

SRA BOARD

8 October 2024

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This paper will be published

Chief Executive's Report

Purpose

- 1 This report provides an update to the Board on our priorities and any key developments that it needs to be aware of. It also provides information on important external developments and our engagement activity with key stakeholders.

Recommendations

- 2 The Board is asked to:
 - a) consider the Chief Executive's report
 - b) delegate to the Chair the decision to make amendments to the SRA Standards and Regulations at the point at which the legislation is passed to implement the new trade agreement between the UK and Switzerland governments.

If you have any questions about this paper please contact: Paul Philip, Chief Executive, paul.philip@sra.org.uk, 0121 329 6940.

Chief Executive's Report

Update against priorities / key developments

Practising Certificate Renewal Exercise (PCRE)

- 3 PCRE opened on 1 October and will run until 31 October. We are expecting to process over 40,000 renewal applications, which includes almost 12,000 bulk firm renewals, and to collect income exceeding £160m in practising fees and Compensation Fund contributions.
- 4 The LSB approved our practising certificate fee and Compensation Fund contributions applications in September.
- 5 Planning for PCRE 2024 had a strong emphasis on lessons learned from previous years and should provide further improvements to the customer experience. Additional temporary resource has been recruited into the Contact Centre, as we always do, due to the surge in customer demand. We have also continued with our proactive engagement with key firms setting out the support that will be available for them throughout the PCRE period.
- 6 A new process has been put in place to identify those who do not complete the competence questions at the point of application, and by omission, do not meet the criteria intended to demonstrate that they have addressed any identified learning and development needs and are competent in all aspects of their role.
- 7 Those falling into this category will be given a period of seven days to evidence their competence. If they do not sufficiently evidence competence after this seven-day period, conditions will be placed on their PC. We have recruited additional temporary resource to support this process.

High profile investigations

- 8 The Board is aware that we are investigating the events and actions of solicitors that resulted in us having to intervene into the law firm Axiom Ince. We had identified the suspected misuse of significant amounts of client money, resulting in an account shortage estimated to be more than £60m. As noted in my last report to the Board, the Serious Fraud Office (SFO) has launched an investigation into a suspected fraud at Axiom Ince and we have agreed to hold off proactively progressing our investigation. This remains the current position.
- 9 We [published](#) an update on our investigations on the SSB Group in relation to former clients unexpectedly being pursued to pay adverse legal costs in relation to discontinued cavity wall insulation litigation claims.
- 10 We have continued to liaise with regulators, insurers and other organisations, such as the Association of British Insurers, to explore the issues and options

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around redress in relation to SSB Legal, and make sure those impacted have access to up to date information on their options for redress. We also have met with the SSB Victims Support Group, Citizens Advice and Shelter to gain further insight and explain the latest position.

- 11 In June, we also [issued](#) an updated public statement on the Post Office/Horizon scandal, providing more information about the number of solicitors and firms we are investigating and the types of issues we are looking at.

Risk Intelligence Group

- 12 As the Board is aware, as part of our developing our approach to risk, we have established a Risk Intelligence Group. The Group will look at the data we currently have available to draw together our proactive views on risk and help us deliver actionable insights. This is part of redoubling our efforts to ensure we have robust processes in place to identify and act on emerging risks. The group will operate at the same time as we develop a more comprehensive Data Strategy on the use and utility of our data.

Consumer protection review

- 13 As the Board is aware, our first consultations for the review will happen in October. We have engaged widely to inform the consultation. We also partnered with Legal Futures, as part of our Consumer Protection Review work, to facilitate a discussion about the future of client money. I took part in a panel discussion viewed by more than 600 people, and authored follow up pieces on the issue in Legal Futures and Solicitors Journal. The aim was to stimulate and encourage debate on the issue.

Solicitors Qualifying Examination

- 14 As expected, the number of candidates taking the SQE continues to grow, with approximately 2,200 candidates being issued with results in August for April's SQE2 and approximately 5000 candidates issued in September with results for July's SQE1.
- 15 The SQE1 results were presented as scaled scores for the second time. Lessons were learned from the January 2024 results error and the results were calculated in line with the published policy. Kaplan is putting in place additional safeguards to reduce the risk of errors in the future.
- 16 After an open and competitive tendering process, we have appointed a firm of independent experts to undertake our year-three evaluation of the SQE. Our process will ensure a robust evaluation which can maximise understanding of the impact, as well as stakeholder confidence.

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- 17 We are engaging with relevant stakeholders on the government's recently announced proposals which could limit the funding of Level 7 apprenticeships, such as the Solicitors Apprenticeship.

Review of continuing competence arrangements

- 18 We require solicitors to maintain their competence on an on-going basis. We do not specify how they do this, but we do require them to reflect on, and address, their learning and development needs. They must make a declaration that they have done so when they apply to renew their practising certificate each year. As noted above, the wording of the declaration has been strengthened for the 2024 practising certificate renewal round to include a requirement that a solicitor confirms their competence to practise.
- 19 Recent thematic reviews have highlighted that some solicitors both fail to understand the obligation on them to maintain their competence and show a lack of awareness of the wider professional obligations to which they are subject. Given this, we are reviewing our current approach to continuing competence and to securing understanding of, and adherence to, professional obligations more generally.
- 20 We are currently considering the scope of the review and will report to the Board on the options being considered.

Swiss lawyers and recognition of professional qualifications

- 21 In 2023, the UK and Switzerland governments signed a new, wide-ranging trade agreement, which includes general provisions on the Recognition of Professional Qualifications (RPQ) and an annex specifically relating to legal services. On 1 January 2025, this new agreement will supersede the Citizens' Rights Agreement (CRA). The CRA was signed in 2018 as a transitional agreement following the UK's departure from the European Union (EU).
- 22 Although there are some similarities with the requalification provisions in the older, EU-derived regulations, the new agreement provides for lawyers qualified in Switzerland to requalify in a UK jurisdiction via an adaptation period or an aptitude test. There is also a saving provision for all Swiss Registered European Lawyers (RELs) who have registered, or apply to register, under the 2020 regulations before 31 December 2024, to continue practising in this capacity so long as they maintain their registration with us. We currently have ten Swiss RELs registered.
- 23 Subject to the ongoing work of the Department of Business and Trade (DBT), we anticipate Parliament passing the necessary legislation to implement the agreement in UK law this autumn, ahead of the 1 January 2025 implementation date. Once the legislation is passed, we will need to amend our regulations. Approval of our amended regulations will then be required by the LSB, either by

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way of an exemption direction or a full Schedule 4 application. The LSB is aware of these time pressures.

- 24 Due to the tight timelines involved, and because the necessary legislation has not yet been passed, we are asking the Board to delegate authority to the Board Chair to make the amendments to the SRA Standards and Regulations at the point at which the legislation is passed.
- 25 The nature of the changes to the SRA Standards and Regulations will be minimal, limited to those which are required by the RPQ and the supplementary statutory instrument, in order to authorise and regulate this new category of individual, in line with our existing arrangements, from 1 January 2025. The changes will predominately be made to our Application Notice Review and Appeals (which deals with applications made to the SRA, and internal reviews/external appeals against disciplinary and regulatory decisions), Authorisation of Firms (which deals with arrangements for the authorisation of firms) and Authorisation of Individuals Regulations Rules (which deals with registration and any future admission), with consequential amendments being made to other arrangements.

Recommendation: the Board is asked to delegate to the Chair the decision to make amendments to the SRA Standards and Regulations at the point at which the legislation is passed to implement the new trade agreement between the UK and Switzerland governments.

Anti-Money Laundering (AML) update

- 26 We have appointed a new Director of Anti-Money Laundering, who started on 1 August. Alexandra Jones is the former Chief Executive of the Registry Trust and has held senior roles at the Financial Ombudsman Service and in banking.
- 27 During August and September, we carried out a major data-gathering project. This collected information from the whole profession about AML, sanctions and suspicious activity reports. It will improve our understanding of risk and make sure that our resources are allocated accordingly.
- 28 We have completed a thematic review of AML training. This project involved seeking the views and experiences of AML training professionals and firms. In particular, we have found that good-quality AML training is a strong predictor of firm compliance, and have identified good and poor practices for firms to follow. The review is due to be published later this month.
- 29 In September, the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) [published](#) its fifth annual report. The headline from the report is that OPBAS has found that while most Professional Body Supervisors are complying with money laundering regulations, how they supervise is not consistently effective.

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- 30 Around 150 people attended our SRA Innovate events in Manchester and Leicester, providing practical insights and support for legal professionals looking to innovate. More than nine out of ten attendees rated the events as good or very good. We also had 35 solicitors attend 'Meet the senior team' roundtables, giving us the opportunity to hear feedback from the profession and discuss our priorities.
- 31 We partnered with the think tank Reform to host a roundtable bringing together a select mix of 20 academics, policy makers, technologist, solicitors and other experts on AI to discuss the future of AI in legal services. The aim of the event was to offer insights that could support innovation, and stimulate debate and progress thinking about the future of regulation and legal services. In addition to blogs published from other attendees, I published a blog, ['What will it mean to be human: the future of legal AI'](#).
- 32 Our Regulator Pioneer Fund project is exploring how online dispute resolution can help tackle the unmet legal need of individuals, consumers and micro/small enterprises. We are joined in a project consortium by the Access to Justice Foundation and The Law Society. The consortium has been holding a series of roundtables and direct interviews to understand more about the barriers that exist and potential solutions to address challenges. These happened during June, July and August 2024 involving representatives from across law, housing, employment and business.

Australia-UK Free Trade Agreement Working Group

- 33 The first meetings of the Australia-UK Working Group on regulatory cooperation and business structures took place in August. At the regulatory cooperation meeting, attendees discussed their respective work on technology and innovation, and in particular Generative AI. Ahead of the next meeting (this month) we plan to share further information on the work that we have done to-date on technology, innovation, and AI generally.

Equality, Diversity and Inclusion (EDI)

- 34 In September, as part of our work to promote good practice in recruitment, retention and progression, we [published](#) a range of resources on our website and held a webinar. In the webinar, two firms shared their good practice on programmes to support diverse talent at senior levels and using data to monitor progression by diversity characteristics.
- 35 We have continued to promote the value of having and using good diversity data – we were invited to speak to the finance sector (at a webinar organised by New Financial in May) about our approach to collecting firm diversity data and at the

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InterLaw Diversity Forum's Summit on the benefits participating firms and clients see from participating in their Model Diversity Survey.

Research into the potential causes of differential outcomes by ethnicity in legal professional assessments

- 36 The research by the University of Exeter on the potential causes of differential outcomes by ethnicity in legal professional assessments, which we [published](#) in June, highlighted that outcomes are affected by people's experiences during education and engaging with the profession, particularly their access to resources and support from law firms and education providers. These experiences affect student's self-belief and their development of a range of skills and knowledge. It found that collaborative action was needed to effect change.
- 37 The research and our planned next steps were well-received by stakeholders, including the LSB, Law Society and the Committee of Heads of Law Schools. Given that collaboration of effective solutions was a key finding, we are concentrating on holding positive conversations with a range of stakeholders about the potential to effect change. We held a summit on 2 October to use the findings from the report to co-create an action plan with key stakeholders to improve the issue.

Stonewall Workplace Equality Index

- 38 Our achievements in relation to promoting LGBTQ+ inclusion as an employer and within the profession were recognised in the Stonewall Workplace Equality Index, where we were ranked 11th in the Top 100 Employers list, up from 25th in 2023. And we had great engagement with the profession through our presence in Birmingham, Cardiff and London Pride parades this year, walking jointly with law firms and the local law societies in the two regional events.

Modern Slavery Statement

- 39 We [published](#) our first modern day slavery statement in July 2024. In it, we outline the approach we have taken to prevent modern slavery practices within our organisation and supply chains.

Legal Services Board (LSB)

- 40 In addition to submitting our response to the LSB's request for an update on progress against its empowering consumers policy statement (which the Board discussed at the last meeting), we have also submitted our response to a further information request to feed into the LSB's evaluation of the Internal Governance Rules. The Internal Governance Rules are in place to enhance regulatory independence as far as reasonably practicable, and to create and maintain clear divisions which prevent the representative functions prejudicing the regulatory functions.

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- 41 The LSB has recently [published](#) a policy paper for regulators on policy approaches to financial protection arrangements. The paper sets out options that regulators may wish to consider when reviewing their financial protection arrangements for consumers. We have met with and discussed the paper with the LSB and highlighted the complementary nature of the work with our consumer protection review, particularly around managing risks to client money.

Public affairs

- 42 Coinciding with our July Board meeting in Cardiff, we hosted a dinner for more than 40 stakeholders, from consumer groups, charities, government and the profession. It was an opportunity to discuss what could be done to drive confidence and trust in the legal sector in Wales.
- 43 We also met with Mick Antoniw MS, Counsel General for Wales. We took the opportunity to discuss a range of issues including the Solicitors Qualifying Exam and the availability of this in Welsh, as well as Solicitor apprenticeships in Wales.