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SRA Board agrees changes

The Solicitors Regulation Authority (SRA) has approved changes to the way it regulates solicitors and law firms. Subject to approval by the Legal Services Board (LSB), these changes will open the market to new providers and reduce the cost and burden of regulation. The changes form part of the programme of regulatory reform, set out by the SRA in May 2014, to ensure that regulation is properly targeted and proportionate, and to increase competition, innovation and growth.

Despite objections from the Law Society of England and Wales, the SRA agreed to cease the annual Keeping of the Roll. If approved by the LSB, this change will mean that solicitors without a practising certificate will no longer be required to inform the SRA of their intention to remain on the Roll.

The SRA also agreed to a phased reform of the requirement that all

firms holding client money submit an annual accountant's report to the SRA. This requirement was considered to be 'not sufficiently proportionate or targeted'. Subject to LSB approval, firms that receive and hold 100% of client money from legal aid agency work will be exempt from the requirement to obtain an accountant's report. Other law firms will still be required to obtain a report within six months of the end of each accounting period but only qualified reports will need to be delivered to the SRA.

The eligibility criteria for the Compensation Fund will also be tightened to ensure it helps individual and small business clients who need the most protection. Larger corporate clients will be excluded, while the rules establishing eligibility of small firms, charities and trusts will be refined. If approved by the LSB, the eligibility criteria would allow the SRA to manage claims for compensation more effectively,

reduce the cost of administering the fund, and reduce the cost of contributions.

Subject to LSB approval, other changes will make it easier for multi-disciplinary practices (MDPs) to become authorised as alternative business structures (ABSs) and clarify the circumstances in which solicitors providing reserved legal activities overseas are exempt from complying in full with the SRA Handbook. Overseas firms will also be allowed to establish practices in England and Wales, and choose between applying for SRA authorisation or becoming an Exempt European Practice.

Read more about the changes at: <http://bit.ly/1vkz8XY>



restrictions to other business activity

The Legal Services Board (LSB) has published the results of its review into rules that prevent solicitors from owning, or being connected to any other business. In 'Regulatory Restrictions on Business Ownership', the LSB examines the restrictions, if any, that are imposed by each approved regulator; the statutory basis for having these restrictions in place; and whether these restrictions are compatible with the eight regulatory objectives set out in the Legal Services Act, the Government's Better Regulation Principles and best regulatory practice.

The Solicitors Regulation Authority (SRA) and the Master of the Faculties are the only approved regulators to impose a rule preventing legal service providers from being connected to, investing in or owning other businesses. Three of the

remaining six regulators operate a notification process. The LSB criticised the SRA's separate business rule, identifying it as 'the most restrictive', as not 'proportionate, consistent or targeted', making it unlikely to comply with the Better Regulation Principles. However, the LSB did welcome the SRA's acknowledgement that its separate business rule is in need of review.

If approved by the LSB, a change to the way the SRA regulates solicitors and law firms will make it easier for multi-disciplinary practices (MDPs) to become alternative business structures (ABSs). Subject to conditions, the SRA will permit the carrying on of non-restricted legal activities by an ABS to be regulated by other approved regulators, such as the Institute of Accountants in England and Wales (ICAEW) in the case of an



accountancy practice operating as an ABS. At present all legal activities carried on by SRA authorised ABSs must be regulated by the SRA. According to the SRA Board, which approved the change in September 2014, this would make it 'simpler and more attractive' for firms to create MDPs that will be regulated by more than one regulator.

Read more about the LSB report at: <http://bit.ly/1p6Aau8>

free cyber security course

The Law Society of England and Wales has developed a new online training course to help legal and accountancy professionals protect themselves and their clients from cybercrime. The free course provides guidance covering common threats that practitioners and their clients should be aware of, along with advice about how to manage and prevent them. The course provides guidance on safeguarding digital information, raising clients' awareness of cyber security and dealing with issues such as information breaches.

Cyber security is a key issue for professional firms due to the volume and nature of sensitive data held. The Law Society claims that if sufficient protection is not put in place, data is at risk of being compromised, and information breaches have the potential to cost a small firm between £65,000 and £115,000.

The new course has been developed by the Law Society and the Institute of Accountants in England and Wales (ICAEW), in partnership with the Department for Business, Innovation and Skills (BIS) and the Department for Culture, Media and Sport (DCMS). Access to the course is available via the Law Society's website.

Ed Vaizey, Minister for the Digital Economy said: "Members of the legal

and accountancy professions deal with sensitive client information on a daily basis and can be a target for cyber-attacks. It's essential government and industry work together to protect UK companies from online attacks that can cause millions of pounds worth of damage."

Read more about the course at: <http://bit.ly/1yJBq6v>



in brief..

Regulation cost survey by Legal Services Board

Legal professionals are being encouraged to share their views about the cost of regulating legal services in an online survey launched by the Legal Services Board (LSB). The survey will gather lawyers' views about issues such as how regulation affects the legal profession, and what the true cost of regulation is for individual firms. It is hoped that by lawyers giving their views, the LSB can identify and address any unnecessary burdens legal firms are experiencing. The survey closed on 28th November 2014. Sir Michael Pitt, LSB Chairman has said: *"The success of this project depends on the participation of lawyers, firms and the profession as a whole."*

Read more about taking part in the survey at: <http://bit.ly/1u9G93i>

Scottish reforms could lead to court case delays

The Law Society of Scotland has warned that the new Courts Reform (Scotland) Bill 2014 could lead to delays in cases being brought to court. Reforms made under the Bill include increasing the threshold for sheriff court cases from £5,000 to £100,000, introducing sheriffs with specialist expertise, and a three-month time limit for judicial review applications. Concerns about the Bill have been made by the Law Society of Scotland. The Society claims that the reforms could lead to a significant increase in the number of cases going to sheriff courts which would previously have gone to the Court of Session. The reforms are expected to be in place from autumn 2015.

More information about the Bill is available at: <http://bit.ly/1xFokpZ>

New complaints portal to reduce costs for Legal Ombudsman

A new complaints portal has been introduced by The Legal Ombudsman. The portal will allow all complaints to be handled in one place online, and both lawyers and individuals will be able to log in to view complaint details, add information and track decisions. It is not mandatory to use the new portal, as the Ombudsman will still accept information by post and e-mail, but all legal firms will be sent information on how to set up an account. The new complaints portal is a key element of an overall plan by the Ombudsman to reduce its overhead costs.

Read more about the new portal at: <http://bit.ly/1FZ7c4h>

Legal aid cases exempt from Consumer Contracts Regulations

The Ministry of Justice (MoJ) has confirmed that legal aid cases are exempt from the provisions of the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 (CCRs). The CCRs were introduced in June 2014 and govern most contracts between traders and consumers, and this includes solicitors and their clients. However, an exemption applies in legal aid cases, because payments do not pass directly from the client ('consumer') to the solicitor ('trader'), so there is no service contract as defined by the regulations. The confirmation was made following discussions between the MoJ and the Department for Business Innovation and Skills (BIS), after questions were raised by the Law Society of England and Wales.

More information about the exemption of legal aid cases is available at: <http://bit.ly/1zNs3XO>

SRA campaign to focus on money laundering

The Solicitors Regulation Authority (SRA) has launched a campaign to help solicitors understand their responsibility for complying with money laundering legislation. The campaign will initially focus on legal firms which have been identified as being most at risk. The SRA will also ensure that each firm has systems in place to guard against money laundering, and that they comply with regulations and legislation such as the Proceeds of Crime Act. The systems used by firms to report money laundering will be investigated, along with staff knowledge of those systems. The campaign will run until May 2015, after which the SRA will report their findings.

More information about the campaign is available at: <http://bit.ly/1tFFHHR>

New guidance for instructing experts in civil claim cases

New and updated guidance on the instruction of experts who are involved in civil claim cases has been published by the Civil Justice Council (CJC). The guidance replaces the protocol on experts, which is part of the Civil Procedure Rules (CPR). The purpose of the guidance is to advise claimants, legal practitioners and experts about topics such as experts' obligations, best practice for experts' reports, and experts' rights. In particular, the new guidance stipulates that experts should be informed about whether documents issued to them are final served versions, and when a case has closed.

Read more about the new guidance at: <http://bit.ly/1rD5rzp>

strengthening partner training requirements

The introduction of more robust training requirements for partners in Scottish law firms would be supported by solicitors, a consultation carried out by the Law Society of Scotland (LSS) has suggested. However, according to the LSS, the low response to the consultation has meant that respondents' views should be treated as indicative only, rather than representative of the whole profession.

The consultation, which covered matters suggested by Roderick Wylie

in 'Becoming a partner: An independent report on the future of the mandatory practice management course and associated practice rules', ran between March and August 2014. Just 32 LSS members submitted responses.

The majority of respondents agreed that the LSS should continue to set mandatory training requirements for new partners, and believed that the training should be carried out within one year of the partner being appointed. The majority of respondents also agreed to the introduction of mandatory training for solicitors becoming 'cash room' partners for the first time, and thought that 'cash room' partners should still be required to attend a refresher training course every three years.



Most respondents (68%) supported a proposal that the LSS require solicitors to complete online modules on core regulatory issues before becoming a partner, and around half believed that these modules should be assessed. Continued training also found favour, with 70% of respondents suggesting that this requirement should apply to all partners.

Read more about the consultation at: <http://bit.ly/1u9G8fA>



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Law Commission recommends charitable social investment

The Law Commission has made a number of recommendations concerning charitable social investment in England and Wales. These were published in September 2014, following a three month consultation into social investment by charities.

A key recommendation, which was supported by the majority of consultation respondents, was the introduction of a statutory power for charity trustees to make social investments. This would be balanced by the imposition of duties on trustees with this power, which would replace their investment duties under the Trustee Act 2000 in certain circumstances. As proposed by the Commission, the power to make social investments would complement rather than replace trustees existing powers. The Commission also suggested various amendments to the Charity Commission publication, 'Charities and Investment Matters: A Guide for Trustees', also known as

CC14. Although, in general, this guidance was considered helpful, many respondents described parts as onerous, unclear, inconsistent or difficult to understand.

Some respondents also suggested that HM Revenue and Customs (HMRC) introduce a procedure for charities to find out in advance how a proposed social investment would be taxed. When approached by the Commission, HMRC claimed that such a 'prior clearance' procedure would be administratively burdensome, costly and 'unlikely to be provided'.

However, the Commission recommended its introduction despite HMRC's objections, pointing out that it would also be extremely useful and could remove trustees' caution about making social investments.

Read more at: <http://bit.ly/1zNrMEK>
The Commission's list is available at: <http://bit.ly/ZbjN2F>