

**CLC's Response**  
**Solicitors Regulation Authority**  
**Removing Barriers to switching Regulators**  
**A Consultation Paper**  
**July 2016**

The CLC welcomes the opportunity to respond to the SRA's Consultation Paper Removing Barriers to switching Regulators.

**About the CLC**

As an Approved Regulator and Licensing Authority under the Legal Services Act 2007, the CLC is authorised to license and regulate individuals (licensed conveyancers and probate practitioners) and CLC practices, including ABS, in the provision of conveyancing and probate services, as well as other non-reserved legal activities. It currently licenses 1,300 individuals and 230 practices (45 of which are ABS). It estimates that CLC practices account for 10-15% fee income generated in the provision of conveyancing services in England and Wales.

**General Comments**

The CLC is grateful to the SRA for publishing this consultation in advance of the further work to review its wider arrangements for professional indemnity insurance. The CLC has long argued that changes along the lines proposed are needed in light of the Legal Services Act 2007 (LSA 2007).

One of the effects of LSA 2007 is to enable practices to choose the most appropriate regulator for their type of practice and we have been informed by SRA practices that the cost of run off insurance is a barrier to moving to regulation by the CLC or another legal regulator. The proposals in this consultation therefore help to make a reality of the flexibility that is enshrined in the Act.

In determining our response to this Consultation, we have had in mind the LSB's statement 'It is for those who seek to maintain restrictions to justify them rather than for those who argue for their removal to justify change'<sup>1</sup>.

**Response to the Consultation Paper**

1. Do you agree that we should remove the obligation for run-off cover when a firm switches from the SRA to another Approved Regulator?

*CLC Response*

Yes. The CLC has long argued that there is an urgent need to change the SRA's existing requirements for firms to take out run-off cover if they wish to transfer to a more appropriate regulatory regime.

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<sup>1</sup> Paragraph 38 at [http://www.legalservicesboard.org.uk/news\\_publications/publications/pdf/regulatory\\_objectives.pdf](http://www.legalservicesboard.org.uk/news_publications/publications/pdf/regulatory_objectives.pdf)

That requirement is acting as a major obstacle to firms exercising the choices made possible by LSA 2007.

The CLC agrees that it would be wrong for the SRA to have an 'equivalence' requirement (ie to consider the adequacy of the regulatory arrangements of other Approved Regulators under the oversight of the LSB). After a determination has been made whether to introduce the changes proposed (assuming that is an outcome of this consultation), the CLC will wish to have discussions with the SRA to agree on the exchange of information to manage the transfer of any practices and ensure that past clients continue to be protected appropriately under future PII arrangements. It should be noted that under the CLC's new PII arrangements and the Participating Insurers Agreement, all insured practices benefit from run-off cover at no cost at the point of closure of the practice.

2. If you have answered yes to Question 1, do you agree with our method for delivering this proposal?

*CLC Response*

Yes. It is important that this issue is addressed without further delay and so issuing waivers as an interim measure is a sensible way forward. It will be important for the SRA to ensure that any revised PII arrangements put into place following a further consultation later in 2016 fully dismantle the current barriers to free choice of regulator.

3. Do you have any further comments on our proposal or on the changes to the PIA or terms of the core waiver proposed?

*CLC Response*

No.

4. Do you have any views about our assessment of the impact of these changes and, are there any impacts, available data or evidence that we should consider in developing our impact assessment?

*CLC Response*

The SRA notes that the current arrangements amount to 'unjustifiable regulatory restrictions' and it is therefore desirable that they should be removed on those grounds alone, quite apart from the positive impact that they will have in making a reality of liberalising measures established by Parliament through LSA 2007. Not making the proposed interim changes to allow waivers and the promised reforms to give practices genuine and practical freedom of choice of regulator will continue the considerable negative impact of the current arrangements.