

## News release

### *SRA launches review of consumer protection*

05 February 2024

We have launched a review of our overall approach to protecting consumers [<https://www.sra.org.uk/sra/consultations/discussion-papers/consumer-protection-review/>] in response to shifting risks in the sector.

The review focuses on two main areas. Firstly, how to reduce the risk that something goes wrong at a regulated law firm that causes harm to consumers. We will be looking at how we identify risks in the sector, monitor and approve firms, as well as our rules and controls around firm's holding client money.

Secondly, it will be looking at its compensation fund arrangements. The fund provides a safety net, as it can make good consumer losses when money has gone missing, for instance, due to a solicitor's dishonesty or the collapse of a firm. The fund has been coming under increased pressure in terms of claims. We will be exploring how we get the balance between appropriate protections for consumers, while making sure our approach does not push the cost of legal services up by too much.

The review comes in the wake of significant changes in the legal landscape.

There has been a large increase in the number of interventions – this is when we have to step in and close down a firm to protect clients. Last year we carried out more than twice as many interventions (65) as the year before (25). There is also a recent pattern of us having to intervene into larger firms - most recently with Axiom Ince

[<https://www.sra.org.uk/sra/news/press/2023-press-releases/axiom-ince-intervention-and-impacts/>] - where the scale of the impact on consumers is much greater.

We have already started making some changes to address areas where there may be higher risks. For instance, we have increased inspections for 'accumulator' firms, who have grown quickly through acquiring other firms, to make sure their clients are not at risk.

We will be carrying out in-depth research with consumers to understand their priorities, as well as engaging extensively with consumer groups and the profession to identify the best approach to protecting consumers and serving the public interest over the long term.

**Anna Bradley, Chair of the SRA Board, said:** 'Consumers are at the heart of this review. We are looking at what we need to change to get the

right balance between preventing firms from failing and protecting consumers when they do.

'We are coming at this with a wide lens – we want to hear as many views as possible. We don't yet have the answers, but we are asking the fundamental questions. Is it affordable for the compensation fund to continue to provide such comprehensive protection? Should we continue a model where all firms can directly hold client money? Do we need more checks around firms that are buying-up others?

'This is the right time for a comprehensive review to make sure we can maintain confidence and trust in legal services.'

**Paul Philip, Chief Executive of the SRA**, added: 'We are already making changes to how we monitor risk, and will move swiftly where we can make other quick changes that benefit the public.

'Other changes will need more extensive engagement. There will likely be strong arguments for maintaining the current level of protections, but we need to be sure that is proportionate in the face of evidence of escalating risks. Bolstering or maintaining consumer protections might not be in the public interest if it is unsustainable and leads to large increases in prices or reduced choice for consumers.'

In addition to consumer research, we will be engaging with legal and consumer groups, including roundtables for high street firms (12 March), consumer groups (13 March), solicitor representative groups (21 March) and local law societies (26 March). Those wishing to take part can get in touch [<https://www.sra.org.uk/contactus>] .

There will also be an interactive webinar on 19 February that is open to all. [<https://events.sra.org.uk/sra/frontend/reg/thome.csp?pageID=159364&eventID=670>]