

Approval of 2026/27 practising fee application made by the Council for Licensed Conveyancers (CLC) to the Legal Services Board under section 51 of the Legal Services Act 2007

1. The Legal Services Board (“**LSB**”) has approved an application¹ made by the **CLC** under section 51 of the Legal Services Act 2007 (“**the Act**”). Section 51 of the Act relates to the control of practising fees charged by approved regulators. The CLC is the approved regulator.
2. Subject to LSB approval of the level of the fee, practising fees are payable under an approved regulator’s regulatory arrangements where the payment is a condition of authorisation by the approved regulator to carry out one or more reserved legal activities. Practising fees income may only be used for the permitted purposes set out in section 51(4) of the Act and the LSB’s Practising Fee Rules 2021 (“**the Rules**”).²
3. When applying, an approved regulator must comply with the Rules, which govern the practising fee application and approval process, and have regard to the LSB’s Guidance on the Practising Fee Rules 2021³ (“**the Guidance**”).
4. This notice explains the LSB’s decision to approve the CLC’s proposed fees for 2026/27. In doing so, we have set a number of expectations for CLC, which will be monitored appropriately.

Summary and overview

5. The application submitted by the CLC proposes the funding arrangements⁴ for practising fee income for 2026/27⁵, which are split into four separate elements: Licence fees for individuals, practice fees for firms, an OLC Levy also payable by firms, and administrative charges (set out in Annex C). These are explained below.

¹ The [CLC - PCF Section 51 application 2026](#)

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

³ [LSB Guidance on Practising Fee Rules 2021](#), issued on 29 January 2021

⁴ Paragraph 44 of the application confirms that the CLC’s financial cycle runs from January to December and the Licensing period runs from November to October. The Council approves the Practising Fee rates in July for the next licensing period based on the best estimates of expenditure available at the time and the budget for the next financial cycle is approved by the Council in January. Paragraph 46 explains that the CLC application therefore uses the actual figures from January–August 2026, a forecast to December 2026 and then an estimate for the 2027 financial year.

⁵ See foot note 1 above

Individual licence fee

6. **The Licence fee** is payable by individual conveyancers for either probate, conveyancing or both. The CLC proposes to retain the annual fees at £400 each for a conveyancing or probate licence and £475 for a dual licence.⁶

Practice fee

7. **The practice fee** is payable by practices (i.e. firms), generates the majority of CLC income, and is determined by the turnover band for each practice. CLC proposes that the practice fee for 2026/27 increase by 4%, following a 3% increase last year. The turnover bandings remain.

Practice Fee Turnover bandings for 2026/27 compared with 2025/26

Turnover banding	Practice fee (November 2025 – October 2026)	Practice fee (November 2026 – October 2027)
£0 - £100,000	£716	£745
£100,001 - £250,000	£716 plus 0.685% of turnover in excess of £100,000	£745 plus 0.712% of turnover in excess of £100,000
£250,001 - £500,000	£1,744 plus 0.654% of turnover in excess of £250,000	£1,813 plus 0.680% of turnover in excess of £250,000
£500,001 - £1,000,000	£3,379 plus 0.605% of turnover in excess of £500,000	£3,513 plus 0.629% of turnover in excess of £500,000
£1,000,001 - £2,000,000	£6,404 plus 0.595% of turnover in excess of £1,000,000	£6,658 plus 0.619% of turnover in excess of £1,000,000
£2,000,001 - £4,000,000	£12,354 plus 0.587% of turnover in excess of £2,000,000	£12,848 plus 0.610% of turnover in excess of £2,000,000
£4,000,001 - £8,000,000	£24,094 plus 0.525% of turnover in excess of £4,000,000	£25,048 plus 0.546% of turnover in excess of £4,000,000
£8,000,001 - £16,000,000	£45,094 plus 0.521% of turnover in excess of £8,000,000	£46,888 plus 0.542% of turnover in excess of £8,000,000

⁶ The CLC has not changed these fee rates of £400 and £475 for over a decade

£16,000,001 and over	£86,774 plus 0.516% of turnover in excess of £16,000,000	£90,248 plus 0.537% of turnover in excess of £16,000,000
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OLC Levy

8. **The OLC levy** refers to the Office for Legal Complaints⁷ (“**OLC**”) levy for all regulated practices used for funding the Legal Ombudsman (“**LeO**”) under section 173 of the Act. The proportion of the OLC levy that is charged to approved regulators is determined by the relevant rules and the levy itself falls under the permitted purposes in section 51(4)(b) of the Act. The CLC’s approach to funding LeO aims to attribute an appropriate proportion of the cost to regulated practices that generate the most complaints – a ‘polluter pays’ model.
9. In line with this the CLC proposes to charge the OLC levy as follows:
- 50% will be allocated proportionately (an availability component) to all practices according to the aggregate practice fees that apply to each practice for the purpose of paying the practice fee (see the table at paragraph 7 above); and,
 - 50% based on a polluter pays principle (a usage component), will be payable as a fee for each case that is referred to LeO, based on early resolution of cases and the number of complaints accepted by LeO for investigation using a 3-year average of case numbers. This means that regulated firms generating the most complaints will pay a higher usage fee, whereas firms that generate no complaints will pay no usage fee at all.⁸
10. In 2024 the CLC amended its billing arrangements to collect the OLC levy paid by practices in advance, over 12 months,⁹ rather than collecting it in arrears as previously. The table at paragraph 76 of the application shows that the CLC’s pre-Budget estimate for the 2027 OLC levy is £1,752,179, a 10% increase on the 2026 forecast of £1,588,007. In last year’s decision notice¹⁰ the LSB requested that the CLC provide a breakdown of how the OLC levy would be apportioned to firms, based on the practice fee bandings which is included at paragraphs 83 and 84 of this year’s application¹¹.

Administration fee

⁷ The Office for Legal Complaints is required to administer the Legal Ombudsman by section 115 of the Act

⁸ The current 50/50 split between ‘service availability’ and ‘usage’ was altered in the 2024/25 practising year from the 70/30 split applied in previous years. The revised 50/50 apportionment increases the proportion of OLC levy to be paid by regulated practices that generate the most complaints.

⁹ CLC’s Audited 2025 Annual Financial Statements [CLC-AFS-2025.pdf](#) note 15.

¹⁰ [Decision Notice in relation to CLC Practising fee application 2025/26](#)

¹¹ The CLC have provided a table at paragraph 83 that shows how the usage element of the OLC levy (for the period from 1 April 2026 to 31 March 2027) is calculated and apportioned between firms. At paragraph 84 the CLC explains that the availability cost is then split between practices based on their practice fee as a ratio of the total practice fee and it provides two examples based on theoretical practices.

11. The CLC also applies licensing **administration charges**. These are ad hoc fees that are only incurred in specific circumstances, such as when a practice or individual comes into regulation by the CLC for the first time or a firm makes changes to its business.¹² A full overview of the types of administration charges is set out at Annex C of the application. This year, the CLC proposes a 4% increase in licensing administration charges, compared to a 3% increase last year with some costs which are currently under recovered increasing by more than 4% (see paragraphs 25-27 below).

Expected practising fee income and budget for permitted purposes in 2026/27

12. The CLC reports a decline in practices with a turnover under £100k, primarily due to closures and retirements; a decline in practice numbers within the £100k-£500k turnover bands, driven both by closures and growth (practices moving to higher bands); steady numbers of practices in the £500k-£2m bands; and an increase in the £2m band.¹³

13. For the past two years the CLC has recorded a net regulated practice turnover growth (21.8% in 2025 and 19.5% in 2026). The CLC explains that while some is due to new entrants to CLC regulation, most is related to organic growth of turnover from existing regulated practices. As aggregate practice turnover has increased compared to the 2025/26 practising year, the CLC expects practice fee income to increase by approximately 18% from a forecast of £2,463,900 for 2026 to £2,898,629 for 2027 – a difference of £434,729 (pre-budget estimate).

14. The CLC's estimated practising fee income for 2026/27 is:

- **Individual Licence Fees:** £906,213 (compared to £847,447 in 2026,) - based on an expected 2178 active licences by November 2026
- **Practice Fees (for regulated practices):** £2,898,629 (compared to £2,463,900 for 2026), based on 204 practices across the various turnover bands.
- **OLC Levy:** £1,752,179 (£1,465,747 in 2026)
- **Admin Fees:** £154,451.82 ¹⁴
- **Interest received:** £ 20,674.55 ¹⁵

¹² These fees are levied towards specific applicants, rather than being borne by the whole regulated community. The aim of these charges is to specifically assist the CLC with the administrative costs of assessing such applications (which do not ordinarily form part of the usual practising fee renewals process).

¹³ See paragraph 4, 64 and 65 of the CLC PCF Application 26/27 [CLC - PCF Section 51 application 2026](#). At paragraph 65 CLC notes in 2026 22.1% of practices had turnovers over £2m compared to 12.1% of practices in 2022.

¹⁴ Administration charges are levied when an application is made for a new licence or for the amendment of a licence see paragraph 127 of the CLC PCF Application [CLC - PCF Section 51 application 2026](#). These appear on the table at Annex C.

¹⁵ *ibid*

15. Based on the above figures (excluding the OLC Levy), the CLC proposes to raise £3,804,842¹⁶ in practising fees¹⁷ to fund the CLC's estimated expenditure. In addition, they expect to raise £175,126¹⁸ in other income, and a further £49,114 for applicant vetting. The CLC's estimated expenditure for the calendar year 2027 is £3,903,614.¹⁹ This is an increase of approximately 13% compared to the forecast expenditure for 2026 of £3,450,442, driven largely by an increase in employment costs for additional headcount to deliver services for the benefit of consumers.²⁰
16. The table under paragraph 76 of the application sets out that the CLC expects a budget surplus for 2027 of approximately £125,469.
17. The table at paragraph 24 of the application, sets out that practising fees will be used for CLC's regulatory functions and confirms that they fall within the permitted purposes, as below:
- Setting practice standards / policy: 16%
 - Monitoring: 13%
 - Licensing / accreditation: 17%
 - CLC Council and committees: 16%
 - Disciplinary: 15%
 - Communications: 11%
 - Complaints: 5%
 - Education and training: 5%
 - payment of levies: 2%
18. Of the total amount of practising fees to be collected, £80,157 will be used to fund the CLC's contribution towards other statutory levies: to fund the Legal Services Board (£56,900), the Financial Conduct Authority (FCA) (£17,160), and the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) (£6,097).
19. We are satisfied that the CLC have set out how they intend to discharge their regulatory functions under 28(2) of the Act.

LSB assessment

20. In this round of practising fee assessments, the LSB is increasing its focus on whether activities funded by practising fees effectively advance consumers' and the public interest. We have assessed this application proportionately against our Rules and Guidance, considering whether fees are reasonable and proportionate, and emphasise consumer outcomes, as well as overall financial resilience and progress against expectations in previous decision notices.

¹⁶See also the table at paragraph 78 of the Application.

¹⁷ We note that the CLC's calculation of total practising fee income (as set out in paragraph 78 of the application) may include the interest received. The analysis in this decision notice does not extend to the interest the CLC received, as this is not a practising fee.

¹⁸ See paragraph 76 of the [CLC - PCF Section 51 application 2026](#)

¹⁹ See the table at paragraph 76 of the CLC PCF application

²⁰ See paragraph 61 of the [CLC - PCF Section 51 application 2026](#)

Ensuring CLC is appropriately funded to deliver regulatory functions

Employment costs and resource

21. The application reflects that staff costs account for approximately 71% of the CLC's operating expenditure which is expected to increase by approximately 13% in 2027.²¹ We note that the CLC finalises its budget after the submission of its practising fee application which led to the expenditure budgeted increasing from £3,292,064 to £3,450,442 for 2026. This is an increase of 4.8% on the 2026 budget²² and is due to additional temporary and permanent staff recruitment. As the 2027 business plan has not yet been finalised²³ we sought further detail on how the CLC has assured itself that it will be sufficiently resourced to deliver current and anticipated activities.
22. The CLC confirmed that it regularly reviews its business plan, using horizon scanning to identify, scope and incorporate new work, to consider industry developments and identify risks and issues, and reports quarterly to the Council. The CLC considers that this approach enables it to identify and plan for activities requiring further action or resources.
23. Over the past three years, the CLC has recruited additional roles intended to strengthen engagement with its regulated community and consumers. These roles are reflected in its plans, with some recruitment ongoing. When projects require additional capacity, the CLC engages professional services or appoints temporary staff on a short-term basis.
24. We recognise that CLC has put processes in place to ensure it is sufficiently resourced to deliver its objectives. As set out in paragraph 15 above, the CLC's budget for 2027 is expected to increase by 13% compared to the forecast budget for 2026. However, as discussed below in paragraphs 33 to 45, the CLC's reserves levels, at some points of the financial year, are expected to fall below both the target level identified in our Guidance and the CLC's own target reserves level. This may reduce the CLC's ability to absorb unexpected costs.²⁴ We expect the CLC to demonstrate clearly in future applications that it is sufficiently resourced to effectively deliver its regulatory and consumer protection activities.

Administration charges

²¹ The [application](#) explains at paragraphs 60-62 that this is largely due to higher employment costs arising from increased headcount, increasing sectoral demands, continued investment in staff and regulatory processes, and staff retention.

²² See the [application](#) at paragraph 74

²³ "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." paragraph 7 of the CLC PCF Application [CLC - PCF Section 51 application 2026](#)

²⁴ See [CLC - Compensation Fund regulatory arrangement change application 2026](#) and [Decision Notice - CLC - Compensation Fund 2026.2027](#)

25. Most administration fees (see also para 10-11 above and Annex C of the application) are proposed to increase by 4% but one individual application fee will increase by over 300%.²⁵ The CLC explains that the 4% cost increase is due to inflation and the larger adjustments to charges are to reflect the true cost of reviewing and processing the applications. We asked for further information on the rationale for the proposed increases and the CLC's assessment of proportionality.
26. The CLC explained that the approach is to avoid the regulated community carrying the burden of subsidising individual or practice applications as some applications, due to their nature and complexity, take more time to assess than what is currently recovered. The proposed increase takes account of this. The CLC also set out in greater detail, its rationale behind the specific increases.²⁶
27. We recognise the merits of such an approach, and for clarity, in future applications, we expect the CLC to fully explain the reasons for any material increases to any fees. This will ensure the LSB has the relevant information to assess the application in a timely way.

OLC Costs

28. Paragraphs 59 and 86 of the application show a trend of both OLC and CLC's OLC levy costs²⁷ increasing. In the 2025/26 Decision Notice²⁸, we set an expectation for the CLC to continue monitoring firms generating significant numbers of complaints and to take appropriate action where necessary and the 2026/27 application²⁹ addresses this. As set out above, we note the CLC expects its OLC levy to increase from a budgeted £1,465,747 in 2026 to a 2026 forecast £1,588,007 and is then expected to further increase to a budgeted £1,752,179 for 2027. We asked how the CLC has assured itself of sufficient resources to meet the expected OLC levy, given the upward trend in both case numbers and costs.

See the [application](#) Annex C

²⁶ As part of the CLC's broader response to LSB queries regarding Annex C the CLC confirmed that:

- The manager application (item 4) was increased to align with items 2 & 3 which involve similar processes.
- The reapplication after suspension/disqualification (item 6) was increased because the fit and proper assessment that needs to be undertaken before a licence can be granted is complex and time consuming.
- Item 11,12,13 relate to new ownership or changes to ownership of practices. The application fee was insufficient to cover the cost of due diligence and fit and proper reviews that are undertaken.

²⁷ The CLC explains at paragraph 86 that their case numbers have increased at a faster rate than other regulators and their share of total case numbers has increased from 5.3% in 2021 to 7.9% in 2026 (7.2% in 2025).

²⁸ [Decision Notice in relation to the CLC Practising fee application 2025/26](#)

²⁹ The CLC have set out at paragraph 19 the steps they are taking to monitor and bring down complaints. The CLC also specify at paragraph 39c of their application that a key success measure is an overall downward trend in complaints (including practice complaints, complaints about practices to the CLC and complaints made to the Legal Ombudsman) and how complaint handling is an ongoing focus area to protect consumer interest

29. The CLC responded that no additional funds are required to implement its plan for addressing the level of complaints as it already has access to the data it needs to deliver a more targeted approach towards practices that generate the most complaints.
30. We note the processes in place to handle the cost of complaints. We note that the high number of complaints about CLC firms reflects underlying consumer dissatisfaction and that the increased levy cost as a result of this is reflected in practising fees which could ultimately be passed on to consumers. The LSB statement of policy on First Tier Complaints³⁰, and section 112 requirements³¹ for Approved Regulators' Regulatory Arrangements for Authorised Persons' Complaints Procedures on First-tier Complaints, was aimed at driving significant improvements in complaints handling by ensuring that, wherever possible, complaints are dealt with promptly and close to the source, which in turn should have a positive impact in further reducing the number of second tier complaints referred to the OLC. We expect the CLC to take account of the policy statement and section 112 requirements and continue monitoring firms generating significant numbers of complaints, take appropriate action where necessary and to report this to the LSB via routine oversight. Further information on CLC's approach to collecting OLC levy cost from the profession is set out at paragraphs 46-53 below.

Reserves

31. The Practising Fee Rules require an approved regulator to demonstrate that its target and accumulated practising fee reserves provide reasonable financial resilience in adverse circumstances, underpinned by a sound risk assessment. It must also justify any target materially above or below three to six months' expenditure.
32. Paragraph 94 of the application identifies the CLC's three reserve categories which are collectively referred to as the Practice Fund reserves:
- a) **a minimum reserve** (to provide cashflow in the event of one or more of the risks identified in the CLC's Reserve policy materialising);
 - b) **a cashflow reserve** (to ensure sufficient cashflow due to uneven cash collections during the annual billing cycle); and,
 - c) **a special purpose reserve** (ring-fenced reserves for a strategic project or purpose, or to mitigate a specific risk).

Reserve target levels

33. Paragraph 104 of the application explains that the CLC updates the minimum reserve levels annually when the fee application is submitted, and when the new budget is adopted, as well as at the point of any material operational/ financial change. The table at paragraph 105 shows that the minimum reserve, as set out in the CLC's Reserves

³⁰ <https://legalservicesboard.org.uk/wp-content/uploads/2024/05/First-Tier-Complaints-Policy-statement.pdf>

³¹ <https://legalservicesboard.org.uk/wp-content/uploads/2024/05/s112-Requirements.pdf>

Policy, is based on three months' salary costs, one month of professional services costs, three months' office rent and three months' IT expenditure. The CLC's July 2026 forecast minimum reserve level is £763,314.

34. Paragraph 91 of the application states that the target reserve level from all 3 reserves combined, based on the LSB rules and guidance, should be between £828,108 and £1,656,216. In response to our queries the CLC provided updated figures based on 3 and 6 months of the 2026 forecast expenditure (£3,450,442), which produced a range of £862,611 (3 months expenditure) and £1,725,221 (6 months expenditure).
35. As shown in the table below paragraph 106 of the application, cashflow reserves can form more than a quarter of CLC's Practice Fund reserves. We noted that paragraph 106 states that the actual cash reserves (cash in the bank) increased to £996,393 in August 2026 (from £559,873 at the end of July 2025.)³² We asked the CLC to explain what led to the increase and sought assurance that this balance will remain until the individual practice licence fees are collected in October.
36. The CLC explained that the cash reserve table includes the OLC Levy collections for the period April to September and that OLC reserve should have been excluded from the table. We note that the erroneous inclusion of the OLC reserve made the cash flow reserve appear higher than they actually were. The CLC provided the table below reflecting their reserve position as of 31 August 2026 showing the Practice Fund reserve was £401,502 which is less than half their own estimate for its minimum target reserve from all three reserves combined (see paragraph 34 above).

Practice Fund Reserves on 31 August 2026	Set reserve Levels (based on budget)	Cash reserves	Variance
Minimum reserve (based on budget)	£567,552	£567,551	£1
Cash flow reserve	£1	(£166,050)	(£166,051)
Special purpose reserve	£1	£1	-
Total practice funds reserve		£401,502	
OLC Levy collection		£594,927	
Total cash reserves		£996,429	

³²See paragraph 103 [2025/26 CLC Practising Fee Application](#)

37. CLC has explained that if this application is approved it will transition from a minimum reserve of £567,552 to a minimum reserve of £763,314. Since the special purpose reserve currently holds £1, and cashflow reserves remain volatile, we understand that the minimum reserve is the most important part of the CLC Practice Fund reserves.
38. The CLC explained that the Practice Fund reserves reach a maximum level in November/December and slowly decline over the next nine months before being replenished.³³ The CLC provided evidence that its cashflow reserve was £372,668 in November 2025 which reduced to a low of (£166,050) in August 2026. This had a consequential impact on the Practice Fund reserve which reduced to £401,502 in August 2026. The CLC confirmed that over the past 12 months, the average monthly total Practice Fund Reserve was £676,464.
39. CLC confirmed their intention to increase the cash flow reserve to £500,000 at its lowest point,³⁴ grow the minimum reserve, due to increases in expenditure (see paragraph 37 above), and use forecast surpluses to fund the minimum reserve.³⁵
40. We asked the CLC to provide a breakdown of the forecast minimum reserve and cashflow reserve positions at the end of 2026, 2027, 2028 and 2029. The CLC provided the following table with the estimated year end reserve levels for the Practice Fund³⁶ but not split between minimum reserve and cashflow reserve.

Estimated reserve balance at 31 December	Projected Surplus	Estimated Practice Fund Reserve
2026 Forecast	£13,572	£907,374
2027 Estimate	£125,469	£1,032,843
2028 Projection	£141,135	£1,173,978
2029 Projection	£164,399	£1,338,377

41. We are concerned that the CLC's approach to managing its reserves leaves the CLC with Practising Fund reserves which are below the targets set by both itself and the LSB. Using 2027 budget estimate as a target the CLC policy minimum reserve level for its Practising fund would require £798,341 under the CLC's approach to calculating reserve requirements (paragraph 105) and £975,904 under LSB's Guidance

³³ The CLC confirmed that most practices pay their practice fee in 12 monthly instalments between from November to the following October but some pay annual subscriptions during the licence renewal period (September to November).

³⁴ Paragraph 107 of the CLC application [CLC - PCF Section 51 application 2026](#) "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."

³⁵ See paragraph 108 of [CLC - PCF Section 51 application 2026](#)

³⁶ This is also reflected at paragraph 108 of the CLC application.

42. We note that the CLC has plans in place to increase its Practising Fund reserves to increase its financial resilience. We remind the CLC that if the minimum target reserve level includes the minimum reserve, cashflow reserve and the special purpose reserve combined, then this figure should reflect an estimate of risk and take account of a minimum of 3 months of expenditure.
43. We asked how the CLC had assessed whether reserve levels would remain sufficient to address the key risks identified in its reserves policy if the forecast surpluses are not realised. The CLC explained that the current minimum reserve includes a significant buffer over the most material risks identified (see paragraph 96 of the application³⁷) and as such sufficient buffer to absorb any risks that materialise. While we note the CLC's position, we also note that this approach resulted in the CLC holding significantly less in the Practice Fund during the 2025/26 practising fee year than it had estimated was required as a minimum reserve. We consider this poses a risk to the financial resilience of the CLC.
44. We note that cash flow reserves are variable over the course of the CLC's financial year and that negative cash flow reserves were recorded in June – September 2026. This poses a risk to the Practice Fund levels. Given the importance of financial resilience to the effective discharge of regulatory functions, the LSB expects the CLC to explain how it will manage this position including the steps being taken to maintain a sustainable reserves position over the medium term. If the CLC has reserves which become lower than the Practice Fund minimum target level of £798,341, the LSB expects the CLC to report this to the LSB.
45. Next year we expect the CLC to demonstrate in its application that its funding approach will maintain sufficient financial resilience and support an appropriate reserve position.

Deficit in audited accounts

46. We refer to paragraph 10 of this decision notice which explains the recent change in how the CLC collects OLC levy payments. Our review of the CLC's 2025 audited accounts identified that, following the change in billing arrangements, the OLC levy for 2022/23 was collected in arrears, the 2024/25 levy in advance, while the 2023/24 levy was neither billed nor collected. As this change was not reflected in the 2023 and 2024 financial statements, OLC levy turnover was overstated. The 2025 accounts then restated the position and accounted for this change.
47. The LSB's interpretation following the restatement of current assets and current liabilities for 2023 and 2024 in the 2025 accounts is that there was a resulting reduction in net assets of £1,038,103 and the net asset / reserves position of the Practice Fund (which

³⁷ Para 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."

we understand is to cover minimum reserve, the cash flow reserve and the special purpose reserve) at the end of 2025 was a negative balance of £16,336.

48. We accordingly sought further clarification from the CLC and an explanation of how it has assessed the adequacy of its reserves. We also asked what steps it proposes to take to restore the Practice Fund reserves to a level consistent with the LSB's expectation that approved regulators maintain reserves equivalent to 3-6 months of practising fee expenditure.
49. The CLC responded that the net liability position on the Balance Sheet in the audited accounts is due to the recognition of deferred income relating to practice fees, individual licences and the OLC Levy which are all invoiced in advance and then recognised over the period that it is earned. The net liability position therefore is as a result of accounting treatment of income rather than excessive liabilities.
50. The CLC explained that the restatement resulting from the policy change has not adversely affected its cash reserves and considers its cash position sufficient to mitigate identified risks and manage short-term cash deficits arising from the timing of cash receipts. The CLC confirmed that as at December 2025, the CLC Practice Fund held £2m in bank deposits, including committed reserve funds such as the OLC Levy Reserve and Compensation Fund, which do not form part of the Practice Fund reserve. Excluding these funds, the combined Minimum and Cash Flow Reserve was £798,803. However, as discussed at paragraphs 33-45, this budgeting approach carries risks, including a negative cash flow reserve that reduces the Practice Fund reserve. In addition to the expectation set out above, we expect the CLC to notify the LSB if collection of the OLC levy adversely affects the availability of sufficient reserves within the Practice Fund.
51. The change in the collection of OLC levy charges from retrospective to prospective appears to have resulted in no OLC levy income being invoiced to firms in respect of one levy year (2023-24). We asked the CLC to explain this and the impact on the Practice Fund's income and reserves position.
52. The CLC advised that it paid the 2023-24 levy in March 2024, using reserves held for this purpose and instead of billing the practices for the 2023-24 year, it billed practices for the 2024-25 year, therefore switching to advance billing. The CLC confirmed that it did not collect levy payments for the OLC invoice related to April 2023 to March 2024, and it was paid using reserves accrued from prior year practice fee contributions.
53. We note the above assurances and remind the CLC that in accordance with Rule 20 and its Guidance there is a requirement to be transparent about the nature of reserves, including setting out what is committed/ uncommitted.

Benefits of Practising Fees

54. Practising fees are paid by the profession and may be passed on to consumers. Our Guidance therefore sets an expectation that practising fee applications explain how regulators will measure the benefits of their activities (paragraphs 36-39) and address

issues raised in previous applications or through the LSB's assessment of regulatory performance (paragraph 42).

55. The CLC states that its overarching objective is consumer protection, delivered through licensing, compliance, enforcement and supporting policy work (paragraph 37). It explains that its effectiveness is primarily measured through indicators that demonstrate how well it protects consumers (paragraph 39).
56. We sought further information on how the CLC evaluates the effectiveness and impact of its regulatory functions, including the indicators and metrics used to assess whether fee-funded activities deliver the intended regulatory and consumer protection outcomes, and how performance will be monitored and reported.
57. The CLC responded in relation to two areas: (i) the impact of new policies and initiatives on consumer protection and service standards; and (ii) the effectiveness of its monitoring and supervision in maintaining compliance with CLC rules and legal requirements.
58. The CLC explained that the impact of new policies and initiatives is often more readily measurable. It cited that its measures are aligned with LSB's consumer empowerment statement of policy³⁸ to improve consumer information. The CLC noted that LSCP Tracker Survey data showed an increase in consumers' propensity to shop around, although the effect was uneven. It also highlighted joint work with HM Land Registry to reduce avoidable requisitions, which has resulted in an 11% reduction compared with the same period last year and provides measurable data on impact. The CLC acknowledged that, in some areas, impact is more difficult to quantify such as measuring the impact of recent changes to their Code of Conduct.
59. The CLC publishes quarterly key performance indicators, most recently for Q2 2026, covering licensing, monitoring, supervision and enforcement activity, alongside dedicated enforcement reporting. The CLC confirmed that each of these publications, sets out in considerable detail the action that the CLC has taken in the relevant period.
60. The CLC confirmed that on a more granular level the monitoring response is measured and influenced by changes to inspection outcomes, consumer complaints data, OLC data sets, regulatory returns and wider external data sources to assess compliance trends, identify risks, target interventions and support consumer protection outcomes.
61. We are encouraged by the information the CLC has provided which demonstrates ongoing assessment and measurement of benefits by the CLC and expect the CLC to provide this level of detail in next year's application.

Decision

62. The LSB has approved the practising fees application submitted by the CLC for 2026/27 under section 51 of the Act.

Summary of expectations for next application

63. For the reasons set out above, the LSB expects the CLC to:

- 1) to take account of the policy statement and section 112 requirements and continue monitoring firms generating significant numbers of complaints, take appropriate action where necessary and to report this to the LSB via routine oversight.
- 2) To explain how the CLC will manage its reserves position including the steps being taken to maintain a sustainable reserves position over the medium term and to report to the LSB if the CLC has reserves which become lower than the Practice Fund minimum target level of £798,341.
- 3) To notify the LSB if collections of the OLC levy negatively impact on the availability of sufficient reserves in the Practice Fund, and
- 4) In next year's application demonstrate the following: -
 - a. that the CLC is sufficiently resourced to effectively deliver its regulatory and consumer protection activities;
 - b. the reasons for any material increase to administrative fees;
 - c. that the CLC's funding approach will maintain sufficient financial resilience and support an appropriate reserve position;
 - d. its ongoing assessment and measure of benefits more fully in next year's application

Richard Orpin, Chief Executive

**Acting under delegated authority granted by the Board of the Legal Services Board
28 October 2026**