



The Specialist
Property Law
Regulator

The Council for Licensed Conveyancers

Business Plan 2017

FOREWORD

Dame Janet Paraskeva, Chair



2016 was a pivotal and hugely successful year for the Council for Licensed Conveyancers.

The Legal Services Board's (LSB) Regulatory Standards report rated the CLC as the best performing of all the front line regulators in the legal sector. Later in the year, their *Vision for the legislative reform of the regulatory framework for legal services* took up our call for securing the independence of regulation from representation and proposed our model of activity-based regulation as a basis for regulation of more legal services in the future.

This was all very welcome recognition of our operational success and of the validity of our policy priorities for regulation of legal services. During the year we continued to make great strides.

The reform of Professional Indemnity Insurance arrangements and the move to a fully open market approach has both increased consumer protection and reduced the burden on the profession. We achieved this double benefit through the introduction of run-off cover free at the point of closure of a firm alongside reduced insurance premiums. Guaranteeing run-off cover in this way through the Participating Insurers Agreement eliminates a risk to consumers, and to the Compensation Fund that is funded by the profession, that can arise from the disorderly closure of a firm. The profession reported high degrees of satisfaction with the new arrangements and their delivery when firms renewed their professional indemnity insurance in June.

Hard work in 2014 and 2015 to restructure the organisation and streamline processes also paid off in 2016 in the shape of a 20% reduction in regulatory fee rates for entities. That took effect from 1st November 2016 and is based on a reduction in the operating budget of the CLC that is sustainable for the foreseeable future.

I have congratulated Sheila and her team on the success of their efforts and I look forward to what 2017 will bring. The early part of the year will see substantial change on the governing Council that I chair, with the arrival of four new Council Members who will do much to further broaden and deepen the experience and skills around the Council table as we square up to new challenges.

With the economy as a whole having to deal with what may be a prolonged period of uncertainty as the government negotiates the UK's exit from the European Union, all players in the vitally important property market must do all that we can do maintain domestic and international confidence in the security of that market. For that reason we welcome the Legal Services Board's proposals reviewing regulation of legal services. The CLC has unique experience and insight as an activity-based regulator of specialist and commoditised legal services. We look forward to bringing that experience to bear on the development of a new regulatory framework that supports innovation and gives the legal sector every possible advantage that is compatible with consumer protection.

THE BUSINESS PLAN 2017

Sheila Kumar, Chief Executive



Over the last three years we have been reshaping the Council for Licensed Conveyancers to put it into the best possible shape to meet the challenges of a fast-changing market for legal services.

That has meant changes to our systems and processes, investment in staff and technology, and major changes to education as we cease to be a provider of education and focus on setting standards of entry to the profession.

We have also embarked on a thorough review of our regulatory arrangements, beginning with significant improvement to our Professional Indemnity Insurance regime and reductions in regulatory fee rates for entities. We are now in a very strong position to take forward innovative work to continue the evolution of specialist, activity-based regulation of specialist property lawyers.

The impact of Brexit

The Senior Management Team has undertaken an initial consideration of the possible impacts of Brexit on the work of the CLC. There may in time be changes arising from amendments to the current legislative framework in areas such as anti-money laundering. Given the Government's approach of incorporating existing EU legislation into domestic law and making amendments over time in the usual course of events, this is unlikely to cause difficulties for the CLC or its regulated community.

Economic uncertainty has been heightened by the decision to exit the European Union, but this is always a risk for which the CLC is prepared, as we have to be sure to have in place the capacity to deal with the impact on the regulated community of significant upturns or downturns in the housing market.

Review of Regulatory Arrangements

The CLC's Code of Conduct and Frameworks are kept under regular review and updated in response to changing legislation, newly emerging risks and market conditions. In 2016 we began a fundamental review of the whole with the aims of;

- ensuring that consumer protection is based on the real risks we have seen;
- reducing the regulatory burden through tighter focus on those risks and streamlining of our approach; and
- making best possible use of the intelligence and market insight that is available to us now.

The changes to our Professional Indemnity Insurance arrangements that were introduced in June 2016, which enhanced consumer protection and reduced the financial burden on practices, have been well-received and serve to support our approach to the review.

In conveyancing and probate, the single biggest risk facing clients is the security of large sums of money – sometimes a person’s life savings - while a conveyancing transaction or probate is completed. Our review of all of our regulatory arrangements is therefore continuing with consultation on changes to the Accounts Code.

In early 2017 we will also be completing a review of the framework for Continuing Professional Development and later on in the year, we will move on to look at our requirements around standards of service, information security and cybercrime, cooperation with and accountability to the CLC and overarching issues of independence and integrity. This will also give us an opportunity to make the presentation of the Code of Conduct more intuitive and user-friendly.

Focus on the consumer

In early 2017 the Council will consult on the potential to improve price transparency and increase consumer feedback that will enable us to respond to the expected calls from the Competition and Markets Authority (CMA) for regulators to step in to address the gaps in consumer information about legal services. Legal services are infrequent purchases and consumers do not generally have the experience or information to make informed choices of legal service provider and the CMA notes that comparison websites are making slow progress in the legal sector.

These are novel issues for regulators that are not designed as economic regulators. Opinion in the legal sector about the potential impact of regulatory action to encourage price transparency is divided and there is a lack of clarity about how information on quality can be collected and presented. Our pilots will help provide evidence on which to base further policy development to address consumer need effectively and enable us to respond to the CMA’s expected recommendations.

Engagement with the regulated community and stakeholders

We will run a conference for managers in January followed by a series of consultation meetings around the country to raise engagement in the review of our regulatory arrangements. Introduction of new and changed provisions will need to be supported by a similar effort to ensure the profession understands what is required of them. We will continue to develop our support in the provision of compliance advice – especially important given the lack of commercially-provided training that is focused on the CLC’s arrangements.

Our 2016 audit of perceptions of the CLC showed that we are well-regarded but that there can be a lack of knowledge of the detail of our approach to regulation. This is especially important where our regime differs from others, giving lawyers greater flexibility that should not be unnecessarily restricted by the policies of other organisations. As the specialist, activity-based regulator of conveyancing and probate, it is important that our experience and insight is brought to bear on the policy thinking of bodies such as the Council of Mortgage Lenders who do so much to shape the operation of the market. We will continue our work to ensure that is achieved, especially in view of the LSB’s promotion of the activity-based approach.

Reform of Legal Services Regulation

The wide-ranging agenda for change to the legislative framework put forward by the Legal Services Board in September 2016 is a very welcome development. We are committed to supporting work to secure the independence of regulation from representation. This is a vital first step before any other work can be done to look, for example, at the system of reservation of particular legal services. As a regulator that has always been independent and enjoys constructive working relations with two representative bodies, we are a demonstration of the strengths of independence, the clarity it brings to our work and the confidence that can instil in consumers. Until the question of what should be regulated has been answered we remain agnostic as to whether there should be one or many regulators.

Infrastructure

Alongside all this planned delivery, we will continue the programme of improvement to our internal systems and processes. Annual licence renewal has been greatly streamlined for individuals and entities since 2014 and was rated highly by the profession in the feedback survey on the 2016 renewal process in which 98% of respondents said their overall experience was either 'good' or 'very good'.

In 2017 we are looking to make further improvements to the website, to ensure the profession and stakeholders can easily access the information they need. We will also be reviewing our own service standards and setting new service level standards that will be published.

As we continue to enrich our risk identification and intelligence, we will also continue to evolve our monitoring and inspection processes to keep pace with that.

Finally, as a lean organisation, I will be leading work to refine our staffing structure further to ensure we have appropriate regulatory skill mixes in place and to ensure that we have sustainable strength and depth in the organisation.

BUSINESS PLAN 2017 LINE ITEMS

Review of Regulatory Arrangements

- 01 Completion of review of two areas of regulation begun in 2016
- Accounts Code
- CPD framework
- 02 Further reviews of regulatory arrangements will take place in 2017:
- Licensed Body & Recognised Body
 - Complaints
 - Conflicts of Interest
 - Estimates and Terms of Engagement
 - Diversity & Equality
 - Anti-Money Laundering and Combating Terrorist Financing
 - Acting for Lenders and Mortgage Fraud
 - Ownership, Storage & Destruction
 - Notification
 - Authorisation of Licensed Conveyancers, Licensed Bodies, Recognised Bodies & Locums
 - Disclosure of Profits and Advantages
 - Dealing with Non-Authorised Persons
- 03 Investigate the impact on PII insurance, consumer and business protection of add-on policies for specific risks

Focus on Consumers

- 04 Consultation on price transparency in the CLC-regulated community to inform our response to the expected recommendations from the Competition and Markets Authority
- 05 Pilot scheme for increasing use of consumer feedback surveys by entities
- 06 Act on learning from the front-line regulators' joint research into the use and impact of client care letters

- 07 Implement scheme for secure logos on regulated entities websites denoting their regulation by the CLC, opening direct channel to consumers for CLC

Engagement with the Regulated Community and Stakeholders

- 08 Consultation on proposed new Accounts Code, CPD framework, and other elements of review of regulatory arrangements, including online and face to face consultation on scope signed off by Council in November 2016.
- 09 Continue monthly newsletters with updates on regulation, best practice and developments in the market
- 10 Extend the library of Practice Notes to provide support with achieving compliance with the CLC's regulatory requirements
- 11 Undertake the 2017 Annual Regulatory Return exercise
- 12 Communicate the CLC's approach to regulation, achievements and policy priorities to stakeholders
- 13 Programme of monitoring and regulatory compliance enforcement continues to protect consumers

Reform of legal services for better consumer outcomes

- 14 Continue to press for completion of independence of legal services regulation for an improved legal services market
- 15 Contribute to an independent review of the scope of regulation as proposed by the Legal Services Board
- 16 Develop cooperation with the Legal Ombudsman for use of data and lessons learned from complaints handling
- 17 Participating in the anticipated review of competition in the mortgage market by the Financial Conduct Authority

Strengthening our infrastructure

- 18 Continued evolution of regulatory risk assessment tools
- 19 Continued evolution of regulatory monitoring approaches
- 20 Explore options for putting CLC's corporate status onto a more easily understood footing
- 21 Information management
- 22 Service standards

- 23 Undertake a review of the CLC’s digital estate, including website content and navigation and other online tools to improve user experience
- 24 Undertake a periodic review of internal governance arrangements, including completing financial delegation arrangements, regulatory decision-making protocols, HR policies
- 25 Develop a new, three-year strategy for the CLC for the period to 2020
- 26 Undertake recruitment of one professional member of the Council
- 27 Establish developmental support for Authorised Persons seeking to take up positions on the Council to ensure a reliable supply of new Council Members
- 28 Run an efficient and smooth licence application and renewal processes
- 29 Publish the sentencing guidelines to guide the Adjudication Panel and the regulated community
- 30 Firm inspections based on risk profile, intelligence or time elapsed since last inspection
- 31 Tender exercises to appoint
- Intervention agents
 - Legal advisers
 - Outsourced inspectors