

Guidance for CLC Practice Licence Applicants 2020/21

Section 1

INTRODUCTION

CLC practices operate within a range of business models (such as sole principals, partnerships, LLPs and limited companies). Some practices provide specialist services within a wider group structure, providing for example, a combination of legal, financial and/or professional services.

Our approach to regulation is designed to meet the needs of a diverse commercial market. This is why we encourage prospective practice applicants to start discussions about their current or intended business arrangements with us at an early stage.

Our focus is on the ability of the owners and managers to provide compliant legal services and manage the risks associated to the legal services they provide.

The CLC is the regulator of choice for businesses intending to offer conveyancing services (sometimes referred to as reserved instrument activities) and probate activities. Please let us know if you wish to provide these or any other services because CLC practices may only deliver those legal services which the CLC has expressly licensed them to provide.

Many of the practices we regulate also offer other types of legal services, such as

- a. Will writing
- b. Court of Protection Services
- c. Lasting Powers of Attorney
- d. Estate Planning
- e. Administration of Estates

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f. Administration of Oaths

CLC Practices may only provide non-contentious work. A service is treated as contentious when it becomes likely that an application will be made to court, and at that stage a CLC Practice must cease acting.

Prospective applicants may find it helpful to take a look at the [CLC regulatory frameworks](#) which set out in more detail our approach to approving and regulating practices

CLC Practice Licensing Outcomes

1. The CLC is able to license this business model.
2. The plan for the business indicates that it will provide legal services which protect the interests of clients.
3. The business can operate in a sustainable way.
4. The business has in place compliant governance arrangements to:
 - a. keep Client Money safe;
 - b. protect the interests of the business; and
 - c. protect the interests of clients.
5. The business has clear lines of accountability for managers.
6. The business has suitable (trustworthy, qualified, skilled, experienced) managers.

[Annual Regulatory FEES](#)

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Section 2

THE PROCESS

Most applications follow the steps below. We will discuss this with you in the telephone call.

Step 1. An introductory phone call. We will contact you to arrange an introductory phone call with an appropriate member of the Licensing Team to establish in principle whether the proposed investment, ownership, governance and business models can be licensed by the CLC.

Step 2. Come and meet us. Applicants are invited to attend a virtual Teams licensing meeting with the CLC Licensing Team. It's important that owners and managers attend this meeting because we will be discussing the investment and governance elements of your application and the associated authorisations and licences required for any key personnel.

We will discuss the financial and regulatory viability and sustainability of the proposed business. In addition we will explain the following documents and their importance in the application process together with what we expect from you.

A. Sources of and evidence of investment and financing. Corporate or personal.

Including details of the repayment terms or any conditions that would apply as a result of financial non-performance. You must also explain any relationship the proposed CLC business may have with other existing businesses through common ownership or financing. We will be seeking to establish the appropriate AML checks and whether any due diligence is required on any related business or its owners/officers.

We may request to see copies of the following types of legal agreements:

- Corporate investment, loan, intercompany financing agreements
- Share Purchase/Share Holders agreements
- Exit/retirement packages
- Agree Payment Plans, such as those relating to HMRC arrangements

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- The contracts of employment for the key personnel
- Current employment contracts including restrictive covenants relating to key personnel, in particular the HoLP/HoFA.

This is an entirely confidential discussion but in order for the meeting to be useful you must come prepared to share factual information.

B. Application Synopsis: You will be asked to upload a 2-3 page synopsis explaining the investment, ownership, governance and operating models for the business including **financial, technological and operational provisions** to execute the start-up and those that manage the regulatory requirements in the event of a planned or unplanned closure/wind up. The synopsis should be a comprehensive summary about the investment model, the operating parameters of the business and its accountable qualified and unqualified key personnel. (whist trading and in the event of the business having to ceasing trading – including planned for and unplanned for closure events)

The CLC expects that business owners are able to identify the particular risks associated to the following areas of the business, its:

- Investment, governance and operating model and any limitation or risk to the business/clients as a result of its resources
- Start-up and early operational aspects
- sources of work and ability to manage volumes of work
- The nature of the legal services the business intends to provide, transactions types, especially higher risk areas of practice
- The client base, nature and characteristics of clients
- Post closure regulatory requirements – applicants are advised to prepare a risk analysis for unplanned closure identifying typical scenarios for **rapid response events** such as, failure to secure PII, death, terminal ill health, hospitalisation, dissolving business relationships, early foreclosure of investment.

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C. Replies to the CLC's Licensing Outcomes: Your replies should form the narrative to explain the context and logic behind the businesses policies and procedures. You will need to clearly demonstrate in your replies the owners and managers of business complete understanding of the risks associated to the business and how to operate a compliant legal services business.

Your replies should explain how the Practice's organisational structure and operating procedures will effectively identify and manage risk associated to the legal services provided, with particular reference to properly maintaining consumer protection and regulatory compliance. Typically, we would expect the HoLP/HoFA/MLRO and Practice Managers to contribute to the drafting this document.

D. An organisational chart, you will be asked to upload an organisational chart which should include, non-operational individuals with a material interest and specify individual roles, such as HoLP, HoFA, GDPO, MLRO, together with other key responsibilities such as, complaints handling or specific areas of practice.

You must also specify which individuals are licensed or regulated professionals, including the name of the regulator and the individuals regulatory ID, for example SRA: 1234, ICAEW: 1234 and the date that their first licence was granted.

E. Transaction and Financial forecast (a break down by month for the first 12 months of trading). This must be submitted in excel using the following tab format. Each tab must include the assumption used for to make any average calculations.

- **Tab 1:** Fee Structure
- **Tab 2:** Transaction volumes by types, including referral and conversion rates
- **Tab 2:** income/fee by type for 12 month forecasts, including any referral costs
- **Tab 4:** full 12 month profit and loss.

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F. Policies and Procedures. The CLC is only seeking to verify that your client facing policies and procedures are compliant. We do not need you to submit any employer related documentation. The application form will ask for specific polices such as a Business Continuity Plan (more detail below), AML policy and a separate completed practice wide AML risk assessment.

Part of the test is that in addition to these you provide the relevant documents to ensure the provision of compliant legal services. Your policy docuements should set out the systems and controls in place to mitigate risk. They should include reference to any accountable roles/individuals in the business and any legal or regulatory timeframes.

Applicants should refer to the CLC's Handbook and tool kits, such as AML, GDPR and Informed Choice when thinking about the types of policies that are appropriate to their Practice licence application.

Applicants that are not able to provide sufficient detail in the above documents, in particular when explaining 'how to implement appropriate systems, controls and management processes to ensure the business can operate in a complaint way' risk being rejected on the basis that there is insufficient evidence.

Important Note. Guidance on our website relating to Business Continuity can be found via this link - <https://www.clc-uk.org/wp-content/uploads/2017/12/Management-and-Supervision-Arrangements-Guidance.pdf>

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Typically, the BCP should be explicit about the arrangements necessary to manage all aspects of any transaction in any event that triggers the following:

- the absence of the Authorised Person's/HoLP/HoFA or
- Short unplanned absences
- Medium and long-term planned absences
- Rapid closure (triggered by death, external events and foreclosure)
- Orderly managed closure (triggered by retirement, company wind up, planned closure)

Eventualities should include:

- Incapacity, dealing with family emergencies, bereavements, death of key personnel or owners.
- External events that could trigger a rapid wind-up that means the proper conclusion of legal services is not possible, such as failure to secure PII cover

In all instances Managers should plan a course of action and nominated individuals that will be accountable from the trigger event through to the conclusion of any post closure responsibilities; or a return to standard trading.

Specific arrangements for, but not limited to, access to banking facilities/funds to pay for cover and other professional services. As well as access to and licences for digital systems/files and post closure storage. Notification to PII brokers and seeking agreement for amended operating procedure or formal trigger of (and timescales) run off should be considered.

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Step 3. Preparing the information for your digital application. You should ensure you have: obtained a quotation for professional indemnity insurance cover (PII) from an Insurer which is a signatory to the CLC Participating Insurance Agreement (with the exception of SRA firms applying to switch to CLC regulation). Details of Insurers are in the box below. The CLC encourages firms to seek quotes from more than one insurer. Click on the names to find out more about each scheme.

[Gallagher CLC Scheme](#)

[Hera CLC Scheme](#)

[Howdens CLC Scheme](#)

[Marsh JLT CLC Scheme](#)

[Miller CLC Scheme](#)

Background documents, read and download the relevant policies and documents.

[CLC Professional Indemnity Insurance Terms \(effective 1st July 2016\)](#)

[Participating Insurers Agreement \(sample agreement\)](#)

[CLC Professional Indemnity Insurance Code](#)

[CLC Professional Indemnity Insurance Framework](#)

Step 4. Complete and submit your digital application through the online platform, DocuSign, attaching all relevant supporting information. You will also need to simultaneously submit all associated individual applications.

A nominate owner/manager will receive the email link to access the DocuSign form. The CLC carries out Credit and Criminality checks on all applicants and additionally disciplinary checks on regulated professionals.

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We use the credit checking agency Experian to complete these checks and applicants will be sent separate links and email/text communication from Experian.

Investors/owners and key personnel making applications for individual licences and authorisation MUST read the associated individual guidance to ensure they fully understand what documents are required to support the application before completing the online application form.

Step 5. We review your application. We will have agreed a submission timeline with you at the licensing meeting. Straightforward applications are reviewed and determined within the timescales stated in the **licensing framework**. **The CLC endeavours to process straightforward applications within 90 days of confirming a complete application and the licensing team obtaining from the CLC finance team confirmation of receipt of payment of all associated fees. More complex applications may take longer.**

The review will not start until all the associated applications have been received and paid for and each individual has paid and completed the consent form in order for Experian to carry out the credit and criminality checks.

Important notes about when we will contact you during the course of the application review.

Applicants will only be contacted by the CLC during this time if the CLC believes that further investigation is needed to verify any supporting documentation or information provided by the applicant. Applicants not contacted during this time should presume their application is progressing satisfactorily. **We are not able to provide email updates on adhoc basis.**

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Step 6. The CLC Determination. The determination outcome is focused on an assessment of the ability of the owners, managers and key personnel to provide compliant legal services and manage the risks associated to the legal services.

We will need all the relevant disciplinary, credit and criminality checks to be completed before we are able to make a determination.

Step 7. Informing you of the outcome of your application: We will confirm the CLC's licensing decision by email.

Section 3

1. BEFORE SUBMITTING YOUR CLC PRACTICE APPLICATION

1.1 Provision of adverse information: Does not necessarily mean the CLC will reject an application. Where adverse information is provided it will be discussed with the applicant to determine the risk posed to the Code of Conduct's Outcomes; resource implications for the CLC; and the individual/body's willingness or capacity to address the issue.

1.2 Declarations: The designated owner/manager completing the form will be asked to sign the declaration on behalf of all owners/managers.

A CLC 'manager' is defined as a person (lawyer and non-Lawyer) who is:

a. if the body is a limited company, a director registered at Companies House; or

b. if the body is a Limited Liability Partnership, an LLP member registered at Companies House;

or

c. if the body is a partnership, a person held out as a partner who may be an equity or salaried partner e.g. listed as a partner on the Practice's headed paper; or

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d. Sole Practitioner; or

e. HoLP and HoFA; or

f. Private or Corporate Investors (Beneficial Owners)

Section 4

2. HOW TO SUBMIT YOUR CLC PRACTICE APPLICATION

Application forms will be emailed through the online platform, DocuSign. Instructions on how to complete the DocuSign form will be emailed to with the link to the application.

2.1 Preparing the documentation to upload with your application

Below is a list of the documents you will be asked to upload when you complete the digital form. Please have this information ready to upload before you start to complete the form.

Section ID	Document Type	Source
A3	Evidence of the rent or lease agreement.	Applicant to source.
A5	Evidence to show how the CLC Business will be formed.	Applicant to source.
A7	Policy quote from a CLC Participating Insurer.	Applicant to source.
A8	If applicable, evidence that the Business or its Owners/ Managers have been: <ol style="list-style-type: none"> 1. Refused Professional Indemnity Insurance 2. Is the subject of a relevant insolvency event 3. Is subject to any ongoing, pending or previous investigation by any statutory, regulatory or governing body 	Applicant to source.
A10	If applicable, upload letters of agreement of services from any bookkeeping and accountancy arrangements.	Applicant to source.
B1	A complete copy of the Owners and Managers Template	Owners and Managers Template

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B2	Evidence of source of funds, such the company bank or savings accounts.	Applicant to source.
B3	An organisational chart including non-operational individuals with a material interest.	Applicant to source.
C1	A 2-3 page synopsis explaining the investment, ownership, governance and operating models for the Business.	Applicant to source.
D1-D4	Business' client facing policy documents AML Business Wide Risk Assessment Business Continuity Plan Terms of Engagement	Applicant to source.
E1	Responses to demonstrate how the proposed CLC Business will meet each CLC Licensing Outcome.	Responses to demonstrate how the proposed CLC business will meet each CLC Licensing Outcomes
F1	Financial and transactional forecast (excel sheet).	Applicant to source.
F2	Evidence of sources of work.	Applicant to source.

2.2 Applications will be rejected when:

- they are completed incorrectly, please note 'not applicable' is NOT acceptable response;
- the form is incomplete because the mandatory supporting documentation is missing, or not labelled correctly, i.e. not accurately indicating the question it relates to;
- The DocuSign link expires, and no submission has been made. DocuSign will email weekly reminders.

The CLC does not issue email or text reminders.

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Section 5

3 INDIVIDUAL APPLICATIONS for Key Personnel/Owners/Investors

3.1 Once we have received the practice application form, individual application forms will be emailed through the online platform, DocuSign to everyone associated to the application. Instructions on how to complete the DocuSign form will be emailed with the link to the application.

3.2 Each individual will need to provide 3 certified proofs of ID and Address for the Criminality and DBS checks. Please ensure everyone expected to make an individual application has prepared these documents in readiness to complete their applications.

[View how to correctly certify a document and a list of acceptable proofs here.](#)

3.3 Remote certification. Proving your Identity:

Temporary changes to certifying documents for a licence application:

In line with the Government's new temporary guidance on certifying documents, from Tuesday 24 March, the CLC will accept certification of documents where the facial recognition/verification has been carried out online through a video call. Any electronic means such as, Skype, Microsoft Teams, Whatsapp video, Facetime etc can be used to make the video call.

There is no change to who can certify your documents. Documents must be certified by an authorised person, such as, a Licensed Conveyancer, Solicitor or FCILEx.

Note: In addition to the standard wording the lawyer certifying your documents MUST include the following wording when facial recognition/identification has been verified using a video call: *'I certify that facial recognition/verification took place by video call on (date) and that the ID documentation provide is a true likeness of the applicant (name).'*

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How to have your documents certified via a video link:

Step 1: Email your documents to the authorised person

Step 2: Arrange a video call with the authorised person. The authorised person will verify that the photo ID provided matches the face of the person on the video chat

Step 3: the lawyer can then certify the documents and email copies back to you

Step 4: Upload your certified documents to support your CLC application through DocuSign.

4. FEES

4.1 All licence applications: [Application FEES](#)

Are subject to a non-refundable administration fee

4.2 Payment: Once your practice application has been received we will email you setting out ALL application and credit check fees associated to the application. Application fees will be invoiced by email from the CLC Finance Team. Experian payments will be made payable to Experian direct from the applicant. Payment can ONLY be made by credit or debit card. Application fees must be paid prior to the CLC reviewing a practice application. Note: A credit or debit card held in ANY name can be used to make payment; such as a company or employer bank account.

4.3 Additional administration charges: If an application requires significant further investigation, any additional charge will be at the rate of £80.00 per hour. You will be notified before the extra work is undertaken by the CLC.

4.4 The CLC may use external advisers when considered necessary: You will be notified of any additional charge before the CLC commissions the services of an external adviser.

4.5 Summary of other charges:

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Guidance for costs.

- a. Contribution to the CLC's Compensation Fund (based on the turnover declared to the insurers)*
- b. Practice Fee (based on the turnover declared to the insurers)*
- c. Licence Fee (if an individual licence is required as part of your application)*
- d. Professional Indemnity Insurance Premium (as advised by your insurance provider).*

Please note that the CLC will require confirmation from the insurers for the amount of turnover as declared to them for your PII.

5. CHANGES AND HOW TO NOTIFY THE CLC

You must notify the CLC immediately of any changes to the information provided in the Business Information Form and the Licensing Application. **Failure to do so will result in delaying the processing of your application or result in a review of any decision made by the CLC.**

6. USING YOUR PERSONAL DATA

Your details will be held by the CLC in accordance with the General Data Protection Regulations (GDPR). For the purposes of GDPR, if you provide any information to us, we will be the data controller.

For further information about how your information is used, how we maintain the security of your information, and your rights to access information we hold about you, please see our [privacy policy](#) which is kept under regular review. You can contact our Data Protection Officer via email at privacy@clc-uk.org or in writing to: *Council for Licensed Conveyancers, We Work, 131 Finsbury Pavement, London EC2A 1NT*

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Section 6

7. DEFINITIONS

'**Reserved legal activities**' are as defined in s.12 and Schedule 2 of the Legal Services 2007 Act. Currently, there are six reserved legal activities: the exercise of a right of audience (advocacy), the conduct of litigation, reserved instrument activities, probate activities, notarial activities and the administration of oaths. The CLC currently licenses and regulates Conveyancing Services which are included in reserved instrument activities, probate activities and the administration of oaths.

An '**approved regulator**' is a body which is authorised to regulate providers of legal services and includes the Law Society, Bar Council, The Chartered Institute of Legal Executives, The Council for Licensed Conveyancers, The Chartered Institute of Patent Attorneys, The Institute of Trade Mark Attorneys, The Association of Law Costs Draftsman, The Master of Faculties, The Institute of Chartered Accountants in Scotland and the Association of Chartered Certified Accountants

An '**authorised person**' is a person who has been authorised by an approved regulator to carry out reserved legal activities, for example: -

- a) Licensed Conveyancer
- b) Licensed Probate Practitioner
- c) Solicitor
- d) A Fellow of the Chartered Institute of Legal Executives

A '**non-authorised person**' is a person who has not been authorised by an approved regulator to carry out reserved legal activities.

A '**beneficial owner**' is an individual or company which has all the benefits and entitlements of a legal owner, even if not named or registered as the legal owner.

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A person or legal Practice holds a '**material interest**' in a Licensed Body if the person, legal Practice (or any of the person's associates or the person and any of the person's associates together):

- a) holds at least 10% or more shares in the body (or in a parent undertaking);
- b) is someone able to exercise significant influence over the management of the body (or a parent undertaking) due to their entitlement to exercise, or control the exercise of voting rights;
- c) is entitled to exercise, or control the exercise of, voting powers in the body (or a parent undertaking), which, if it consists of voting rights, constitutes at least 10% or more of the voting rights;
- d) is a partner having at least 10% interest in the capital or profits of the partnership; and includes any ultimate beneficial owner of more than 10%.

'**Key Personnel**' includes: authorised persons, non-authorised persons with 10% or more material interest, HoLPs and HoFAs, named managers.

An '**insolvency event**' is defined as:-

- a) resolution for a voluntary winding up of the body is passed without a solvency declaration (under s.89 of the Insolvency Act 1986);
- b) the body enters administration under the meaning of Schedule B1, para 1(2)(6) of that Act;
- c) an administrative receiver within s.251 of that Act is appointed;
- d) a meeting of creditors – which has the effect of converting a members' voluntary winding up into a creditor's voluntary winding up – is held in relation to the body under s.95 of that Act;
- e) an order winding up the body is made.

An '**individual voluntary arrangement**' (**IVA**) is an agreement between a debtor and their creditors. The agreement sets out how creditors will be repaid and normally entails setting up monthly payments



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over a certain period of time, such as five or six years. Alternatively, if an asset such as property can be sold, the agreement may specify that a lump sum is raised and distributed to creditors of the debtor.

'**Lenders panel**' comprises of lawyers who have been approved by lenders to carry out legal work on their behalf in relation to property purchases and re-mortgages.