



Application to the Legal Services Board

Under s.51 Legal Services Act 2007

For Approval of

Individual Licence fees, Practice Fees and other charges

for the period 2026-2027

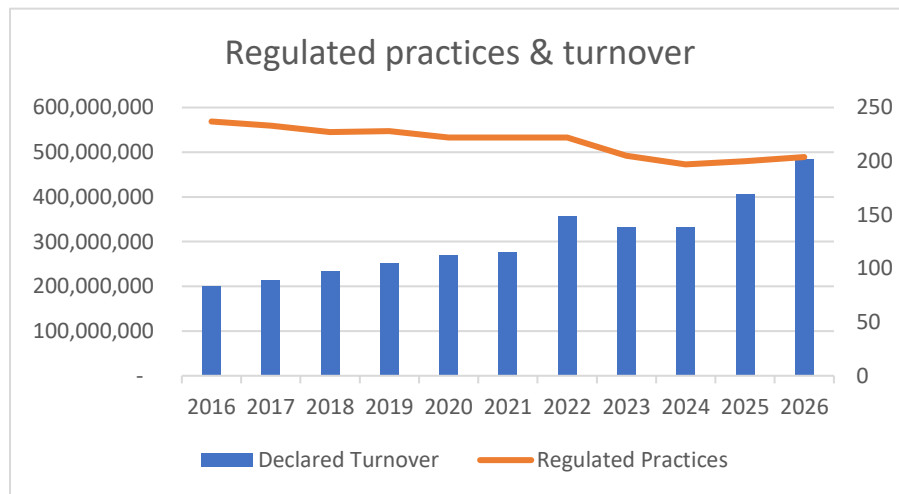
September 2026

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Introduction

- 1) The CLC is making the following proposals in this application:
 - A 4% increase to the Practice Fee;
 - A 4% increase to licensing administration charges and larger adjustments for some charges where there is an under recovery of cost;
 - No Change to the individual license fees;
 - No change to the OLC levy arrangements.
- 2) For the past two consecutive years the CLC has recorded a net regulated practice turnover growth (21.8% in 2025 and 19.5% in 2026). Although some of this is due to new entrants to CLC regulation, most of the turnover growth is due to organic growth of turnover from existing regulated practices. Prior to this net turnover reductions of 4% in 2023 and 1% in 2024 were recorded.



- 3) The turnover growth recorded in 2025 and 2026 is attributed to improved market conditions, increased transaction volumes because of SDLT rate changes and increasing conveyancing fees.
- 4) We continue to see increased practice merger enquiries and activity and many small and micro practices have decided that this is an opportune time to close or sell. Change of ownership notifications were up 24% for the seven months to July 2026 compared to the same period in 2025. Closures have largely been driven by economics, business sales and the retirement of owners.
- 5) Significant uncertainty still pervades the industry with economic conditions, political uncertainty, pressure on interest rates and inflation all contributing to a cautious outlook for the medium term.
- 6) The insurance market has supported growth in our market by providing competitive and stable pricing of policies. Additionally, we have seen new insurers entering the market as

well as an increasing appetite to write policies, for both new entrants into the sector as well as practices considering a hive-off of their conveyancing business from another regulator or an outright switch of regulators.

- 7) The demands on all regulators continue to grow, specifically in relation to government initiatives such as transforming the home buying and selling process, the transfer of AML regulation to the FCA, the evolution of AI in the sector, and tackling economic crime as well as oversight regulator initiatives. Over the last 12 months we have seen increased focus on transforming the home buying and selling process as well as technology and AI, both areas where the CLC was already active, but where there is an increased need for activity. Within the CLC we continue to review and update our codes, frameworks and rules to ensure that they are appropriate for the changing environment and adequately support sector developments. Because of the additional workstreams and demands on the CLC we have continued to recruit staff to increase capacity and ensure that we have sufficient resilience. We anticipate having all planned resources in place by the end of 2026.
- 8) Income generated at current fee rates will increase during 2027 because of the organic growth in practice turnovers and increased individual licence holder numbers. This will be supplemented by an inflation adjustment to the Practice Fee and Licensing administration charges.
- 9) The Council carefully considered the fee rate options available for 2026-27 billing cycle and has resolved to make an inflation linked adjustment of 4% to the Practice Fees.
- 10) The key factors that influenced the Council's decision to increase practice fee rates were:
 - Persistently high inflation rates above the Bank of England's 2% target level. Whilst the CPI inflation rate is currently 3.1% for August, upward pressure because of the war in Iran means that inflation rates are expected to increase further this year.
 - Increasing costs, particularly staff cost which make up 71% of expenditure, need to be adjusted to keep pace with inflation. The minimum reserve level is set at 3 months of specific operational costs, with staff cost being the primary constituent. Any increase in staff costs requires a corresponding increase to maintain the minimum reserve which is funded by running a surplus.
- 11) The current CLC Strategy was adopted by the Council in October 2025. The strategy is supported by annual business plans and financial forecasting. The strategic objectives are:
 - a) The CLC will continue to protect conveyancing and probate clients through effective regulation, promoting continuous improvement through education and innovation in the delivery of legal services
 - b) We will leverage the CLC's hands-on approach, insight and relationship with the regulated community, maintaining high ethical standards and evolving

approaches to monitoring and enforcement to meet changing risks and opportunities.

- c) The CLC will become the regulator of choice for specialist conveyancers and probate practitioners, delivering practical, value for money services.

12) The approach to fee setting has not changed, and the principles used to set Practice Fee rates remain as follows:

- a) Fee setting in general is determined with the aim of generating no more than a nominal surplus each year. This will ensure we do not accumulate unnecessary reserves.
- b) Minimum reserve levels are impacted by increased expenditure. If expenditure increases, then the surplus will need to be greater to fund the increase in reserves. The increase in reserves may be funded over more than one year.
- c) A managed deficit budget can be used to fund a decrease in fee rates when sufficient reserves are available.
- d) Fees are set at a level that recovers the cost of regulation of practices and individuals, except where the minimum reserve in either the Practice or Compensation Fund needs to be topped up.
- e) Fees charged are consistent year on year, with the expectation that fee rates will reduce as economies of scale are realised by the CLC and/or practice turnovers increase.
- f) Fee rates (Practice Fees and Compensation Contributions) are increased only in exceptional circumstances, such as a prolonged economic downturn or where minimum reserves cannot effectively absorb a loss of income or the increased regulatory costs that can arise in times of economic difficulty.

I. Summary and overview of the proposal

- 13) This application sets out the CLC's proposed fee structure for the 2026-27 billing cycle commencing on 1 November 2026.
- 14) The Council has carefully reviewed and discussed the financial requirements and the funding thereof through multiple engagements during the year including:
- a) a workshop on 21 May 2026 to review cost estimates for the next year and look at options available for operational funding.
 - b) a comprehensive review of the 2026 forecast and estimate for 2027 and the resulting fee rate proposals was conducted at the 23 July 2026 Council meeting and Council agreed the fee rates subject to consultation.
 - c) A public consultation of the proposed fee rates and expenditure that ran from 28 July to 7 September. The responses to the consultation were carefully considered by Management and Council prior to the finalising this application.
- 15) The CLC's current funding arrangements can be summarised as follows:
- a) An **Individual Licence fee** (a fixed sum) payable by all Licensed Conveyancers regulated by the CLC,
 - b) A **Practice Fee** levied as a percentage of turnover subject to a minimum fixed fee, and
- An **OLC Levy** payable by all CLC regulated practices. The levy is a direct recharge of the Legal Ombudsman costs allocated to the CLC. 50% of the cost is allocated on a proportional basis using the practice fee payable as a percentage of the aggregate of the practice fees to be collected. The remaining 50% is allocated only to those practices with cases accepted for investigation by the OLC in proportion to the number of cases referred.
- 16) The fee rate proposals for the 2026-27 billing cycle are as follows:
- a) The **Individual Licence fee** (Appendix A) will remain unchanged at £400 for a conveyancing or probate licence and £475 for a dual licence.
 - b) The allocation of **OLC Levy to practices** will remain unchanged. 50% of the cost will be allocated proportionally to all practices (the availability component) and 50% of the cost will be allocated to practices based on case numbers (the usage component).
 - c) A 4% inflationary adjustment will be made to the **Practice Fee rates** (Appendix B).
 - d) The **turnover bands** will remain unchanged.

- e) The **Licensing administration charges** will be increased by a 4% inflationary adjustment. Some charges are being increased by a higher rate to align them with the true cost of reviewing and processing the application.
- 17) Should the application not be approved, the CLC would continue collecting the existing fees at current fee rates due until the end of the licensing year (30 October). The CLC would also request in accordance with rule 30 of the PCF Rules that the board approves a Temporary Practice Fee based on existing approved fee rates as collecting the PCF over a shorter period could be detrimental to practices. Once the amended PCF arrangements are agreed, the CLC would adjust collections over the remaining period so that the approved fee is collected over the course of the billing cycle. The individual License fees are not changing and we would propose that these are collected according to the usual timetable and at the current rates to prevent individuals from not having a licence to practice.
- 18) The CLC is prepared to work with the LSB to provide any explanation, analysis, or amendments to facilitate receiving a decision within the requisite timeframe.
- 19) The LSB highlighted its expectations for the 2026-2027 application when it approved the 2025-2026 PCF application. These expectations and the action taken are summarised in the table below.

Requirement for 2026-27 PCF application	Comment and action taken
Provide a breakdown (based on the estimate it provides in its applications), as to how the OLC levy would be apportioned to firms, based on the practice fee bandings.	illustrative examples have been added explaining how the calculation works in practice. Please see paragraph 84.
Continue to monitor and investigate complaints received in relation to practices that generate a significant number of complaints, and take appropriate action where needed.	The CLC actively works with practices that receive complaints to ask them to resolve them. We monitor complaints to assess trends and investigate these patterns. Where practices see an increase in complaints that are thematically similar, we arrange a meeting with the practice and seek to implement a plan with the practice to reduce complaints numbers. We are unfortunately not receiving timely and detailed reports of LeO complaints. This is hampering our ability to effectively investigate and act on complaints received by LeO.

Requirement for 2026-27 PCF application	Comment and action taken
Provide more detail regarding the most current reserve figures <i>as at the time of the application</i> (i.e. Minimum, Cashflow and Special Purpose reserves) so we can monitor progress towards achieving £500k cashflow reserves at the lowest point in the CLC's cashflow cycle.	Detail added between points 103 and 107.
Give further consideration to optimising its available data to carry out its equality impact assessment, and to consider the potential value of any mitigations it could put in place to address any risks that are identified, irrespective of whether the individual licence fee increases or remains the same	The CLC published its Workplace and Diversity Survey in May 2026. The impacts of which have been considered when considering mitigations.

20) To the best of our knowledge no further issues have been raised during our informal engagements with the LSB that need to be addressed in this application.

II. Allocation of practising certificate fees to permitted purposes

- 21) The CLC is a pure regulator and has no representative function. As such all costs are regulatory in nature and aligned with the permitted purposes. No costs are incurred outside of permitted purposes and there is no allocation of costs to representative functions.
- 22) Practicing Fees are derived from:
- fees charged to practices which are calculated on a sliding scale based on turnover and;
 - individual licence fees which are fixed fees levied on individual licence holders.
- 23) An OLC Levy is charged to each practice. This levy is a cost recovery of the recharge of costs made by the Legal Ombudsman to the CLC. The OLC levy is separated from the direct operating costs of the CLC as the levy is a recharge of 3rd party costs which is outside the CLC's control. It has been increasing very significantly for several years so that the cost per case is very high and the overall charge to the profession is close to half of the operating costs of the CLC itself.
- 24) The tables below summarise the allocation of the Practicing Fee elements for 2027 to the various activities undertaken by the CLC.

ALLOCATION OF THE PRACTICING CERTIFICATE FEES TO PERMITTED PURPOSES (2027)				
Description of activity	Permitted purpose	Rule	Cost allocated	% Of PCF
Licensing	Accreditation	8a	£632,553	17%
Education	Education and training	8a	£208,726	5%
Monitoring	Regulation	8a	£511,418	13%
Policy	Setting practice standards	8a i.	£622,644	16%
Payment of levies	Payment of levy imposed	8b	£80,789	2%
Disciplinary	Regulation	8a	£555,947	15%
	Setting practice standards	8a i.		
Complaints	Regulation	8a	£173,468	5%
	Setting practice standards	8a i.		
Communications	Maintaining & raising standards	8a	£414,521	11%
	Law reform & Leg process	8c		
	Promotion of relations	8f		
	Increasing public understanding	8g		
Council and Committees	Maintaining & raising standards	8a	£604,775	16%
	Law reform & Leg process	8c		
	Promotion of relations	8f		
Total practicing certificate fees levied			£3,804,842	100%

RECHARGE TO PRACTICES - OLC Levy				
Description of activity	Permitted purpose	Rule	Cost allocated and % of PCF	
Payment of levy's	Payment of levy imposed	8b	£1,752,179	100%
Total OLC Levy			£1,752,179	100%

25) Staff costs account for 71% (2026: 70%) of the CLCs' operating expenditure and are thus a significant driver of the expenditure allocated to the various activities. Each employee's time and cost have been allocated to the various activities based on their role and the estimated time spent on the various activities. Other operating costs are allocated by nature or apportioned based on staff cost percentages. The table below summarises the allocation of costs by activity and the change in allocation between 2026 and 2027.

Cost allocation by activity	2025 Actual	2026 Forecast	2027 Estimate	Change 25 to 26	Change 26 to 27
Licensing	448,012	541,858	632,553	93,846	90,694
Education	89,795	105,133	208,726	15,338	103,593
Monitoring	473,567	487,559	511,418	13,993	23,859
Policy	444,411	584,860	622,644	140,448	37,784
Payment of levy's	79,265	77,107	80,789	(2,157)	3,682
Disciplinary	341,911	462,899	555,947	120,988	93,048
Complaints	148,839	153,117	173,468	4,278	20,351
Communications	290,594	362,338	414,521	71,744	52,183
Council and Committees	457,999	540,557	604,775	82,558	64,218
Total Expenditure	2,774,393	3,315,429	3,804,842	541,036	489,413

26) The cost allocation table above highlights the following trends:

- Licensing costs are expected to increase in 2026 and 2027 due to recruitment of additional staff to assist with the increased level of applications. In the seven months to July 2026, applications were 35% higher than the same period in 2025.
- Education costs are expected to increase in 2027 as the CLC is hiring a dedicated Education Manager to improve the supply of conveyancers in the industry, which is an urgent necessity for consumers and the economy and to review whether curriculum changes are needed in the light of practice changes in part potentially as a result of increasing AI enablement both of practitioners and consumers. The CLC is also implementing a new ongoing competency framework in 2026/7 which will require additional allocation of resources.
- Monitoring costs have remained relatively flat with inflationary and salary scale adjustments increasing costs.
- Policy costs have and are expected to increase materially due to the recruitment of additional policy staff to increase capacity.
- Disciplinary costs are driven by case load. The 2025 expenditure was lower due to a significant cost recovery recorded (£180,000) and we expect costs to normalise in 2026 and 2027.
- Communications costs and activity have increased as the CLC assists with work associated with the reform of Home Buying and Selling, AI Growth Lab and additional work with the LSB. The CLC has mitigated costs where possible by securing grant funding to perform this work.

- Council and Committees cost are expected to increase as the number of staff contributing to Council and Committees increases.

27) The CLC has been actively recruiting to new posts since 2024 to build capacity. We expect the permanent headcount to increase to 26 at the end of 2026 and we are utilising staff on temporary contracts to assist where necessary. The table below shows the FTE allocation by activity.

FTE allocation by activity	2025 Actual	2026 Forecast	2027 Estimate
Licensing	5.49	6.67	6.67
Education	0.58	1.36	1.36
Monitoring	6.32	5.75	5.75
Policy	3.00	4.11	4.11
Payment of levy's	-	-	-
Disciplinary	1.84	3.03	3.03
Complaints	1.81	1.57	1.57
Communications	0.84	1.51	1.51
Council and Committees	1.13	2.00	2.00
Total	21.00	26.00	26.00

28) The current CLC Strategy was reviewed and adopted by the Council at the start of this year. It was developed based on:

- a review of the achievement against the previous strategy for the period from 2023 to 2025;
- our intelligence and insight into the evolution of the conveyancing and probate markets;
- key risks and the performance of CLC-regulated practices; and
- the Regulatory Objectives of the 2007 Act. There were staff and Council workshops to work up the new strategy, which was drafted by the Senior Management Team for final approval by the Council.

29) As ever when the CLC reviews its strategy, it took the opportunity to review the organisation's overall remit and whether it should consider in detail again, the possibility of extending its regulatory remit beyond the current areas of conveyancing and probate. The extensive discussions concluded that no change to the CLC's remit was desirable and that the strength of specialist regulation remained the fundamental consideration.

30) The strategic objectives for the current strategy period (2026 -2028) agreed by the CLC Council are as follows:

- a) The CLC will continue to protect conveyancing and probate clients through effective regulation, promoting continuous improvement through education and innovation in the delivery of legal services
- b) We will leverage the CLC's hands-on approach, insight and relationship with the regulated community, maintaining high ethical standards and evolving approaches to monitoring and enforcement to meet changing risks and opportunities.
- c) The CLC will become the regulator of choice for specialist conveyancers and probate practitioners, delivering practical, value for money services.

31) The link between the permitted purposes and strategic objectives are summarised in the table below.

The permitted purposes for the utilisation of practicing certificate income	Strategic objectives linked to permitted purpose
1) the regulation, accreditation, education and training of applicable persons and those wishing to become such persons, including –	a
i. the maintaining and raising of their professional standards; and	a and b
ii. the giving of practical support, and advice about practice management, in relation to practices carried on by such persons;	a, b and c
2) the payment of a levy imposed on the approved regulator under section 173 of the Act and/or the payment of a financial penalty imposed on the approved regulator under section 37 of the Act;	c
3) the participation by the approved regulator in law reform and the legislative process;	a and b
4) the provision by applicable persons, and those wishing to become such persons, of legal services including reserved legal services, immigration advice or immigration services to the public free of charge;	a, b and c, though this does not generally arise in relation to the legal services regulated by the CLC
5) the promotion and protection by law of human rights and fundamental freedoms;	b
6) the promotion of relations between the approved regulator and relevant national or international bodies, governments or the legal professions of other jurisdictions;	a, b and c
7) increasing public understanding of the citizen's legal rights and duties;	a and b
8) preventing any person, who is not a relevant authorised person and/or does not hold a current relevant practising certificate, purporting to be such a person or to hold such a certificate; and	a, b and c
9) Promoting the prevention and detection of economic crime.	a and b

32) The most recent strategy, beginning January 2026, is a refreshed version of the previous strategy, rather than a fundamental change. The Strategy page of our website explains that the annual business plans set out to deliver the strategy and that the Council monitors progress via the Annual Report/Financial Statements and regular progress

updates at Council meetings. Each Business Plan maps activities to the Legal Services Act 2007 Regulatory Objectives, performance standards and certain key risks.

- 33) The CLC's published Business Plan for 2026 ([link](#)) sets out the activities that underpin the achievement of the organisation's strategic objectives and are set out in relation to the strategic objective that they chiefly help to meet. As a wholly independent regulator with no representative function, these all fall within the permitted purposes as defined above. The business plan is approved by the Council and progress against it is reviewed quarterly and by exception by the Council.
- 34) During the course of the year, progress on the implementation of the business plan is reported through ARC and Council and these reports are published on our website and followed by updates in our regular newsletters to the profession.
- 35) As outlined above, the governance arrangements and decision making that results in the production of an annual business plan is open and transparent, and each business plan is informed by a process of informal engagement and evidence from various sources. Taken in the round the process of developing a strategy and the business planning that delivers that strategy offers the regulated community transparency, and the opportunity to hold the CLC to account for how their licence and practice fees are spent by their regulator.
- 36) Planning and prioritisation are informed by informal engagement with stakeholders including the Professional Reference Group and Consumer Reference Group, as well as horizon scanning activities, monitoring and enforcement activities, LSB policy statements and other regulatory indicators, and the statutory imperative to deliver on the Regulatory Objectives. The business plan and priorities are also shaped by feedback that we seek from the regulated community via for example, the Annual Regulatory Return, PII claims data, HM Land Registry requisition data and stakeholder perceptions research.
- 37) As the CLC is a pure regulator the key areas of the business plan do not change year on year, though there may be a change of emphasis between years. Our overarching objective is consumer protection and that is achieved through our focus on our core functions of licensing, compliance and enforcement is at the heart of every year's plan supported by appropriate policy making.
- 38) The CLC's business plan for 2027 has not yet been finalised. The CLC business plan runs from January to December and each business plan is developed during the preceding three months.
- 39) The overarching objective of the CLC as a pure regulator is to protect the consumer. We track the success of our regulatory functions by the improvements on metrics that demonstrate progress against this objective. The key metrics tracked by the CLC include:
 - a) Governance arrangements – The CLC has effective and embedded governance arrangements in place that ensures that the Council has access to granular, consistent and wide-ranging data on a quarterly basis. Data is scrutinised by the Audit and Risk Committee, supported by internal and external audit. The governing

Council is advised by the risk committee and receive comprehensive management information reports. These governance structures meet quarterly and review performance metrics at each meeting.

- b) Single point of contact – each practice regulated by the CLC is allocated to a Regulatory Supervision Manager who is responsible for all aspects of that practices' regulatory responsibilities, including guidance, complaint handling, monitoring and disciplinary. This enables us to effectively identify risk, respond quickly and protect consumers. The connectivity of all activities allows a holistic view and enhanced ability to identify regulatory challenges.
- c) Complaint handling – this includes practice complaints, complaints about practices to the CLC and complaints made to the Legal Ombudsman. This is an ongoing focus area and we use all three sources to identify outlying practices so that we can take steps to protect the consumer interest. A key success measure is an overall downward trend in complaints. In addition to this, we are working with the Legal Ombudsman to improve second tier complaint handling however we are not receiving regular and detailed datasets from the ombudsman. This hampers our ability to be proactive and understand the key complaint drivers We are actively discussing the lack of data with the Ombudsman.
- d) Land registry coordination – The CLC has identified poor post completion practices as a significant risk to consumers. To help mitigate this we have focused on building relationships with Land Registry. This has resulted in changes to procedures at land registry, such as the approach to cancelling applications and has increased co-operation and data sharing. This enables the CLC to identify post completion problems and to take proactive action to protect consumer interests.
- e) Practice monitoring – The CLC operates a comprehensive rolling inspection program that is informed by risk. In any year, 20% – 25% of our base is subjected to a monitoring visit. Every 4 – 5 years all regulated practices are inspected. The inspections are structured and cover all the CLC codes. We track compliance by code which gives us insight into compliance trends. This enables us to target our efforts, provide guidance and if necessary, changes to rules. When we identify breaches to our codes, we issue a mandatory set of actions which are time bound and only signed off once we are happy with the actions taken.
- f) Disciplinary processes – The CLC has a robust disciplinary process. All breaches identified through licensing, monitoring and complaints handling processes are considered for disciplinary action and assessed against our threshold criteria. This ensures that appropriate action is taken when there is sufficient risk to the consumer. The volume and type of disciplinary cases and level of sanction is an indication of compliance to the codes. We monitor and report the data and by doing so ensuring consumer protection. We are currently updating our adjudication

panel rules. The new rules are more detailed and specific, which provides the regulated community with more clarity on the process and enhances the CLC's ability to progress cases and ultimately protect the consumer interest.

- g) Practice risk ratings – Every practice is risk rated based on a set of criteria which constantly evolve with changes in the sector. Changes to practice risk ratings is an indicator of practice compliance with the CLC codes and overall reducing the risk to consumers.
 - h) Annual Regulatory return – A comprehensive and wide-ranging annual return is used to track and identify risk. Regulatory return responses are also an indicator of how the regulated community benefit from CLC regulation and is a useful indicator of areas of potential risk. The responses are actively used by the monitoring team. Any responses to specific questions that may indicate a risk to consumer or breach of the CLC rules is followed up by the Regulatory Supervision Manager responsible for that practice.
 - i) Contact with stakeholders, formal and informal raising of concerns and utilisation of third-party data and insight from HM Land Registry, HMRC and the Probate Registry, mortgage lenders and other financial institutions, other legal and financial regulators and government bodies as well as industry organisations such as the representative bodies for the lawyers regulated by the CLC, the Home Buying and Selling Council and Digital Property Market Steering Group, tech providers and innovators and industry investors. We also have our own well-established Consumer Reference Group and Professional Reference Group that provide useful perspectives and insight to help shape our work.
 - j) We track our performance in our KPI report which is reviewed by the Council quarterly and published on our website. Any trends identified in individual metrics are investigated and appropriate measures implemented.
- 40) A further core focus is that practices comply with specific legislation such as anti-money laundering. This aspect of compliance is tracked separately and very closely monitored for non-compliance. It is also subject to a high degree of oversight by OPBAS and HM Treasury. We are working with the FCA to enable a smooth transition of AML supervision. The CLC maintains an AML toolkit which provided guidance and templates for practices to use. The guidance and templates are regularly reviewed and updated based on changes to the AML rules and guidance as well as trends identified through our monitoring program.
- 41) At a strategic level we are working to reform the conveyancing process itself as structural changes to conveyancing will have a positive impact on consumer protection. These initiatives include working towards digitising the conveyancing process, looking at ways to reduce the time taken to complete a transaction and protecting client money better. The Reform of the Home Buying and Selling process was recently announced by Government and the CLC is working closely with Government to develop and implement the changes. Our Chief executive and Director of strategy and communications have been and are

involved in scoping, developing and advising on the changes to the homebuying and selling process being developed by DPMSG.

- 42) Over the last few years, regulators have been tasked with doing more and we have noted a steady increase in expectations from stakeholders. We continuously monitor our capabilities and the resources available to us and have over the last 3 years steadily increased our capacity in key areas that engage with outside stakeholders, regulated individuals and consumers.
- 43) In addition to our core activities (licensing, compliance and enforcement), the CLC is expected to utilise resources on the following key activities in the next 12 months:
- enhanced AML supervision as well as working with the FCA to transition AML supervision,
 - a significant role in delivering the reform of the Home Buying and Selling process initiative recently announced by the government,
 - working with HMLR to improve the avoidable requisitions rate within the industry,
 - Working with the Legal Ombudsman to improve first and second tier complaint handling
 - Additional work arising from the refocus of the LSB to a more risk-based approach and focus on consumer protection
 - Renewed focus on being the regulator of choice and growth of practices under CLC regulation
 - proactive engagement with practices with regards to complaints,
 - Involvement in championing projects relating to the AI Growth Lab
 - Increased disciplinary caseloads, specifically relating to AML,
 - determination of Compensation Fund claims and ongoing interventions.

III – Financial information

Introduction

- 44) The CLC's financial cycle runs from January to December and the Licensing period runs from November to October. The Council approves the Practicing Fee rates in July for the next licensing period based on the best estimates of expenditure available at the time. The budget for the next financial cycle is approved by the Council in January.
- 45) It is important to note that the figures used in this application include forecast and estimate numbers and are likely to differ from the actual results and budget for the following year. Forecast figures are generally less than 6 months from the current date and estimates are 6-18 months from the current date. Estimates are more likely to differ or change due to uncertainty about future plans and supplier (including employee) costs.
- 46) This Fee application uses the actual figures from January – August 2026, a forecast to December 2026 and then an estimate for the 2027 financial year.
- 47) Because of the timing of this application, and our business planning/budgeting cycle there are always going to be variances due to supplier increases, changes in priorities and staff vacancies'.
- 48) There are some expenditure line items that are inherently more difficult to project. These include:
- Legal expenses incurred on disciplinary matters, where the timing, complexity and robust challenge can have a significant impact on cost.
 - Staff expenditure, although carefully budgeted and planned can vary significantly due to resignation, timing of recruitment and changes to market rates. Additionally, and with appropriate governance oversight, the CLC can and does amend the staff plan to effectively support emerging operational or strategic developments.
- 49) The financial information presented below includes comparison of the prior year's estimates and forecasts against our current year's budget and next year's estimate. These comparisons demonstrate how our estimates transition to budgets and are then updated intra year through forecasts.
- 50) In the last 7 years, the CLC has mostly operated a managed deficit budget. This was intentional and served three purposes:
- to reduce the financial burden of regulation on practices during a very difficult period which included the pandemic and an economic downturn.
 - to reduce excess cash reserves being held by the CLC arising from a property sale in 2017.

- Offset significant increases in OLC recharges.

51) The table below summarises the operating surplus or deficit of the CLC since 2015 as well as the changes to the practice fee rates over the period.

Financial Year	Fee rate change	Operating Surplus/ (Deficit)	Fee rate index (2016 = 100%)
2015		60,872	100%
2016		1,372,408	100%
2017	(20%)	189,399	80%
2018		55,444	80%
2019	(10%)	(323,142)	72%
2020	(30%)	(886,713)	50%
2021		(539,622)	50%
2022	(23%)	(576,513)	39%
2023		(65,831)	39%
2024	10%	(80,571)	42%
2025	9%	189,257	46%
2026 (forecast)	3%	14,242	48%
2027 (estimate)	4%	125,971	50%

52) The CLC has through fee rate reductions returned £2.4m back to the profession since 2019. The proposed practice fees for 2027 will be 50% of the relative practice fee from 2016. The impact of halving the contribution rates has been a material reduction in the reserves held by the CLC.

53) Higher than anticipated disciplinary costs in 2023 and 2024 have resulted in deficits being realised during those years, which has further reduced reserve levels. These negative variances have been recovered in 2025 due to cost recovery awards made by the independent Adjudication Panel. Had these costs not been recovered in 2025, the CLC would have had a deficit in 2025.

54) To offset the cashflow impact of these timing differences the CLC is intending to run surplus budgets for the next few years to gradually increase its cashflow reserve so that there is an increased buffer to absorb these timing differences. Further information is included in the reserve section of this application.

55) The Practice Fee rate was increased in 2024 and 2025 due to an aggregate reduction in practice turnovers (resulting in lower practice fees being generated) and an increase in inflation and regulatory activity/burden of the CLC (resulting in increased costs).

56) Aggregate practice turnovers increased in 2026, however the CLC needs to increase capacity due to increased regulatory activity, therefore a smaller inflationary linked increase to practice fee rates was also required.

57) Factors that are likely to result in increases to the fee rates are:

- A decrease in aggregate practice turnovers as this will result in lower practice fee billings
- Inflationary increases to costs, specifically staff costs
- Increased costs such as significant and complex disciplinary cases
- Additional regulatory responsibilities and requirements from government, LSB and other stakeholders

58) The CLC has always been mindful of containing the regulatory burden on individuals and practices at a level proportionate to the risks to consumers. One of the ways we have done that is by keeping very tight cost controls and wherever possible minimising expenditure.

59) The chart below shows the CLC operating expenditure (blue), which is the expenditure we can directly control and the Legal Ombudsman (orange) cost that is recharged to us and is not under our control. This represents the total cost burden on our regulated community.



60) Keeping overall operating expenditure contained has been achieved by carefully managing cost. Our most significant cost driver is employment costs (2026 - 71% of total costs). This cost has increased over time, but remains proportionate to our revenue, as we invest in people who are passionate about their jobs and are focussed on better, risk-based regulation and protecting the consumer. Our staff are our biggest asset, and they enable us to provide effective, specialist regulation.

61) Operating expenditure for 2026 is forecast to be £3.5m, expenditure for 2027 is expected to be 12.8% higher (£3.9m). Most of this increase is attributed to employment costs generated from an increase in headcount.

- 62) Increasing sectoral demands, inflation, and the need to continue to invest in our staff and regulatory processes mean that we will continue to see above-inflation increases in employment costs for the next few years as we invest in and recruit additional staff. The CLC has invested significantly in the current staff members with a view to improving the service provided by the CLC; retaining staff is the best way to ensure consistent service and reduce costs to the consumer in the long run.
- 63) The extent of any future increase to the practicing certificate rates will be dependent on an increase in the number of regulated practices and organic turnover growth of existing regulated practices as well as increases in the number of individual licence holders. Continued growth in these areas would reduce the need for fee rate increases.

Fee Banding Review

- 64) The Practice Fee turnover bands were last amended in 2021 when we added five bands to narrow the scope of each band, allowing practices to benefit from lower fee rates as they grow. We reviewed the bands this year and have noted that there is still a good distribution of practices across the bands. As such we concluded that there was no need to amend the bands to be used in the next billing cycle. The table below summarises the distribution of practices since the new band were introduced.

Fee bands and practice allocation	Number of Practices July 22	Number of Practices July 23	Number of Practices July 24	Number of Practices July 25	Number of Practices July 26
£0 – £100,000	20	12	8	5	5
£100,001 - £250,000	37	36	40	30	32
£250,001 – £500,000	58	47	47	42	39
£500,001 – £1,000,000	53	57	45	54	54
£1,000,001 – £2,000,000	28	29	30	33	29
£2,000,001 – £4,000,000	9	10	14	16	19
£4,000,001 – £8,000,000	11	6	7	8	10
£8,000,001 – £16,000,000	1	4	5	7	9
£16,000,001 and over	5	5	4	4	7
	222	206	200	199	204

- 65) The following trends have been identified in the distribution of practices across the bands:
- A steep decline in the practices with a turnover under £100k. This is mostly due to closure or retirement.
 - A decline in the practice numbers in the £100k – £500k bands, this is driven by closures and practices moving to higher bands due to growth.
 - The number of practices in the mid tiers (£500k to £2m) have remained steady, although there is movement in from the lower bands and out to the higher bands.
 - The number of practices with turnovers greater than £2m have increased as has the distribution across these bands. In 2026 22.1% of practices had turnovers over £2m compared to 12.1% of practices in 2022.

- Average turnover per practice has increased from £1.56m in 2022 to £2.38m in 2026

66) Despite the above trends, the spread of practices across the bandings does not highlight any concentration or concerns.

67) The distribution of fees generated per turnover band at the current fee rate and the proposed rate for 2027 is shown in the table below.

Turnover bands	Number of practices	Practice Fee at current rate	Practice Fee at proposed rate	Increase in fees collected	Average increase per practice
£0 – £100,000	5	3,580	3,725	145	4.1%
£100,001 – £250,000	32	39,768	41,360	1,592	4.0%
£250,001 – £500,000	39	103,013	107,095	4,082	4.0%
£500,001 – £1,000,000	54	258,685	268,945	10,260	4.0%
£1,000,001 – £2,000,000	29	251,831	261,864	10,033	4.0%
£2,000,001 – £4,000,000	19	310,439	322,792	12,353	4.0%
£4,000,001 – £8,000,000	10	328,146	341,174	13,028	4.0%
£8,000,001 – £16,000,000	9	538,259	559,742	21,483	4.0%
£16,000,001 and over	7	953,528	991,392	38,404	4.0%
	204	2,787,249	2,898,629	111,380	4.0%

68) The increase in practice fees for a range of practice turnovers is summarised in the table below and shows the annual and monthly cost increase based on turnover. The impact of the 4% fee rate increase is that practices will pay between £0.29 and £0.22 per £100 of turnover depending on the banding.

Illustrative practice turnovers	Fee at current fee rate	Fee at proposed fee rate (4% Inc)	Annual cost increase	Additional monthly payment
100,000	716	745	29	2
250,000	1,744	1,813	69	6
500,000	3,379	3,513	135	11
1,000,000	6,404	6,658	254	21
2,000,000	12,354	12,848	494	41
4,000,000	24,094	25,048	954	80
8,000,000	45,094	46,888	1,794	150
10,000,000	55,514	57,728	2,213	184
15,000,000	81,564	84,828	3,264	272

69) We have considered the impact that these increases may have on practices and have concluded that based on turnover, the actual cash increase in fees from the changes in rates is not likely to have a material impact on individual practices.

Prior year financial results (2025) vs Budget (2025)

70) The table below summarises the actual audited results for 2025 against the budget set at the beginning of 2025.

PRACTICE FUND 2025 Actual results vs the 2025 budget	2025 Budget	2025 Actual	Variance	Variance %
Practice Fee	1,954,731	1,970,592	15,860	1%
Individual License Fee	805,660	803,801	(1,859)	(0%)
Other income	107,840	122,945	15,106	12%
TOTAL INCOME	2,868,231	2,897,338	29,107	1%
Staff costs	1,994,175	1,874,430	119,745	6%
Communications	159,404	157,449	1,955	1%
Professional Fees	170,889	141,644	29,244	21%
Recharges	74,130	75,702	(1,572)	(2%)
Office costs	173,720	174,703	(983)	(1%)
Consulting & subs	96,663	96,345	318	0%
Other operating costs	196,656	186,227	10,430	6%
TOTAL EXPENDITURE	2,865,637	2,706,500	159,137	6%
OPERATING PROFIT/LOSS	2,595	190,838	188,243	99%
OLC Levy received	1,354,870	1,334,121	(20,749)	(2%)
OLC Levy Paid	(1,354,870)	(1,335,702)	19,168	1%
Grant income	-	82,325	82,325	100%
Grant expense	-	(82,325)	(82,325)	(100%)
PROFIT/LOSS	2,595	189,257	186,662	99%

71) Income for the year was 1% better than budgeted. This is due to higher practice fee income as a result of practices coming into CLC regulation. Individual licensing fee income was marginally lower than we expected it to be. Other income comprises interest and licensing application income, both of which exceeded the budget expectations. Budget expectation for other income is based on the number of applications in the previous year.

72) Operating expenditure was £159,137 lower than the budget expectation. The key drivers of this positive variance are:

- Staff costs being lower than anticipated due to timing differences on budgeted hiring plans.

- Professional fees being lower than budgeted due to two large cost recoveries in 2025 totalling £234,000 These costs were incurred during the 2024 -25 financial years.

Review of 2026 Estimate made in 2025 to the current forecast for 2026

73) The table below summarises the changes from 2025 PCF applications estimate for 2026 to the 2026 budget and then this year's 2026 Forecast. Material adjustments are explained below the table.

2026 estimate for the PCF application vs the 2026 budget	2026 Estimate used in 2025 PCF	2026 Budget	2026 Forecast	Variance Estimate to Budget	Variance % Estimate to Budget	Variance Budget to Forecast	Variance % Budget to Forecast
Practice Fee	2,340,420	2,351,018	2,463,900	10,598	0%	112,883	4%
Individual License Fee	847,447	830,950	851,529	(16,497)	(2%)	20,579	2%
Other income	99,614	91,449	129,612	(8,165)	(8%)	38,164	28%
Applicant vetting	27,600	27,600	39,135	0	0%	11,535	44%
TOTAL INCOME	3,315,081	3,301,016	3,484,176	(14,065)	(0%)	183,160	5%
Staff costs	2,464,808	2,544,399	2,673,435	(79,591)	(3%)	(129,036)	(5%)
Staff cost recharge	(183,741)	(244,448)	(253,398)	60,707	(33%)	8,950	(4%)
Communications	183,444	226,191	238,736	(42,747)	(23%)	(12,545)	(5%)
Professional Fees	188,945	205,892	270,721	(16,947)	(9%)	(64,829)	(24%)
Professional Fee recoveries	-	-	(22,000)	-	-	22,000	(100%)
Finance charges	13,647	13,277	16,806	370	3%	(3,530)	(21%)
Monitoring	24,000	18,000	12,557	6,000	25%	5,443	43%
Applicant vetting	27,600	27,600	39,135	-	-	(11,535)	(29%)
Recharges	80,823	80,871	77,946	(48)	(0%)	2,925	4%
Office rent	170,290	188,148	193,680	(17,858)	(10%)	(5,531)	(3%)
Office costs	26,028	14,209	9,973	11,819	45%	4,236	42%
IT costs	50,673	46,796	49,063	3,877	8%	(2,267)	(5%)
Travel costs	16,865	28,793	18,729	(11,928)	(71%)	10,064	54%
Consulting & subs	96,358	87,500	70,724	8,859	9%	16,776	24%
Insurance	64,659	54,837	54,337	9,822	15%	501	1%
TOTAL EXPENDITURE	3,224,399	3,292,064	3,450,442	(67,665)	(2%)	(158,378)	(5%)
OLC Levy received	1,465,747	1,465,747	1,588,007	-	-	122,261	8%
OLC Levy Paid	(1,465,747)	(1,465,747)	(1,608,170)	-	-	(142,423)	(9%)
Grant income	-	-	549,125	-	-	549,125	100%

2026 estimate for the PCF application vs the 2026 budget	2026 Estimate used in 2025 PCF	2026 Budget	2026 Forecast	Variance Estimate to Budget	Variance % Estimate to Budget	Variance Budget to Forecast	Variance % Budget to Forecast
Grant expense	-	-	(549,125)	-	-	(549,125)	(100%)
OPERATING PROFIT/(LOSS)	90,682	8,952	13,572	(81,730)	(90%)	4,620	34%

74) The significant variances by value and the reasons are summarised in the below.

Line item	Explanation of the variance
Practice Fee	The Practice Fee income used in the forecast is higher than the estimate due to increased aggregate practice turnovers and new practices entering CLC regulation during the year.
Individual Licence Fee	The Individual Licence Fee income for the 2026 forecast is slightly higher than previously estimated. The CLC has seen higher than anticipated growth in the numbers of new licences being issued.
Other Income	The 2026 forecast is significantly higher than both the prior year estimate and the budget. The forecast is based on 8 months of actual income and a projection based on similar volumes of applications. This positive variance is because of a higher than projected number of applications being made.
Applicant vetting	This is revenue received from applicants for DBS checks. The revenue is offset by a corresponding expense. We budget and forecast based on the prior period's expense due to the difficulty of accurately projecting the follow periods application volumes and mix (applications include new individual licence applications, new practice applications and changes to licenses and authorisations).
Staff costs	The 2026 forecast is higher than both the prior year estimate and the budget. The staff cost variance is attributed to the need to hire two new permanent members of staff that were previously not budgeted. Additionally, two temporary members of staff have been recruited to assist with determination of investment property claims that the Compensation Fund has received. The costs associated with the temporary members of staff are recharged to the Compensation Fund through the 'staff cost recharge'.
Staff cost recharge	The staff cost recharge has been amended in the forecast to account work being done on the Compensation Fund because of interventions, claim activity and fund administration.
Communications	The 2026 forecast is significantly higher than both the prior year estimate and the budget. We are increasing the budget for communications to further enhance engagement with the regulated community in particular to: Support understanding of the agenda for reform of home buying and selling in line with the government's published roadmap which aims to deliver significant benefits to citizens and the economy and improve

Line item	Explanation of the variance
	consumer protection through faster, more secure and more certain property transactions • Assist in the management of risk in the sector through deeper engagement with the CLC's annual Risk Agenda that guides regulated practices • Promote growth in the update of CLC specialist qualifications to drive up quality and consumer protection in the provision of legal services • Continue and extend work with agencies such as HM Land Registry and the Legal Ombudsman to improve quality and complaints handling across the sector • Ensure that the CLC is represented at the full range of relevant sector events to communicate the regulator's perspective and priorities for growth, competition and innovation in the delivery of legal services alongside the consumer protection agenda
Professional Fees & Professional Fee Recovery	The 2026 forecast is materially higher than both the prior year estimate and the budget. This variance is attributed to additional unbudgeted expenditure relating to the adjudication panel rules and licensing frameworks.
Monitoring	Monitoring costs are lower than the forecast and budget. This cost relates to payments to independent outsourced inspectors for undertaking inspections for the CLC. The usage of outsourced inspectors has been lower than budgeted and estimated due to more inspections being undertaken by the employed monitoring team.
Office rent	The 2026 forecast is higher than both the prior year estimate and the budget. Office costs increased compared to last year's estimate due to agreeing a renewal of the office lease and increased costs linked to headcount.
Travel Costs	The budget included a provision for higher travel costs linked to increased activity. This has however not materialised due to continued use of online meetings.
Consulting & subscriptions	The budget and forecast expenditure are lower than the 2025 estimate due to lower contributions to the Legal Choices website as well as lower third-party consultant expenditure.

75) The table below summarises the sources of funding for the 2026 operating expenditure forecast as well as the allocation of expenditure by activity. All expenditure was incurred for permitted purposes.

PCF allocation to expenditure	%	2026 Forecast
Total expenditure		(3,450,442)
PCF collected	100%	3,315,429
Licensing	16%	541,858

PCF allocation to expenditure	%	2026 Forecast
Education	3%	105,133
Monitoring	15%	487,559
Policy	18%	584,860
Levy collection	2%	77,107
Disciplinary	14%	462,899
Complaints	5%	153,117
Communications	11%	362,338
Council	16%	540,557
Surplus/ (Deficit) from PCF		(135,013)
Other income		127,214
Addition to/(Utilisation) of reserves		(7,799)
Total PCF fees collected		3,315,429
Practice Fees		2,463,900
Individual Licences		851,529

76) The table below compares the estimate for 2027 against the 2026 forecast. The 2027 revenue estimate is based on currently regulated practices and turnovers as declared by them in July 2026. As such the revenue estimate for 2026 has a high degree of probability. The budget for 2027 will be finalised and approved by the Council in January 2027 using the most recent figures and estimates and assumptions which may differ from the estimate below.

2026 forecast vs 2027 estimate	2026 Current Forecast	2027 Pre Budget Estimate	Variance £	Variance %
Practice Fee	2,463,900	2,898,629	434,728	18%
Individual License Fee	851,529	906,213	54,685	6%
Other income	129,612	175,126	45,514	35%
Applicant vetting	39,135	49,114	9,980	26%
TOTAL INCOME	3,484,176	4,029,082	544,906	16%
Staff costs	2,673,435	3,038,147	(364,712)	(14%)
Staff cost recharge	(253,398)	(256,222)	2,824	(1%)
Communications	238,736	285,245	(46,510)	(19%)
Professional Fees	270,721	264,821	5,899	2%

2026 forecast vs 2027 estimate	2026 Current Forecast	2027 Pre Budget Estimate	Variance £	Variance %
Professional Fee recoveries	(22,000)	-	(22,000)	100%
Finance charges	16,806	16,850	(44)	(0%)
Monitoring	12,557	13,000	(443)	(4%)
Applicant vetting	39,135	49,114	(9,980)	(26%)
Recharges	77,946	79,783	(1,838)	(2%)
Office rent	193,680	193,472	208	0%
Office costs	9,973	16,251	(6,278)	(63%)
IT costs	49,063	50,188	(1,125)	(2%)
Travel costs	18,729	20,486	(1,757)	(9%)
Consulting & subs	70,724	77,337	(6,612)	(9%)
Insurance	54,337	55,140	(804)	(1%)
TOTAL EXPENDITURE	3,450,442	3,903,614	(453,172)	(13%)
OLC Levy received	1,588,007	1,752,179	164,172	10%
OLC Levy Paid	(1,608,170)	(1,752,179)	(144,009)	(9%)
Grant income	549,125	30,617	(518,508)	(94%)
Grant expense	(549,125)	(30,617)	518,508	94%
OPERATING SURPLUS/DEFICIT	13,572	125,469	111,897	824%

77) The material variances between the 2026 forecast and the 2027 estimate are summarised in the table below.

Line item	Explanation of the variance
Practice Fee	The Practice Fee income is expected to increase due to organic growth in total practice turnovers and practices entering CLC regulation (19.5%), as well as a 4% inflationary increase in the Practice Fee rates. The fee estimate is based on those practices currently under regulation and does not factor in revenue generated or lost from practices entering or exiting CLC regulation during the year. This is because we cannot accurately estimate the turnover or timing of these events. Our assumption is that entrants should offset exits so that any net impact would be neutral or positive.
Individual Licence Fee	The increased revenue is driven by continued growth in the number of licensed conveyancers and full year collections for new licence holders that joined in 2026. In 2026, we saw an increase of 130 licence holders (6.4%) between August 2025

Line item	Explanation of the variance
	and August 2026, and we continue to see good growth in numbers.
Other income	Other income includes interest and application fees. We have assumed that activity levels and interest rates will remain at similar levels to 2026.
Applicant vetting	We have assumed similar levels of applicant activity in 2027 as was seen in the prior year.
Staff costs	Several factors are impacting the increase in staff costs for 2027: • 2 new permanent hires have started in the third quarter of 2026. With an additional person expected to start during Q4 of 2026. These are new unbudgeted positions to increase existing operational capacity in the licensing and communications teams. • 2 new temporary hires have been appointed to assist with compensation fund claims. This cost is recharged to the Compensation Fund through the staff cost recharge • New staff hired during 2026 will have generated cost for a full year in 2027 • Additional recruitment cost has been factored into the 2026 estimate for planned recruitment of Council members and the chair whose term ends in 2027. • Staff costs are expected to increase due to a planned inflation adjustment (3%) and scale adjustments where appropriate. • Additional benchmarking and retention provisions.
Staff cost recharge	The staff cost recharge is a recharge of staff cost to the Compensation Fund to account for the work being performed on the Fund.
Communications	Communication costs for 2027 are expected to increase in comparison to 2026. We are increasing the budget for communications to further enhance engagement with the regulated community in particular to: • Support understanding of the agenda for reform of home buying and selling in line with the government's published roadmap which will deliver significant benefits to citizens and the economy and improve consumer protection through faster, more secure and more certain property transactions

Line item	Explanation of the variance
	- Assist in the management of risk in the sector through deeper engagement with the CLC's annual Risk Agenda that guides regulated practices - Promote growth in the update of CLC specialist qualifications to drive up quality and consumer protection in the provision of legal services - Continue and extend work with agencies such as HM Land Registry and the Legal Ombudsman to improve quality and complaints handling across the sector - Ensure that the CLC is represented at the full range of relevant sector events to communicate the regulator's perspective and priorities for growth, competition and innovation in the delivery of legal services alongside the consumer protection agenda
Professional Fees	We expect professional fees to decrease slightly in 2027 due to a reduction in expected disciplinarys. This estimate does not factor in any cost recoveries we may be awarded.
Professional Fee Recoveries	Professional fee recoveries are cost awards made by the adjudication panel during disciplinary hearings. We do not budget for this line item as we have no control over the awarding of costs.
Finance Charges	Finance charges include tax on interest received and merchant fees paid on credit card receipts.
Monitoring	We are estimating that 10 monitoring inspections will be undertaken by our external inspectors. Additional inspections will be undertaken by our Monitoring team whose cost is included in the salary line.
Recharges	This line item includes all costs recharged to us from other organisations. This includes: a) The LSB - £56,900 b) The FCA - £17,160 c) OPBAS - £6,097
Office Rent	Our costs are agreed until February 2028, however there are variable elements to the agreement (headcount, meeting room bookings and printing) that could cause increases to this cost.
Office costs	General office cost estimates have increased due to headcount and inflation.
IT costs	IT costs have been increased due to the headcount increase (additional licences will be required). Supplier inflation increases have also been factored in.
Travel costs	Travel cost has been estimated based on the 2026 forecast.
Consulting and subscriptions	This includes the Legal Choices costs, subscriptions and research costs. Legal choices and research costs are expected to increase.

Line item	Explanation of the variance
Insurance	We have PII, office contents and cyber insurance policies in force. Inflationary increases have been included in the estimate for 2027.
OLC Levy	We are unable to accurately project the increase in the levy as it is based on CLC practice case numbers, all regulator case numbers and the total Legal Ombudsman cost. The Legal Ombudsman has also just consulted on changing the fees they charge practices, which may impact the regulator charge. We have assumed a 5% cost increase based on the most recent estimate received from the Ombudsman.
Grant income and expenditure	The CLC is currently receiving grant income from 2 government funded grants (the Regulators Pioneer Fund and the AI growth lab). This income and expenditure is separate from the CLC operating expenditure.

78) The table below summarises the sources of funding for the 2027 operating expenditure estimate as well as the allocation of expenditure by activity. All expenditure will be incurred for permitted purposes.

PCF allocation to expenditure	%	2027 Forecast
Total expenditure		(3,903,614)
PCF collected	100%	3,804,842
Licensing	19%	632,553
Education	6%	208,726
Monitoring	15%	511,418
Policy	19%	622,644
Levy collection	2%	80,789
Disciplinary	17%	555,947
Complaints	5%	173,468
Communications	13%	414,521
Council	18%	604,775
Surplus/(Deficit) from PCF		(98,772)
Other Income		224,241
Addition/(utilisation) of reserves		125,469
Total PCF collected		3,804,842
Practice Fees		2,898,629
Individual Licences		906,213

79) The table below shows the 3-year estimate of income and expenditure.

2026 Current year forecast and 3-year estimate	2026 Current Forecast	2027 Estimate	2028 Estimate	2029 Estimate
Practice Fee	2,463,900	2,898,629	3,014,574	3,105,011
Individual License Fee	851,529	906,213	951,524	999,100
Other income	129,612	175,126	182,131	187,595
Applicant vetting	39,135	49,114	51,079	52,611
TOTAL INCOME	3,484,176	4,029,082	4,199,308	4,344,318
Staff costs	2,673,435	3,038,147	3,159,673	3,254,463
Staff cost recharge	(253,398)	(256,222)	(266,471)	(274,465)
Communications	238,736	285,245	296,655	305,555
Professional Fees	270,721	264,821	275,414	283,677
Professional Fee recoveries	(22,000)	0		
Finance charges	16,806	16,850	17,524	18,050
Monitoring	12,557	13,000	10,000	10,300
Applicant vetting	39,135	49,114	51,079	52,611
Recharges	77,946	79,783	82,975	85,464
Office rent	193,680	193,472	203,145	209,240
Office costs	9,973	16,251	16,901	17,408
IT costs	49,063	50,188	52,196	53,762
Travel costs	18,729	20,486	21,306	21,945
Consulting & subs	70,724	77,337	80,430	82,843
Insurance	54,337	55,140	57,346	59,066
TOTAL EXPENDITURE	3,450,442	3,903,614	4,058,173	4,179,918
OLC Levy received	1,588,007	1,752,179	1,839,788	1,931,778
OLC Levy paid	(1,608,170)	(1,752,179)	(1,839,788)	(1,931,778)
Grant income	549,125	30,617	-	-
Grant expense	(549,125)	(30,617)	-	-
OPERATING SURPLUS/DEFICIT	13,572	125,469	141,135	164,399

80) The estimates above make the following assumptions

- Practice Fee income will increase by 4% and 3% in 2028 and 2029 respectively.
- Individual licence Fees will grow at similar rates to the prior year (5%).

- Headcount will remain the same but total cost will increase by 4% and 3% respectively.
- The Compensation Fund recharge will increase in line with the increase in staff costs.
- Professional fees will remain broadly in line with the 2026 Estimate.
- Other operating expenses will increase by inflation.
- The OLC Levy increases by 5% each year.

OLC Levy

81) The OLC levy was introduced by the CLC in 2022. The aim of the Levy is to:

- Make the cost of LeO more transparent to the regulated community
- Allocate cost to practices transparently and based on usage
- Drive better complaint handling through awareness and levying a cost to poor complaint handling (the cost per case element).

82) The cost is apportioned between a 'service availability' component (50% of the cost) and a 'usage' component (50% of the cost). These components are allocated to practices as follows:

- The **service availability** component is allocated based on the ratio of the Practice Fee charged to a practice and the aggregate of practice fees charged to all practices.
- The **usage** component is allocated to practices based on the number of cases that are investigated by the Legal Ombudsman using a 3-year average of the case numbers. Practices that do not have any cases will not pay a usage fee.

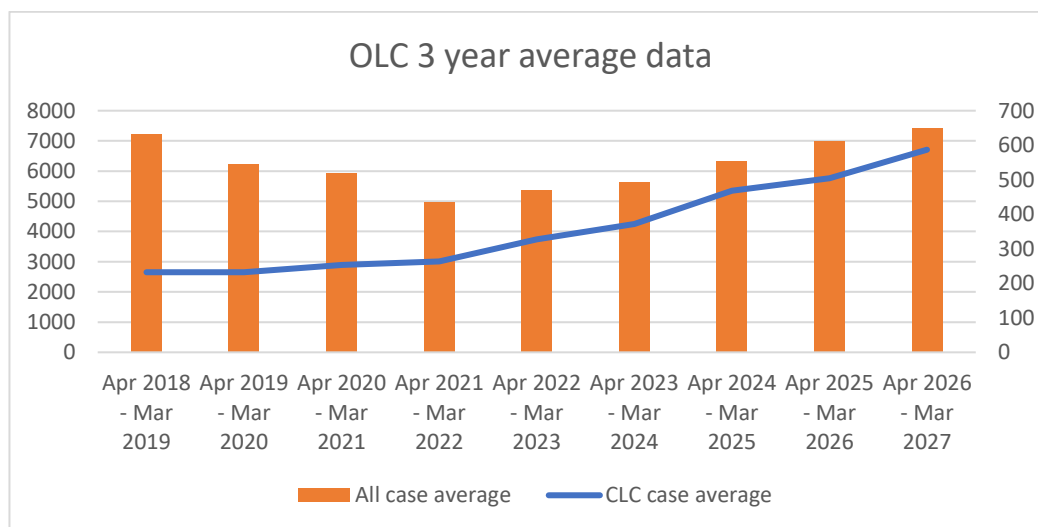
83) In practice, the calculation for the OLC levy (for the period from 1 April 2026 to 31 March 2027) is as follows:

Prior year under recovery of cost	5,454.06
Total Levy to be collected from practices	1,688,847.51
	<u>1,694,301.57</u>
Availability charge (50% of total cost) before closed practice adjustment) (A)	847,150.79
Usage fee - 50% of total cost	847,150.79
	<u>1,694,301.57</u>
Calculated Usage fee - cost per case (total cases 587)	1,443.19
Usage fee allocated to closed practices (111 cases @ £1,443.19 each) (B)	160,194.09
Usage fee allocated to current practices (476 cases @ £1,443.19 each)	686,958.44
	<u>847,152.53</u>
Adjusted availability fee to be collected from all practices (A+B=C)	<u>1,007,344.88</u>

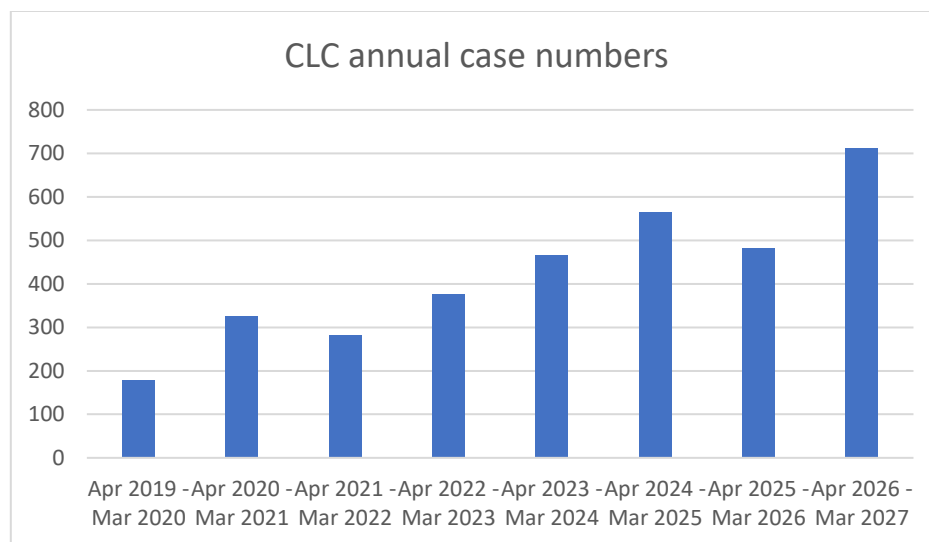
84) The availability cost is then split between practices based on their practice fee as a ratio of the total practice fee. Using two theoretical practices and the corresponding data, the calculation looks as follows:

	Practice A	Practice B	Total of CLC
Practice turnover (£)	250,000	6,000,000	484,809,525
Practice fees (£)	1,813.00	35,968.00	2,830,880.10
Practice % of total practice fees	0.06%	1.27%	
Availability fee (£) (C from para 83) (D)	645.14	12,798.91	1,007,344.88
Cases	1.00	6.00	476.00
Usage fee (£) (E)	1,443.19	8,659.14	686,958.44
Total OLC Levy (£) (D+E)	2,088.33	21,458.05	1,694,303.32

85) The chart below summarises the case numbers of CLC practices (blue Line) and total OLC case numbers (orange columns). Please note that these data set use different scales.



86) Both data sets reflect an increasing trend from 2022 this is due to the OLC changing the way it counts cases. Early resolution of cases has become a key focus of the OLC and since 2022 these complaints have been recorded as 'cases' for cost allocation purposes although they have not been accepted for full investigation. CLC case numbers have however increased at a faster rate than other regulators and our share of total case numbers has increased from 5.3% in 2021 to 7.9% in 2026 (7.2% in 2025).



- 87) Prior to 2024 the CLC allocated 70% of the OLC cost to availability of the service and 30% to usage. Because case numbers were still increasing the CLC changed the model in 2024 so that 50% of the cost was allocated to availability and 50% to usage. The impact of this change is that those practices with higher numbers of cases at the OLC pay more and those with lower case numbers or no cases pay less.
- 88) The Legal Ombudsman has recently consulted on amending the case fee payable by practices (£400 per case if the ombudsman finds that the service was below standard) and replacing it with an scaled case fee depending on the stage that the complaint is resolved. This will result in practices paying a fee directly to the Ombudsman for complaints investigated. This is in effect a move towards a “polluter pays model similar to the CLC’s OLC Levy.
- 89) Because of the ongoing Legal Ombudsman consultation and the impact this may have on practices, the Council has resolved to not make any further amendments until the Ombudsman’s fee model is finalised and the impact is understood.

IV. Reserves – Practice Fund

Overview of the 2026 CLC Reserve Policy and risk assessment

- 90) The LSB rules state that *“The approved regulator must satisfy the Board that the target level for practising fee reserves and the accumulated practising fee reserves are sufficient to ensure that the approved regulator is reasonably financially resilient even in adverse circumstances.”* The LSB also specifies in the guidance that the target level should be between 3 and 6 months of practising fee expenditure to ensure a reasonable level of financial resilience. Any target level which is below or above this proportion will require an explanation from the approved regulator as to how this nonetheless reflects a proper estimate of risk.
- 91) Using the 2026 forecast as a basis for the reserve calculation, the target reserve level, based on the LSB rules and guidance should be somewhere between £828,108 and £1,656,216 (3 to 6 months of practising fee expenditure).
- 92) The CLC view is that the recommended reserve levels are excessive and create an additional burden on the regulated community. As such the CLC has carefully reviewed the risks mitigated by reserves. The CLC reserve policy has considered these risks and their mitigations and taken a targeted and risk-based approach to the setting of reserve levels.
- 93) The CLC Audit and Risk Committee carefully reviewed the existing reserve policy in July 2026 against the identified risks that reserves mitigate and the operational requirements of the CLC and agreed that the policy was still appropriate for the purposes of the organisation. This was subsequently presented to the CLC Council and approved in the same month.
- 94) The CLC has identified three fundamental reasons for holding reserves:

Reserve category	Purpose	Risk being mitigated
Minimum reserve	The purpose of the minimum reserve is to provide cashflow in the event of one or more of the identified risks outlined in the policy materialising.	• Loss of practice fee income • Change in regulatory framework (single regulator) • Closure of CLC • Unbudgeted expenditure required for regulatory purposes • Strategic projects • Insufficient funds to pay expenses

		• Restriction of fee rate increases
Cashflow reserve	To ensure cashflow availability due to uneven cash collections during the annual billing cycles.	• Insufficient cash during periods of low cash receipts due to periodic nature of collections.
Special purpose reserve	To ring fence reserves for a strategic project or purpose or to mitigate a specific risk.	• Insufficient funds allocated for specific strategic purposes or risks.

95) The approach taken by the CLC to set the minimum reserve was to identify and assess the specific risks that might result in the utilisation of reserves. Based on the assessment of these risks the Council was able to determine the expected impact of each of these risks crystallising and the reserve level required to mitigate those risks.

96) The primary risk identified was the potential loss of practice fee income from large practices because of closure or switching to a different regulator. It is likely that the CLC would receive prior notice of such an event, which would enable it to prepare by reforecasting and taking steps to reduce expenditure in the short term. Even if this was not possible, the financial impact of this event is unlikely to exceed £100,000 over a 3-month period.

97) Secondary risks, which also had a medium risk assessment were also identified. These risks have a smaller financial impact, but a higher likelihood of occurring and include:

- Unbudgeted operating expenditure
- Temporary cashflow shortfalls that would require funding
- Restriction on increasing Practice Fee contribution rates

Councils view was that a minimum reserve level of £100,000 felt too low even though it mitigated the primary risk identified for a 3-month period. The Council agreed that a higher minimum reserve based on 3 months of contracted or essential costs was more appropriate and provided sufficient additional buffer to mitigate one or more of the secondary risks crystallising. This level of reserve would provide ample support to offset the lost revenue for a period to allow for restructure and recalibration of expenditure.

98) A further mitigation for holding excessive reserve is that the majority of practice fees are collected by monthly direct debit, the CLC thus has a consistent source of cash inflows that would support it in the event that one of the risks materialised, and in effect reduces the risk of the reserve being fully depleted. The Council's view was that there were no realistic scenarios where all income would cease and all expenditure would continue that would justify holding the equivalent of 3 months of total expenditure.

99) In addition to regular monthly cash inflows from Practice Fees, the CLC has the ability to procure short-term funding to manage any temporary cashflow pressures should they arise.

- 100) The review also highlighted that the primary risks that the reserves need to mitigate is the uneven cashflows through the year. Although the CLC collects most of the Practice licensing fees in 12 monthly instalments, all individual license fees are collected during September and October. While most expenditure is incurred monthly, there are large annual payments that are made in the first half of the year, which results in lower cashflow reserves in the Second and third quarter of the year.
- 101) With the above mind, the CLC is looking to slowly increase the minimum level of the cashflow reserve to ensure that we have sufficient buffer to ensure that we do not dip into our minimum reserve during cyclical periods of low cashflow receipts. The accumulation of this reserve will be achieved through running surplus budgets over the next few years.
- 102) The strategic restructure or closure risks, being more fundamental, might require more significant changes to the organisation. In all cases, we are likely to have notice of the change, continue to receive income and will have time to adapt or wind down the organisation. Such adaptations may involve redundancy and curtailment of expenditure over a period of time.
- 103) The minimum reserve is benchmarked on the costs required to be able to make a sudden and material change to the business which would undoubtedly result in ending employment and curtailing some expenditure. The current policy is also sufficient to mitigate any cashflow shortfall risks comfortably. All the above has been stress tested through the ARC and Council.

Set reserve levels

- 104) The minimum reserve funding levels are updated when the fee application is submitted (based on forecasts) and when a new budget is adopted (January each year). It would also be updated if there was a material change in the CLC operations or finances.
- 105) The minimum reserve levels based on the 2026 budget, forecast and estimates are summarised as follows:

Minimum Reserve Calculation	Budget Jan 2026	Forecast Jul 2026	Estimate 2027
3 months' salary cost	509,613	689,623	728,512
1 Month Professional service cost	15,745	22,191	18,040
3 Months office rent	38,273	39,600	39,600
3 months of IT expenditure	3,921	11,899	12,189
Minimum Reserve Level	567,552	763,314	798,341
Percentage of total expenditure	18%	22%	20%

- 106) The current cash reserves compared to the policy are summarised in the table below.

Practice Fund Reserves on 31 August 2026	Set reserve levels	Cash at 31 August 2026	Variance
Minimum reserve	763,314	763,314	-
Cashflow reserve	1	233,078	233,077
Special purposes reserve	1	1	-
Total	763,316	996,393	233,077

- 107) The cashflow reserve is a floating reserve (which comprises all funds not allocated to the minimum reserve and special purpose reserve) that is used to fund operational expenditure. The cash held by the CLC fluctuates throughout the year, with the balance being at its lowest in March having just paid the amount owed to the Legal Ombudsman for the OLC Levy. The intention is to slowly grow this balance so that it is in the region of £500k at its lowest point. Should this reserve exceed £1m at its lowest point, the Council will consider whether steps should be taken to release surplus funds.
- 108) The CLC is likely to generate a small surplus, in line with budget, for 2026 but estimates a larger surplus in 2027 which will be used to fund the minimum reserve which has increased due to increases in expenditure. The CLC does not have significant capital expenditure (laptops are our only assets or capital purchases) as such, the surplus generated is a good approximation of the funds being added to the reserves.

Estimate of cashflow	Surplus / (deficit)
2026 forecast	13,572
2027 estimate	125,469
2028 projection	141,135
2029 projection	164,399

V. Consultation & Engagement

- 109) The CLC Fee consultation was launched on 28 July 2026 and closed on 7 September 2026. The consultation included questions on all our regulatory fees and potential EDI impact.
- 110) The consultation was promoted extensively in newsletters, the press and sent to key stakeholders. We gave respondents the option to submit a quick response via an online survey rather than responding in full to the consultation document as we have found that this improves response rates.
- 111) We received 6 responses including one, from the Society of Licensed Conveyancers (SLC) which is a representative body for conveyancers. 5 responses were submitted through the online survey option which allowed for open-ended comment as well as selection of options. A detailed review of the consultation responses can be found [here](#).
- 112) A summary of the results of the survey is included in the table below:

Question	Yes	No	Overview of responses and CLC comment
Do you agree that the turnover bandings above should remain unchanged?	3	3	Of the 6 respondents who responded to the question, 4 provided further commentary. Two of the comments were not relevant to the fee banding question. Two comments broadly agreed that the turnover bandings were correct, however one respondent argued that the lower bandings should be amended. CLC Comment: 50% of respondents agreed with the proposal not to change the fee bands. The practice allocations in the bands remained materially the same as previous years, and there is a good spread across the bands, at this time there is no compelling reason to amend the bands.
Do you agree with the CLC proposal to increase the Practice Fee rates by 4% to offset for the impact of inflation and to meet increased resource	0	6	Five of the respondents provided further comments. The themes of responses disputed the need for the CLC to increase fees, arguing that cost savings should be found and asked the CLC to consider generating revenue through a source other than Practice Fees for costs associated with government led reforms.

Question	Yes	No	Overview of responses and CLC comment
requirements driven by external initiatives such as the reform of home buying and selling?			CLC Comment: all respondents disagreed with the proposal to increase fees by 4%. The objections mostly focused on practices being unable to bear the costs of increases. While the CLC endeavours to keep Fees to the regulatory community as low as possible, it also has an obligation to meet the regulatory objectives and most importantly enhance consumer protection. Due to rising costs and obligations, the CLC needed to increase the fee rates to ensure the organisation is appropriately resourced. For the smallest of practices (under £100k turnover) the increase amounts to £29 per year (between £0.29 and £0.22 per £100 of turnover depending on the practices banding). While we understand this is not welcome, we do not think that the change will have a material impact.
Do you agree with the CLC proposal to not make changes to the OLC levy cost allocation between the availability fee (50% of cost allocated to all practices) and usage fee (50% of the cost allocated to practices with cases accepted by the OLC)?	4	2	Two respondents provided comments. Respondents were generally happy for the CLC to wait until the outcome for the Legal Ombudsman's consultation before there are any further amendments to the charging of the OLC Levy. One respondent thought cost allocation to case fees should be increase. CLC Comment: The wait and see approach is to ensure that there are no unintended consequences or undue hardships on practices.
Do you agree that the Individual practising certificate cost remains unchanged?	6	0	All respondents agreed with the proposal and the comments reflected this. CLC Comment: The CLC License fee is comparable to other regulators and keeping it unchanged should hopefully encourage individuals to take up first licenses and not increase the burden on existing licence holders.

Question	Yes	No	Overview of responses and CLC comment
Do you agree that a 4% inflationary increase should be applied to the licensing administration charges?	1	5	Four respondents provided further commentary. Respondents were generally opposed to the proposed increases, rather than disputing the reasons for it. However, one respondent agreed that as the charges are designed to recoup the costs of administering certain services, then they need to reflect actual administrative costs. CLC Comment: These costs are only incurred by individuals or practices making new license applications or changing an existing license. Because of this we do not want the regulated community to subsidise these applications as they are purely for the benefit of the applicants. Because of this we need to increase the costs to ensure they cover the cost of processing the applications.
Do you agree with the above inflation increases to certain licensing administration charges to reflect the actual cost to the CLC to ensure that the practices that generate the demand on the CLC's resources and will benefit from that work should meet the costs themselves?	1	5	Three respondents commented. Respondents were generally opposed to the proposed increases, rather than disputing the reasons for it. CLC Comment: These costs are only incurred by individuals or practices making new license applications or changing an existing license. Because of this we do not want the regulated community to subsidise these applications as they are purely for the benefit of the applicants. We noted that the costs and time taken to process selected applications was significantly higher than the current charge. To ensure the cost of processing the applications was fully recovered we needed to make these adjustments.
Do you agree with the CLC's initial EIA assessment or the actual or potential impact of the proposed	1	5	Two respondents provided further commentary. The responses focused on not being able to quantify every impact and suggesting that there may be indirect and disproportionate

Question	Yes	No	Overview of responses and CLC comment
amendments? If not, please explain why?			impacts on individuals working at firms. Even if said individuals do not bear the initial cost of the regulatory fee. CLC Comment: while we agree that the fee rate increase could have an impact on the individuals owning or employed by regulated practices, we are of the view that the financial impact of the increase is unlikely to make a material difference (a practice with a £100k turnover will pay an additional £29 in Practice Fees) and in isolation should not have a material impact on the individuals employed at a practice.
Do you consider that the proposed increases will or may have an impact for individuals who own, manage or work for CLC licensed practices based on their socio-economic status? If so, please explain groups you consider may be impacted and how?	5	1	Four respondents provided further commentary. The respondents were to opposed to any sort of fee increase, arguing that it makes it difficult for businesses to trade. They also asked the CLC to consider the cumulative impact from fee increases. CLC Comment: The quantum of the CLC increases is relatively small and will have a minor impact on practices. However, when taken with inflation, salary expectations and other operating increase it can make a combined material difference. It is unfortunately not possible for the CLC to be able to offset or reduce these impacts by not increasing fee rates. Given that costs are increasing across the board, we urge practices to carefully review their fee rates and where appropriate increase them to ensure that they are charging appropriately.

113) Although the CLC understands that the regulated community is put under pressure when costs increase, we as a statutory regulator need to ensure we can deliver on the regulatory objectives. We endeavour to keep costs as low as possible and when we do need to increase fees we do not do so excessively. Although unwelcome the quantum of these increases is small (less than 0.03% of turnover) and unlikely to on its own have a material impact on practices or individuals. Based on this review we have decided to proceed with the changes as proposed in the consultation document.

VI. Impact Assessments

114) The CLC has considered whether changing its Practice Fee arrangements and Application Fee arrangements would have any unintended impact on any groups within the regulated community, particularly those with protected characteristics. The results of the assessment are set out below.

Description of changes proposed

115) For the next licensing year beginning on 1 November 2026, the CLC is proposing to make the following changes to the fees charged annually to regulated individuals and practices (the regulated community):

- a) Practice Fee rates will be increased by 4%. The practice fees increased by 3% in 2025, 9% in 2024 and 10% in 2023. However, before this, there was a period of substantial reductions in the practice fee rate between 2017 and 2022. The proposed Practice fee rates are 50% lower than they were 10 years ago.
- b) Administration charges will be increased by 4%. Some specific charges will be increased more significantly where the time and cost of processing the specific application exceed the current application fee. The increase to reflect the time spent on application means that some of the application fees will increase by ~300%. The full list of increases can be found in Annex C. These increases are therefore necessary to ensure that the practice/individual making the application covers the cost so the regulated community doesn't end up subsidising the application.
- c) Compensation Fund contributions will also be increased by 6%. Due to ongoing high cost of intervention and claim management the contributions need to be increased to ensure the funds and reserves are maintained and replenished.
- d) The individual licensing fee are not being changed.
- e) The OLC Levy for practices is also not being changed.

Stage of development

116) In May 2026, the CLC Council met to review the business plan and strategic and industry initiatives together with a forecast and estimate for the remainder of 2026 and 2027. The Council provided a steer on the appropriate fee rate changes given the plan and financial requirements and constraints. Practice turnover data was received in July and more refined forecasts were developed. The Council reviewed the proposals at a meeting on 23rd July 2026 and approved the fee rate proposals for consultation.

117) The consultation respondents opposed the increases predominantly on the grounds that fee increases would cause additional hardship given the current economic environment. The impact assessment should address these.

Identified stakeholders

118) The following stakeholders have been identified:

- a) CLC licensed lawyers
- b) CLC licensed practices
- c) Consumers

Summary of potential impacts

	Potential impact / likelihood	Mitigation
Practice fee	CLC Practices: All practices will be affected however, because the increase is small and calculated by turnover, the financial impact should be minimal. On average, the increase amounts to £27.46 per £100,000 turnover for the year. CLC Lawyers may be indirectly affected due to cost considerations by small practices however, as the percentage increase is small, it is unlikely to significantly affect budget (nor staffing, pay and rewards). Consumers: Minimal potential impact for an increase in cost of services, however this is unlikely because of the small cost increase for practices.	This fee is calculated proportionately to turnover, which should ensure affordability. Practices have the option to pay in instalments. The monthly increase on average equates to £2.28 per £100,000 turnover per month.
Application Fees	Practices: There will be some impact for practices who are changing their licence or applying for new licenses or permissions. This should not directly impact individuals as the practice would pay for any applications related to the practice. Individuals: The individual Licence renewal Fee is not being amended, however the first license application fee and reapplication fee is being increased. This is	Some companies pay or contribute for individuals' licensing fees, so the slight increase for individuals may be able to be absorbed by practices.

	likely to impact earn less (which can include women, those with disabilities and non-white ethnicity). There will be indirect benefit for some CLC Lawyers as their fees will no longer be subsidising licence change applications and will be used for CLC regulatory activities, which in turn has a positive impact for consumers.	
Compensation Fund	CLC Practices: All practices will be affected however, because the increase is small and calculated by turnover, the financial impact should be minimal. This will have a positive impact for consumers, as the change will improve reserve levels and long-term viability.	This fee is calculated proportionately to turnover, which should ensure affordability.
Individual licensing fee	CLC Lawyers and Practices: By not increasing the individual licensing fee, the CLC is effectively decreasing the cost of the licence due to the reduction in value caused by inflation, thereby having a positive impact for individual licence holders and for any practices who currently pay for their employees' licences.	N/A, although this may help to mitigate some of the application fee increases.
OLC Levy	CLC Practices: By not increasing the OLC Levy, the CLC is effectively decreasing the cost due to the reduction in value caused by inflation.	N/A

Detailed consideration of impact

119) The CLC has balanced any potential impact or financial burden on practices and individuals arising because of the proposed fee increase against the imperative to maintain a scheme of regulation that safeguards consumers and operates effectively and efficiently. The impact on the sector has also been considered and weighed against the need to ensure that the CLC is adequately resourced, can execute its business plan, and continue to fulfil its statutory objectives to protect consumers and the public interest.

120) To the extent that there may be any detrimental impact or financial burden arising from the proposed increase on either practices or individuals, in the CLC's view, this is outweighed by the imperative to ensure that we are well resourced and capable of

fulfilling our Regulatory Objectives, particularly those pertaining to consumer protection and the public interest.

121) The alternative to this would be to not increase the fees as a way of mitigating the impacts identified. This could cause the risk of potential harm to consumers to increase which is not something that the CLC would endorse. Whilst this does not negate the impact of the increase in fees, it highlights the difficult decision that the CLC has to make.

122) Crucially, the CLC has considered the potential benefits for consumers to be derived from an increase to the Practice Fee rates. The conveyancing industry is on the cusp of considerable change from the impact of AI and planned government reform of the home buying and selling process which will address demands from consumers to speed up the conveyancing process, among other benefits.

The increase to Compensation Fund contributions is also necessary to ensure that the consumer can be compensated if there are grounds for compensation and that consumers interests are protected when a practice is intervened into or closes. In recent years, we have noted an increase in intervention cost and complexity as a direct result of issues with post-completion. Ensuring that post completion work is completed promptly and correctly is a significant area of client protection and the CLC needs to ensure that there are sufficient reserves available to fund this work if required, and replenish money spent on past interventions.

Potential Impact of Practice Fee Increase

123) The Practice Fee has two components:

- 1) The Practice Fee payable by regulated practices
- 2) The individual license fee payable by individuals.

124) The proposed increase in the Practice Fee rate would, in most cases, impact the finances of a corporate structure (Limited Company, LLP or partnership). This increase does not directly impact individuals but may indirectly impact individual owners, managers and employees as the increased fees may reduce profitability and thus the ability to increase pay or recruit staff, although we assess this risk as very unlikely.

125) In assessing the impact of the practice fee change, we need to keep in mind that the 4% increase proposed is likely to have a very limited impact on practices, as can be seen in the table at paragraph 68. The smallest practices will only pay £29 more each year and a £15m turnover practice will pay an extra £3,264 per year. Given the small value of this change, it is unlikely to have a material impact on the businesses decisions in relation to staffing, pay and reward.

126) Whilst the impact on equality for practices is limited as most of our practices are limited companies or limited liability partnerships, we have some practices that are sole traders

and there will be an impact upon these. Per the recent Workplace and Diversity Survey completed by the CLC, approximately 8% of our practices are sole traders.

- 116) Due to the nature of a practice being a sole trader, any costs of the business directly impact the sole trader. Therefore, a sole trader will be impacted by the increase to Practice Fee rates and Compensation Fund contributions. Further analysis on the individual characteristics of sole practitioners is summarised below.

Age the average age of the owners of sole traders is 58.8. Per the 2025 Workplace and Diversity survey we completed earlier this year, the majority of CLC Lawyers and Managers are between the age of 45-64, therefore the impact on the increase in costs being within the majority range should mean that there is unlikely to be a disproportionate impact due to age.

Disability a small minority CLC Lawyers/Managers report having a disability under the Equality Act definition (6%). The data we do hold regarding disability and salaries show that those who reported a disability are more likely to be in the lowest salary and when compared with those without a disability, suggesting a likelihood that the proposed fee increase may have a greater financial impact for this group as compared to counterparts who are not disabled.

Race 6% of CLC Lawyers/Managers identify their ethnicity as Asian or Asian British, 2% as Black or Black British and 1% as Mixed or Multiple ethnic groups. Research conducted by the Bar Council concluded that barristers from minority ethnic backgrounds earn less than their white counterparts. The CLC collected data related to this as part of the 2025 Workplace and Diversity survey, however, the data collected resulted in a small sample that made analysing and concluding difficult. Therefore, the broad assumption is that similar may be true for minority ethnic professionals regulated by the CLC, meaning that the proposed fee increase may impact minority ethnic professionals more than it will their white counterparts.

Religion or belief 47% of CLC Lawyers/Managers report being Christian and 40% report having no religion or belief. The CLC collected data related to this as part of the 2025 Workplace and Diversity survey, however, the data collected resulted in a small sample that made analysing and concluding difficult.

Sex men are more likely than women to earn over £80,000 and women are concentrated in the range between £40,000 and £49,999. Therefore, this increase in cost will impact females more than males.

Sexual orientation latest available data shows that only 5% of licensed practitioners identify as gay, lesbian or bisexual. The CLC collected data related to this as part of the 2025 Workplace and Diversity survey, however, the data collected resulted in a small sample that made analysing and concluding difficult. Therefore, it is difficult to assess whether or not this will have a disproportionate impact based on sexual orientation.

Marriage and civil partnership we do not collect any data on marriage or civil partnership across the regulated community.

Pregnancy and maternity pregnancy and maternity are factors likely to impact a female professionals' earnings by virtue of their time away from work and potentially career decisions, and systemic barriers to promotion. Where their earnings at the time are reduced, the impact for them will be proportionately greater than it would be for any other female professional. However, practice fees are determined by turnover ratios, so a decrease in practice turnover could lead to a decrease in practice fee.

Gender reassignment our most recent survey of the regulated community in 2025 saw 1% of respondents report that their gender identity was different than that assigned to them at birth. At the moment, we cannot assess whether there will be a differential impact on that group.

NOTE: the three categories below are not protected characteristics under the Equality Act 2010 and therefore strictly fall outside the scope of an EIA however, the CLC considers these important factors to take into consideration in carrying out its functions and has therefore chosen to include them here. It is likely that individuals with protected characteristics may also fall into one or more of the categories below, or individuals could fall into these categories without necessarily also sharing a protected characteristic. The important thing however is to document whether the proposed activity or work will impact people falling into these categories.

Socio-economic: 33% of CLC Lawyers/Managers report coming from a working-class background. Data from other sectors and across other legal professions suggests that those from what is considered lower or disadvantaged socio-economic backgrounds are likely to earn less than their counterparts. Therefore, the impact of increasing the Practice Fee rates and Compensation Fund contributions may have a greater impact within our sector than within others.

Digital exclusion: we have no data on digital exclusion and CLC licensed professionals however, our broad assumption is that most CLC lawyers are digitally competent to a greater or lesser degree, and there is no correlation between the proposed fee increase and digital competence of CLC lawyers.

Vulnerability: we have no data on vulnerability among CLC licensed individuals however, to the extent that any of the protected characteristics listed above may render an individual vulnerable generally or at a specific point, this assessment has considered the impact for those individuals.

Increase to administration fees

127) The administration charges are levied when an application is made for a new license or for the amendment of a license. As this license specifically benefits or impacts an individual or practice, It is our view that the broader regulated community should not be

subsidising these costs. Therefore, the increase to administration fees will only impact those individuals and practices that make the application.

Individual License holders

128) Although we don't have accurate figures, we estimate, based on our interactions at license renewal, that 80% of individual licensed conveyancers pay their own licence fee. The employer of the remaining 20% of individuals pay their fee.

129) By not increasing the individual licensing fee, the CLC is effectively decreasing the cost of the licence due to the reduction in value caused by inflation, thereby having a positive impact for individual licence holders.

130) Other than first license fees and reinstatement fees, all other application fees are linked to roles at practices (such as director, HoLP, HoFA). These costs are ordinarily funded by the practice and should not directly impact the individual taking on the post.

131) Although we do not believe there will be any impact on individuals, we have outlined below the impact expected impact on those with protected characteristics should they materialise.

132) The broad assumptions are that the potential impact is likely to be felt more by those professionals on the lower end of the earnings scale and those who earn proportionately less than their counterparts. This may be because they work in a smaller firm, their practice turnover is lower, conveyancing is not their primary specialism or other unspecified reasons to do with their personal employment or work situation.

133) In addition, we think that there is likely to be an impact on newly qualified lawyers, those more junior in their careers, some women, people of minority ethnic background, and disabled professionals. There may be crossover between these professionals and the assumptions outlined above which may mean that the impact of the fee increase is potentially more acute for some.

134) Detail of the assumptions made about impact for those who pay their own fees is set out below under each of the protected characteristics.

Age: younger professionals are more likely to be newly qualified and therefore earn less than their older counterparts. The impact of any increase for this cohort will be greater as the increase will represent a greater proportion of their income. However, professionals between the age of 16 and 33 make up only about 14% of the overall percentage of licensed practitioners, therefore although the impact would be greater for this group, in fact it will impact few in total numbers.

Disability: 4% of licensed professionals report having a disability and of those, 72% said that their disability limited their day-to-day activities. Although we hold no data on disability and earnings, the reasonable assumption is that professionals with disabilities are likely to earn less than counterparts without disabilities for reasons including the

likelihood of their work patterns being intermittent or part time. This means that any fee increase is likely to have a proportionately greater impact for disabled professionals than those without disabilities.

Race: 4% of licensed professionals are other nationalities (as opposed to UK nationals) with 7% preferring not to state nationality. 8% of licensed professionals identify their ethnicity as Asian or Asian British, 2% as Black or Black British and 1% as Mixed or Multiple ethnic groups (the percentage overlap between the nationality and ethnicity statistics is not known). Research conducted by the Bar Council concluded that barristers from minority ethnic backgrounds earn less than their white counterparts. Whilst we do not hold data on race and earnings in the CLC regulated community, the broad assumption is that similar may be true for minority ethnic professionals regulated by the CLC, meaning that any fee increase will impact minority ethnic professionals more than it will their white counterparts.

Religion or belief: 49% of licensed professionals report are either Christian or share another religion or belief with 7% preferring not to declare. We hold no further data on earnings and religion or belief.

Sex: we know that more males have senior (manager/director/partner) roles, in their firms than women do, meaning their income is likely to be higher than female professionals. The impact of any increase will therefore be felt less by male professionals as compared to females, as it will represent a smaller proportion of their earnings.

Women make up 77% of all licensed professionals and are more likely to be employed as practitioner-lawyers as compared to men. Earnings for practitioner-lawyers are generally lower than for male managers and data from other sectors and indeed other areas of the legal profession show that the remuneration package of some, though not all women, remains lower than their male counterparts. As such, for women, who represent most of the licensed profession, the impact of any increase is likely to be greater as it will represent a greater proportion of their earnings.

Sexual orientation: latest available data shows that only 4% of licensed practitioners identify as gay or lesbian. We have no data on earnings and sexual orientation and therefore, other than to apply the assumptions applied above in relation to the impact of the increase for male and female practitioners, of which only 4% identify as gay (and 6% prefer not to say), it is not possible to discern whether a professional's sexual orientation in isolation is likely to mean they are impacted by an increase any more or less than others.

Marriage and civil partnership: we do not collect any data on marriage or civil partnership across the regulated community.

Pregnancy and maternity: pregnancy and maternity are factors likely to impact a female professional's earnings by virtue of their time away from work and potentially any decisions to put their careers on hold. Where these women take the decision to maintain their CLC registration during pregnancy or maternity leave, they will be required to pay individual license fee. Where their earnings at the time are reduced, the impact for them will be proportionately greater than it would be for any other female professional.

Gender reassignment: our most recent survey of the regulated community in 2023 saw 2% of respondents report that their gender identity was different than that assigned to them at birth. At the moment, we cannot assess whether there will be a differential impact on that group.

NOTE: the three categories below are not protected characteristics under the Equality Act 2010 and therefore strictly fall outside the scope of an EIA however, the CLC considers these important factors to take into consideration in carrying out its functions and has therefore chosen to include them here. It is likely that individuals with protected characteristics may also fall into one or more of the categories below, or individuals could fall into these categories without necessarily also sharing a protected characteristic. The important thing however is to document whether the proposed activity or work will impact people falling into these categories.

Socio-economic: 36% of licensed professionals reported having at least one parent/guardian whose qualifications were below degree level and 22% reported that at least one parent/guardian had no formal qualification. Data from other sectors and across other legal professions suggests that those from disadvantaged socio-economic backgrounds are likely to earn less than their counterparts. If we apply these assumptions, a total of 58% of the profession is likely to be earning less than their counterparts and as such, the impact of the fee increase will be greater as it will represent a higher proportion of their earnings.

Digital exclusion We are not aware of any truly digitally excluded individuals in the regulated community and generally believe digital skills are good because digital competence is closely linked with the requirements of the CLC licensed professional.

Vulnerability: we have no data on vulnerability among CLC licensed individuals however, to the extent that any of the protected characteristics listed above may render an individual vulnerable generally or at a specific point, this assessment has considered the impact for those individuals.

Evidencing impact

- 135) The evidence used to support the impact was the CLC Workplace and Diversity Survey 2025, EDI data from research undertaken by the Bar Standards Board and Solicitors Regulation Authority and other sectors.

Recommendations

- 136) The Council recognises that the proposed fee increase will impact the regulated community and as this assessment highlights, some may be impacted more than others, however, for the reasons outlined at the beginning of this document, a fee increase is considered necessary and to the extent that it impacts some regulated professionals, it is considered justified in order to maintain a scheme of regulation in the interests of consumers, the public interest and indeed the profession as a whole.

Action & monitoring

- 137) The CLC is planning to undertake the Workplace and Diversity survey in 2028/29 which will inform future assessments.

VII. Transparency of PCF information to relevant authorised persons

138) The following information will be provided in an information sheet when we notify practices of their Practice Fees for 2026:

- a. The components of their Practice Fee (Practice Fee, Compensation Fund Contribution and OLC Levy).
- b. A breakdown of the CLC's estimated expenditure by cost category and allocation by function for the next financial year.
- c. The payment schedule for the above Fees.
- d. A statement that indicates which fee rates were changed as well as any of the billing arrangements.
- e. Details of how the OLC Levy operates. This will include the process for determining the levy, the timing and when they will receive the final figures for the charge for 2026-27.
- f. An estimate of their OLC charge based on the OLC estimate and the case numbers provided by the OLC.
- g. The activities that will be funded by the practice fees
- h. information of the benefits which the CLC expects to derive from the programme of activities in respect to their regulatory functions.
- a. The Practice Fee tables and schedule of other administration costs.
- b. A link to the PCF application & LSB approval.
- c. A link to the consultation document and consultation responses.

VIII. Checklist - Enclosures

Income and expenditure forecasts, including practising fee income, for 3 years from and including the year for which the practicing fee is being levied. **Enclosed**

Financial information for the previous year, including a comparison of actual and budgeted income and expenditure. **Enclosed**

Copy of the information that will be provided to fee paying members (if description is not provided in section VII). **Enclosed**

IX. Compliance Statement

We certify that the information provided in this application is accurate and complete to the best of our knowledge and we have taken reasonable steps to ensure that the application complies with the rules.

Date: 21 September 2025

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a series of loops and a long horizontal stroke extending to the right.

Jason Hinrichsen – Director of Finance & Operations

All queries relating to this application should be directed to Jason Hinrichsen, George Cumming and Stephen Ward.

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ANNEX A

Individual Licence Fees

Licence or Application Type	Existing Fee	Revised Fee	Notes
ANNUAL LICENCE FEES			
Individual licence for Conveyancing or probate	£400	£400	No change
Individual licence for Conveyancing and probate	£475	£475	No change

ANNEX B

Practice Fee rate table

PRACTICE FUND (2026-27)				
Turnover Banding	Practice Fee payable			
£0 – £100,000	£745			
£100,001 – £250,000	£745	plus	0.712%	of turnover in excess of £100,000
£250,001 – £500,000	£1,813	plus	0.680%	of turnover in excess of £250,000
£500,001 – £1,000,000	£3,513	plus	0.629%	of turnover in excess of £500,000
£1,000,001 – £2,000,000	£6,658	plus	0.619%	of turnover in excess of £1,000,000
£2,000,001 – £4,000,000	£12,848	plus	0.610%	of turnover in excess of £2,000,000
£4,000,001 – £8,000,000	£25,048	plus	0.546%	of turnover in excess of £4,000,000
£8,000,001 – £16,000,000	£46,888	plus	0.542%	of turnover in excess of £8,000,000
£16,000,001 and over	£90,248	plus	0.537%	of turnover in excess of £16,000,000

ANNEX C

Other administration charges

Licence or Application Type		Current Fee	Increase	New Fee	% Increase
INDIVIDUAL APPLICATION FEES					
1	Application fee - Individual licence application	£155	£6	£161	4%
2	Application Fee – Head of Legal Practice (HoLP)	£248	£10	£258	4%
3	Application Fee – Head of Finance and Administration (HoFA)	£248	£10	£258	4%
4	Application Fee – Registered Manager	£185	£73	£258	39%
5	Reinstatement of lapsed CLC licence	£155	£6	£161	4%
6	Reapplication for a CLC Licence after a period of suspension or disqualification	£248	£354	£602	143%
7	Additional fees for complex cases with adverse findings. (The applicant will be notified prior to proceeding and will be updated on progress and cost.)	£83/ph	£3	£86/ph	4%
PRACTICE APPLICATION FEES					
8	New practice application – (Alternative Business Structure)	£1,240	£50	£1,290	4%
9	New practice application – (Recognised body)	£1,240	£50	£1,290	4%
10	Additional checks required due to delay in issue of licence. (The applicant will be notified prior to proceeding and will be updated on progress and cost.)	£83/ph	£3	£86/ph	4%
11	New Corporate Investors/Owners notification (to be paid by the incoming party)	£560	£644	£1,204	115%
12	Change of ownership - existing non corporate owners (to be paid by the CLC Practice)	£288	£615	£903	214%
13	Change of ownership - new non corporate owners (to be paid by the CLC Practice)	£288	£916	£1,204	318%
14	Addition of a legal service to the licence	£165	£7	£172	4%
15	Notification of new branch office	£52	£2	£54	4%
OTHER ADMINISTRATION FEES					
16	Issue of a duplicate licence	£26	£1	£27	4%
17	Amendment to a licence	£78	£3	£81	4%