

Direction 177 issued under Part 3 of Schedule 4 to the Legal Services Act 2007 to CILEx Regulation

1. This is a direction issued pursuant to paragraph 19(3) of Schedule 4 to the Legal Services Act 2007 (the “**Act**”).
2. Unless stated otherwise, words in this direction are used as they are defined in the Act.
3. In accordance with paragraph 19(3) of Schedule 4 to the Act, the Legal Services Board (“**LSB**”) has directed that the following alterations by CILEx Regulation (“**CRL**”) to its regulatory arrangements be treated as exempt alterations for the purposes of paragraph 19(2)(c) of that Schedule:

CILEx Regulation Compensation Fund contributions for the practising year 2022

Proposed changes

4. The LSB considered an application amending how CRL’s compensation scheme is funded earlier this year. In the short-term, the scheme is now self-funded in the amount of £500,000 having been previously backed by an insurance policy. The LSB’s consideration of the substantive issues associate with this change in funding is set out in the decision notice¹ issued on 2 September 2021.
5. CRL is currently researching alternatives to the current short-term arrangements and expects to make a further application for alterations to its compensation arrangements in 2022.
6. Each firm regulated by CRL pays a contribution to its Compensation Fund based on the area of reserved legal activity the firm undertakes, turnover and whether the firm holds client money. The requirement for firms to pay a contribution to the Compensation Fund is prescribed in the CILEx Regulation Compensation Arrangements Rules. This proposal sets out the amount of the contribution.
7. CRL is proposing to retain current (2021) contribution levels for the coming year.
8. The following table sets out CRL’s proposed Compensation Fund contribution for 2022:

Turnover	Client Money	No Client Money
Litigation and Immigration		
£0 - £250,000	£700	£500
£250,001 - £500,000	£1,400	£1,000
£500,001 - £1m	£2,100	£1,500
£1m - £3m	£3,500	£2,500
£3m +	£5,075	£2,538

¹ <https://legalservicesboard.org.uk/wp-content/uploads/2021/09/CRL-Comp-Fund-Decision-Notice.pdf>

Probate and Conveyancing		
£0 - £250,000	£750	£500
£250,001 - £500,000	£1,500	£1,000
£500,001 - £1m	£2,500	£1,500
£1m - £3m	£4,000	£2,500
£3m +	£6,090	£2,538

Reason for exemption direction

9. There is no change in 2022 from 2021 to the level of contribution or the basis on which it is calculated. The LSB has considered CRL's application to exempt the proposed alteration and is satisfied that no significant risks have been identified in the proposal to maintain the current level of contribution. As a result, it is considered appropriate to exempt the alteration.
10. CRL's application enclosing the alteration was submitted to the LSB on 26 October 2021.
11. This direction is to be deemed made on and effective from 26 November 2021.

For and on behalf of the Legal Services Board
26 November 2021