

Direction 208 issued under Part 3 of Schedule 4 to the Legal Services Act 2007 to the Solicitors Regulation Authority (“SRA”)

1. This is a direction to exempt alterations pursuant to paragraph 19(3) of Schedule 4 to the Legal Services Act 2007 (“**the 2007 Act**”).
2. Unless stated otherwise, words in this direction are used as they are defined in the 2007 Act.
3. In accordance with paragraphs 19(3) and (4) of Schedule 4 to the 2007 Act, the Legal Services Board (“**LSB**”) directs that the alterations made by the SRA to its Guidance on Financial Penalties are to be treated as exempt alterations for the purposes of paragraph 19(2)(c) of Schedule 4.

SRA Guidance on Financial Penalties

Background of proposed changes

4. On 28 September 2026, the SRA submitted a request¹ for changes to the SRA’s Guidance on Financial Penalties.
5. Section 44D(2)(b) of the Solicitors Act 1974² and Schedule 2, paragraph 14B of Schedule 2 of the Administration of Justice Act 1985³, place a cap of £25k on the financial penalty the SRA can impose on law firms and individuals working within those firms. Proposed fines above this level are referred to the Solicitors Disciplinary Tribunal (SDT). Under Rule 2 of the Legal Services Act 2007 (Licensing Authorities) (Maximum Penalty) Rules 2011, the maximum fine the SRA can impose on ABS firms and individuals employed by them is £50m and £250m, respectively.
6. The LSB approved changes to SRA’s Guidance on Financial Penalties in May 2023⁴. This followed the passing of legislation which increased the SRA’s fining powers for traditional law firms (i.e. non- ABS entities) and those that work within them from £2k to the current level of £25k. The guidance includes the SRA’s methodology for determining the seriousness of a breach and penalty bands which are based on turnover for individuals and firms.
7. The Economic Crime and Corporate Transparency Act 2023 (ECCTA)⁵ came into force on 4 March 2024. The ECCTA removes the cap on financial penalties that can be imposed by the SRA on solicitors, traditional law firms and employees of traditional law firms for rule breaches and misconduct falling within the definition of economic crime under the ECCTA. It sets out three types of rule breaches or misconduct for which the SRA may apply an uncapped fine, with specific terms defined by the ECCTA.
8. The SRA’s request highlights that the ECCTA inserted relevant amendments into the Solicitors Act 1974, as follows:

¹ [SRA Exemption Direction Request to LSB - ECCTA](#)

² [Solicitors Act 1974](#)

³ [Administration of Justice Act 1985](#)

⁴ [SRA - Financial Penalties - Decision Notice](#)

⁵ [Economic Crime and Corporate Transparency Act 2023](#)

- a) 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));
 - b) 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,
 - c) 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)).
9. The SRA explains at paragraphs 20 and 21 of its request that its new ECCTA powers were granted by Parliament to also extend to individuals regulated by other regulators but working in an SRA-regulated firm. The SRA has engaged with the Bar Standards Board (BSB) and CILEx Regulation (CRL) on this matter.
10. The request explains that the SRA has a protocol in place in relation to parallel investigations⁶ by two different regulatory bodies. This is a positive development. As there are individuals from regulatory bodies such as BSB, CLSB, CRL and CLC working in SRA-regulated firms, we expect the SRA to engage with all the relevant regulatory bodies to ensure the implementation of these new powers works effectively.

Proposed changes

11. The SRA's proposed guidance⁷, detailed in the annex to the request, aims to:
- a) Update and reflect the SRA's new statutory powers under ECCTA;
 - b) Describe the effect of ECCTA on the SRA's fining powers;
 - c) Explain the breaches or misconduct for which a firm or individual could be liable for an unlimited fine;
 - d) Explain the practical effect of these new powers on SRA's regulated community and
 - e) Summarise the legislative sources of SRA's powers to fine the different forms of regulated bodies for breaches or misconduct falling within the scope of ECCTA.
12. The SRA has also shared a case study to illustrate how the changes would be applied in practice (published alongside the present decision), which was created and informed by stakeholder feedback.
13. With the changes created by the ECCTA, the SRA will be able to apply fines above £25k to solicitors, traditional law firms and employees of traditional law firms for rule breaches and misconduct which fall within the definition of economic crime under the ECCTA.
14. The SRA's current methodology for determining the seriousness of a breach and the penalty bands is not changing. The main change is that ECCTA breaches by individuals

⁶ [SRA | Parallel investigations | Solicitors Regulation Authority](#)

⁷ [Annex 1 - SRA Guidance on financial penalties - ECCTA amendments](#)

and non-ABS firms, with fines set by the SRA above £25k, no longer need to be referred to the SDT.

Reasons for exemption direction

15. Parliament has equipped the SRA with additional powers via the ECCTA reforms to enable it to take prompt and effective action as part of the UK's response to tackling economic crime. In considering the SRA's request, we have focused our scrutiny on the SRA's readiness and ability to implement the new powers effectively. We have considered the following issues:

Approach to determining fines

16. The request makes clear that the SRA considers it can implement these powers without introducing changes to its methodology and framework for how fines are determined. Paragraphs 11 and 31 of the request explain that the SRA already uses this framing methodology to determine fines above £25k to ABS firms and to recommend fines above £25k to non-ABS firms and individuals, which is then referred to the SDT. We note, therefore, that the SRA already has adjudicators trained to be able to assess cases where fines above £25k are levied and a fining framework where mitigating and aggravating factors are taken into account.
17. When we approved the SRA's fining framework in 2023, we set a number of expectations to ensure that the SRA has appropriate arrangements in place for making decisions. Paragraph 31 of the request explains that the SRA implemented these expectations and therefore has the ability to use the powers effectively. We expect the SRA to monitor and keep under review whether it is necessary to amend its procedures to ensure that its methodology and framework for fining supports the effective use of these additional powers.

Impact on individuals with protected characteristics

18. In the May 2023 decision, we set expectations for the SRA to monitor the overrepresentation of cohorts of professionals with certain characteristics in the SRA's enforcement processes, which the SRA has acknowledged in this request in paragraph 27.
19. Regarding overrepresentation in SRA's enforcement processes more generally, the SRA produced a Diversity Monitoring Annual Report⁸ for 2023/24 which highlighted that Black, Asian and minority ethnic individuals (as one group) and men were overrepresented, and which led to a further report⁹ being commissioned to understand the reasons for overrepresentation. We also note that the SRA plans to collect data on the number of fines above £25k that it imposes, as a result of these new statutory powers, and on the breaches for which these fines were imposed, alongside diversity information on the individuals and firms.
20. The SRA has shared that it plans to continue annual monitoring of individuals in investigations and enforcement, to implement commitments addressing minority ethnic

⁸ [SRA | Investigations and Enforcement – Diversity Monitoring Annual Report 2023/24 | Solicitors Regulation Authority](#)

⁹ [SRA | Overrepresentation of Black, Asian and minority ethnic solicitors in reports to the Solicitors Regulation Authority: final research report | Solicitors Regulation Authority](#)

solicitors' overrepresentation, and to evaluate the impact of expanded fining powers through a dedicated internal group.

21. We note that the SRA's new statutory powers do not change its procedures, but only remove the cap on its fining powers, and that the SRA does not expect that a specific cohort of professionals with certain characteristics proportionately breaches or promotes more misconduct related to economic crime than other groups. We expect the SRA to update the LSB on the outcome of this monitoring and planned actions, and take reasonable steps to mitigate any disproportionate impact on protected groups.
22. In light of the above considerations, the LSB has approved the SRA Guidance on Financial Penalties.
23. This direction is approved and effective from 23 October 2026.

For and on behalf of the Legal Services Board

23 October 2026

Expectations:

- 1) The SRA to engage with all the relevant regulatory bodies to ensure the implementation of these new powers works effectively (Cf. Paragraph 10).
- 2) The SRA to monitor and keep under review whether it is necessary to amend its procedures to ensure that its methodology and framework for fining supports the effective use of these additional powers (Cf. Paragraph 17).
- 3) The SRA to update the LSB on the outcome of this monitoring and planned actions, and take reasonable steps to mitigate any disproportionate impact on protected groups (Cf. Paragraph 21).