

# How we make decisions on authorisation

Updated 26 February 2025

How we make decisions and the key outcomes we are looking to achieve when making decisions, as well as our approach to dormant firms.

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## **Decision making guidance**

In line with our [decision-making guidance and principles](#) [<https://rules.sra.org.uk/sra/decision-making/decision-making-sra/1>], we have published guidance that underpins all our regulatory decisions, including our decisions related to firm-based authorisation.

[The decision making guidance](#) [<https://rules.sra.org.uk/sra/decision-making/guidance/authorisation-firms/1>] contain details of the relevant rules and policies, and presents examples to help contextualise decisions such as an approval or refusal to authorise a firm.

## **Key outcomes we are seeking to achieve through the authorisation process**

- Clients and the general public remain confident that legal services provided by those we regulate will be delivered to the required standard.
- The firms that the SRA authorises will be managed in such a way, and with appropriate systems and controls in place to promote public confidence in legal services.
- Those who own and manage law firms have the competence, character and willingness to achieve the right outcomes for clients and third parties.
- Only those individuals and firms who/that meet the SRA's criteria for authorisation or approval (including the requirements to be suitable and capable of providing legal services to the required standard) are authorised or approved.

## **Authorisation and dormant firms**

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### **How we authorise firms**

We authorise firms under the SRA Authorisation of Firms Rules. When authorising a firm, we assess its suitability to provide legal services by

considering plans for the business and the services that it will provide, as well as the suitability of all those involved.

Our decision to grant authorisation is based on that complete picture of the business. We will only grant authorisation where we are satisfied with the plans and that:

- the business is eligible to be authorised
- it and its managers, interest holders, and its management and governance arrangements, are suitable to provide legal services, and
- that the firm will be able to comply with our requirements and regulatory arrangements.

To be eligible to be authorised, a firm must intend to deliver legal services (by which we mean under English and Welsh law, to the public, and in its own name). In limited circumstances, and only in the case of recognised bodies, we may authorise a firm that does not intend to deliver legal services if there is a public interest reason to do so.

Our regulatory objective is to protect and promote the public interest, and our duty is to regulate in a way which is proportionate, consistent and targeted only at cases in which action is needed.

### **Dormant firms**

A firm is considered dormant if it:

- Has not started providing legal services within 12 months of authorisation.
- Was authorised for a transfer that hasn't occurred within six months.
- Reports £0 turnover in its annual return after previously providing services.
- Has notified us that it has ceased operating as a legal business.

### **Our concerns about dormant firms**

We have become aware of dormant firms being listed for sale, with the only asset being SRA authorisation. We consider there is a risk that those purchasing a firm in this way do so to avoid making an application for firm authorisation. This removes our opportunity to scrutinise plans and assess whether a business is suitable.

We've seen firms stop providing services without notifying us and others retaining authorisation to seek a buyer. Dormant firms are also purchased to transfer businesses in financial difficulty, potentially leaving debts and liabilities.

This practice poses risks to consumers and the public by bypassing the authorisation process, which ensures suitability to provide legal services. It can also lead to disorderly firm closures.

## **Steps we are taking**

Under our current regulations, we may seek to revoke a firm's authorisation under any of the following grounds:

- Where we are satisfied that authorisation was granted as a result of misleading or inaccurate information.
- Where a firm no longer meets the criteria to be eligible to be authorised.
- Where, for any other reason, we consider it to be in the public interest to do so.

As part of the authorisation process, we have been proactively reminding newly authorised firms that authorisation is not a sellable asset of the business, nor is it transferable. It is a regulatory permission to operate which we have granted to the firm based on the information provided to us. We may withdraw that permission at any time where we consider it is in the public interest to do so.

We are also undertaking an exercise to identify authorised firms that appear to be dormant. We will be contacting those firms seeking to understand the reason behind their dormancy and where appropriate, looking to revoke the authorisation of those firms.

We are excluding from this pool those:

- Who were authorised under our public interest exception.
- Who were authorised before 25 November 2019 (when our rules changed to prevent it) purely for the purposes of being a corporate manager or owner of another authorised body, as long as they remain a corporate manager or owner of that body.

## **Considering buying a dormant firm?**

Be aware that the SRA may revoke the authorisation of a dormant firm. We may revoke authorisation if:

- It was granted based on misleading or inaccurate information.
- The firm no longer meets eligibility criteria.
- It is in the public interest to do so.

Mergers, acquisitions, and sales are legitimate strategies for law firms. However, ensure you read our [Warning Notice on Mergers, acquisitions, and sales of law firms](https://rules.sra.org.uk/solicitors/guidance/mergers-acquisitions-sales-law-firms/). [<https://rules.sra.org.uk/solicitors/guidance/mergers-acquisitions-sales-law-firms/>]

If you seek to purchase a dormant law firm with no tangible assets, goodwill, or work in progress, you are bypassing our essential authorisation process. As a result, the authorisation of such a firm may be revoked by the SRA, and you may not benefit from the purchase.

You can read more about how we authorise firms in our guidance, [How we make our decision to authorise a firm](https://rules.sra.org.uk/solicitors/guidance/authorisation-firms/) [<https://rules.sra.org.uk/solicitors/guidance/authorisation-firms/>].