

Approval of 2027 Practising Fee application made by the Institute of Chartered Accountants in England and Wales (ICAEW) to the Legal Services Board (LSB) under section 51 of the Legal Services Act 2007 (the Act)

1. The LSB has approved an application made by the ICAEW to the LSB under section 51 of the Act. Section 51 of the Act relates to the control of Practising Fees charged by approved regulators.
2. Practising fees are payable by a person under an approved regulator's regulatory arrangements, in circumstances where the payment of the fee is a condition which must be satisfied for that person to be authorised by the approved regulator to carry on one or more activities which are reserved legal activities. An approved regulator may only apply amounts raised by Practising fees for one or more of the permitted purposes which are set out in section 51(4) of the Act and the LSB's Practising Fee Rules 2021 (Rules)¹ (the permitted purposes).
3. Practising fees are payable under the regulatory arrangements of an approved regulator only if the LSB has approved the level of the fee as required by section 51 of the Act. The ICAEW is an approved regulator which currently delegates its regulatory functions to its regulatory body, made up of the ICAEW Legal Services Committee and the ICAEW Regulation and Conduct Division.
4. In making an application, an approved regulator must comply with the provisions of the Rules. The Rules provide a framework for the practising fee application and approval process. An approved regulator must also have regard to the LSB's Guidance on the Practising Fee Rules 2021 (Guidance)².
5. This notice explains the LSB's decision to approve the ICAEW's proposed fees for 1 January – 31 December 2027.

Summary and overview of practising fees application

6. The ICAEW practising fee is levied on firms and is tailored according to the type of firm, (authorised firms³ and licensed firms⁴), the number of offices a firm has and the number of authorised persons (principals) delivering legal services within each firm.

¹ [LSB Practising Fee Rules](#) issued on 29 January 2021

² [LSB Guidance on Practising Fee Rules 2021](#), issued on 29 January 2021

³ an authorised person which is an entity as set out under Section 18(1)(a) of the Act [Legal Services Act 2007](#)

⁴ a licensable body as set out under Section 72 of the Act [Legal Services Act 2007](#)

No changes have been made to the structure of the fee scale for 2027 which is set out below in Table A5.

7. The application shows the proposed fees for 2027 as set out in Table A below and confirms that there will be a 1% increase in practising fees for all firms.

Table A: Proposed fees for 2027

Authorised Firm (£)

Principals	Offices			Increase from 2026
	1	2 -10	11+	
Sole	439	779	1,366	+1%
2 – 5	779	1,366	2,400	+1%
6 – 9	1,407	2,472	4,336	+1%
10 - 50	2,472	4,336	7,610	+1%
51+	4,944	8,676	15,223	+1%

Licensed Firm (£)

Principals	Offices			Increase from 2026
	1	2 -10	11+	
Sole	439	779	1,366	+1%
2 - 5	1,555	4,097	9,598	+1%
6 – 9	2,813	7,414	17,351	+1%
10 - 50	4,944	13,013	30,442	+1%
51+	9,886	26,028	60,887	+1%

8. The projected total practising fee income for 2027 is £630,744 based on 282 firms⁶ made up of: 106 authorised firms and 176 licensed firms paying practising fees, together with an additional estimated 17 in-year registrations. We note that this is a decrease from 301 firms as of July 2026, with those firms leaving registration tending to be smaller firms paying lower practising fees. Despite the decline of firm numbers, the projected sum represents an increase of £21,460 (3.5%) from the forecast overall income of £609,204 in 2026.
9. Of the total amount of practising fees to be collected (£630,744): £582,744 (92.39% will be allocated to the ICAEW with the remaining £48,000 (7.61%) used to fund the work of the Legal Ombudsman (£11,000), Legal Services Board (£15,000) and Legal Choices (£22,000.)⁷

⁵ For ease of reference we have referred to this table as Table A within this Decision Notice; the [application](#) sets out this information at paragraph 7 of page 2.

⁶ Paragraph 74 of the [ICAEW Practising Fee application for 2027](#) confirms that as at July 2026, there were 301 firms registered for Probate and Oaths. The ICAEW predict that this will fall to 282 at the beginning of 2027 primarily due to smaller firms leaving registration; the decline is expected to be partially offset by new firms registering during the year.

⁷ Legal Choices is a website which supports consumers by giving independent, factual information about legal issues and legal advisers. Legal Choices is run by legal services regulatory bodies in England and Wales

10. Pages 8 - 10 of the application explain how ICAEW proposes to attribute its practising fee income as follows:

- Regulatory, policy and engagement – 34%
- Registration and supervision - 28%
- Discipline and conduct – 3%
- Governance– 16%
- Education, research and projects – 19%

11. Having reviewed the detailed information provided by ICAEW, the LSB is satisfied that the proposed practising fees spend falls under permitted purposes, as defined within section 51(2) of the Act and the Rules⁸

12. The ICAEW has set out (at paragraphs 21, 49 - 59 of the application) how it intends to discharge its regulatory functions under section 28(2) of the Act, (“the approved regulator’s duty to promote the regulatory objectives”) to, so far as reasonably practicable, act in a way that is compatible with the regulatory objectives and most appropriate for the purpose of meeting those objectives.⁹

13. We note from paragraphs 98 - 103 and Appendix 4 of the application that the ICAEW has taken steps to increase engagement with its regulated community regarding its practising fee proposals.¹⁰ While overall numbers of responses to its consultation remain low, there has been an increase on the previous year. We consider that ICAEW has meaningfully engaged with stakeholders and provided transparency to its regulated community over the allocation of practising fees. We encourage the ICAEW to continue to work with its regulated community to ensure a good level of engagement and feedback on its proposed allocation of practising fees each year.

14. The LSB’s decision is to approve in full the 2027 practising fee levels to be charged to firms, as set out in ICAEW’s application.

LSB assessment

15. For this round of practising fee assessments, the LSB is applying a stronger focus on assessing how effectively regulatory activities which are to be funded by Practising Fee income will further the interests of consumers and the public. Therefore, in reviewing this year’s application we have sought to apply the LSB Practising Fee Rules 2021 and the LSB Guidance on Practising Fee Rules 2021 in a proportionate way, focusing on consumer outcomes and other essential considerations such as regulators’ financial resilience. We have also applied this approach when reviewing how regulators have met any expectations in previous Practising Fee decision notices.

⁸ [LSB Practising Fee Rules 2021](#), issued on 29 January 2021

⁹ The application reflects (within the aforementioned sections) that this will be carried out through supervision, enforcement, consumer transparency and regulatory oversight.

¹⁰ Paragraph 18 of [ICAEW Practising Fee application for 2027](#)

Ensuring ICAEW is appropriately funded to deliver regulatory functions

16. We note that the ICAEW is proposing to increase practising fees by 1% while inflation (CPI) is 2.9% as of July 2026. We sought to establish whether the ICAEW would be adequately funded for 2027 to deliver regulatory functions for the benefit of consumers, despite raising practising fees below inflation. As set out in paragraph 8 above, we note that ICAEW's practising fee income is expected to increase by 3.5% based on the ICAEW's understanding of the size of registered firms. Table 48 of the application shows that ICAEW's budgeted expenditure for 2027 will equal its total income from practising fee and other income of £660,744 to result in a break-even position.
17. The ICAEW 2027 budget¹¹ forecasts a 42% reduction in the levies for the LSB and the Legal Ombudsman, with the decrease related to fees for the Legal Ombudsman which are expected to decrease¹². We note that Legal Ombudsman fees are calculated based on 3-year figures of volumes of cases.
18. The LSB questioned how the ICAEW had calculated this cost saving and whether this saving would be realised in 2027. In response, the ICAEW confirmed both 2027 and 2028 are not expected to reflect the same volume of cases. We note ICAEW's expectation that complaints volumes will fall. However, because of the rolling three-year average for complaints to calculate fees, we note a risk that significant savings will not be realised as anticipated in 2027 but rather in the following years.
19. The LSB requested greater clarity around whether the ICAEW is adequately resourced to deliver its regulatory functions and maintain current staffing levels amid ongoing inflationary pressures. The ICAEW confirmed that it is due to being a multi-function regulator with access to legal services resource from a Regulation and Conduct Division of circa 180 staff. The ICAEW noted that it considers the 1% increase proposed is appropriate for all firms, and takes account of the feedback from small firms, alongside inflationary and pay cost increases for the ICAEW.
20. The ICAEW has set out that is looking to run a breakeven budget, facilitated by expected savings from a reduction in Ombudsman fees. We note that there is a risk that these saving may not materialise. Should this occur we note that the ICAEW holds sufficient reserves to bridge any shortfall see paragraphs 26 below and has access to a large pool of staff to support the delivery of legal services regulatory functions.

Evaluating benefit and value for money

20. Practising fees are paid by the profession and some of this cost may be passed on to consumers of legal services. As such it is important that the fees deliver benefits for

¹¹ See paragraph 48 of [ICAEW Practising Fee application for 2027](#)

¹² Paragraphs 43 and 47 of [ICAEW Practising Fee application for 2027](#) – the reasons given were due to lower complaint volumes, with 2026 being described as an exceptional year for complaints.

consumers. The Guidance¹³ explains that Practising Fee applications should include an explanation as to how regulators will measure the benefits of their activities (paragraphs 36-39) and address any issues raised in either the previous application or through the LSB's assessment of a regulator's performance (paragraph 42).

21. The ICAEW confirms at paragraph 5 of the application that 100% of Practising Fee income is dedicated to consumer and public protection. The table at paragraph 21 of the application sets out the ICAEW's strategic priorities and themes, followed by a list of relevant regulatory objectives that these support. ICAEW considers this highlighted programme of activities will promote the public interest, protect consumers and uphold professional standards, with outcomes monitored through performance indicators.
22. The ICAEW acknowledges that its assessment of impact largely focuses on whether its regulatory arrangements are operating effectively to protect consumers, maintain public confidence and support the regulatory objectives¹⁴. Paragraph 29 of the application reflects examples such as investment in regulatory capability, data, technology and transparency to improve risk identification, regulatory effectiveness and public benefit.
23. The LSB asked for further information around how the ICAEW evaluates the effectiveness and impact of its regulatory functions, including the framework, indicators and metrics used, and how success is defined and measured. The ICAEW response highlighted a range of measures covering financial performance, operational delivery, firm registration trends, complaint handling, project progress, staffing, and stakeholder engagement.
24. The LSB expects the ICAEW to set out more fully the evaluation framework and evaluation plans in its 2028 Practising Fee application, as per the Guidance.¹⁵

Reserves and financial resilience

25. The Practising Fee Rules¹⁶ require an approved regulator to satisfy the LSB that its target level of practising fee reserves and accumulated practising fee reserves are sufficient to ensure reasonable financial resilience even in adverse circumstances based on a proper risk estimate, and to justify if the target level is significantly more or less than 3 to 6 months of expenditure. The Rules also set out that if the approved regulator has a separate regulatory body, the regulatory body should manage its own practising fee reserves as far as reasonably practicable to ensure that regulatory

¹³ See paragraphs 36-39 and 42 of [LSB Guidance on Practising Fee Rules 2021](#)

¹⁴ Paragraph 28 in the application sets out the sources of evidence the ICAEW relies on to measure whether its regulatory arrangements are operating effectively; this includes: complaints data, annual returns, monitoring findings, stakeholder feedback.

¹⁵ Paragraph 38 of [LSB Guidance on Practising Fee Rules 2021](#), issued on 29 January 2021 requires the approved regulator to set out how it will measure the benefits of those activities which are regulatory functions and that this should include how the approved regulator has assessed the anticipated benefits at the point that the programme of activity was determined and how it will assess the actual benefits after the activity has been completed

¹⁶ [LSB Practising Fee Rules](#) issued on 29 January 2021

functions are not prejudiced by representative functions and that decisions relating to regulatory functions are, as far as reasonably practicable, independent.

26. In paragraphs 6,13 and 64-67 of the application, the ICAEW states that its reserve related to legal services stood at £330,372 at the time of the application¹⁷ which is in accordance with its reserves policy,¹⁸ reflecting a level equivalent to at least six months of expenditure. We note that the ICAEW's reserve for legal services is not generated from practising fee income.
27. In response to LSB enquires regarding the nature of the £330,372 reserve, ICAEW has confirmed it is an element of the general reserve and also clarified that due to materiality there is no designated legal services reserve. The ICAEW noted that at the end of 2025, ICAEW Group had £189.4m in its reserves.
28. We can see that reserves held for legal services forms a small part of the ICAEW's overall reserve picture and that the ICAEW Group as an approved regulator holds a cash and cash equivalents balance of £42.4m¹⁹ and investment balances of £194.7 m.²⁰ We are satisfied that the ICAEW has assured itself that it continues to have access to sufficient reserves to perform its regulatory functions.
29. We can also see that reserves set aside for ICAEW's legal services regulatory functions are not derived from practising fees and that these reserves relative to the ICAEW groups total reserves are small in size. We remind ICAEW of the requirement that reserves, as far as reasonably practicable, should be managed to ensure that regulatory functions are not prejudiced by representative functions and that should future reserves be generated which comprise of practising fee income, these must be spent on permitted purposes only.

Decision

30. The LSB has approved the practising fees application submitted by the ICAEW for 2027 under section 51 of the Act.

Summary of expectations for next application

The LSB expects the ICAEW to: -

- 1) Set out more fully the evaluation framework and evaluation plans in the next years (2028) Practising Fee application, as per the Guidance.

Richard Opin, Chief Executive

Acting under delegated authority granted by the Legal Services Board

28 September 2026

¹⁷ Paragraph 66 of the [ICAEW Practising Fee application for 2027](#) states that a delineation of reserves in the ICAEW Ltd accounts is not possible due to materiality i.e. the reserves related to probate and oaths are too small in the context of total ICAEW group reserves.

¹⁸ See Appendix 3 of [ICAEW Practising Fee application for 2027](#) – The reserves policy

¹⁹ See ICAEW 2025 Financial Statements - [icaew_ar25_full_report.ashx](#)

²⁰ ICAEW had current 'Financial asset investments' of £45.0m and non-current 'Financial asset investments' of £149.7m; see [icaew_ar25_full_report.ashx](#).