

Conveyancing Thematic study: Summary report

March 2013

Introduction

Conveyancing is the exchanging of documents that confirm the transfer of property from the seller to the buyer. In 2012 the Solicitors Regulation Authority (SRA) undertook 100 visits with firms of solicitors that provide this service. The visits looked at the ways that these services are delivered, marketed and charged for.

This report summarises the findings from these visits and highlights implications for the SRA's strategy for regulating firms engaged in conveyancing.

The visits to these firms were part of a process called a 'thematic study'. The findings in this report are not intended to be statistically representative of all legal services firms regulated by the SRA, and they are not to be presented as such. To get the most out of the findings, they should be viewed as indicating broad trends and themes.

Why select Conveyancing as a theme

The topics for thematic studies are selected on the basis of risks to the public interest. When things go wrong in the conveyancing process it can have a significant impact on the consumer. The risks range from mortgage fraud, stealing of client money and negligence matters - such as failure to properly deal with restricted covenants, ownership of land or complex lease holdings. These risks can lead to significant financial loss and/or major inconvenience to clients involved.

Conveyancing accounts for a high proportion of claims made by solicitors on Professional Indemnity Insurance (PII), representing about 50% of the value of claims arising against firms. Conveyancing is also a service required by large numbers of consumers and one that leads to a high level of customer complaints. Conveyancing is also particularly susceptible to changes in the economic climate. The economic downturn, notably in 2007/08, approximately halved residential property transaction volume in England and Wales. This reduction has increased financial pressures within this highly competitive segment of the legal services market.

As a result of these challenges and regulatory risks, a thematic study of conveyancing practices was identified as essential to the SRA's ability to identify and manage risk. It was also a valuable opportunity to gather

evidence to inform the Supervision and Enforcement Strategy for Conveyancing.

Focus of study

The study aimed to explore, with a variety of different firms, the following factors that might lead to risks for consumers:

1. Had the recent economic down turn reduced conveyancing work to levels which affected firms' financial stability?
2. How prevalent are conveyancing referrals arrangements and what levels of dependency are there on such arrangements?
3. How do firms present costs to their clients? Is this fair and transparent?
4. How do firms identify, manage and perceive the risks which surround conveyancing work (e.g. conflicts of interest or mortgage fraud/money laundering)?
5. What are the levels of 'first-tier' complaints from clients in relation to conveyancing services and how are firms dealing with these?

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