

# SRA Compensation Fund Rules 2021

[<https://www.sra.org.uk/solicitors/standards-regulations/compensation-fund-rules/?docId=70004317>]

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For applications made before 5 July 2021 read the archived 2019 Compensation Fund Rules [<https://www.sra.org.uk/solicitors/standards-regulations/compensation-fund-rules/compensation-fund-rules-archived/>]

## *Introduction*

These rules govern the way that we operate the SRA Compensation Fund.

It is funded by contributions from individuals and firms authorised by us.

We have developed a statement [<https://www.sra.org.uk/consumers/compensation-fund/compensation-fund/compensation-fund-purpose-statement/>] setting out the purpose of the fund and guidance on the way we operate the fund [<https://www.sra.org.uk/consumers/compensation-fund/resources/>] .

## *Part 1: The Fund*

### *Rule 1: Maintenance of and contributions to the Fund*

- 1.1 The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] shall establish and maintain a fund for making grants in respect of applications made in accordance with these rules.
- 1.2 Solicitors [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#solicitor>] , RELs [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#REL>] , RFLs [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#RFL>] , recognised bodies [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#recognised-body>] and licensed bodies [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#licensed-body>] must make contributions to the Fund [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>] in such amounts and at such times as may be prescribed [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#prescribed>] .
- 1.3 Any unpaid contributions may be recovered as a debt due to the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] .
- 1.4 The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may at any time:



- (a) borrow for the purposes of the Fund  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>]
- (b) charge investments which form part of the Fund  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>]  
security for borrowing by the SRA  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>]  
the purposes of the Fund [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>] .

## *Rule 2: Residual discretion and fund of last resort*

- 2.1 The Fund [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>] is a discretionary fund of last resort and no person [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#person>] has a right to a grant enforceable at law. The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] retains a discretion to refuse to consider an application or to make a grant notwithstanding that the conditions in these rules for making a grant are satisfied.
- 2.2 The circumstances in which the residual discretion in rule 2.1 may be exercised include, but are not limited to, circumstances in which the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] considers that the loss suffered is not material in all the circumstances or has been appropriately compensated through another means.
- 2.3 The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may refuse or reduce a grant where the loss or part of the loss is, or was, capable of being made good or appropriately compensated by some other means, including another compensation scheme.

## *Part 2: Payment of grants from the Fund*

### *Rule 3: Grants which may be made from the Fund*

- 3.1 A person [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#person>] may apply for a grant out of the Fund [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>] , if the loss referred to in rule 3.3 relates to services provided:
  - (a) by the defaulting practitioner  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] for them; or



- (b) to, or as, a trustee [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#trustee>] where they are a beneficiary of estate or trust.

**3.2** A person [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#person>] who is not a client of the defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] may apply for a grant out of the Fund [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>] if they:

- (a) were a party on the other side of a legal matter on which defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] was acting; and
- (b) have suffered, or are likely to suffer, financial loss in accordance with rule 3.3 arising as a result of the defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] failing to apply funds for the purpose intended where they should have been used (whether on completion of certain conditions or otherwise) to complete a transaction for their benefit, or to make a settlement or other payment to them.

**3.3** For any grant to be made out of the Fund [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>] , an applicant [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant>] must satisfy the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] that the applicant [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant>] is eligible in accordance with rule 4 and (save in respect of a grant made under rule 3.4) has suffered, or is likely to suffer, financial loss directly resulting from:

- (a) the dishonesty of a defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] or the employee or manager [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#manager>] or owner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#owner>] of a defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] ; OR
- (b) failure to account for money which has come into the hands of a defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] or the employee or



manager [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#manager>] or owner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#owner>] a defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] , which may include failure by a defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] to complete work for which the defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] was paid,

in the course of an activity of a kind which is part of the usual business of a defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] and, in the case of a defaulting licensed body [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] , the act or default arose in the course of performance of an activity regulated by the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] in accordance with the terms of the body's licence.

**3.4** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may make a grant to alleviate direct losses suffered as a result of the civil liability of a defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] or a defaulting practitioner's [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] employee, manager [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#manager>] or owner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#owner>] in circumstances where:

- (a) the defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] in accordance with SRA Indemnity Insurance Rules should have had, but could not have, in place a policy [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#policy>] qualifying insurance [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#qualifying-insurance>] ;
- (b) the liability of the defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] or the defaulting practitioner's [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>]



regulations/glossary/#defaulting-practitioner] employee or manager  
[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#manager]  
would have been covered by a policy  
[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#policy]  
qualifying insurance [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#qualifying-insurance] ; and

- (c) the loss is not covered by the SIF  
[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SIF]

**3.5** No grant will be made under rule 3.4 where due to the insolvency or cessation of the insurer  
[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#insurer]  
the defaulting practitioner's policy  
[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner] of qualifying insurance  
[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#qualifying-insurance] has been disclaimed or otherwise ceases.

**3.6** The SRA [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA] [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#sra] may make a grant as an interim measure in relation to part of an application before the application has been fully assessed.

#### *Rule 4: Eligibility for a grant*

**4.1** A person [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#person] is eligible to apply for a grant out of the Fund [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund] if, at the time the application is made, they are:

- (a) an individual;
- (b) a sole trader; partnership [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#partnership] , body corporate, unincorporated association or mutual association with an annual turnover [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#turnover] or assets [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#asset] of less than £2 million;
- (c) a charity [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#charity] with annual income net of tax in its most recent financial year of less than £2 million; or
- (d) a trustee [https://www.sra.org.uk/solicitors/standards-regulations/glossary/#trustee] of a trust with an asset value of less than £2 million.



- 4.2** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may take into account such evidence as it sees fit when determining eligibility under rule 4.1 and may make a broad estimate of any relevant amount.

*Rule 5: Defaulting practitioners*

- 5.1** A defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] means:

- (a)** a solicitor [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#solicitor>] or an REL [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#REL>] who at the date of the relevant act or omission was:

  - (i)** practising in an authorised body [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#authorised-body>] ; OR
  - (ii)** practising in a non-commercial body [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#non-commercial-body>] ;
- (b)** a solicitor [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#solicitor>] or an REL [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#REL>] who at the date of the relevant act or omission:

  - (i)** was self-employed and practising in their own through a trading name or service company;
  - (ii)** did not employ anyone in connection with the provided; and
  - (iii)** was engaged directly by their clients with their directly to them;
- (c)** an RFL [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#RFL>] who is a manager or owner of an authorised body;
- (d)** a recognised body [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#recognised-body>] ; OR
- (e)** a licensed body [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#licensed-body>] ,

and the expressions "defaulting solicitor", "defaulting REL", "defaulting recognised body", "defaulting RFL" and "defaulting licensed body" shall be construed accordingly.



**5.2** A grant may be made where, at the date of the relevant act or omission:

- (a) a defaulting solicitor [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] had no practising certificate in force;
- (b) the registration of a defaulting REL [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] or defaulting RFL [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] had expired or been revoked;
- (c) the authorisation of a defaulting recognised body [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] or defaulting licensed body [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] had been suspended or revoked;

provided that the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] is satisfied that the applicant [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant>] was unaware of the absence of a valid practising certificate or the relevant expiry, suspension or revocation (as the case may be).

**Rule 6: Grants to defaulting practitioners**

**6.1** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may make a grant to a defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] who or which has suffered or is likely to suffer loss by reason of their liability to any client in direct consequence of an act or omission of:

- (a) in the case of a defaulting solicitor [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] , defaulting REL [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] or defaulting RFL [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] , any of their employees or any fellow manager [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#manager>] ;
- (b) in the case of a defaulting recognised body [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] , any of its employees



managers [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#manager>] or owners  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#owner>]

- (c) in the case of a defaulting licensed body  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] , any of its employees  
managers [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#manager>] or owners  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#owner>]  
provided that such act or omission arose in the course of  
performance of an activity regulated by the SRA  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>]  
accordance with the terms of the body's licence,

in circumstances where, but for the liability of the defaulting  
practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] , a grant might have  
been made from the Fund  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>]

- 6.2** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may make a grant under this rule by  
way of a loan upon such terms as the SRA  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>]  
specifies.

- 6.3** In the case of a defaulting recognised body  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] or a defaulting licensed  
body [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] , the SRA  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>]  
may make such grant payable to one or more of the  
managers [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#manager>] or owners  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#owner>] of  
the defaulting recognised body  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] or defaulting licensed  
body [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] . If a loan is made to  
more than one person [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#person>] , they shall be jointly and severally  
liable for the repayment of the loan.

## ***Rule 7: Grants in respect of statutory trusts***

- 7.1** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may make a grant to alleviate a  
deficiency in a statutory trust





[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#statutory-trust>] held by the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] .

- 7.2** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may make a grant to a person [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#person>] where the money would have been due to that person [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#person>] but for their claim having been extinguished under rule 9.2 of the SRA Intervention Powers (Statutory Trust) Rules 2011 or rule 8.2 of the SRA Statutory Trust Rules.

#### *Rule 8: Interest*

- 8.1** In respect of any grants made under rules 3, 6 or 7 the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may make a supplementary grant by way of a sum in lieu of lost interest on the loss underlying the principal grant. Such interest will be calculated by the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] in accordance with prescribed [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#prescribed>] rates.
- 8.2** Where the application for the principal grant is in respect of a failure to redeem a mortgage, the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may also make a grant in respect of the additional interest accrued to the mortgage account as a result of the defaulting practitioner's [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] failure to redeem.

#### *Rule 9: Maximum grant*

- 9.1** Unless the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] is satisfied that there are exceptional circumstances in the public interest that justify a higher sum, the maximum grant that may be made is £2 million.
- 9.2** For the purposes of this rule, a single claim is an application, or applications, from an applicant [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant>] for the loss incurred by them arising from a single event or set of connected underlying circumstances.

#### *Rule 10: Capping payments of multiple applications*

- 10.1** Where multiple applications are made to the Fund [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>] :
- (a) that relate to the same or connected underlying circumstances; and

- (b) the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] is satisfied that the total amount of grants made from the Fund [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>] in respect of such applications is likely to exceed £5 million.

the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may impose a limit on the total amount to be paid in respect of those applications of £5 million.

- 10.2** Where the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] imposes a limit under rule 10.1, the amount paid may be apportioned between the applicants [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant>] to whom the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] is satisfied a grant is payable, in such of the following ways as the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] considers appropriate in the circumstances:

- (a) the amount to be apportioned equally between all those who have made an application within such reasonable time period for the purpose as shall be published by the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>];
- (b) such percentage of loss or amount to be paid, as the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] considers appropriate in all the circumstances.

**Rule 11: Conduct of the applicant and contribution to loss**

- 11.1** A grant may be refused or reduced to take account of:

- (a) dishonest, improper or unreasonable conduct by the applicant [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant>] or anyone acting on their behalf:
  - (i) in the circumstances that gave rise to the application;
  - (ii) in relation to the application itself; or
- (b) failure to pursue the application promptly, co-operatively and in good faith.

- 11.2** A grant may be refused or reduced to take account of any act or omission by the applicant [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant>]



or anyone acting on their behalf that has contributed to or has failed to mitigate the loss.

**Rule 12: Losses outside the remit of the Fund**

**12.1** For the avoidance of doubt, the SRA

[\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA)

shall not make a grant in respect of losses that:

- (a) arise solely by reason of professional negligence by a defaulting practitioner [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner) , or the employee or manager [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#manager\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#manager) of a defaulting practitioner [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner) , save as provided in rule 3.4;
- (b) are indirect or consequential, save where the SRA [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA) exercises its discretion to make a grant:
  - (i) under rule 8;
  - (ii) for costs of completing or remedying work for defaulting practitioner [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner) has been
  - (iii) for loss where a client of a defaulting practitioner [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner) has been personally liable for loss suffered by a third party of the act or omission of that defaulting practitioner [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner) .
- (c) are, or result from, the trading debts or liabilities of the defaulting practitioner [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner) , including claims for fees payable to the applicant [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant) for which the defaulting practitioner [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner) is liable;
- (d) comprise legal or other professional costs incurred by the applicant [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant) in making an application to the Fund [\[https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund\]](https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund) ;



- (e) are for costs of proceedings instituted by the applicant  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#app>]  
for recovery of their loss, save in exceptional circumstances;
- (f) are for interest payable to the applicant  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#app>]  
, save where the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] exercises its discretion to make a grant under rule 8;
- (g) are suffered by the Legal Aid Agency as a result of making regular payments under the Agency's contracting scheme for civil or criminal work; or
- (h) are in circumstances where the applicant  
[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#app>]  
:
  - (i) has been made bankrupt and any grant would vest in the trustee in bankruptcy;
  - (ii) has entered into a voluntary arrangement with a creditor and any grant would vest in the administrator of the arrangement; or
  - (iii) is in liquidation.

### *Rule 13: Foreign lawyers*

- 13.1** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] shall not make a grant in respect of any act or omission of an REL [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#REL>] , or the employee of an REL [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#REL>] , where such act or omission took place outside the UK [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#UK>] , unless the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] is satisfied that the act or omission was, or was closely connected with, the act or omission of a solicitor [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#solicitor>] or the employee of a solicitor [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#solicitor>] , or that the act or omission was closely connected with the REL's [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#REL>] practice in the UK [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#UK>] .
- 13.2** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] shall not make a grant in respect of the act or omission of an RFL



[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#RFL>] , OR the employee of an RFL [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#RFL>] , where such act or omission took place outside England and Wales, unless the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] is satisfied that the act or omission was, or was closely connected with, the act or omission of a solicitor [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#solicitor>] or the employee of a solicitor [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#solicitor>] , or that the act or omission was closely connected with practice in England and Wales.

#### ***Rule 14: Apportionment and multi-party issues***

- 14.1** Where the loss has been sustained as a result of the act or omission of more than one party, the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] will consider the role of each party in contributing to the applicant's [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant>] loss in deciding whether to make a grant and, if so, the amount of any grant.
- 14.2** In the case of a defaulting licensed body [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] , the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] will consider the extent to which the loss is attributable to an act or omission which falls outside the performance of an activity regulated by the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] in accordance with the terms of the body's licence in deciding whether to make a grant and, if so, the amount of any grant.

### ***Part 3: Applications and procedures***

#### ***Rule 15: Application and time limit***

- 15.1** An applicant [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant>] must make an application for a grant in the prescribed [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#prescribed>] form, and within 12 months of the date they first became aware, or should reasonably have become aware, of the loss.
- 15.2** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may extend the 12 month period in rule 15.1 if satisfied that there are circumstances which justify the extension of the time limit.
- 15.3** The applicant [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant>] must provide information, documents and evidence requested by the SRA



[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] , which may include verification of matters by statement of truth or affidavit. Failure to provide such documentation or to co-operate with the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] will be taken into account when determining the merits of the application.

***Rule 16: Notice to defaulting practitioner***

- 16.1** The SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] may not make a grant unless it has given not less than 8 days' notice to the defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] informing them of the nature and value of the application, unless it appears to the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] that it would not be reasonably practicable to give such notice, or the grant should be made urgently.
- 16.2** Where the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] has made a grant urgently in accordance with rule 16.1, the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] shall as soon as, and so long as, it is practicable to do so, give notice to the defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] in the terms set out in rule 16.1 and may (insofar as any failure to give notice before the making of the grant has prejudiced the defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] ) waive in whole or in part the Fund's [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#Fund>] right of recovery under rule 18 against the defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] .

***Rule 17: Recovery and subrogation***

- 17.1** Where the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] makes a grant otherwise than by way of loan or if by way of loan repayments of the loan is waived or otherwise the borrower has failed to repay part or all of the loan, the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] shall be subrogated to the rights and remedies of the person [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#person>] to whom or on whose behalf the grant is made to the extent of the amount of the grant.
- 17.2** Where rule 17.1 applies, the recipient must if required by the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>]



regulations/glossary/#SRA] whether before or after the grant has been made and upon the SRA

[<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>]

giving the recipient a sufficient indemnity against costs, prove in any insolvency or winding up of the defaulting practitioner [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#defaulting-practitioner>] and sue for recovery of the loss in the name of the recipient but on behalf of the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] .

- 17.3** The recipient of a grant must comply with all proper and reasonable requirements of the SRA
- [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] for the purpose of giving effect to the SRA's
- [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] rights under this rule, and shall permit the SRA
- [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] to have conduct of any proceedings brought on its behalf.

#### *Rule 18: Refusal of an application*

- 18.1** If the SRA [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#SRA>] refuses to make a grant of either the whole or part of the amount applied for, the applicant
- [<https://www.sra.org.uk/solicitors/standards-regulations/glossary/#applicant>] will be informed in writing of the reasons for the decision.
- 18.2** The fact that an application has been rejected does not prevent a further application being submitted provided that material new relevant evidence or information is produced in support of the new application.

## *Supplemental notes*

Made by the SRA Board on 14 July 2020.

Made under sections 36 and 36A of the Solicitors Act 1974, section 9 of, and paragraph 6 of Schedule 2 to, the Administration of Justice Act 1985, section 83 of, and paragraph 19 of Schedule 11 to, the Legal Services Act 2007 and the Legal Services Act 2007 (The Law Society and The Council of Licensed Conveyancers) (Modification of Functions) Order 2011.

### *SRA Compensation Fund Rules 2021*

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### *Guidance*

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### *Other related information*

Compensation fund purpose statement [https://www.sra.org.uk/consumers/compensation-fund/compensation-fund/compensation-fund-purpose-statement/]

This statement sets out the purpose of the SRA Compensation Fund.

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