



Application made by the Solicitors Regulation Authority Board to the Legal Services Board under Part 3 of Schedule 4 to the Legal Services Act 2007, for the approval of changes to regulatory arrangements in respect of SRA guidance on financial penalties

September 2026

Application made by the Solicitors Regulation Authority Board to the Legal Services Board under Part 3 of Schedule 4 to the Legal Services Act 2007, for the approval of changes to the SRA's guidance on financial penalties

Application made under the Exemption Direction Procedure

The LSB has previously received a draft version of this application, along with the proposed amendments to our Financial Penalties Guidance (Annex 1). Following discussion, the LSB indicated that it would be content to consider this application under its exempt direction procedure.

The LSB indicated that it reached this conclusion because:

- 1) The proposed change to SRA's guidance implements powers granted to the SRA by Parliament, and so has already received Parliamentary scrutiny.
- 2) There is no change proposed for the underlying fining methodology or disciplinary processes already approved by the LSB. In May 2023, the LSB [approved](#) an [application](#) from the SRA setting the framework for its financial penalties. That application included [guidance](#) on the SRA's approach to financial penalties
- 3) The impact on the regulatory objectives is likely to be either positive or neutral from ensuring effective enforcement against economic crime and providing swifter disciplinary outcomes for the profession.

Whilst this application is submitted in the full application format, we request that it be considered under the exemption procedure.

Summary/Background

1. This application is made by the Solicitors Regulation Authority (SRA) to the Legal Services Board (LSB) under Part 3 of Schedule 4 to the Legal Services Act 2007 (LSA). It asks the LSB to approve changes to the SRA's regulatory arrangements in respect of our guidance on financial penalties. The changes will allow us to exercise the SRA's new statutory powers created by the Economic Crime and Corporate Transparency Act 2023 ("**ECCTA**"). The Act came into force on 4 March 2024.
2. ECCTA removes the cap on financial penalties that can be imposed on solicitors, traditional law firms and employees of traditional law firms for rule breaches and misconduct falling within the definition of economic crime under ECCTA by the SRA, as the body to which the Law Society has delegated the regulatory function. The proposed amendments to our guidance will set out:
 - the process we will use to identify ECCTA related rule breaches and misconduct
 - our approach to determining the potential level of a financial penalty under our new powers.

4. As this application concerns the updating of guidance to reflect legislative changes, we ask that the LSB considers whether it may be determined under the exemption direction procedure.

Effect of ECCTA

5. The Solicitors Act 1974, s 44D and the Administration of Justice Act 1985 Schedule 2, paragraph 14B place a cap on the level of financial penalty we can apply to law firms and individuals working within those firms of £25,000¹.
6. Section 207(1) ECCTA amends section 44D Solicitors Act 1974 to remove this cap for certain types of rule breach or misconduct. It sets out the three types of rule breach or misconduct for which the SRA may apply an uncapped fine. The three new grounds in amended section 44D (2B) Solicitors Act 1974 are:
 - Where the SRA takes action against a solicitor or firm for failure to comply with a rule or requirement which applies only for purposes relating to the prevention or detection of economic crime. This ground relates to the nature of the rule or requirement itself. (s 44D (2B)(a)(i));
 - Where the SRA takes action against a solicitor or firm for failure to comply with a rule or requirement, and the failure had the effect of inhibiting the prevention or detection of economic crime. This ground applies to all SRA rules and requirements. (s 44D (2B)(a)(ii)); and,
 - Where the SRA takes action against a solicitor for misconduct, and that misconduct had the effect of inhibiting the prevention or detection of economic crime. (s 44D (2B) (b)).
6. The term “economic crime” is defined at s193(1) ECCTA as either an offence listed in Schedule 11, or an attempt or conspiracy to commit an offence listed in Schedule 11. These offences include theft, fraud, false accounting, bribery, tax evasion, money laundering, terrorist financing, and breaches of financial sanctions. The SRA may only impose a fine above its current £25,000 cap for cases involving an offence listed in Schedule 11 in which the conduct started on or after 4 March 2024, the date on which ECCTA came into force. If the SRA were to consider a fine of over £25,000 appropriate for a breach or misconduct that does not fall within this definition of economic crime, the matter would be referred to the SDT, as is the current process.
7. ECCTA also introduced a new regulatory objective of “promoting the prevention and detection of economic crime”. This has been added to section 1 LSA. On 22 July 2025, the LSB published statutory guidance for regulators in respect of this new objective². This application takes account of the LSB’s guidance.

SRA financial penalties framework and the ECCTA powers

8. These amendments to our existing Guidance on Financial Penalties flow directly from legislative changes. This application relates only to the uncapped fining power granted to the SRA by Parliament through ECCTA. This Guidance does not form part of the SRA's Standards and Regulations, but we have regard to it when exercising our regulatory functions.

¹ That is, recognised bodies and recognised sole practices regulated by us under the LSA. For licensed bodies (Alternative Business Structures) and the individuals that work in them, the maximum financial penalty we can impose for all conduct matters (including matters that fall within ECCTA) is £50 million for an individual or £250 million for the entity.

² <https://legalservicesboard.org.uk/Economic-Crime-Regulatory-Objective-Statutory-Guidance>

9. Separately, the LSB will be aware that, in summer 2024, we undertook a public consultation on proposals to change our financial penalties framework³, which extended much wider than our new powers under ECCTA. This generated a significant response, including criticism of some proposals. We are currently conducting an internal review of our approach to financial penalties to establish whether amendments to our Financial Penalties Framework are needed to ensure we are able to use our existing statutory fining powers as effectively as possible. This review will help to identify any next steps in respect of any wider changes. This is, however, a separate exercise from the changes that are the subject of this current application.

Implementation of ECCTA in the SRA financial penalties framework

10. The changes to the Guidance are set out in Annex 1. We propose to support this Guidance with the draft illustrative case studies attached at Annex 2. We are currently consulting representatives of the profession on these case studies.
11. Our system of calculating financial penalties will not change as a result of the amendments to give effect to ECCTA. Where a decision maker decides, having considered the guidance, that the appropriate outcome is a financial penalty of over £25,000, and the matter is one for which ECCTA removed the cap on the SRA's fining powers, we will not need to refer the matter to the SDT: the SRA will be able to impose the fine itself. Our guidance cannot, however, fetter the discretion of our authorised decision makers. There may be exceptional cases where an authorised decision maker departs from the guidance, for example by imposing a fine that is higher than 5% of annual domestic turnover, or using a different metric to determine an appropriate fine. In these rare cases, the decision maker will provide full reasons in their decision.
12. In order for a matter to fall within the SRA's unlimited fining powers, we will need to be satisfied that:
 - 1) there has been a breach or misconduct which falls within one of the three grounds at amended s 44D (2B), Solicitors Act 1974
 - 2) the appropriate sanction for the breach or misconduct is a financial penalty
 - 3) the breach or misconduct activity commenced on or after 4 March 2024
 - 4) the subject of the case is a Solicitor, Traditional Law Firm or an employee of a Traditional Law Firm

II. Regulatory objectives and better regulation principles – details on the impact of the proposals on the regulatory objectives, including assessment of potential benefits and detriments against those objectives, having regard to the better regulation principles. Where there are negative impacts, how the alterations nonetheless comply with and thus promote the regulatory objectives overall and are in the public interest.

13. This table shows the impact of our proposed changes on the LSA s.1 regulatory objectives. It highlights in *italics* where we are following the principles that regulations should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed⁴.

³ <https://www.sra.org.uk/sra/consultations/consultation-listing/financial-penalties-further-developing-framework/> 'is covered by the change introduced by ECCTA'?

⁴ Legal Services Act 2007 s.28 - [Legal Services Act 2007 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2007/27/section/28)

Legal Services Act s1 Regulatory Objective	Impact of our proposals on the Regulatory Objectives, having regard to the better regulation principles (LSA ss 1 and 28)
a. protecting and promoting the public interest	It is in the public interest that the SRA's guidance properly reflects the relevant ECCTA provisions. This will reinforce, to both the profession and the public, when and how the SRA may exercise powers granted to us for the protection of the public. This is <i>consistent</i> with UK law and gives regulatory <i>transparency</i>. Our proposals are <i>proportionate</i> and <i>targeted</i> to give effect to Parliament's intent.
b. supporting the constitutional principle of the rule of law	Amending our guidance supports <i>transparency</i> by setting out clearly the powers available to us, and how they may be applied to our regulated population.
c. improving access to justice	There is no impact on this regulatory objective.
d. protecting and promoting the interests of consumers	Our proposed changes are a <i>transparent</i> and <i>consistent</i> means to give effect to the provisions of ECCTA.
e. promoting competition in the provision of legal services	There is no impact on this regulatory objective.
f. encouraging an independent, strong, diverse and effective legal profession	There is no impact on this regulatory objective.
g. increasing public understanding of the citizen's legal rights and duties	There is no impact on this regulatory objective.
h. promoting and maintaining adherence to the professional principles	Our proposed amendments will ensure <i>consistency</i> and <i>transparency</i> in our use of financial penalty powers as granted under ECCTA. This will help to promote and maintain adherence to the professional principles.
i. promoting the prevention and	The powers afforded to us by ECCTA are focused purely on promoting the prevention and detection of

detection of economic crime.	economic crime. It is Parliament's intention that we give effect to these powers.
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III. Alterations

a. Full details and explanation of each alteration. This includes a schedule of changes, a track change word document or any other method the approved regulator considers appropriate.

14. The proposed changes to our guidance are set out in tracked changes in Annex 1. In summary, these changes:

- note that the guidance has been updated to reflect the SRA's new statutory powers under ECCTA;
- describe the effect of ECCTA on the SRA's fining powers;
- explain the breaches or misconduct for which a firm or individual could be liable for an unlimited fine;
- explain the practical effect of these new powers on our regulated community; and,
- summarise the legislative sources of our powers to fine the different forms of regulated body for breaches or misconduct falling within scope of ECCTA.

16. We also propose to publish illustrative case studies alongside the amended guidance to provide further guidance to the profession. Draft versions of these case studies are at Annex 2, on which we are currently consulting representatives of the profession.

b. Rationale, intent, purpose, and effect of each alteration, including detail on any defect in the regulation of regulated persons that will be remedied by the alteration.

17. In light of the new regulatory objective of "promoting the prevention and detection of economic crime", the ability to use our uncapped fining power will provide a deterrent against regulatory breaches associated with economic crime. With these changes, we are giving effect to Parliament's intent.

c. Details on how and when the alterations will be implemented.

18. We plan to implement the changes as soon as we receive LSB approval of our proposals. The legislation has been in force since March 2024 and the proposed changes to the Guidance, supported by the illustrative case studies, set out how we will apply the legislation.

d. An assessment of whether the alterations impact on the regulation of regulated persons by another approved regulator or approved regulators and, where there is impact, details of consultation with the affected approved regulator, any regulatory conflict and how it will be resolved as is reasonably practicable.

19. The SRA has existing statutory power to take action against "an employee of a solicitor" where that person has breached SRA requirements, namely the provisions of the Solicitors Act 1974 or SRA Regulations. This includes persons regulated by another approved regulator, such as a Legal Executive or a barrister employed by an

SRA-regulated entity of person. Disciplinary actions for breaches may consist of a rebuke or a fine. A person regulated by another regulator has the right to appeal a fine to the SDT. Notably, our powers under the Solicitors Act 1974 do not apply to instances of misconduct by those regulated by other regulators, whereas ECCTA allows us to issue fines to these groups for breaches of our Rules and Regulations, or for misconduct.

20. The amendments proposed to our current guidance on financial penalties are solely to give effect to the application of ECCTA. ECCTA does not change the classes of persons over whom we have the power to impose a financial penalty, and we are not seeking in this application to amend our rules. Persons regulated by another approved regulator will therefore be subject to these new statutory fining powers where they are found to have committed a breach or misconduct falling within scope of ECCTA.
21. We have discussed this matter with the Bar Standards Board and CILEx Regulation. We set out the detail of the change brought by ECCTA, and explained that it would be applicable to their regulated community where they are employed by SRA-regulated entities or persons. A key point of discussion was around 'parallel investigations', i.e. where the SRA and the BSB/CRL wish to take action against the same person for conduct arising from the same set of facts. These situations do arise in the course of investigations, and the SRA has guidance for such: [SRA | Parallel investigations | Solicitors Regulation Authority](#). Should a parallel investigation arise in relation to a breach falling within the remit of ECCTA, the same approach will be taken.

IV. **Consultation and Engagement: Information on the consultation/engagement undertaken by the approved regulator when developing the proposals. This must include information on the approved regulator's consideration of any responses to the consultation, any consequential changes made to the alterations, and an explanation of why the approach to consultation and engagement was proportionate in the circumstances.**

22. We have engaged directly with Law Societies across England and Wales, as key stakeholders, on how our new fining powers under ECCTA fit into our existing fining framework, and shared proposed changes to the guidance and illustrative case studies. This was a proportionate and targeted exercise with respect to these specific changes to the existing guidance. This also followed our wider 2024 consultation on our financial penalties framework, which also covered the need to reflect the ECCTA changes.
23. Our engagement with Law Societies showed that our proposed changes were generally considered to be helpful in explaining the SRA's new powers and how they fit into our existing framework. We received positive feedback on the case studies, which we have developed further in light of stakeholders' views, comments and suggestions, and are currently seeking further views on the updated case studies.
24. A number of Law Societies noted that they would like us to produce a case study to illustrate a scenario in which a regulatory breach is not considered to meet the statutory test of failing to prevent, or inhibit the detection of, economic crime, particularly in the context of Anti-Money Laundering (AML). We recognise the rationale for this request, but do not consider it feasible to produce such a case study. Breaches or misconduct concerning AML are potentially serious so we are unable to propose a scenario which would definitely not incur a financial penalty. As set out in our Enforcement Strategy, to be found appropriate for a financial penalty, the breach or misconduct must be serious, but the protection of the public/public interest does not require the individual's

suspension from practice or striking off the roll by the SDT. We consider seriousness with respect to factors including the nature of the offence itself; the harm caused; the seniority or experience of the person concerned and the regulatory history of the individual/firm. All cases would be considered on the facts available and their individual merits.

V. Impact Assessment: An assessment of the impact of the alterations on persons with protected characteristics as defined by section 4 of the Equality Act 2010 along with details of any measures to mitigate any adverse impacts and why any remaining adverse impact is proportionate, reasonable and not prejudicial to the regulatory objectives overall. To include details on how the alterations advance equality of opportunity between persons who share protected characteristics and persons who do not, and on how the alterations support the aim of dismantling the barriers to a diverse and inclusive profession where relevant.

25. As set out above, the proposed amendment to our guidance on financial penalties is to implement the lifting of the cap on the level of financial penalties we can impose for breaches or misconduct related to economic crime. We have considered whether this change, a consequence of which may well be that more cases are resolved by our imposition of higher fines rather than the referral of these cases to the SDT, would, or could, have a differential impact on protected groups.
26. As we are not seeking to amend our financial penalties framework, the only way in which our new statutory powers under ECCTA could disproportionately impact specific groups is if one or more protected groups committed proportionately more breaches or misconduct related to economic crime. Whether this is the case or not cannot – and should not – be addressed through the implementation of the new powers: whether a breach is addressed by a fine levied by the SRA, or through a referral to the SDT, would affect all those found to have committed relevant breaches or misconduct equally. Therefore, the implementation of these new powers through the proposed amendments to our financial penalties guidance will not have an adverse impact on any particular protected group.
27. Whilst we have determined that the implementation of our new statutory powers will not have any adverse equality impacts, we recognise the importance of making sure that we continue to exercise our disciplinary decision making carefully and fairly. We also note the wider expectations set out by the LSB in its [decision document](#) on our 2023 application relating to our disciplinary and financial penalty processes. In meeting those expectations:
 - We are continuing to monitor the individuals in our investigation and enforcement work every year - our [most recent report](#) covers 2023-24
 - We are implementing the commitments we made when publishing the [findings of the research](#) we commissioned to understand the factors causing overrepresentation of minority ethnic solicitors in the first stages of our enforcement processes.
 - We have taken steps to monitor and evaluate the impact of our fining powers, setting up an internal group to look at initial findings, and will continue with our monitoring as set out in section VII below.

VI. An assessment of the impact of the alterations on the conduct of legal services by regulated persons, consumers and the public interest, along with details of

measures to mitigate any adverse impacts. Where adverse impact remains, explain why this is proportionate, reasonable and will not be prejudicial to the regulatory objectives overall. If significant alterations to the regulatory framework is proposed, an approved regulator must undertake a proportionately more detailed assessment of the potential impact on the regulated persons, consumers and the public interest.

27. Our assessment of the impact of these changes on legal consumers and the public interest is set out in the table at paragraph 13 above. We anticipate only beneficial impacts.
28. We consider that our proposed changes to the guidance will affect the conduct of legal services by regulated persons by promoting the prevention of economic crime. The proposed changes are supported by the professional principles of integrity and acting in the best interests of clients (LSA s.1(3)).
29. The impact of these amendments will be that the SRA's guidance gives clear effect to the fining powers Parliament intended for us to have. Altering the guidance will therefore mean that, in cases where a fine over £25,000 is appropriate, we will be able to impose this ourselves rather than having to refer it to the SDT. This will mean that cases can be concluded more quickly and efficiently, reducing uncertainty for the profession and creating greater reassurance for affected parties, both the regulated entity and the complainant/s. The draft case studies at Annex 2 illustrate how this would apply in different scenarios.
30. There are many examples of cases whereby the SRA has determined an indicative fine above £25,000 for cases concerning anti-money laundering - breaches or misconduct which would be captured by the ECCTA provisions. For instance, between March and May 2025, we referred three cases to the SDT for breaches of AML requirements. Each case was settled by way of an Agreed Outcome approved by the Tribunal, ranging from £58,000 to £300,000, plus costs. With the removal of the SRA's cap on fines for breaches of economic crime, these three cases would have been resolved more quickly, and without associated costs.
31. Giving effect to Parliament's will as expressed in ECCTA will mean that some cases will be concluded by the SRA by way of a fine of over £25,000, rather than being referred to the SDT. When the LSB approved our financial penalties framework in 2023, it set out requirements that we have appropriate arrangements in place for making decisions, including a team of appropriately trained and supervised adjudicators, and that we provide information to the SDT so that it could best understand the likely number of referrals to it. We have implemented these arrangements. We therefore foresee the impact of the implementation of these powers to be beneficial in that it will reduce the flow of referrals to the SDT by allowing us to directly conclude more cases. We will maintain contact and share information with the SDT as we start to gather data on the number of additional cases we are able to resolve under these powers.

VII. Information on the evaluation and monitoring the approved regulator will undertake of the impact of the alterations once they have been implemented.

32. We will collect data on the number of fines over £25,000 we impose as a result of these new statutory powers, the breaches for which they were imposed and information on the firms/individuals fined. We will also consider any further feedback received on our amended guidance and case studies.

VIII. Any draft guide or policy that will support implementation of the alterations.

33. In addition to the changes to our guidance set out in Annex 1, we have also attached our proposed illustrative case studies at Annex 2.

IX. SRA contact for this application

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Annexes

Annex 1 – Proposed changes to our guidance “The SRA’s approach to financial penalties” (changes as highlighted)

Annex 2 – Illustrative case studies to accompany the revised guidance.