



**GUIDANCE
FOR
CLC PRACTICES SEEKING TO NOTIFY A CHANGE
OF MATERIAL INTEREST
AND
PERSONS OR BUSINESSES SEEKING TO HOLD A
MATERIAL INTEREST**

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Section 1: Guidance Notes

This Guidance is for:

- CLC Practices planning on making changes to their exiting material interest structures; and
- Persons, and business seeking acquire a Material Interest in a CLC Practice.

CLC Regulated Practices must under the [Notification Code](#), notify the CLC of any proposed direct or indirect change of material interest, care and control.

Persons intending to hold a material interest must be declared to us in advance of any legal or financial settlement/completion, as they are subject to our approval and will be required to provide personal and financial information to enable the CLC to conduct its regulatory standard assessment of their fitness own and manage.

The Practice is also required to demonstrate that it can continue to meet its regulatory responsibilities under the [Management & Supervision Arrangements Code](#), subsequent to the proposed change of material interest, care and control taking place.

Practices should notify their current PII Provider of the intended changes and timescales. Written confirmation will be required from the insurer to evidence that that they are content to continue to provide terms. [Professional Indemnity Insurance Code](#)

All parties will be asked to provide evidence as to how the interest will be legally and financially obtained. Please be prepared to provide legal and financial information, which you may need to obtain from third parties such as legal or financial representatives, financial institutions. The CLC routinely carries out AML, source of funds and source of wealth checks all material interest acquisitions. When the purchase of the material interest is dependent on the completion of any other legal or financial matter you will be required to provide this evidence as part of our due diligence. You will also be required to provide documents such as:

- a. Current Shareholders agreement
- b. Share Purchase Agreement
- c. Proposed Shareholders Agreements
- d. Confirmation Statements
- e. Transfer Deeds
- f. Investment documentation

The CLC may also consider that material interest is indirectly obtained through beneficial arrangements and associations involving relatives, spouses, and related business associations. Applications cannot be pursued when the incoming person, body or its managers is subject to:

- a. ongoing criminal or financial investigation or proceedings taken by an enforcement body;

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- b. ongoing regulatory and disciplinary allegations, investigations, proceedings and appeal processes taken by a regulatory or licensing body before the outcome of the adverse event is known, and any sanctions and financial penalties have been complied with; or
- c. a disqualification order applied by a regulatory or licensing body before the judgement has been successfully appealed; or (at the time of applying) had their licence/registration reinstated (i.e. restored free of conditions) by the original licensing/enforcement body.

Section 2: Outcomes-Focused Decisions

The Licensing Framework seeks to ensure that only those individuals able and committed to delivering the CLC’s [Code of Conduct](#). To achieve this, the CLC will only license individuals able and willing to act in a principled manner and deliver the CLC Code of Conduct by complying with its Ethical Principles.

These are:

1. Act with integrity, honesty and independence
2. Know each Client and understand their specific needs, treat them fairly, keep their money safe, and act in their best interests
3. Uphold the rule of law and public trust in the profession and legal services
4. Maintain high standards of professional and personal conduct
5. Collaborate openly and truthfully with regulators, ombudsmen, and other legal professionals;
6. Promote and support equality, diversity, and inclusion in practice and service delivery.

Section 3: The Process

A THE APPLICATION STAGES

Persons and Businesses acquiring a material interest must make themselves available to the CLC. This is so we can correspond directly with you to make enquiries and obtain assurances relevant to the application, and if necessary meet with you.

STEP 1 NOTIFICATION FORM

Practice should notify us by completing the online [notification form](#). The form will prompt you to explain the proposed changes. You should provide a broad overview of the material changes and proposed legal and financial outcomes and intended timescales.

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We will ask you to provide contact information for incoming or beneficial parties after we have reviewed the form. You should put incoming and beneficial parties on notice that they will be required to identify themselves and provide information of a potentially commercially sensitive nature to the CLC.

STEP 2 MEETING WITH THE CLC LICENSING TEAM

Practice owners and managers can request an online meeting, we are happy to do this as discussing the changes with practices and any incoming parties typically assists the process. If the arrangements appear complex, or result in significant changes to areas such as, the licensing, business, governance, and delegation structures, or the current practice's risk profile. Then we are likely to invite you to meet with us to discuss these aspects with us in any case. Alternatively, if the changes appear moderate, we may request more detailed information by email, before determining whether a meeting is beneficial later on in the process.

STEP 3 APPLICATION SUBMISSION

1. Incoming parties will be required to submit at least one application form. The number of forms that will be necessary is dependent on the nature of the changes, the identity of the incoming party, and changes to the practice's key personnel. For example, does the change trigger an ABS or Recognised Body conversion, and therefore are new applications for key personnel required.
2. Incoming parties should be prepared to provide corporate, personal, legal, financial, professional information and evidence.
3. The persons holding the interest, or the appointed officers of an incoming body will at a minimum be required to complete BOOM and/or Registered Manager applications. Applications include standard fitness and screening checks, including DBS checks. Checks may apply to each and every acquisition of interest when more than twelve months apart. The CLC holds DBS records for twelve months before destroying them. Checks can take up to eight weeks to complete.
4. All parties will be asked to pay the relevant application and screening fees up front. Our fees are explained [here](#) and are non-refundable.
5. We endeavour to process applications **between 42 and 90 days**. The time taken to process an application is dependent on the complexity of the circumstances, and the efficiency of incoming parties to provide information and complete the screening process. At times, the process may be delayed by slow provision of third-party information. Applicants will also be delayed when associated individuals live outside of the UK and screening checks for foreign jurisdictions are required. Should a delay happen or be foreseen because of the nature of the circumstances, we will advise you.

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STEP 4

DECISION OUTCOME

1. The CLC will provide a decision in principle. At which time PII, legal and financial arrangements can be executed. The decision in principle is valid for three months to provide a reasonable period for all legal and financial arrangements to conclude.
2. The CLC may also consider whether it is appropriate in relevant circumstances to modify the practice licence and its permissions and conditions, including applying new conditions on to the practice. Should this happen we will advise parties in the decision in principle and explain why those steps were considered necessary.

How to Appeal

1. If you are dissatisfied with the CLC's decision you can appeal the decision within one month of the decision having been made. The appeal will be heard by the Discipline and Appeals Committee. Known as the [Adjudication Panel](#) which is an independent body.
2. The Adjudication Panel (with a quorum of 3) will hear the appeal. No member of the Adjudication Panel is a member of the CLC Council or an employee of the CLC. Wherever possible the applicant making the appeal will be provided with the decision of the Adjudication Panel within 42 days of receipt of the request for the appeal. The Panel reserves the right to extend this to 90 days where needed.
3. A party may appoint a representative (whether legally qualified or not) to represent that party in the proceedings. If a party appoints a representative, that party must send or deliver to the Adjudication Panel and to each other party written notice of the representative's name and address.

[Adjudication panel rules and guidance](#)

[How to appeal](#)

[Publication policy](#)

Your Right to Complain

We work to high standards when it comes to processing your personal information. If you have any queries or concerns, you can contact us at privacy@clc-uk.org. If you remain dissatisfied, you can make a complaint about the way we process your personal information to the Information Commissioner's Office.

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B SUITABILITY AND FITNESS TESTS

1. The CLC [ABS Framework](#) requires the CLC to be satisfied that owners are fit to own. The CLC needs to be satisfied that the proposed ownership arrangements do not demonstrate there is a significant risk of undue or improper influence risk. The CLC will consider when familial or legal relationships continue to provide an indirect material interest, care and control of the CLC practice, in circumstances that would otherwise (when there is no familial or legal relationship) lead to a separation of business affairs. In these instances, we are likely to seek robust assurance from the Board that any inappropriate relationship or undue influence will be mitigated.

2. The CLC must be satisfied that each manager (Person, Business, or its officers) is suitable ([S72 and S90, Legal Services Act](#)) and the provisions of [LSA Schedule 13, s6\(1\)](#) set out what the CLC must approve. In summary the CLC is seeking to satisfy itself of the following:
 - a. the person's (or body) holding of that interest does not compromise the regulatory objectives,
 - b. the person's (or body) holding of that interest does not compromise compliance with the duties imposed by section 176 by the licensed body or persons to whom subparagraph (2) applies, and
 - c. the person (or body) is otherwise a fit and proper person to hold that interest.

In making its determination the CLC will have particular regard to—

- a. the person's (or body) probity and financial position,
 - b. whether the person (or body) is disqualified as mentioned in section 100(1), or included in the list kept by the Board under paragraph 51,
 - c. the person's (or body) associates, and) any other matter which may be specified in licensing rules.
3. The CLC will raise an objection to any one of the individuals and/or bodies not suitable. Any objection will set out our reasons in a warning notice (applies to new applicants and notifications concerning existing incoming parties into CLC licensed bodies).
In reference to the [ABS Framework](#), warning notices can be served in the scenarios outlined at 8.17 (objecting to the material interest or issuing subject to conditions) or 13.2 (enforcement for non-compliance with regulatory arrangements).

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C SCREENING

The CLC uses third-party screening agent Giant Screening to complete all screening checks.

1. Incoming parties will be invoiced by the CLC for the fees charged by Giant to complete the checks. Fees must be paid within 10 working days. Applicants should also be put on notice to receive and promptly respond to any information requests received from Giant. Not responding within 10 working days will invalidate the eligibility tests.
2. Where adverse information is reported in a Giant report the CLC will request from the prospective applicant additional evidential documents, such as, DBS Certificates, IVA and CVA and Bankruptcy Supervisor reports, Court findings, and employment tribunal records.

The CLC reserves the right to make enquiries to any bodies and agencies that it considers appropriate to validate a prospective applicant is Fit and Proper.

3. Adverse findings that have not been declared to the CLC will be treated as a material omission and will render an application as incomplete.
4. Unless there are exceptional circumstances the CLC will not be satisfied that the individual is a fit and proper person and will refuse the candidate if they have:
 - a. been found dishonest, or deceived or sought to deceive others, e.g. academic authorities, employers or members of the public; or
 - b. repeatedly failed in their Duty to the Court and have unsettled County Court Judgements (CCJs), or other Court Judgements against them,
 - c. failed to disclose to the CLC where they have been the subject of:
 - i. criminal, employment and regulatory investigations, allegations and findings; or
 - ii. financial sanctions such as CCJs, IVs, CVAs, and bankruptcy.

Section 4: Beneficial Owners, Officers and Managers (BOOMs)

A KEY PERSONNEL

1. Persons and Businesses that meet the definition of a BOOM or Registered Manager are required to satisfy the CLC's fit and proper tests and will be asked to complete routine application processes.

[BOOM Definition/Registered Manager Definition](#)

2. Persons, or nominated officers may also be proposed as being the practice's appointed Head of Legal Practice (HoLP), Head of Finance and Administration (HoFA) or Money Laundering Reporting Officer (MLRO). Collectively known as *Key Personnel*. Proposed applicants must in addition to the fitness test meet the CLC's minim professional and occupational criteria for the authorised key personnel appointments.

[Key Personnel Criteria](#)

B PERSONS OR OFFICERS INTENDING ON BECOMING A CLC LAWYER

1. Persons or officers intending on becoming a CLC Lawyer must comply with the CLC standard first licence applications procedures and requirements.

[CLC Lawyer Licensing Framework](#)

[Universal Guidance](#)

2. Recognised Body material interest acquisitions are dependent on the Person(s) being granted a CLC Licence under the CLC Lawyer Licensing Framework.

[Recognised Body Framework](#)

END OF DOCUMENT