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## From the Chief Executive

Mr Neil Buckley  
Chief Executive  
Legal Services Board  
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By email only to [neil.buckley@legalservicesboard.org.uk](mailto:neil.buckley@legalservicesboard.org.uk)

15 June 2018

Dear Neil

### **Re: Legal Services Board IGR Consultation**

Thank you for the invitation to provide a further submission following the publication of the LSB's investigation into the Law Society's compliance with the current IGRs. We set out our views in our response to your earlier consultation, so this submission is limited to the issues which the investigation has particularly highlighted.

What is clear from the outcome of the investigation is that the current IGRs allow Approved Regulators too much latitude to adopt a "minimal compliance" approach. Clearly, as found by the investigation, the governance arrangements within the Society did not achieve even the bare level of compliance required by the IGRs. However, as drafted, the IGRs provide scope for Approved Regulators to focus on doing no more than the minimum necessary to meet the most basic requirements of the IGRs rather than seeking to establish the optimum arrangements in terms of regulatory independence, transparency, efficiency and the best possible use of resources.

We recognise that, given the number of Approved Regulators and their differing constitutions, and the statutory framework under which the LSB operates it may not be possible for the IGRs to require a single model. However, in our view, it would be appropriate for the LSB to require, through the IGRs, Approved Regulators to establish the optimum arrangements as against the type of factors set out above.

In our view this approach would be more consistent with the LSB's role and the purpose of the LSA 2007 than the current one; establishing requirements which focus more on freeing frontline regulators to regulate in the public interest than on preserving the grip on regulation of Approved Regulators.

In addition to requiring optimal arrangements it would be possible for the IGRs to set a benchmark against which the governance arrangements set by Approved Regulators could be judged. In our view this benchmark should be the delegation of all regulatory functions to a separate company with full control over its finances and its own balance sheet. This model would (could) not be an absolute requirement, but where arrangements providing less regulatory and operational independence than this model had been established it would be for the Approved Regulator to evidence the legal barriers which had prevented it. In such a circumstance the LSB would then be able to consider whether options were available to it, for example using powers under s69 LSA 2007, to overcome those barriers.

In respect of the SRA's own position the LSB is aware that initially the "independent entity" option was the model identified by TLS to establish regulatory independence. Before this was implemented there was a policy change within the Society and a "minimal compliance" model with maximum possible control retained by the Society was adopted. Since that time the SRA has achieved greater regulatory and operational independence within the same basic model established by the Society in 2006. However, it is important to recognise that the current IGRs enabled the Society to adopt an approach of bare compliance and do not provide a framework within which establishing optimum arrangements to progress the purpose of the LSA 2007 is required. In our view the LSB needs to take this opportunity to rectify that.

If there is any further information we can provide we would be happy to do so.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul Philip', written in a cursive style.

**Paul Philip**  
**Chief Executive**  
**Solicitors Regulation Authority**