

**For immediate release, 23 October 2013**

## **PANEL WELCOMES LSB RESPONSE TO ADVICE ON FINANCIAL PROTECTION ARRANGEMENTS**

In June 2013, the Panel made a series of recommendations following an LSB advice request on financial protection. These included:

- Scoping of the advantages and disadvantages of centralised protection arrangements
- Consumers should not be asked to source their own insurance
- More comprehensive data collection by regulators
- Greater transparency around how compensation schemes operate
- Development of key performance indicators and objectives

The LSB published their formal response to our report today.

The LSB has recognised the potential advantages of a centralised arrangement for compensation. Since publishing our report, this idea has been publically backed by the Council of Licensed Conveyancers and the Council of Mortgage Lenders. Given this support, the Panel would now like the Solicitors Regulation Authority to take forward this recommendation as part of its current compensation review, working closely alongside other relevant regulators and stakeholders.

The LSB also agreed with a number of our other recommendations, including the need for more comprehensive data collection, publication of data, development of key performance indicators and greater transparency about the criteria used by compensation schemes. These will be assessed as part of the LSB's consideration of future rules changes. In addition, the LSB plans to explore with regulators whether it would be appropriate to collect standardised data on the operation of the schemes.

Commenting on the LSB response, Elisabeth Davies, Chair of the Legal Services Consumer Panel, said:

*“Financial protection arrangements may be used by consumers only rarely, but they provide vital redress after catastrophic events. We are pleased that the LSB agrees with us about where schemes need to do better and will monitor progress by regulators in addressing these issues.*

*“The LSB has given the green light to regulators to explore further the scope of a single compensation fund – our proposal to look at the feasibility of such a scheme has since been backed by the CLC and mortgage lenders. Given*

*this support, we now want to see the SRA work with these organisations to explore this option as part of their current compensation fund review. ”*

**-ends-**

**For more information, contact Harriet Gamper, Consumer Panel Associate, on 020 7271 0076.**

### **Notes to editors**

1. The Legal Services Consumer Panel was established under the Legal Services Act 2007 to provide independent advice to the Legal Services Board about the interests of consumers of legal services in England and Wales. We investigate issues that affect consumers and use this information to influence decisions about the regulation of legal services.
2. The Legal Services Board requested advice from the Consumer Panel on the adequacy of regulators' financial protection arrangements in October 2012.  
<http://www.legalservicesconsumerpanel.org.uk/ourwork/Financial%20Protection/Advice%20Request%20Chris%20Kenny%20to%20ED.pdf>
3. The Panel's report on financial protection arrangements can be found here  
[http://www.legalservicesconsumerpanel.org.uk/publications/consultation\\_responses/index.html](http://www.legalservicesconsumerpanel.org.uk/publications/consultation_responses/index.html)
4. The LSB's response can be found on its website  
<http://www.legalservicesboard.org.uk/>
5. The Panel also published a separate think-piece on the wider issue of risk and responsibility which can be found here:  
<http://www.legalservicesconsumerpanel.org.uk/ourwork/Financial%20Protection/2013%2006%2010%20riskandresponsibility.pdf>