

Foreword

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Chair of the Council for Licensed Conveyancers

I was very pleased to take on the role of Chair of the Council for Licensed Conveyancers in April 2015. I noted at the time the excellent work of my predecessor Anna Bradley. She and the Council that she led equipped the CLC with a very clear strategy to explore and exploit the strengths of specialist regulation of specialist property lawyers.

The work of the CLC is guided by its mission to protect the public interest, ensure consumer choice and promote innovation and competition in the legal services market. These three key areas of focus make the CLC unique as a legal services regulator. They reflect the reason we were established by a reforming government in the Eighties and the road that the CLC and its regulated community has travelled over the last thirty years.

We work with the regulated community, supporting them to achieve compliance and develop thriving businesses. It is an approach that I have been repeatedly told sets the CLC apart from other regulators and that is greatly appreciated by those we regulate.

Specialist regulation of specialist practitioners is a mark of quality and high standards and Licensed Conveyancers are not required to participate in any additional quality schemes in order to access work for lending institutions.

In early 2015 we received a powerful vote of confidence from Parliament when, through the Deregulation Bill, we secured the power to issue licences to probate specialists. As well as signalling support for the CLC's regulatory approach and effectiveness, this is an important deregulatory measure that will help to foster innovation and competition in the delivery of probate services.

Our Chief Executive, Sheila Kumar, reports in detail below on the achievements of the year. I am delighted that the business plan for 2015 was delivered effectively alongside a fundamental restructure of the organisation and changes to staffing, the move to new and better premises and wide-ranging improvements to processes. These are important structural improvements that will bear fruit for many years and have been achieved at no additional cost to the profession.

The business plan for 2016 is no less ambitious than the year on which we are reporting now. I am looking forward to reporting back on that in a year's time.

SUPPORTING INNOVATION AND COMPETITION

In 2015 the CLC:

Secured the power to issue stand-alone Probate licences

Supported the development of new apprenticeships in Probate and Conveyancing

Supported creation of two new qualifications as Conveyancing or Probate Technician

Made significant progress towards removing the major barrier to innovation and change presented by requiring firms moving between regulators to take out professional indemnity run-off cover

Consulted Managers and Owners of regulated entities on barriers to innovation to guide our review of the CLC handbook in 2016

Annual Report 2015

Sheila Kumar
Chief Executive

In the following pages I will report on the full breadth of the Council for Licensed Conveyancers (CLC's) activities in 2015, beginning with our core purpose of regulatory activity to protect the public interest before I turn to look at policy work then our strategic development and finally the major changes we have made to our staffing and infrastructure. Those latter changes of course underpin all that we do day to day, improving efficiency and effectiveness and we hope bolstering yet further the confidence that stakeholders express in the CLC.

This report is being published to accompany our statutory Financial Statements for 2015. They make it clear that we are husbanding our financial resources carefully, with a real terms reduction in licence fees thanks to several years of unchanged rates. Keeping the financial burden to a minimum is a key objective for the CLC as part of our overall commitment to 'right touch' regulation.

The CLC must evolve continually to keep pace with changes in the market place, consumer expectation and the risks around high value property transactions. In 2015 we raised the pace of that evolution somewhat to achieve significant reforms to our regulatory regime and infrastructure that have already begun to deliver benefits and will ensure that we are on a better footing for the challenges of the coming years and will allow us to review costs in 2016. This report should be read in that context, and I will begin by setting out at a high level our approach to regulation so that the development work of 2015 can be better understood.

The CLC's approach to regulation

The CLC aims to help its regulated community to achieve compliance with regulatory and legal obligations. Our determination to support innovation and growth means that we want to help the entities we regulate to implement new ways to meet customer needs and grow their businesses. This can mean helping businesses to understand how they can meet the appropriate regulatory outcomes and not binding them into inflexible forms of compliance. This is the best way of providing consumer protection and choice.

We pride ourselves on having a good understanding of the businesses that we regulate. We aim to have a detailed and rounded view of their activities so that we have a global understanding of the particular risks they might face.

This starts with very close supervision of new businesses in the first years of their regulation by the CLC. Our concern then is not simply with regulatory compliance but also with financial stability and health because unsound businesses also present a threat to the consumer and public interest. We aim to work in close partnership with the business so that they succeed and are compliant.

REDUCING THE REGULATORY BURDEN

In 2015 the CLC:

Created a new stand-alone qualification to become a Probate Practitioner

Revised the AML regime

Simplified and speeded up the licence renewal process

Shortened inspection visits without harming quality or effectiveness through targeting

We proceed on the basis that prevention is better than cure and we use a wide range of approaches and tools to support regulated entities, ensure compliance and take corrective or disciplinary action where it is necessary. It's worth looking at those approaches and tools briefly now before we go on to look at specific activity in 2015. They give us a range of regulatory responses that are proportionate to the risk to clients in any particular case.

Maintaining the health of the profession

When new entities are established under CLC regulation for the first time they will have satisfied us that they have in place the appropriate processes and resources to deliver conveyancing or probate services and manage their own and clients' money in line with our regulatory requirements. They will also have presented a business plan for their first three years setting out their road to sustainability. We will also have satisfied ourselves as to the qualifications, experience and background of the Authorised Persons, other managers and any external owners. All of these aspects are monitored closely at the beginning of the firm's life.

Annual checks

After the early period of regulation of a new entity, we use a mix of self-certification, third-party reports, desk-based supervision and inspection visits to monitor the all round health of the profession. The key points in the regulatory year are:

- Submission of accountants' reports –In line with the entity's audit year
- Licence renewal
 - For individuals – in October each year individuals must inform us of any change in circumstances that might affect their right to a licence for the coming year beginning 1st November
 - For entities – also in October, a licensed Manager must confirm that there is no issue that might affect the entity's licence to practise
- Annual Regulatory Return – Each entity is required to provide a response to a questionnaire that probes a range of areas to understand ongoing or emerging risks within the firm and across the sector as a whole

Concerns raised in accountants' reports may give rise to requirements on the entity to address shortcomings in their management of client funds. If so, a timescale will be set and compliance monitored until the CLC is satisfied.

Licence renewal is an automated and speedy, but not automatic process and is a key point in the regulatory year. If the CLC has concerns about an individual or entity, we may decide to hold over renewal of a licence until the issue has been addressed or a timetable for its correction is agreed. Licences may also be issued with conditions that need to be met by the individual or entity to ensure retention of that licence.

Data from the Annual Regulatory Return may give rise to further regulatory action in relation to a specific entity or highlight the need for more general action such as enhanced or clarified guidance to the profession or new CPD requirements in relation to specific issues. It also provides an understanding of changes in the profession as a whole.

Monitoring Inspections

In addition to the desk-based monitoring that is set out above we undertake a programme of on-site inspections of regulated entities each year. Some of these will be arranged in light of specific issues

that have we have identified with firms and where desk-based supervision is judged to be insufficient. Others will be risk-based, in other words, we will not be aware of a specific issue, but have concerns about the entity's risk profile that merit a closer look. (That might be because the firm undertakes a significant amount of transactions in which they act for both sides, for example, or are disproportionately dependant on one client.) The final group of visits will be arranged simply because of the time that has elapsed since the entity last had a monitoring inspection.

Other intelligence

The CLC may also receive information about a regulated entity or individual from another regulator, The Legal Ombudsman or a mortgage lender as well as an employee, colleague or client. In such cases, the matter will be addressed directly with the firm or individual until the CLC is satisfied that they are in compliance or may lead to some kind of disciplinary action. Conduct complaints may, following investigation, also give rise to some form of compliance assurance or disciplinary action, as appropriate.

Disciplinary action

Where an individual or entity fails to achieve compliance to the satisfaction of the CLC, where there is evidence of misconduct or where there is clear evidence of risk to the consumer, the CLC can either refer the matter to the independent Adjudication Panel, which will set an appropriate sanction following consideration, or intervene to close an entity in the interest of existing and potential future clients. At time of writing, work is underway to develop a set of guidelines for the Council to assist in applying sanctions. This reflects the fact that the hearings are infrequent and so what might be called case law is slow to build up. The guidelines will not impinge on the independence of the Adjudication Panel and will be published in the interests of transparency and to guide the profession and other stakeholders.

Regulatory work in 2015

During 2015 we undertook all of the usual monitoring activity set out above, maintaining the high standards that are expected as an outcome of specialist regulation of specialist lawyers. As we did so, we made changes to processes and resources and I will report on both business as usual and change activity in this report.

Licence Renewal

In 2015 we continued the streamlining of the licence renewal process in order to reduce the regulatory burden on Licensed Conveyancers. As a result, the licence renewal process in October 2015 was much faster and more efficient than in recent years. In a feedback survey of the regulated community over 80% of respondents rated their experience of licence renewal as either 'good' or 'very good'.

As I have outlined above, the licence renewal process is a useful checkpoint to remind practitioners of their responsibilities and duties. As part of that licence renewal process we held over the issue of two entity licences while the managers brought those entities into compliance with our expectations. This was judged necessary because we were not satisfied with the speed and rigour that was being brought to the correction of failings that we had identified in those two practices and it was considered necessary to underline the risk that the practices were running of losing their

licence entirely if they failed to achieve compliance. By December it was possible to issue new licences to both practices following the necessary action on their part.

Conduct complaints

Three serious conduct complaints against Licensed Practitioners were investigated during the year.

Monitoring Inspections

We undertook 63 monitoring inspections during the year against a target of 50. These were undertaken by CLC staff and by appointed agents working to the same procedures.

Watchlist Management

The CLC has since 2014 a watchlist made up of the firms that are under investigation or enhanced supervision as a result of concerns that have come to light through general monitoring activity, inspection visits, consumer complaints or intelligence received. The use of that watchlist was reviewed in 2015 to ensure that the issues it records are resolved as quickly and efficiently as possible and to improve the clarity of reporting to the Senior Management Team and to Council. Resolution may of course mean that the entity has successfully addressed the concerns identified by the CLC or that they have failed to do so and some form of disciplinary action has been taken. In the event of disciplinary action short of a referral to the Adjudication Panel for suspension or removal of licence or intervention into an entity, there is an accompanying plan to ensure that the entity continues to work to address the CLC's concerns. If they still fail to do so, the matter will be escalated further.

The new approach to management of entities on the watchlist has reduced the time to successful resolution of issues and so reduced the number of entities on the watchlist.

Interventions and managed close downs

During the year the CLC had to take action to intervene in one practice which had failed to address the CLC's requirements to correct failings in its management of client monies. The sole practitioner manager of that practice was referred to the Adjudication Panel and they were disqualified from holding a licence for one year. In line with our Publication Policy, the time, date and subject of the hearing was published on our website.

The decision of the Adjudication Panel was also published at the end of the period in which the practitioner might have appealed. The Council took the view that the sanction applied by the Adjudication Panel was not proportionate to the gravity of the offence and the harm to clients. Respecting the independence of the Adjudication Panel, the Council published a statement setting out its concern about the leniency of the decision alongside the notice of the decision on the CLC's website.

The CLC supervised the closure of two practices to ensure the interests of consumers were protected: one in the turnover band £0-100,000 and the other in turnover band £100,001-500,000. In these cases there was no misconduct on the part of the practitioners involved, but it was necessary in the public and consumer interest for the regulator to step in to ensure that there was an orderly close to the entities' operations and appropriate arrangements for their client files. The need for such action generally arises because of the inability of the practice to make arrangements for succession in the event of the retirement of the manager or managers. The CLC hopes that

efforts by representative bodies for conveyancers will help to reduce further the instances of these problems.

The Annual Regulatory Return and the CLC's Risk Assessment Tool

In 2015 we undertook a wide-ranging survey of the regulated community with a view to deepening understanding of the market that we regulated. The full report of that Annual Regulatory Return (ARR) has been published and the ARR or a shortened version of it will be repeated annually so that we can continue to enrich the data we hold and monitor trends in the market place.

Some of the data that the report contains has been added to the CLC's risk assessment tool that provides an assessment of the risk posed by individual entities based on a number of measures. This tool informs the full range of monitoring activity by identifying concentrations of risk and issues to explore further with individual entities.

Publishing disciplinary activity

In line with the Publication Policy agreed by the Council in 2015, details of disciplinary actions taken by the CLC are published. In 2015 this amounted to the publication of the dates and details of hearings of the Adjudication Panel and the outcome of one such hearing.

Policy development and influence

The CLC seeks to play its full part in the development of policy on the regulation of legal services and also the practice of property law in relation to conveyancing and probate as it affects both consumer and provider. This wide remit is necessary because of the CLC's mission to foster competition, innovation and growth alongside protection of the public and consumer interest.

Tightening and improving the property transfer process

The CLC was pleased that in his Autumn Statement in 2015, the Chancellor of the Exchequer adopted one of our policy priorities. The Treasury will consult on the reduction of the SDLT filing and payment window from 30 to 14 days. The CLC believes 14 days to be a reasonable window for the vast majority of transactions and a change that will tighten a loophole that currently facilitates non-compliance and so presents risks to consumers. It is vital that we take every step that we can to ensure the continued stability of the property market through confidence in its processes.

The CLC has also been discussing with HMRC and HM Land Registry whether another element of risk to consumers could be removed by ensuring that it is not possible to register title with the Land Registry until SDLT has actually been paid on a purchase. We are pleased that this has been taken up by both agencies and we will support their efforts to implement the new, more robust approach. It may be that there will need to be different arrangements for complex commercial or mixed transactions, but we believe that the imperative of consumer protection means that the system should be built to service the vast majority of transactions, which involve individual buyers and sellers, which are of such vital importance to those individuals and which are such a significant part of the economy.

The CLC is also pleased to be working with government on groups that are exploring ways to improve the commercial and residential property transfer process.

Review of Financial Protection Arrangements

2015 saw the beginning of far-reaching work to revise the CLC's financial protection arrangements. Market developments and evolving approaches to regulation of the legal sector mean it is timely for the CLC to review the requirements it places on entities for professional indemnity insurance and how it operates the Compensation Fund on behalf of the profession. Work in 2015 laid the foundations for a thorough and potentially radical overhaul of requirements in 2016. We will be consulting widely on emerging proposals for change that will be informed by the joint drivers of consumer protection and the push for innovation and growth.

Revised Anti-Money Laundering regime

We published a consultation paper in July 2015 setting out amendments proposed to the CLC's AML-CTF Guidance and Toolkit updating the previous version by incorporating changes introduced by the Fourth Money Laundering Directive. A summary of the responses to the Consultation has been posted in advance of an application to HM Treasury for approval early in 2016.

Lender panels

The CLC has long-held concerns about the operation of lender panels for mortgage work. There is a risk that they create additional quasi-regulatory burdens on the legal professions that are neither transparent nor subject to the rigour of oversight that applies to the work of front-line regulators. We have raised this with the Financial Conduct Authority and with the Competition and Markets Authority and we hope that they can work with the Legal Services Board and individual regulators to understand better the operation and impact of panels on the provision of legal services and consumer choice of legal service provider.

As part of our work to foster competition and growth we also undertake bilateral work with individual lenders to ensure that there is level market access for all conveyancers. This work is undertaken not to gain access to panels for particular entities, but simply to ensure that there is a level playing field and that the Licensed Conveyancer profession is able to fulfil the role for which it was established by Parliament.

Cyber security

No review of 2015 would be complete without consideration of the increasingly serious issue of cyber security. The vulnerability of personal and financial information is a risk for the whole of society and affects every part of the economy. The sums involved in property transactions mean that conveyancers and probate practitioners and their clients are especially targeted by criminals who are extremely sophisticated in their approach. The CLC provides advice and signposting to both lawyers and clients to equip themselves with tools that can go some way to protecting them from the risks of cyber crime. We will be stepping up our activity in this area in 2016 and reflecting our increased understanding of the risks in our review of the Handbook.

Strategic development

As I have already mentioned, 2015 saw a significant amount of change by the CLC alongside our day to day delivery of effective regulation. I will look first at some of the strategic changes we made before I turn to the practical changes that underpin those.

Stand-alone probate licences

A key deregulatory and innovative step in 2015 was our introduction of stand-alone licences for Probate Practitioners. Until now, we were required by quirks of our founding statutes to offer individual licences for probate work only to people already qualified as Licensed Conveyancers. For those wishing to specialise in probate services this was of course an unnecessary hurdle and as such a barrier to competition and innovation. With the support of the Opposition Front Bench in the Lords and Cabinet Office Ministers leading on deregulation, we were able to secure change through the Deregulation Bill.

The CLC is now able to offer a licence to specialist Probate Practitioners. We are making final arrangements for the launch of qualifications that will lead to licence as a Probate Practitioner. In September 2015 we issued the first stand-alone licence to a solicitor who met our requirements and wished to transfer into specialist regulation by the CLC to reflect their specialist practice.

We are extremely grateful to Baroness Hayter for her assistance in this important development for the CLC. We are also grateful to Parliament for according us this new power. It is a clear demonstration of confidence in the effectiveness of regulation by the CLC and of the model of specialist regulation of specialist lawyers.

Education, training and apprenticeships

In 2014, the Council took the decision in principle to change the structure for provision of education leading to qualification as a Licensed Conveyancer. Because the CLC was charged with the creation of a new branch of the legal profession when it was established in 1985, we found ourselves as the provider of education, the assessor of attainment and the awarder of licences to practise. The Council felt that this did not secure the desirable separation of responsibility and that provision of education could be achieved better by specialist education providers. It can be taken as sign of the maturity of the profession that we can now explore a move to a different model. Throughout 2015 we have been working on three linked projects in this area.

- The revision of attainment standards leading to licence by the CLC or lower-level recognition of expertise
- The development of apprenticeship routes to achievement of those standards
- The establishment of education to those standards by education providers under the oversight of an Awarding Organisation

The success of these projects means that in 2016 the CLC will cease to be a provider of education. The SQA will be the Awarding Organisation for qualifications in conveyancing and probate that will lead to qualification as a Licensed Conveyancer or Probate Practitioner and others that lead to recognition as a Conveyancing or Probate Technician. Apprenticeship routes to these qualifications will also be available, attracting government support.

These major changes will provide students with a more contemporary learning experience. They will provide new routes to qualification, opening up further access to the legal profession with no need for a degree. In this way they will build on the provision of CLC education until now, which has enabled people from a wide range of backgrounds to begin legal careers that would not otherwise have been open to them.

Since 2013 the CLC has been working hard to increase the pipeline of newly-qualified lawyers to meet demand in the sector, doubling the numbers working towards qualification as a CLC lawyer.

These new arrangements should increase that pipeline yet further. We hope also that it will increase the proportion of people working in CLC entities with relevant qualifications and so reduce reliance on intensive supervision of non-qualified staff.

Information sharing

We have been working closely with a range of players in the property transaction process to enhance the information that is available to us to inform our regulatory activity whether in terms of market overview or insight into the activity of individual practices.

Positive discussions with HMRC and HM Land Registry have led to exploration by them of the opportunity to share more information about property transactions with us through improved data management as a part of digitisation projects that are currently being scoped.

We continue to explore with lenders how much information they can provide that emerges through their management of mortgage panels. Better insight into that may help us to reduce the regulatory burden on the sector through better alignment of activity between lenders and the CLC as regulator.

The CLC also makes available data about the regulated community to panel managers, comparison website operators and services such as Free2Convey and the now defunct Veyo. As a regulator, provision of guaranteed data about the regulated community is an important service that we can provide to other operators in the market place.

An increasingly open and consultative approach

The CLC continues to increase its engagement with the regulated community and with key stakeholders to ensure that our work is properly informed by the insight and perspectives of each of them. With current IT, it is possible to run surveys and consultations very quickly and easily on issues small and large. In 2015, in addition to the major exercise of the Annual Regulatory return, we ran a number of other consultations or quick surveys to inform our work. They included consultations on

- Development of apprenticeship schemes
- Experience of CLC education
- Compensation Fund Operating Framework
- Changes to the Adjudication Panel Rules
- Routes to qualification as a CLC lawyer
- Changes to Anti-Money Laundering requirements
- Barriers to innovation in the delivery of legal services

We will continue to consult as broadly as we can to gather the widest possible spectrum of views to ensure our work is fully informed.

Infrastructure improvements

In early 2015 Council approved business cases for a number of infrastructure improvements that were to be funded from the CLC's reserves as prudent investments for the future of the organisation. Each of those has been delivered but in the event there was no need to call on funding from reserves as they were able to be delivered with savings in the budget.

Premises

In early 2015 the Council agreed a business case to relocate the CLC from Chelmsford to London. The objectives of the move were to give the CLC easier access to key stakeholders and partners including government, regulators and the lending community, give the regulated community easier access to the CLC, secure contemporary, fit for purpose office accommodation for the staff with ready access to meeting rooms for internal and external meetings.

The CLC relocated in August 2015 following identification of suitable value for money premises in a shared office building for not-for-profit organisations. The open plan space has contributed to better working between teams and a more joined-up approach.

At the same time we undertook a project to rationalise our considerable requirements for storage of files that have passed into our keeping following interventions. This included some scanning of paper files, some destruction based on age and the consolidation of remaining paper files with one storage provider.

As a result of these two changes we have been able to divest the CLC of its property. This was desirable in itself because it did not seem right to have so much of the profession's money tied up in bricks and mortar. We have realised a little over £1m from the sales of the Chelmsford office premises and a storage unit nearby. The Council will consider how best to make use of these funds in the interests of the profession and its clients during 2016.

Staffing

2015 also saw the completion of a root and branch review of the CLC's staffing structures. This began with changes to the roles and responsibilities of members of the Senior Management Team in 2014 that saw a reduction in numbers from five to four. In 2015 the middle management and administrative teams were reviewed, with new roles being defined to ensure the fulfilment of the CLC's responsibilities as they had evolved considerably since the previous staff structure was put into place.

Staff churn was high because the restructure of the organisation took place in parallel with the change of location. By the end of 2015 19 full time staff were employed by the CLC. That was down from a total of 24 at the beginning of the year. Of the 19 employed at the end of 2015, only seven had been with the CLC at the beginning of the year. Through this period of major change, the CLC continued to deliver the full range of its activities. It is a testament to the staff team that they managed this upheaval and transition so effectively. The CLC delivered its 2015 business plan in addition to managing the change.

Information Technology

2015 also saw progress in the development of the CLC's CRM system that is growing to contain more data about the regulated community and support and report on more of our core processes such as monitoring work, complaints handling licence issue and renewal. The very efficient licence renewal round in October 2015 was run through the CRM system. With the other major CLC processes now able to be managed through the system, there will be a focus in 2016 on benefits realisation before further development work is undertaken.

At the very end of 2015 we also undertook a refresh of IT hardware and changed arrangements for IT support to a provider based in our office building. The value of all existing IT hardware had been completely depreciated and the computers themselves were overdue for replacement. We are now

all working on up to date equipment and software that enable remote working when, as often happens, we are away from the office to attend meetings or conferences or visit regulated entities.

Processes

Changes to staff and team functions as well as the development of our CRM system have both been opportunities and drivers to review processes to ensure that they are as streamlined and simple as possible. The regulated community have seen the benefit of this through the improved licence renewal process. Behind the scenes, we have also been developing new Standard Operating Procedures for the full range of monitoring activity. A few firms have also had experience of the new, shorter inspection visit.

This approach has delivered improved clarity and accountability within the licensing and monitoring functions and will be rolled out to other parts of the CLC during 2016 and processes will be kept under regular review. Where changes to the Handbook during 2016 creates opportunities for simplification or updating of business processes we will take those too.

Adjudication Panel Guidelines

The Adjudication Panel of the CLC is not called upon to consider cases very frequently and has not built up any significant body of case law as a result. To assist the Panel in its work we began a project in 2015 to develop guidelines for its decision-making in future. These will not be binding and the Panel will of course wish to take into account aggravating or mitigating circumstances in each case that it considers. Guidelines will help to establish a set of parameters as a starting point for decisions though. Once settled, those guidelines will be published and will act as a guide to stakeholders and the regulated community as to the CLC's view of the relative gravity of different breaches of the CLC's regulatory arrangements.