

Matthew Hill
Chief Executive Officer
Legal Services Board

BY EMAIL ONLY: matthew.hill@legalservicesboard.org.uk

5 April 2023

Dear Matthew,

CILEX and CRL Undertakings

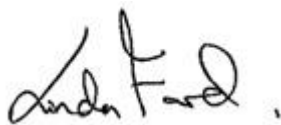
Further to our correspondence of 3 April 2023, we are pleased to inform you that the attached undertakings have been approved by both the CILEX and CRL Boards today.

We, therefore, ask that these are taken into consideration as part of the finalisation of the LSB's Investigation Report and recommendations.

CILEX and CRL intend to commence the process of collaboration imminently and have already commenced the development of an action plan to implement the agreed undertakings.

We look forward to receiving the final report for our review and fact-check and confirmation of next steps.

Yours sincerely,



Linda Ford
Chief Executive, CILEX



Victoria Purtill
Acting Chief Executive Officer, CILEx Regulation

**Undertakings approved by CILEX and CRL Boards in response to
LSB Investigation Report Recommendations**

Delegation and consultation

1. The parties undertake to collaborate and co-operate in an open and transparent manner to:
 - Ensure a comprehensive evidence base exists from which to develop proposals to improve the current delegated regulatory arrangements by sharing and discussing the evidence held by both parties with a view to identifying any gaps or conflicts in evidence which require additional stakeholder insight or data (if applicable);
 - CILEX agrees to pause consideration of alternative proposals for a period of 8 weeks to enable CRL to consult on and develop options for changes to CRL's regulatory arrangements;
 - Establish a consultation process, including impact assessments, that will allow stakeholders (including the regulated community) to respond to the proposals for change;
 - Analyse consultation responses for the purpose of any future application to the LSB.

In so doing, the parties will:

- Agree an action plan to deliver the objectives above; and
- Work together to ensure that the exercise of CRL's regulatory functions is not undermined through the issue of communications or otherwise.
 - o Share respective risks registers relating to the review to enable a joined-up approach to the evaluation and mitigation of risk to the current regulatory regime; and
 - o Share planned communications with each other and the LSB ahead of publication allowing sufficient time for the provision and consideration of feedback.

Financial matters

2. The parties will work together to give effect to CRL's request to hold its own contingency reserve so far as is reasonably practicable.
3. CILEX will:-
 - a. clarify whether it considers that CRL's answers to its questions as regards current and future compliance with the CILEX Group reserves policy and with s. 28 of the Act are not satisfactory (or require further elaboration and explain in what respect) and
 - b. make clear that the provision of satisfactory answers to these questions is not a condition precedent to the transfer of the funds.
4. CRL will respond fully, clearly and comprehensively to any further requests that are made by CILEX and in a spirit of sincere cooperation.
5. The parties will work together to:
 - a. Identify whether they disagree as regards the proper interpretation and application of rule 18 of the LSB Practising Fee Rules 2021 (PCF Rules), both historically and prospectively.
 - b. Establish a shared understanding concerning how CILEX has treated any historic practising fee surpluses, for accounting purposes.
 - c. Agree the proper approach to current and future reconciliation of any sums owing

and agree an orderly process and reasonable timeframe for the transfer of any sums owing by either party.

- d. Have regard to the s.162 Guidance to the PCF Rules requirement when considering whether any accrued practising fee reserves in excess of the target level are returned to the regulated community by a corresponding reduction in the practising fee for the following year.

The parties are highly likely to be assisted in relation to (b) and (c) above by a direct dialogue between their professional advisers.

Shared services

Some of the matters regarding shared services seem to have been compounded by a lack of clarity in the parties' communication. The parties will work conscientiously to ensure that they communicate more clearly, in a timely manner and work together more effectively together in future.

Communication

CRL will continue to ensure that it consistently undertakes effective scrutiny of its materials for publication. This includes:

- a. consideration of the effectiveness of its quality assurance processes, and
- b. how it considers the potential impact of its publications on the regulated community and third parties.