



CLC Fee Consultation

September 2024

Consultation Responses and CLC Commentary

Introduction:

The CLC Fee Consultation for the period 1 November 2024 to 30 October 2025 was launched on 25 July and ran for 6 Weeks.

The proposals made in the consultation document were:

- a) That the turnover **bandings** will remain unchanged
- b) That the **Practice Fee rates** will be increased by 9%.
- c) That the **Compensation Fund Contribution rates** will remain unchanged.
- d) That the allocation of cost levied to practices through the **OLC Levy to practices** will change from 70% of the cost being allocated proportionally to all practices (the availability charge) and 30% of the cost allocated to practices based on case numbers (the usage charge) to an equal 50% allocation of cost between availability and usage.
- e) That the **Individual Licence fee** will remain unchanged at £400 for a conveyancing or probate licence and £475 for a dual licence.
- f) That **Other administration charges** (applicable to the issue and amendment of licenses and permissions) will be remain unchanged.
- g) 4 EDI questions were included in the survey.

The consultation was promoted in newsletters to practices and managers and individually sent to key stakeholders. The survey included an option to respond by post, email or by completing an online survey. 18 respondents to the consultation used the online survey and one respondent provided a written response. In total we received 19 responses including a response from a representative body.

Summary of Responses

The online survey, which consisted of nine questions, yielded the following results:

1. The simple majority of participants supported a 9% increase in Practice Fee rates.
2. There was a strong consensus among respondents to leave the Compensation Fund Contribution rates unchanged.
3. A significant proportion of respondents were in favour of amending the OLC Levy allocation between the Availability Fee and Usage Fee.
4. A majority of respondents were in support of not amending the Individual Licensing Fee.
5. A majority of respondents were in support of not amending the administrative charges.
6. No negative EDI impacts were highlighted

Detailed Responses and CLC Commentary

Question 1: Do you agree that the turnover bandings above should remain unchanged?	
18 responses were received for this question. 16 respondents (89%) agreed with the proposal and 2 respondents disagreed (11%). Of the 18 respondents who participated in the survey, 3 provided further commentary.	
Response Received	CLC Commentary
I'd suggest that the lowest band is nearly obsolete and could be merged with the 100 - 250k banding	The numbers are steadily reducing and the banks will need to be merged at some point. We will continue monitoring the trend and consider merging the bands in the next year.
The bandings over £2m should be narrowed further - the difference between £4m and £8m turnover is quite substantial	In the current model the bands double from 250k onwards. This does mean the gap widens substantially as the bands increase. We will consider narrowing the bands at the next review, however this is likely to result in at least 3 additional bands which will make the fee rate percentage reduction between bands very small.
The Society agrees that the turnover bandings should remain unchanged, it seems like the band that has the biggest change is that of £1 million to £2 million, it therefore lends itself that a suggested 9% rise would bring in a decent increase in revenue to the CLC.	The increase in revenue in this band will be £19,845 which is in line with the other bands. The contribution for the £8m+ bands is greater.

Question 2: Do you agree with the CLC proposal to increase the current Practice Fee rates by 9%?	
17 responses were received for this question. 10 respondents (58%) agreed with the proposal and 7 respondents disagreed (42%). Of the 17 respondents who participated in the survey, 8 provided further commentary.	
Response Received	CLC Commentary
I would suggest the fees be imposed on companies via referrals and complaint investigations	This is an interesting idea which would carry the 'polluter pays' idea into regulation more generally. It is already dealt with in the OLC levy charge. It is a method we would consider if we were to make more fundamental changes to our PC fee system and other factors would also need to be taken into account to make it a workable and or equitable solution.

<p>The fact you reduced it in previous years is completely irrelevant to the present increase. You reduced it previously because it was appropriate and you could afford to do so. You should only increase it again this year if your actual costs have gone up by 9%. You have not demonstrated that to the profession.</p>	<p>The fee rate increase is aligned with the estimated expenditure required for the year and is set at a level that would produce a budget with a small surplus. Expenditure is determined by our business plan and the resources required to deliver the regulatory objectives. Demands on regulators are increasing and as such we have had to resource accordingly.</p>
<p>At a time when firms are suffering reduced income it is not appropriate to increase the burden of the cost of regulation simply because you wish to employ more staff. Further steps should be taken by you to reduce your overheads.</p>	<p>During the pandemic and economic crisis, the CLC kept fee rates steady to assist the regulated community. Through this period the demands on regulators have steadily increased and we need increasing capacity to meet these demands. We are very conscious of the current situation and have kept increases proportionate to the increased demands and responsibilities. The CLC costs are still at 2015 levels which means in real terms they have dropped significantly. The CLC has also reduced operating costs excluding staff cost wherever possible.</p>
<p>You have stated that Aggregate practice turnovers have reduced by 4% in 2023 and a further 1% in 2024 yet are proposing a further 9% increase to total 19% over the past two years despite declining turnovers. While I accept that there will be an increase - 18% over two years seems steep.</p>	<p>We agree that 19% over two years is a significant increase. After adjusting for lost revenue due to turnover reductions the effective increase is 14% once adjusted for inflation, the increase is negligible. During the pandemic and economic crisis, the CLC kept fee rates steady to assist the regulated community. Through this period the demands on regulators have steadily increased and we are increasing capacity to meet these demands. We are very conscious of the current situation and have kept increases as low as possible.</p>
<p>It is just another cost but we understand as everything is increasing constantly</p>	<p>The CLC has always tried to keep the cost of regulation as low as possible through efficiency savings and have reduced fee rates whenever we were able. Unfortunately, the last 4 years have been very turbulent and have constrained growth in the profession which would have ordinarily negated the need for fee rate increases. We have tried to keep the increase as low as possible but at the same time ensure that we are able to meet our regulatory objectives.</p>
<p>It needs to be offset by increasing conveyancing fees or you will cripple smaller firms</p>	<p>We are very conscious of the burden on small practices. The smallest practices will only pay an additional £57 per year and a practice with £500k turnover will pay £270 extra. While these increases are regrettable, they are unlikely to create significant hardship.</p>

	We encourage all practices to set their fees at market rates and increase them when appropriate.
The operating expenses and staff costs are too high, there should be an efficiency exercise undertaken and this reduced prior to any rise which will simply impact the firms.	<p>The CLC costs are still at 2015 levels which means in real terms they have dropped significantly. The CLC has also reduced operating costs excluding staff cost wherever possible.</p> <p>Our staff are our critical resource, and we need to pay market rates to attract and retain committed and competent individuals. As a small team it is imperative that we recruit and retain the best talent we can find.</p>
We agree that an increase is due in a much smaller proportion than the 9% proposed. We believe that you should have created a smaller increase over the last 3 years at perhaps 2/3% each year in order that the increase in the 2024/2025 year was not so much of a shock to the Firms. Perhaps, this may be more favourable were it based on actual fees retained (after payment of commission).	<p>We agree that 19% over two years is a significant increase. After adjusting for lost revenue due to turnover reductions the effective increase is 14% once adjusted for inflation, the increase is negligible. During the pandemic and economic crisis, the CLC kept fee rates steady to assist the regulated community. Through this period the demands on regulators have steadily increased and we are increasing capacity to meet these demands. We are very conscious of the current situation and have kept increases as low as possible.</p> <p>Once practice turnovers start increasing, I should reduce the need for further increase in fee rates. We do agree that smaller inflation linked increase would be preferable rather than bigger increase and we will look to do so in the next</p>

Question 3: Do you agree that the Compensation Fund Contribution rates should remain unchanged from the current rates (see rates table annex 2)?	
16 responses were received for this question. 13 respondents (81%) agreed with the proposal and 3 respondents disagreed (19%). Of the 16 respondents who participated in the survey, 5 provided further commentary.	
Response Received	CLC Commentary
It is clear costs need to increase in line with the CLC budget deficit therefore it makes little difference if this is achieved via Practice Fees or Compensation Fund Contributions	The two funds operate separately, and funds are not shared between the two. The deficit on the Compensation fund is temporary and is being funded by reserves. Once the intervention driving the additional cost is completed the fund should return to a surplus.
A small increase could be considered this year to lessen the effect of any increase in future years. Given there is potential for a significant amount of the reserves being used against claims from investment properties continuing	The deficit on the Compensation fund is temporary and is being funded by reserves. Once the intervention driving the additional cost is completed the fund should return to a surplus.

<p>to ensure the reserves are adequate and small incremental increases to Compensation Fund Contribution would be preferable.</p>	<p>At this stage we have sufficient excess reserves to fund additional claims. We are however uncertain of the quantum required and don't want to increase the contributions until we have more information.</p>
<p>There is insufficient information to form a view. We have no idea what the reserves are.</p>	<p>We are currently holding reserves of £8,3m this includes a £2,4m contingency reserve which will be applied to the current deficit and to any new compensation fund claims that meet the rules for payment of awards.</p>
<p>The figures should be more closely monitored as there are lower practice turnovers and possibly decreased</p>	<p>This is an incomplete comment and we are unable to respond.</p>
<p>Why have we not been provided with actuals for 2024? Or if not finalised then at least the actuals for 2023 to have some sort of specifics as to what has actually been spent?</p> <p>Why is the Estimate for 2025 significantly lower than what you are currently paying out?</p> <p>If as stated that income is expected to decrease in 2025 with lower practice turnover but you are also increasing practice fees by 9% then why are you estimating to have less practice fee income?</p> <p>If you need to have more money to run the CLC then surely you should be increasing the practice fee by the amount that you need to at least break even, if not create a surplus?</p> <p>Considering the amount that you are currently paying out in relation to intervention agent and storage costs then it doesn't make financial cost to not budget for more than you expect? Where is the financial data to back up your note at point 24 confirming your accumulated reserves?</p> <p>If you believe that there will be significant claims noted at point 25, why have this not been budgeted for? If this will result in a significant utilisation of reserves held, will that, along with point 24 mean that in the</p>	<p>The forecast for 2024 was included in the consultation document. This included actual results to the end of June and a 6-month forecast to December.</p> <p>The current expenditure is driven by a large intervention that is underway. Once this is completed costs will reduce. We expect the work on this intervention to start reducing in 2025.</p> <p>The Compensation Fund is entirely separate from the Practice Fund and does not share revenue or cost. The revenue in the Compensation Fund is expected to reduce because the turnover of practices has reduced and we are not proposing any increase in contribution rates.</p> <p>There are sufficient reserves in the Compensation Fund to support a temporary deficit. Following the conclusion of the intervention the fund should return to operating a surplus.</p> <p>We are currently holding reserves of £8,3m this includes a £2,4m contingency reserve which will be applied to the current deficit and to any new compensation fund claims that meet the rules for payment of awards.</p> <p>See comment above.</p> <p>The Practice Fund operates independently of the Compensation fund and revenue and costs are</p>

year 2025/2026 that Practices should expect an even higher increase than the 9% proposed this year?	not shared. Operation of the one does not impact the other.
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Question 4:
Do you agree with the CLC proposal to amend the OLC levy allocation between the availability fee (50% of cost allocated to all practices) and usage fee (50% of the cost allocated to practices with cases accepted by the OLC)?

16 responses were received for this question. 13 respondents (81%) agreed with the proposal and 3 respondents disagreed (19%).
Of the 16 respondents who participated in the survey, 6 provided further commentary.

Response Received	CLC Commentary
Whilst we understand that rationale for this decision, there is a continued assumption that firms that allow cases to go to LEO need to improve their complaints handling. Whilst complaints handling should always be under review, we do not consider that the case reason for the change is correct. We find that there are many inconsistencies with LEO when accepting cases for investigation. There are many cases, where an initial offer to settle has been made, that are accepted by LEO but the client has never responded to the firm and no final offer has been made. We would request that the data from LEO is provided to the firms when the firms fee is confirmed in order that the firm can reconcile the cases against their own records. This would provide greater transparency and also allow firms to calculate the true cost of their complaints.	<p>We agree that there could be cases that are accepted by the ombudsman that shouldn't be and that this would impact the cost to the profession.</p> <p>We are working with LEO to improve the data provided to us. Once we have timely and accurate data, we can share this with practices to assist with improving the complaint handling process but also to hold the OLC account for the decisions they make about cases</p>
Cases accepted does not equate to fault found. Firms are sitting targets if disgruntled clients choose to escalate a matter to the LEO but if it is accepted for investigation and then no fault is found that should not result in further penalty by you through this levy.	<p>The cost is allocated to regulators based on cases accepted for investigation. We agree that this is not necessarily the right model and it needs to be more nuanced, in that all regulators should contribute to the availability of the service. This is however something that only the LSB can change.</p> <p>While this remains the rule for cost allocation, it is the fairest method of allocating cost to the profession.</p>
100% of the fee should be for availability of the service. It is irrelevant how many cases get referred. The service is available to everyone. Those whose matters are referred to the LEO will be penalised by the LEO if they are found to be at fault. You are prejudging matters by	<p>The number of cases referred is very relevant, as it drives the cost. If no cases were referred, then the CLC would only be charged £5,000.</p> <p>It is in the interests of all practices to reduce this cost which is now in excess of £1,2m a year and</p>

<p>penalising them simply because a client decides to exercise the right to escalate a complaint they feel is not resolved. You would not make any refund to those who are found not to be at fault, so it is unfair to make a charge because the matter was investigated. Licensed Conveyancers have no control over whether a disgruntled client refers a matter to the LEO.</p>	<p>the best way to do this is by incentivising practices with cases to review their policies and reduce case numbers.</p> <p>Most practices have very low case numbers but a small minority have significant referrals which is increasing the cost for all.</p> <p>Considering that more than 50% of practices have had no cases referred in the previous 3 years. That indicates that appropriate complaint handling measures can restrict referral.</p> <p>We acknowledge there will always be clients that are not happy with the outcome of the practice's complaint handling process, but many practices have proved that this can be largely contained. All practices with multiple referrals should be carefully considering the reasons behind the referrals and look to see if their complaint handling could be amended to reduce referrals.</p> <p>We would be happy to conduct a review of any practice's complaint handling arrangements and could facilitate training sessions with the OLC to help practices develop better complaint handling procedures and thereby reduce the number of referrals.</p>
<p>companies with no complaints should not be paying for firms that have a lot - we should encourage firms, even large firms, to not get to the stage of a complaint here</p>	<p>All practices should pay for the availability of the service, as it gives the consumer confidence in the legal sector. However, we do agree that the charge for the availability should now be reduced and that is why we are proposing to reduce the availability component.</p>
<p>I think you should wait for a firm figure required by OLC before prematurely and inaccurately billing firms only to have to amend the figure months later.</p>	<p>The LSB only provide the final invoice and amount 28 days prior to payment. Because this is a significant cost to practices, we would prefer to collect the fees over a longer period to reduce and spread the financial burden. Although the figures will change as we receive estimates, this will not require additional administration work on your part as we notify you of the changes and will adjust the direct debit for the remaining period.</p>
<p>It seems that your "Polluter Pays" incentive has worked, even though, if you look into this, you will probably find that clients are being paid more to resolve a claim just to stop them going to LeO. If LeO's fees keep increasing</p>	<p>We are not convinced that the polluter pays model has worked as well as it could as we have noted an annual increase in cases being accepted. This may be partly attributed to changing acceptance criteria at LeO (previously</p>

<p>year on year as they are then the 50 availability fee which will be shared at 50% now will therefore increase the fees payable under the Levy for all firms, including and more specifically those who aren't having any files.</p> <p>Under the Transparency rules we have been required to place the ability for the client to refer their matter to LeO in a more prominent place, this in itself has been one of the reasons that there has been an increase in matters being referred, however, although we don't have any stats for this, we doubt that there have been any increase in the amount of matters that the Law Firm has been required to pay out anymore than it originally offered.</p> <p>Clients are able to go to LEO without any repercussion as it remains a fee free service to use for the client, however, the Firm has to pay as soon as it is "Accepted for Investigation" whether or not they actually uphold what the Law Firm offered. There is no incentive to not go to LeO. Clients truly believe that they are able to claim more and more compensation and having this freely available to them just assists in their belief. The system has become so Americanised and moved into the blame culture and therefore we can only see this getting worse and not better, ultimately causing more and more costs to the Law Firm.</p>	<p>early resolution cases weren't counted), but is also likely to be because more cases are being referred and not less.</p> <p>Clients can only complain to LeO if the first-tier complaint handling process cannot resolve the complaint. For more than 50% of practices, with no cases referred this this is the case. Although sometimes a referral cannot be prevented, practices with multiple referrals should be considering whether deficiencies or approaches to internal complaint handling are contributing to the number of referrals.</p> <p>We would be happy to conduct a review of any practice's complaint handling arrangements and could facilitate training sessions with the OLC to help practices develop better complaint handling procedures and thereby reduce the number of referrals.</p> <p>An ombudsman service is important as it gives consumers confidence in the legal system and ensures consumers have a route for redress when the process fails.</p> <p>The model for allocating cost and cost per case is not in our view adequate and we will continue to advocate for change.</p> <p>Although there is a small minority of clients that may "game the system" for personal benefit, most complainants do have a legitimate grievance and have been through the first tier complaint process without getting satisfaction. Practices do need to reflect on how these cases were dealt with and learn from any issues identified. In the end it is in the practices best interest as you will have happier clients, less work to do on complaint management and lower costs.</p>
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<p>Question 5: Do you agree that the Individual practising certificate charges are not amended?</p>	
<p>16 responses were received for this question. 15 respondents (94%) agreed with the proposal and 1 respondent disagreed (6%). Of the 16 respondents who participated in the survey, 1 provided further commentary.</p>	
<p>Response Received</p>	<p>CLC Commentary</p>
<p>Although the Society agrees that we do not want to deter people from becoming CLC</p>	<p>Approximately 20% of individual licence fees are paid by employers, these individuals would not</p>

<p>licensed, do we think that an increase of £50 would actually deter people? You have stated that the £400 covers the costs of administering the applications, however, shouldn't this also go towards some of the intervention costs? We think a 10% increase per Licence would help increase the CLC's reserves. (The SRA will increase individual contributions from £30 to £90 if agreed by the LSB).</p>	<p>be impacted by an increase, although the practice's costs would increase.</p> <p>This would however have a significant impact on those individuals who pay the Licence fee themselves.</p> <p>The CLC does not fund the Compensation Fund through individual Licence fees. This is because we provide entity-based regulation and it is the action of practices (that may be run by any authorised persons) that result in compensation</p>
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<p>Question 6: Do you agree that the Individual practising certificate charges are not amended?</p>	
<p>16 responses were received for this question. 15 respondents (94%) agreed with the proposal and 1 respondent disagreed (6%). Of the 16 respondents who participated in the survey, 3 provided further commentary.</p>	
<p>Response Received</p>	<p>CLC Commentary</p>
<p>You should remove the fees for approval of HOLP and HOFA - firms are obligated to appoint these persons and you have decided you wish to approve the appointments (this is entirely your decision) - if you want to undertake this additional administrative step then you should bear the cost, not the individual practice.</p>	<p>These costs are ordinarily borne by the practice making the appointments and not the individual being appointed.</p> <p>This is because this is a position of responsibility at the practice and the practice decides who should hold the position and act on its behalf.</p>
<p>It is not fair to charge a fee for approving someone as HOLP or HOFA. Firms have no choice over the appointment of these persons in order for a firm to operate (and you keep people waiting an unconscionable amount of time while you ponder the application!). It is your job to deal with this and it should be part of the practice licence fee, not an additional charge - you are not doing anything "additional" to your proper role in handling these. Its macks of "any opportunity to grab some money".</p>	<p>This is a position of responsibility at a practice that is required by statute. It is unfortunately a cost of operating as an ABS. The CLC is required to check that the individual is fit and proper and suitable qualified to hold the post. This can at times take longer to finalise when there is adverse information or any other issues that need to be resolved.</p> <p>This is an activity-based cost that is set to recover the cost of making an application. This means that the more applications we process the more time, and resources are required to provide the service. Charging this cost via the practice fee would result in an under or over recovery of costs and it wouldn't be targeted at those practices that are driving the cost.</p>
<p>As per point 5 , we don't think it would hurt for these to be increased a small amount as they decreased significantly previously and therefore instigating a small increase each year would assist now rather than a much larger increase in say two years' time.</p>	<p>The administration costs were reviewed in 2023 and adjusted to recover the cost of processing. These costs will be reviewed periodically and amended on a periodic basis, probably every 2 or 3 years.</p>

Question 7: Do you agree with the CLC’s initial EDI assessment or the likely equality impact?

13 responses were received for this question. 13 respondents (100%) agreed with the proposal and 0 respondents disagreed (0%).
No comments were provided

Question 8: Do you anticipate that the proposed increase and variation to the OLC levy will or may result in a disproportionate equality impact for individuals with protected characteristics who own, manage or work for CLC licensed practices? If so, please explain which groups you consider may be impacted and how.

14 responses were received for this question. 14 respondents (100%) agreed that there would be no impact and 0 respondents thought that it would have an impact
2 comments were provided

Response Received	CLC Commentary
Not sure	
I do not anticipate this increase/variation will or may result in a disproportionate impact as detailed in the question (I feel the comments box would be better placed for those who do feel that there will be an impact.	Noted - No comment required

Question 9: Do you consider that the proposed increases will have a different impact for individuals who own, manage or work for CLC licensed practices based on their socio-economic status? If so, please explain groups you consider may be impacted and how.

14 responses were received for this question. 2 respondents (14%) thought it would have a different impact and 12 thought it wouldn’t have a different (86%).
Of the 14 respondents who participated in the survey, 6 provided further commentary.

Response Received	CLC Commentary
We don’t think that the practice fee will have anything to do with this, if anything, this has been affected more by the inability of smaller practices to obtain PI rather than practice fees.	Noted – No comment required. On the PII point, we have noted an increase in insurers and activity and it appears that insurers have an increased appetite to write policies.

Question 10: Do you have any other comments or feedback regarding equality considerations in the context of the proposed fee increase and change to the OLC levy?

2 responses were received for this question. 2 respondents (100%) responded that they had no comments