

BECOMING A CLC REGULATED BUSINESS

FACTSHEET 1

SETTING UP A NEW LEGAL PRACTICE AND BECOMING REGULATED BY THE CLC

Factsheet 1 is aimed at helping potential CLC Practice applicants prepare for setting up a **viable and sustainable regulated business**. Sole Practitioners and small new-start-up businesses take on a great deal of responsibility when they provide legal services to the public. The CLC works to ensure that when determining an application that the applicant (new business) has taken time to consider the individual requirements and arrangements needed to fund and set-up operational structures that will subsequently effectively manage the business responsibilities.

Anyone considering setting up a new legal practice regulated by the CLC should familiarise themselves with the [Guidance for Practice Applicants](#) and use this factsheet as a supplementary aid to help establish the information that should be included in any application

What is the CLC looking for from a new-start-up proposal?

The CLC is looking to satisfy itself that the new-start-up practice will operate, and has, or knows how to, put in place the appropriate corporate policies and procedures to demonstrate to the CLC that it will act responsibly and fairly in its dealings with clients and all third parties.

How will the business be formed?

The choice is entirely yours. You should seek independent financial advice about the type of structure that best suits your business (a sole trader, LLP, Ltd Company or Partnership). The CLC's licensing process is the same for all types of company formations. Although, some of the terminology we use for the authorisations for key personnel in the business will differ.

What types of individuals are going to be owners (investors) of the business?

Recognised Body

A business owned and managed exclusively by lawyers will be licensed as a Recognised Body (RB). A Sole Practitioner will automatically be a RB, and can employ non-lawyers, such as a bookkeeper, cashier, or CLC technician and still remain a RB. **When the sole practitioner is a Solicitor or FCILEx they will need to be licensed as a CLC Lawyer with a Manager Licence. Some additional [educational requirements](#) will apply to FCILEx.**

Alternative Business Structure

When non-lawyers are owners or shareholders of a business the CLC will licence this type of business as an Alternative Business Structure (ABS).

ABS businesses are required to have one Authorised Person holding a CLC Manager designation (licence or authorisation) and two key personnel, a Head of Legal Practice (HoLP) and a Head of Finance and Administration (HoFA). When there is only one Authorised Person this individual is typically also the HoLP and on some occasions they are also the HoFA. Although, when this happens the CLC is keen to ensure that appropriate money handling arrangements will be in place to support the CLC Manager of the practice in the day to day management of the business finances.

The business must evidence it has clear lines of accountability and has suitable (trustworthy, qualified, skilled, experienced) key personnel.

Financing the business

Think about how you intend to fund the set-up costs (i.e. sourcing your premises and recruitment) and where you will source funds. Remember, any repayment terms need to be affordable and manageable based on your expected income. Importantly, you should be able to provide a breakdown of the major items of expenditure included in the set up costs. This may include:

- large ticket items (including IT, Case and Accounts Management Systems);
- practice fees/contributions;
- professional charges/costs; and
- premise costs/rental.

Have you investigated the cost of Professional Indemnity Insurance? What is the business' strategy for managing payment of costs incurred in relation to PII excess payments having to be made in the first year?

Another important financial consideration is contingency funding (value, source, and terms). What funds are available to the business in circumstances when planned income does not materialise, or is delayed in the first year of trading? How will the business and its owners manage any ongoing financial liabilities?

Generating business

Think about how the business will establish and build reliable sources of work. Can you provide evidence of how you will achieve this, for example, emails or letters confirming referral arrangements between the business and local estate agents, national online referral agencies, other lawyers, or property developers? Will the referral arrangements provide the number of monthly transactions needed set at the right fee for you to meet your financial forecasts?

Have you considered any circumstances in which the business may act for both parties or intends to provide any service (reserved and non-reserved) where it has agreed to the sharing of fees with any third parties? If yes, then you should set out in your application the nature of the any arrangements and tell us how the business intends to manage transparency and any conflict of interest.

Business Support Services

Professional services play a key role in supporting sole practitioners and small business. Even a minimal level of outsourced support to carry out specialist functions can help with the effective management of the business and is a proportionate approach to managing risk associated with money handling arrangements. Consider what types of affordable professional services will help you manage financial risk to the business and to the client, in particular fraud, including identity, financial, and AML. Another key advantage of engaging specialist professional services is that they free up fee earners time to concentrate on delivering high quality legal services.

Business Continuity

Sole practitioners and small businesses must have adequate cover arrangements in place for key personnel, and key business functions to ensure business continuity is maintained during periods of planned annual leave and unplanned absence, such as sickness or periods of ill-health. Sole Practitioners **MUST** provide evidence of a contingency cover agreements for these circumstances and explain the succession plans in place to manage the longer term sustainability of the business.

Before completing the Practice Application why not read [Factsheet 2, Providing Compliant Legal Services](#).