

News

Discussion on interventions and client protection

02 November 2023

The issues resulting from the intervention into Axiom Ince were discussed at our recent Board.

For those not aware, we first intervened on the grounds of suspected dishonesty. The sole shareholder at the firm was suspected of misusing significant amounts of client money, resulting in a shortage on the client account estimated to be more than £60 million. So on 10 August we [closed down his personal practice](https://rules.sra.org.uk/consumers/solicitor-check/394676/) [\[https://rules.sra.org.uk/consumers/solicitor-check/394676/\]](https://rules.sra.org.uk/consumers/solicitor-check/394676/) and that of two other directors of the firm.

Our focus is on the public interest. This intervention removed the immediate possibility of ongoing harm to the public and the firm's clients. The missing money meant that it was not possible for the whole firm to carry on operating. However, it was not in the interests of clients to close the whole firm down immediately.

We worked with the remaining directors to achieve as orderly closure as possible in the circumstances, including identifying where clients' matters could be moved to other firms. We then [intervened into the rest of the firm](https://rules.sra.org.uk/sra/news/press/2023-press-releases/axiom-ince-intervention-statement/) [\[https://rules.sra.org.uk/sra/news/press/2023-press-releases/axiom-ince-intervention-statement/\]](https://rules.sra.org.uk/sra/news/press/2023-press-releases/axiom-ince-intervention-statement/) on 2 October.

Our work continues dealing with the impacts of this case, including ongoing disciplinary investigations and supporting clients who were affected. This is the biggest intervention ever in England and Wales. This follows two other very large interventions in the last two years.

It prompted discussions at our recent Board about the impacts. It is too early to say how many claims there will be that will need to be met from the compensation fund. More widely, we are seeing a pattern of increased claims on the fund. So although we have not made any decision about what this means for a collection of funds from the profession, it looks likely that, after years of keeping them stable, we will need to increase levies.

In addition to the impact on the compensation fund, our Board also discussed what it might mean for our approach to client protection, and how we could minimise the risk of similarly large failures in the future. Chair of the SRA Board, Anna Bradley, talks more about this in her [reflections on the meeting](https://rules.sra.org.uk/sra/how-we-work/our-board/news-from-the-board/board-october-2023/) [\[https://rules.sra.org.uk/sra/how-we-work/our-board/news-from-the-board/board-october-2023/\]](https://rules.sra.org.uk/sra/how-we-work/our-board/news-from-the-board/board-october-2023/) of 12 October.

Anna Bradley said in her blog: 'We had a rigorous workshop discussion around the issue of consumer protection and specifically the role of the compensation fund. A discretionary fund of last resort – paid for by the whole profession – it provides a vital safety net for clients where a solicitor has stolen or not accounted for client money, and is not covered by a firm's professional indemnity insurance.

'We have seen a significant shift in pressure on this fund, because we have seen a big increase in the number of interventions – this is when we have to close down a firm to protect their clients. In the last year, the number of interventions has more than doubled, and we also have had to intervene into far larger firms than has ever been the case before.

'This raises a range of questions. First, we need to manage the immediate issues. This means thinking about the best way to compensate current claims while also ensuring the fund remains financially viable. It is likely that we will need to increase the levies on the profession after years of keeping them stable. But we will need to think carefully around the best approach to doing that – for instance, we usually collect a levy annually, but we may need to consider an interim collection. We recognise that would have a big impact on firms, particularly smaller, high-street solicitors.

'With this changing landscape, there are also longer-term, more fundamental questions about how we make sure the public interest is served and consumers continue to get the right level of protection. The arrangements to date have been crucial in maintaining public confidence and trust in regulated legal services. The sector cannot afford to lose this trust and confidence over the long term, but this must be balanced against the financial impact on the sector.

'We also need to learn from the recent failures of larger firms, so we discussed what we know about why this happened. We are reviewing what actions we could take to reduce the probability of similar failures in the future. We take a risk-based approach to regulation, so we would need to make sure that any changes in our approach are well targeted and do not result in unjustified burdens on the sector.

'These aren't simple questions and resolving them will need careful thought and engagement with the sector. It will be an absolute priority for our Board in the coming months. The public and the profession will have strong views on the approach we take, so we will make sure we engage with you all as we take the work forward.'