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UK200Group news

Legal

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Reforms enable solicitors to work for any type of organisation

The Solicitors Regulation Authority (SRA) has introduced reforms to the rules that govern the conduct of solicitors and law firms in England and Wales. The new SRA Standards and Regulations replace the SRA Handbook and give solicitors more flexibility over the way they work. The new standards, which were introduced in November 2019, are a third of the length of the previous rules and make it possible for solicitors to provide certain legal services even if they are employed by organisations that are not SRA-regulated.

This means that any organisation can now employ solicitors to provide services to the public such as will writing, legal advice and representation at employment tribunals. However, solicitors working for unregulated organisations will not be permitted to provide 'reserved' legal services, such as representing a client in court or preparing certain documents relating to probate and conveyancing. In addition, they are prohibited from carrying out legal services relating to immigration, claims management and financial matters.

Under the new standards, solicitors are also able to provide reserved and unreserved services on a freelance basis without applying to the SRA to be authorised as sole practitioners.

According to the SRA, the reforms provide public protection rather than the unnecessary bureaucracy that generates costs, constrains firms and hinders access to legal services. However, during consultations preceding the introduction of the revised standards, the Law Society and other respondents expressed concerns that the reforms would reduce public protection and cause confusion. In an attempt to deal with these concerns, the new standards require solicitors working in unregulated organisations to provide clients with specified information about their regulatory situation and the level of client protection. For example, they must make it clear that they are not subject to SRA minimum requirements for professional indemnity insurance cover.

As well as making it easier for solicitors to work outside of regulated law firms, the reforms also include a simplification of the SRA accounts rules, giving solicitors more scope to use their professional judgement when determining how to meet SRA requirements regarding the protection of client money.

To support the introduction of the new standards, the SRA has published a range of guidance materials, including advice about accounting, working outside a regulated firm and the duty to report serious concerns. The guidance also includes a new code of conduct for solicitors and a separate code of conduct for regulated firms.

The reforms will be subject to a five year evaluation programme, which will be carried out on behalf of the SRA by Economic Insight.

Read more about the reforms at: http://bit.ly/2sv4APc and http://bit.ly/2TnjS3v

Legal

Solicitors' indemnity insurance reform shelved

Proposed changes to the solicitors' indemnity insurance scheme will no longer be introduced by the Solicitors Regulation Authority (SRA), which has shelved a controversial five year project to reform the professional indemnity insurance regime.

The SRA launched a consultation on reforms to professional indemnity insurance in March 2018. The consultation sought views on a reduction in the level of compulsory indemnity insurance for solicitors, and proposed a revised scheme that would give solicitors flexibility to buy insurance appropriate to their firm's risk profile, but that included a £1 million minimum level of cover for conveyancing firms. This followed the rejection in 2014 by the Legal Services Board of the SRA's previous proposal to drop the £2 million level of indemnity insurance currently required (£3 million for incorporated firms) to just £500,000.

However, responses to the 2018 consultation indicated that even if the proposed new indemnity insurance scheme were to be introduced, solicitors' firms might choose not to reduce their level of insurance cover, and insurers might not reduce premiums. The complexity and cost of insurance might also increase if firms added different layers of insurance to maintain their current levels of cover. Even if costs fell, some respondents to the consultation said they thought consumer protection might suffer.

Organisations that warned against the introduction of the SRA's proposals included the Law Society, the Association of British Insurers and the Legal Services Consumer Panel. Critics of the proposals said they also feared the proposed reforms could result in an increase in uninsured losses, coverage disputes and claims against brokers for poor advice.

The Law Society has said that the proposed changes to the insurance regime were without merit and would reduce financial protection for both clients and solicitors. However, they have commended the SRA for listening to the consultation responses and taking account of the evidence provided, which resulted in its acceptance that the proposed reforms would not lead to the hoped for benefits.
Read more about this story at:
http://bit.ly/30ovjJl

Majority of law firms vulnerable to cyberattacks

Law firms should ensure that their websites and email accounts are safe from cyber criminals, according to a study carried out by the University of Portsmouth's Centre for Fraud Studies and advisory firm Crowne. The study found that most top law firms are vulnerable to cyberattacks and firms of all sizes are targets for cybercriminals, due to the large amounts of client money, data and sensitive information they hold.

A total of 200 law firms with a turnover of between £1 million and £10 million took part in the study. The results revealed that each firm was using a website domain that risked fraudsters impersonating or 'spoofing' and 91% of firms had an email domain that could also be spoofed. This would, allow cybercriminals to send spam, phishing and other fraudulent emails both internally and externally.

The study results also revealed that 80% of law firms were using services that are known to be vulnerable to hackers. A similar number of firms had at least one domain registered to a personal or individual email address, which represents a threat to business continuity and domain ownership. Larger firms were also likely to be using insecure servers, out of date software and invalid security certificates.

The study identified various ways for law firms to reduce the risks of website and email spoofing. For example, firms can use a sender policy framework and a domain record to monitor all emails sent on behalf of the firm. The study also recommends that law firms should have their security measures verified by an outside organisation, irrespective of the capabilities of the firm's IT department.

Read more about this story at:
http://bit.ly/2Rpqo7o

In brief...

Plans to close most probate sub-registries

An investigation by the Law Society Gazette has revealed that HM Courts and Tribunals Service plans to close almost all of its 18 probate sub-registries by the end of March 2020. The proposed closures are part of the Government's £1 billion 'Transforming our Justice System' modernisation project, which will introduce new technology and more efficient ways of working to court and tribunal services. The closures are expected to go ahead subject to a consultation, negotiations with unions and the redeployment of staff. Read more about the investigation at: http://bit.ly/3aeMIc8

New anti-money laundering regime in force

The Solicitors Regulation Authority (SRA) has urged solicitors to ensure they understand and are compliant with the new anti-money laundering regime that came into force in January 2020. The new regime, which is part of the EU's Fifth Money Laundering Directive, includes a series of measures to tackle money laundering. These include stricter rules for trusts, along with changes to carrying out customer due diligence and approving appointments of beneficial owners. The SRA has warned that solicitors have had very little time to prepare for the new regime as Parliament has delayed publishing information and guidance on the new rules due to other pressures on its time, such as the general election and Brexit negotiations.
Read more about the new regime at: http://bit.ly/2TqRcqs

New immigration advice rules delayed

The Solicitors Regulation Authority (SRA) has suspended new rules that would have allowed solicitors who offer immigration services to operate from firms regulated by the Office of the Immigration Services Commissioner (OISC). The rules, which were due to come into force in November 2019, were delayed after the OISC raised concerns about overlap between the new rules and its regime, as well as the impact on the immigration advice sector. In particular, the OISC wants to ensure the new rules are robust while still allowing greater flexibility for solicitors to provide immigration advice to the public from any type of firm regulated by the OISC.
Read more about the delay at: http://bit.ly/2taEpxG

Law firms failing to comply with transparency rules

The Solicitors Regulation Authority (SRA) has announced a review into whether law firms are complying with transparency rules. Since December 2018, law firms offering certain services have been required to provide clear details about price and the people who work on those services, along with their complaints procedure. This information must be displayed in a prominent place on their website. However, an initial review of 500 firms' websites revealed that just 25% were fully compliant with the SRA's transparency rules, while 17% had made no attempt to meet the new requirements. As a result, the SRA has confirmed it will carry out another review of hundreds of law firms' websites to tackle non-compliance. Read more about the review at: http://bit.ly/30kxUo2

Beneficial owners to face new checks

As of January 2020, beneficial owners, officers and managers of solicitors' firms are required to undergo a basic Disclosure and Barring Service (DBS) check due to new anti-money laundering rules. The Solicitors Regulation Authority (SRA) has announced that a DBS check will now form part of the evidence it is required to inspect when approving appointments to key roles. The SRA has confirmed it will publish new guidance for solicitors about how to comply with the new requirement. According to the SRA, only new appointments will be required to undergo a DBS check, and as a result, only a small number of individuals will be affected.
Read more about the requirement at: http://bit.ly/36UKbSp

Impact of cyberattacks on law firms revealed

A Solicitors Regulation Authority (SRA) review of 40 law firms that have suffered a cyberattack in the last three years has revealed that more than £4 million of client money was stolen from 23 of the firms. In addition, 18 of the firms had to pay £400,000 of their own money to cover the losses. The findings are part of a wider SRA review to understand the impact of cyberattacks on the legal sector, which has indicated that law firms do not properly record and report cyberattacks. Of the 40 firms investigated, 11 had inadequate cybersecurity policies in place, and 10 had inadequate controls. The SRA is expected to publish its final report in 2020.
Read more about the review at: http://bit.ly/2t8yRnj

AI puts thousands of legal jobs at risk

Employment in the legal profession has increased over the last 30 years but this trend could be sharply reversed in the next few years according to a study commissioned by the Law Society of England and Wales and published in December 2019. The study analysed the ways in which the legal profession will have to respond and adapt to a more challenging commercial environment and to the effects of deregulation and the introduction of new technologies such as artificial intelligence (AI).

Although legal professionals are less likely to be affected, support staff and legal secretaries' employment prospects could be seriously reduced in future. In 1998 there was one secretary employed for every two legal professionals, but this figure is expected to fall to one secretary for every 20 legal professionals by 2027.

The research, which is based on employment data from 2017, concluded overall that the number of people employed in the legal profession could fall by 13,000 (4%) by 2027. The introduction of AI is predicted to cost a further 22,000 jobs, leading to a net reduction of 35,000 jobs in the legal profession by 2027. This amounts to more than one in ten of the total number of people (321,000) who were employed in the profession in 2017. Although the report forecasts that the number of legal professionals and associates will rise by 2% per year, its conclusions indicate that the number of legal secretaries will fall by two-thirds and other office staff by a quarter by 2027.

The report also reviewed the effect of Brexit on employment in the legal profession and predicted that a further 3.5% of jobs could be lost if the UK adopts a World Trade Organisation-type trade relationship after the UK leaves the EU.

Read more about this story at: http://bit.ly/2TB6Tvl

SRA to increase anti money laundering checks

The Solicitors Regulation Authority (SRA) is to carry out more checks under anti-money laundering regulations, following a review that found 21% of firms were failing to meet their legal obligations. Around 7,000 solicitors' firms work within the scope of the Money Laundering Regulations.

The SRA review, held in March 2019, asked 400 firms who work within the scope of the Money Laundering Regulations to provide a copy of their firm wide anti money laundering risk assessment. However, 40 firms (10%) provided the wrong type of risk assessment and 43 firms (11%) provided assessments that failed to cover the required risk areas.

The SRA review also raised concerns about the use of templates and the timing of risk assessments. Of the firms that provided a firm wide anti money laundering risk assessment, 64% had used a template. These assessments were generally found to be low quality and several were almost identical. The SRA recognises that templates are useful but has warned firms that they must address the risks specific to their firm, rather than taking a 'copy and paste' approach. The SRA also revealed that 38% of the risk assessments were recently dated, suggesting that they were created to meet the SRA's request.

The SRA has updated its warning notice and guidance on firm wide anti money laundering risk assessments. Every solicitors' firm within the scope of the Money Laundering Regulations will be asked to confirm that they have such a risk assessment in place, and some will also be asked to provide a copy of the assessment.

Read more about this story at: http://bit.ly/2NqSVbg

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