

Correspondence received from solicitors firms in relation to the application from the SRA to alter its regulatory arrangements in respect of Professional Indemnity Insurance

The LSB has grouped these representations into this single document in order for convenience of access. Correspondence was received from the following firms:

Alan Simpson & Co
Alfred Truman Solicitors
Bishop Akers & Co
Baines Bagguley Penhale
Burn & Co
Capstick Dale
Charles Coleman & Son
Dean Thomas & Co Solicitors
FDR Law
Graff & Redfern Solicitors
Holroyd & Co
Lewes Smith
MacNamara King Solicitors
Newham & Jordan
Nigel Pullen Solicitors
PCM Solicitors LLP
PLS Solicitors
Quality Solicitors Clarke & Son
Quinn & Co Solicitors
RedKite Solicitors
Ridley & Hall
SRB Solicitors
Sussex solicitor (Anonymised)
Timms Solicitors
Vivash Hunt
Widdows Pilling & Co

All of the above solicitors firms made the following points:

“As a firm that carries out conveyancing, we are very concerned that the suggested reduction in cover will impact negatively, on us, thousands of firms like ours and the general public.

Please note that:

- The time span to respond to the SRA consultation was far too short.
- The possible savings in reduced PII premiums will be minimal.
- Many lender will not allow firms to remain on their conveyancing panels with only £500,000.00 of PII cover.

The Council of Mortgage lenders said in June:

“We are not supportive of the proposals, unsurprisingly. There are a raft of potential unintended consequences such as lenders moving to very small panels whose PII cover suits the lenders’ need.”

Nationwide, Lloyds Banking Group, Santander and other lenders have said that they do not want or support these proposals.

- The cost of buying back additional cover will exceed any savings gained by reducing the cover in the first place.
- Consumers will suffer if lenders reduce the size of their conveyancing panels.”

The following solicitor firms made additional points:

Legal Risk LLP, Thurstan Hoskin Solicitors and Weightmans Solicitors

- The current arrangements need review, but the need is not addressed by the proposed change. Several concerns were highlighted which included:
 - The reasoning behind the informal indication of reduced cost of insurance is flawed;
 - The proposed limit will become the new market standard level of cover in many cases;
 - Cost of buying back the cover ‘lost’ may far exceed the saving;
 - Solicitors’ staff are exposed to personal liability but will have no say in what level of cover the firm buys;
 - A firm may close as a result of the proposal and trigger its compulsory run-off insurance;
 - The cover includes claimants costs, defence costs but if the claim exceeds the policy the cover is reduced pro rata;

- SRA has failed to address the risk that multiple claims may be treated by insurers as one claim with one policy limit;
- Firms will be at an increase risk to coverage disputes and potential gaps in cover.
- The SRA's proposal fails to take account of matters which it is required to consider under section 37 of the Solicitors Act 1974, in breach of the regulatory objectives, in particular,
- The SRA has failed adequately or at all to consider the interests of solicitors and their staff;
- The SRA's proposal has been made with neither effective consultation nor consideration of sufficient evidence on which to make a properly reasoned decision.

Marchant Harries

- Small and unprofitable firms will be inclined to opt for the minimum cover only.
- It is unclear what will happen with uninsured losses, and if the Solicitors' Compensation Fund will carry any shortfall in cover.
- Concerns over consumer protection as a result of the changes and in particular, safeguards should be in place to inform clients and other interested parties of the amount of cover and the consequences if cover proves to be inadequate.
- Further evidence could be obtained indicating what proportion of firms currently maintains the minimum cover at present.

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