

Summary of Decision

The purpose of this summary sheet is to provide a high-level and accessible overview of the Legal Services Board's ("LSB") decision. Readers are recommended to read the formal decision notice below for further details. This summary is not and should not be taken as a formal part of the LSB's decision notice under the Legal Services Act 2007 ("the Act").

This decision notice relates to an application by the Council for Licensed Conveyancers ("the CLC") for approval of changes to its regulatory arrangements in relation to contributions to the CLC Compensation Fund for 2026/27.

The CLC proposes to increase contribution rates by 6%. Contributions are calculated by reference to practice turnover and are on a sliding scale structure. The CLC expects the proposed rates to generate approximately £658,585 in contributions (£565,921 in 2025/26).

The CLC forecasts an operating deficit of £363,634 for 2026 and estimates a deficit of £36,640 for 2027. It attributes the financial pressures to intervention-related expenditure, inflationary pressures, and potential compensation claims.

Following the assessment of the CLC's application, the LSB has concluded that the changes do not meet the conditions for refusal in paragraph 25(3) of Schedule 4 to the Act. The LSB's decision is to grant the application in full. However, we have set a number of expectations which require attention by CLC and which we will monitor closely.

The decision notice explains our assessment of the main issues that we considered in reaching our decision.

Decision notice

The Council for Licensed Conveyancers' (CLC) application for approval of alteration to its existing regulatory arrangements relating to contributions to the CLC Compensation Fund in 2026/27.

1. The Legal Services Board ("**LSB**") has granted an application from the Council for Licensed Conveyancers ("**CLC**") for approval of alterations to contributions to the CLC Compensation Fund ("**the Fund/Compensation Fund**") in 2026/27. These are set out in Annex A to the decision notice. The contributions are payable by persons whom the CLC authorises over this period to carry out reserved legal activities.
2. The LSB is required by Part 3 of Schedule 4 to the Legal Services Act 2007 ("**the Act**") to review and grant or refuse applications by approved regulators to make alterations to their regulatory arrangements. The CLC is an approved regulator. Contributions to the Compensation Fund are regulatory arrangements which are distinct from the setting of practising fees. Practising fees are considered and approved separately by the LSB in accordance with section 51 of the Act.
3. This decision notice sets out the decision taken, including a description of the alterations to the regulatory arrangements, and why those alterations are being made. Information on the statutory framework under which approved regulators make such applications to the LSB for approval can be found on the LSB website.¹

Chronology

- This application was received on 22 September 2026.
- The LSB confirmed receipt of the current application from the CLC on 23 September 2026.
- The 28-day initial decision period for considering the application ends on 19 October 2026.
- This decision notice is effective from 16 October 2026.
- The decision notice will be published on the LSB's website by 20 October 2026.

Background

4. On 22 September 2026, the CLC submitted an application to the LSB for approval of alterations to its regulatory arrangements relating to compensation fund contributions.² The CLC regulates Licensed Conveyancers in England and Wales, and as part of its regulatory arrangements, the CLC maintains a Compensation Fund in accordance with the CLC Compensation Fund Operating Framework³ ("**the Operating Framework**"), which is part of the CLC Handbook.⁴ The CLC has also developed a Compensation Fund Policy Statement ("**the Policy Statement**").⁵

¹ <https://legalservicesboard.org.uk/our-work/statutory-decision-making/alterations-to-regulatory-arrangements/statutory-framework-for-applications-to-the-lsb-for-approval-of-changes-to-regulatory-arrangements>

² [CLC - Compensation Fund regulatory arrangement change application 2026](#)

³ [Microsoft Word - CLC Frameworks.doc](#)

⁴ [CLC Compensation Fund Operating Framework](#)

⁵ [CLC Compensation Fund Policy Statement](#)

5. The Fund provides discretionary grants for losses falling within the CLC Compensation Fund Operating Framework. Contributions are made to the Compensation Fund to ensure it continues to have an adequate level of assets to provide compensation for consumers. Claims to the Fund are subject to eligibility requirements, exclusions and limits.
6. The CLC, under the Operating Framework, may make rules requiring firms to contribute to the Fund. Those rules are regulatory arrangements and require the LSB's approval before they have effect.
7. The fund is an important element of consumer protection as contributions to the Compensation Fund help to finance the awarding of compensation claim grants, the Fund reserves (see paragraph 17 below), the costs of handling claims to the Fund, and interventions into firms where client monies and files are at risk.
8. Every year, the CLC considers the level of contributions required for the Compensation Fund from the firms (including licensable bodies) that it authorises (hereafter referred to as "**practices**"). Contributions are usually collected as part of the annual practising certificate renewal, with its billing cycle commencing on 1 November 2026. This year, the CLC expects 204 practices to pay the proposed contributions, compared to 200 practices in 2025/26. All firms that hold client money make contributions to the Fund - see table below:

Turnover bands	Number of practices	Fees per band	% of contribution
£0 – £100,000	5	2,810	0%
£100,001 – £250,000	32	22,561	3%
£250,001 – £500,000	39	42,271	6%
£500,001 – £1,000,000	54	86,569	13%
£1,000,001 – £2,000,000	29	71,976	11%
£2,000,001 – £4,000,000	19	79,113	12%
£4,000,001 – £8,000,000	10	73,068	11%
£8,000,001 – £16,000,000	9	106,862	16%
£16,000,001 and over	7	173,355	26%
	204	658,583	100%

9. The Compensation Fund contributions levied on practices are calculated based on the practices' turnover and a sliding scale contribution rate. There are nine turnover bands, aimed at ensuring a spread across practices, effective tiering of contribution rates, and easing progression as practices move between bands due to changing turnover. In addition to contributions, the CLC also receives recoveries from insurers in relation to some interventions and grants.

Summary of proposed changes

10. The CLC is proposing to increase Compensation Fund contribution rates for 2026/27 by 6%. The increase was the same in 2025/26, following no increase in contributions in

2024/25. Paragraph 9 of the application explains that the increase is necessary due to high levels of intervention costs, inflationary pressures, and potential compensation claims arising from active interventions, and claims received in relation to investment property transactions.

11. The proposed Compensation Fund contribution rates for 2026/27 are set out below:

Turnover Banding	Compensation Contribution Payable			
£0 – £100,000	£562			
£100,001 – £250,000	£562	plus	0.186%	of turnover in excess of £100,000
£250,001 – £500,000	£841	plus	0.177%	of turnover in excess of £250,000
£500,001 – £1,000,000	£1,284	plus	0.137%	of turnover in excess of £500,000
£1,000,001 – £2,000,000	£1,969	plus	0.134%	of turnover in excess of £1,000,000
£2,000,001 – £4,000,000	£3,309	plus	0.126%	of turnover in excess of £2,000,000
£4,000,001 – £8,000,000	£5,829	plus	0.089%	of turnover in excess of £4,000,000
£8,000,001 – £16,000,000	£9,389	plus	0.088%	of turnover in excess of £8,000,000
£16,000,001 and over	£16,429	plus	0.087%	of turnover in excess of £16,000,000

12. At paragraph 26 of the application, the CLC states that the proposed contributions for 2026/27 would raise £658,585, an increase of £92,664 compared with contributions in 2025/26. This will mean practices pay an additional £74 per £1m of turnover.

13. The CLC estimates that the Compensation Fund's total income in 2027 will be £804,602 and expenditure will be £841,242, which will result in a deficit of £36,640 by the end of December 2027.⁶

14. Paragraph 22 of the application compares the CLC's 2026 budgeted expenditure for the Compensation Fund of £782,856 to the forecast expenditure of £1,123,026, showing that the forecast exceeds the budget by £340,170 (43%). The budget excludes items the CLC considers difficult to quantify, including aged balance receipts, compensation grant payments, new intervention costs, and known but currently unquantifiable future claims.

15. The application shows that the forecast 2026 operating deficit arises from unbudgeted compensation grants of £58,418, a shortfall in interest received of £13,311, and intervention and storage costs exceeding budget by £282,500. The effect on the overall forecast deficit is partly offset by £47,454 in aged balance receipts and higher than budgeted practice contributions.

16. At the time of last year's application⁷ the forecast for 2025 exceeded the budget by 25%. We note that intervention costs are typically the largest expenditure for the Fund. Intervention costs are forecast to be £598,937 in 2026 and totalled £916,252 in 2025.

17. As set out in section IV of the application, there are five different types of reserves: a minimum reserve, a probable claims reserve, an insurance reserve, a special purpose

⁶ The CLC's financial year runs from January to December, and the licensing year runs from November to October.

⁷ [CLC - Compensation Fund regulatory arrangement change application - September 2025](#)

reserve and an operating reserve totalling £6,914,103 (see table in paragraph 18).

Paragraph 32 of the application explains that these reserves are maintained to ensure that the Fund remains adequately capitalised to fulfil its consumer protection functions. The accompanying table sets out the details of each type of reserve and its purpose, consistent with the CLC's Reserve Policy, last reviewed in July 2026 by the CLC Audit and Risk Committee. The CLC explained that the reserve figures in the application relate to different periods. The August 2026 table records actual cash balances, whereas the revised table below gives a December 2026 forecast.

18. The LSB highlighted some discrepancies in reserve levels when comparing paragraphs 14 and 48 of the CLC's application. The CLC clarified the discrepancies – one as a result of an incorrect figure which had not reflected the HMRC settlement agreed at the end of 2025. The other discrepancy was explained as a result of basing reserve figures on cash balances and excluding an accrued interest debtor that had not transferred to the Fund's accounts.

Compensation Fund Reserve Levels	2022	2023	2024	2025	2026
Minimum Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Probable claims Reserve	1,924,445	1,920,088	1,964,291	95,926	135,104
Insurance Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Contingency/Special Purpose Reserve	651,817	-	2,000,000	2,000,000	2,000,000
CF Operating reserve	71,360	2,515,832	120,619	178,454	778,999
Total Reserves held	6,647,622	8,435,920	8,084,910	6,274,380	6,914,103

19. On the CLC's December 2026 forecast, total reserves are expected to be £6,914,103. This includes £2m in the minimum reserve, £135,104 in the probable claims reserve, £2m in the insurance reserve, £2m in the contingency/special purposes reserve and £778,999 in the operating reserve.

Key issues considered in the assessment

20. The LSB's overriding concern is to ensure that the interests of consumers and of the wider public are protected and promoted. The LSB's key focus in considering this application is the integrity and viability of the Compensation Fund and ensuring that it is maintained at a level that will provide a meaningful source of consumer redress. We have sought to understand whether the proposed changes and forecasted deficit and claims pose any risks to the Compensation Fund's resilience and viability as an important source of consumer redress. Market changes and the variety of consumer risks emerging make routes of redress an essential element of consumer ensuring that the scope and levels of compensation funds reflect current consumer risk is paramount.
21. In our assessment of the CLC's proposals, we have considered the CLC's current application, responses to our queries during the assessment process, how the CLC has met expectations from last year's Compensation Fund application and how the proposal

meets the interests of consumers. We see that in paragraph 10 of the application, the CLC addressed the expectations set by the LSB in the October 2025 decision notice.⁸

22. The table at paragraph 28 of the application shows that the contribution is applied to practices' turnover, with a specific amount and an additional percentage proportionate to each turnover band. The impact assessment in Section V of the application shows that the impact of increases for sole proprietor, small firms, or those providing legal aid services (usually with lower turnover) is likely to be mitigated by those with lower turnover paying lower contributions. The LSB notes CLC's view that the banding structure of the contributions means that any negative impact on consumers' access to justice will be mitigated as a result.

The Compensation Fund's viability

Level of reserves

23. As of December 2026, the CLC reported total forecast cash reserves of £6,914,103, which is £787,019 higher than the target level.
24. As highlighted in paragraphs 13 and 15 of this decision notice, the CLC expects to have a deficit of £363,634 in 2026 and estimates a deficit of £36,640 for 2027. Considering this alongside the current reserves level, and CLC's target reserve level, the LSB asked what the expected reserve levels for 2027 would be.
25. In response, the CLC explained that £36,640 is its best estimate based on the information currently available. It said it had encountered difficulties in reliably forecasting new claims and interventions, which means they are excluded from the estimate. For ongoing interventions, the CLC considers current invoiced costs and expenditure trends, the elapsed period since intervention, and assessments from intervention agents and relevant staff.
26. The CLC forecasts total reserves of £4,799,744 at December 2027, comprising a £2m minimum reserve, £135,104 probable claims reserve, £2m insurance reserve, no contingency reserve (assuming that it will be used entirely to settle investment-property claims), and £664,640 operating reserve. It stressed that these estimates are highly uncertain and depend on claims, interventions, payments, aged balances, and financial performance.
27. The LSB notes that the expected level of total reserves for 2027 is £1.4m below CLC's stated policy and that some of this shortfall is due to expected property claims using up the contingency reserve.

CLC's 2026 budgeted and forecasted expenditure variances

28. The forecast expenditure for 2026 is approximately 43% above budget (see also paragraph 14), repeating a budget overrun from 2025 of 25%. The CLC does not include new, unidentified claims or interventions in its annual estimates because it considers their timing and value too uncertain to reliably estimate.

⁸ [Decision Notice - CLC Compensation Fund contributions 2025](#)

29. In last year's decision notice, the LSB expected the CLC to consider whether its approach to financial forecasting provides a realistic reflection of the Fund's position and, given the significant differences in this year's application, we have again asked for an explanation of the basis of the estimated 2027 deficit of £36,640 and CLC's assessment of the reliability of underlying assumptions, as well as for more details on how the budget uncertainty is reflected in setting reserve levels.
30. The CLC explained that it uses its operating reserve to manage budgeting uncertainty and absorb unforeseen expenditure without affecting funds earmarked for compensation claims. As of August 2026, this reserve stood at approximately £792,000 against a £1 million maximum described in its policy. The proposed 6% contribution increase should also support expected annual costs.
31. The CLC's response explains the basis for its estimates and the role of reserves in managing expenditure that cannot be predicted reliably. Nevertheless, the material differences between budgeted and forecast expenditure mean that the estimated 2027 deficit should not be treated as a complete measure of the Fund's potential financial exposure. The LSB expects that the CLC review whether its approach to financial forecasting provides a realistic reflection of the Fund's position, considering that significant variances from the forecast budget remain in this year's application and the expected reserves level for 2027 is below its stated policy. We also expect the CLC to update the LSB quarterly about whether the budgeted expenditure is in line with forecast expenditure to ensure that any budget overruns do not risk undermining the ability of the Fund to be a credible source of consumer redress. Where there is a significant deviation, the CLC should explain what steps it is taking as a result to ensure the Fund remains capable of compensating people who have suffered loss.

Intervention Costs

32. Intervention-related expenditure is a significant category of expenditure for the Fund. In 2026, the CLC forecasts that intervention support costs will exceed budget, reflecting the complexity and ongoing nature of existing interventions.
33. The CLC expects intervention costs to reduce in 2027 as existing interventions progress towards completion but acknowledges that budgeted *versus* forecasted costs of intervention in 2026 have increased by almost 50%, especially for third-party interventions.
34. The LSB asked the CLC how it has ensured that the estimated costs for interventions in 2027 are accurately shown in the table in paragraph 26 of the application.
35. The CLC explained that the estimate is informed by invoiced costs and expenditure trends to August 2026, the time elapsed since each intervention, and assessments by intervention agents and relevant staff. It acknowledged uncertainty, including unforeseen complexity of new interventions, but stated that at this stage there are no pending interventions likely to have a material cost impact. The CLC acknowledged that a further intervention could increase costs significantly, depending on its scale, type and complexity.
36. We note that CLC's limited ability to forecast intervention costs is the main driver for budget uncertainty and a risk factor for the resilience of the compensation fund, which is being mitigated by reserves held and by increased contributions, as discussed above in paragraph 30.

37. The LSB has taken account of the basis for the CLC's estimates and the continuing uncertainty associated with intervention work as noted in the paragraph above. Given the importance of ensuring that the compensation fund is adequately funded to deliver consumer redress, we expect the CLC to monitor its intervention cost forecasts and update the LSB quarterly about forecast intervention costs are in line with intervention costs budgeted for 2027. Where there is a significant deviation, the CLC should explain what steps it is taking as a result.

Property claims

38. Paragraph 50 of the application states that the CLC is assessing 402 investment property-linked claims. These claims are relevant to the LSB's assessment of the Fund's financial resilience and the proposed contribution rates.

39. The LSB noted differences between information reported in the current application and the CLC's 2025 Annual Financial Statement⁹ which reported 346 investment property-linked applications for grants. The financial statements also reported an application deadline of 31 December 2024. As the deadline for claims had passed before the submission of last year's application, the LSB was not informed of the increase in claims. In paragraph 28 of last year's decision note, the CLC shared that it aimed to complete the assessment of those claims in Spring 2026, which had passed by the time of submitting the current application.

40. In light of this, the LSB asked the CLC to detail how many property-linked applications it is assessing, when it expects to complete the assessments, the correct figure for requested grants, and to provide a forecast of grants allocated for investment property claims for 2027.

41. The application also states that the CLC has allocated £2m to a special-purpose reserve for investment property claims. The LSB therefore asked the CLC about any grants already paid, any potential financial implications and how it would approach funding grants if the amount required exceeded the sum currently allocated.

42. CLC provided some further information, much of which is commercially sensitive, about the status of its assessment and the considerations relevant to funding any grants. We expect the CLC to keep the LSB informed of material developments in the claims exercise that may affect the Fund's reserves, financial position or future contribution requirements.

2027 Compensation Fund Contributions

43. In the context of making sure firms have sufficient transparency on what is driving increases in contributions and in light of the issues set out above related to: CLC's budget overspends, the imprecise forecast of its intervention costs, the divergence between the application and the Annual Report regarding property claims and CLC's expected level of reserves, we requested a forecast for 2027 contributions, including CLC's views on whether next year's contributions are expected to increase or be maintained.

⁹ [CLC-AFS-2025.pdf](#)

44. The CLC said that, for the contribution year beginning November 2027, it expects rates to increase in line with inflation. A higher increase may be required if expenditure, probable claims, property payments, or reduced practice turnover adversely affect the Fund. Stronger turnover, fewer material costs, or aged-balance receipts could reduce the required increase.
45. As discussed above at paragraph 27, the forecast reserve levels for December 2027 will be £1.4m lower than the target in CLC's reserves policy. Further, there is uncertainty over budgeted costs, the outcomes of investment property claims and expected intervention costs. The LSB expects the CLC to provide greater transparency to firms paying Compensation Fund contributions about the elements driving any increase in contributions in next year's application.

Decision

46. The LSB has considered the application against the criteria in paragraph 25(3) of Schedule 4 to the Act. The LSB considers that there is no reason to refuse this application, and accordingly, the application is granted in full. However, we have set a number of expectations which require attention by CLC and which we will monitor closely.
47. **Annex A** sets out the Compensation Fund contribution rates.

Summary of expectations

For the reasons set out in this notice, the LSB expects the CLC to:

- a) Review whether its approach to financial forecasting provides a realistic reflection of the Fund's position, considering that significant variances from the forecast budget remain in this year's application and the expected reserves level for 2027 is below its stated policy (Cf. Paragraph 31).
- b) Update the LSB quarterly about whether the budgeted expenditure is in line with forecast expenditure to ensure that any budget overruns do not risk undermining the ability of the Fund to be a credible source of consumer redress. Where there is a significant deviation, the CLC should explain what steps it is taking as a result to ensure the Fund remains capable of compensating people who have suffered loss (Cf. Paragraph 31).
- c) Monitor its intervention cost forecasts and update the LSB quarterly about forecast intervention costs are in line with intervention costs budgeted for 2027. Where there is a significant deviation, the CLC should explain what steps it is taking as a result (Cf. Paragraph 37).
- d) Keep the LSB informed of material developments in the claims exercise that may affect the Fund's reserves, financial position or future contribution requirements (Cf. Paragraph 42).
- e) Provide greater transparency to firms paying Compensation Fund contributions about the elements driving any increase in contributions in next year's application (Cf. Paragraph 45).

Richard Orpin, Chief Executive

Acting under delegated authority granted by the Board of the Legal Services Board

16 October 2026

Annex A - approved alterations

Compensation Fund contribution rate table

COMPENSATION FUND (2026-27)				
Turnover Banding	Compensation Contribution Payable			
£0 – £100,000	£562			
£100,001 – £250,000	£562	plus	0.186%	of turnover in excess of £100,000
£250,001 – £500,000	£841	plus	0.177%	of turnover in excess of £250,000
£500,001 – £1,000,000	£1,284	plus	0.137%	of turnover in excess of £500,000
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£16,000,001 and over	£16,429	plus	0.087%	of turnover in excess of £16,000,000