase the availability and use of digital comparison tools. These tools often provide some basic information about legal rights and duties and so increased use may lead to increased understanding amongst consumers.</p>
<p>Promoting and maintaining adherence to the professional principles</p>	<p>The new regulatory arrangements are largely neutral in respect of this objective. However, if as we expect, firms begin to compete more actively in terms of quality of service, adherence by firms and solicitors to the professional principles will be encouraged.</p>

Section F – statement in respect of the better regulation principles

F1 Proportionality

53. As explained in paragraphs 40-52, we considered carefully whether this intervention in the market is a proportionate response to the issues faced by consumers in the legal services market. We believe that it is, taking into account the various research findings we have referred to and the conclusions of the CMA. In particular, we have decided to mandate price and service publication in a limited number of areas initially and monitor how the market responds. We consider this to be more proportionate than mandating price and service publication for all legal services from the outset.
54. We have avoided impacting on firms' pricing or charging models. As explained in paragraph 72, the rules will not require firms to change their approach to pricing, but simply to provide information about it.

F2 Accountability

55. We have acted accountably in respect of our stakeholders through our consultation, wider engagement and liaison with other regulators, as well as taking on board the findings of the LSB's commissioned research and the CMA report.
56. The rules will also make those we regulate more accountable for their charging of consumers, through the requirements to be transparent on costs.

F3 Consistency

57. We have carefully considered consistency when framing our Transparency Rules. As explained at paragraphs 27-28, we considered an exemption from our price and service publication requirements for firms who carry out work exclusively for large commercial clients. We concluded that this could not be justified and so our requirements will apply consistently to all firms that we regulate who publish, as part of their usual business, the availability of any of the specified services.

F4 Transparency

58. We have acted transparently about the purpose of our new requirements. We have been open and clear that better consumer information will involve putting requirements on legal services providers, explaining our approach fully through consultation and wider engagement.

F5 Targeted only at cases in which action is needed

59. We have carefully developed requirements that address the specific issues in the legal services market identified in the CMA's legal services market study. Below are two examples of where we have targeted our requirements.

Targeting – areas of legal services

60. Both our *Regulatory data and consumer choice* discussion paper and our consultation invited stakeholders to feed back their views, including views on the areas of legal services that should be covered by the new requirements. By taking on board this feedback, the areas of work listed in the table at paragraph 24 are targeted to areas where better information for consumers is needed, and where, in practical terms, firms are in a position to provide it.

61. In deciding which legal services we would take forward initially, we needed to consider which areas we thought would make the biggest impact. The factors we considered included: whether the service is relatively commoditised; whether distress purchases are common; the opportunity to work with other legal services regulators to develop consistent requirements; the current prevalence of price information.

Targeting – corporate clients and wealthier consumers

62. We recognise that not all consumers require the same level of protection and we need to target our regulation where appropriate. We believe our price publication requirements will most clearly assist individual consumers and small businesses. Corporate clients are not at the same disadvantage in terms of information asymmetry and are unlikely to use comparison information in the same way when choosing a legal services provider. We have therefore given careful thought to how to frame our requirements. Our requirement to publish price and service information only applies where a firm publishes as part of their usual business that they provide the relevant service.
63. We have decided that the price publication will apply to firms that specialise in providing the relevant service to wealthier individuals or business clients. Appropriate price and service information will also help these clients make informed choices, for example about whether they would like a basic or a high-end service. Firms may choose to explain their particular specialism, expertise, experience and service that they provide in order to distinguish themselves.

Section G – statement in relation to desired outcomes

64. We believe these new regulatory arrangements will empower consumers to make more informed choices when purchasing legal services and increase competition among legal services providers. We have explored the impact of the change to regulatory arrangements in our Impact Assessment, attached at Annex 5. In it, we consider the additional impacts raised through consultation responses, ongoing stakeholder engagement and additional research. The Impact Assessment examines the potential benefits and risks.
65. We are committed to reviewing the impact of our changes on an ongoing basis. However, we are aware that it is very difficult to predict the impacts of changes aimed at influencing consumer behaviour. We will monitor the impacts as they materialise in line with our [impact evaluation framework](#) and act as and when necessary. In particular, we will monitor any negative impacts brought about by our changes and consider whether we have unintentionally created any perverse incentives. If either of these materialise, we will consider any action we need to take. Our Board has agreed that we will look at the impact of our reforms at the one, three and five-year point. Our Policy Committee will oversee the detailed content of each review. In respect of freelance solicitors, we have already agreed that we will review how the requirements will operate in practice.
66. We understand that our transparency requirements are a significant new obligation for firms and we will provide them with guidance and support as they seek to comply. We may decide to carry out a thematic review at an appropriate time, to look at how firms are responding to the new requirements and at the impact of our requirements on consumers and the legal services market.

Section H – consultation and stakeholder engagement

67. We have engaged with a wide range of stakeholders, including consumers, consumer representative bodies, data re-users such as comparison websites, law societies, small firms, large firms and sole practitioners. We received a total of 80 formal responses to our consultation. The responses to our consultation are attached at Annex 3, and our post-consultation position is set out in Annex 4.
68. We have engaged with over 2, 000 people through events, workshops and focus groups with consumers, consumer representative bodies, comparison websites, small firms and sole practitioners. Over 19,000 people engaged with our consultation through social media and our digital content. We also conducted in-depth interviews with firms who already publish price information, to understand their experience and help inform our thinking.
69. We have also engaged with intermediaries, including comparison websites and consumer representative organisations, who will play a key role in providing better information to consumers of legal services. We will continue to engage with them during the implementation of our reforms.
70. We have received a lot of support and positive feedback, with some stakeholders expressing the view that these reforms are long overdue. We have also heard from people who feel we should be going further. And from others who are concerned about the impact of our reforms on firms. We have carefully considered all of the views expressed in reaching our final positions.
71. A concern was raised that there is not a strong enough evidence base for regulatory intervention. The cost of this intervention will ultimately be borne by consumers. However, the CMA have made the case for regulatory intervention very clearly and this is backed up by our own research, which we have referenced within this application. The cost of complying with regulation is borne by consumers, but we believe our changes will increase competition and lead to lower prices for consumers. We will provide firms with guidance to reduce the burden on them.
72. A concern raised by many firms and law societies is that legal services are so bespoke that an accurate price cannot be given before the solicitor has spoken to the client. In our view, our requirements balance flexibility for firms with certainty for consumers. Firms who do not know the total cost of a service can provide the information they do know, for example the average cost or range of costs. Firms will also be required to make clear what the price given on their website includes (and doesn't include). This will enable firms to provide prices based on a standard case and make it clear what additional services would incur additional fees. Our rules will not stipulate which type of pricing or charging model a firm should use.
73. Another key concern raised by some respondents is that our price publication requirements will drive competition on price alone, leading to a lowering of standards. However, our research shows that only a small minority of consumers choose the cheapest provider. Although price is an important factor, consumers are prepared to balance this against other factors such as reputation and protections. In addition, we will require firms to publish the experience and qualifications of anyone carrying out the work and of their supervisors. This will enable consumers to consider the expertise that each firm has to offer. Our requirements also provide an opportunity for firms who do want to charge higher fees to be clear about the service they are offering for that additional money.

74. Some stakeholders are concerned that regulated firms will be at a disadvantage compared to unregulated firms who do not have to comply with any price transparency requirements. In our view, firms who are transparent about their prices will be at a competitive advantage over firms who are not, so regulated firms will be in a great position to compete in the legal services market.
75. Some respondents feel that there is not enough awareness of the existence and role of the SRA amongst consumers for the digital badge to deliver real benefits. We understand that it will take time for consumers to recognise and understand the meaning of the digital badge. In our online consumer trial, 56 percent of participants said that they noticed the 'SRA regulated' badge on homepages.¹⁶ This means that we can build on this recognition and understanding over time.
76. We will develop a communications strategy to increase public awareness and understanding of the digital badge, the digital register and of the role and function of the SRA, working with consumer representatives and other regulators.
77. A concern raised by some respondents was that information about a firm's complaints procedure and how and when a complaint can be escalated to the Legal Ombudsman (LeO), are more appropriate in the client care letter. However, 98 percent of firms provide information about their complaints procedure at the start of a matter, but only 37 percent of consumers say they were told about it. Only 4 percent remember being told of their right to escalate their complaint to the LeO at the end of the firm's internal complaints procedure.¹⁷
78. Providing this information on a firm's website will help educate consumers about their rights to complain and enable them to find the information easily if they lose their client care letter or do not know that this is where they will find information about how to make a complaint.

Section I – statement in relation to impact on other approved regulators

79. The CMA made recommendations to all of the frontline legal services regulators. There has been ongoing work to coordinate and collaborate where possible between these regulators through the Remedies programme implementation group (RPIG) and through engagement between approved regulators. This has been at both executive director and policy level.
80. We are aware that as the first legal services regulator to seek approval from the LSB of rules to respond to the CMA recommendations, we are leading the way and setting the tone and direction that may influence the other approved regulators. We have worked closely with them, sharing drafts of rules and guidance. Wherever possible, we have sought to develop consistent requirements so that the anticipated benefits to consumers are realised across the whole of the legal services market. In particular, working jointly with the Council for Licensed Conveyancers, we have developed a template for an online quote calculator for residential conveyancing. This responds

¹⁶ Economic Insight Ltd, [Better Information in the Legal Services Market](#), research commissioned by the Solicitors Regulation Authority and Legal Ombudsman, June 2018, p.109.

¹⁷ Research into the experiences and effectiveness of solicitors' first tier complaints handling processes, commissioned by the Solicitors Regulation Authority and Legal Ombudsman, October 2017 <http://www.legalombudsman.org.uk/wp-content/uploads/2017/11/FINAL-First-Tier-Complaints-Report.pdf>, p. iv.

directly to a recommendation made by the CMA and meets a commitment in our CMA action plan.

Section J – implementation timetable

81. We are currently planning on the basis that the new SRA Transparency Rules will come into force during December 2018. This will give firms time to prepare whilst ensuring we meet the commitment we made in our [CMA action plan](#) to introduce our new publication requirements before the end of 2018.
82. The digital badge and digital register are in development. We expect both to be implemented in 2019.
83. The SRA Roll, Registers and Publication Regulations will come into force alongside the rest of our new rules. Our current working assumption is that this will be in April 2019.
84. We are developing a package of guidance that will help firms to comply with the new publication requirements. This includes templates for publishing price information which firms can choose to use if they wish to. Our intention in developing guidance is to provide support to firms in understanding and meeting our new requirements. We are taking care to ensure that the guidance will not create a new regulatory arrangement.

Section K – SRA contact for matters relation to the application

85. Jackie Griffiths, Policy Manager, 0121 329 6491, Jackie.Griffiths@sra.org.uk

Section L – Annexes to the application

86. The following are annexed to this application.
 - Annex 1 – SRA Transparency Rules
 - Annex 2 – SRA Roll, Registers and Publication Regulations
 - Annex 3 - Looking to the future: better information, more choice – consultation responses
 - Annex 4 – Looking to the Future: Better Information, more choice - our post consultation position
 - Annex 5 – Impact Assessment
 - Annex 6 – SRA Transparency Rules tracking document
 - Annex 7 - SRA Roll, Registers and Publication Regulations tracking document