

Solicitors Regulation Authority  
Policy and Strategy Unit  
Compensation Arrangements Review  
The Cube  
199 Wharfside Street  
Birmingham B1 1RN

The logo for the Legal Services Consumer Panel is located in the top right corner. It consists of a blue circular shape on the left and a blue rectangular shape on the right. The text "LEGAL SERVICES CONSUMER PANEL" is written in white, uppercase letters within the blue shapes. "LEGAL" and "SERVICES" are stacked vertically in the top right, "CONSUMER" is in the middle, and "PANEL" is at the bottom.

LEGAL  
SERVICES  
CONSUMER  
PANEL

18 June 2014

### **SRA consultation on compensation arrangements review: introduction of an eligibility criteria**

The Panel would like to make a brief response to this consultation and in doing so indicate our overall support for introducing an eligibility criteria for claims on the SRA compensation fund.

The Consumer Panel itself has a remit to represent the interests of wide range of consumers but, as set out in our terms of reference, we prioritise those consumers who are less able to give voice to their own interests. Furthermore, our 2013 publication on *Financial Protection Arrangements* explicitly focused on individual consumers, small businesses and small charities. This was because we recognised that large corporate buyers are better able to assess risks and suffer less from the information asymmetries present for smaller consumers in the legal services market. Larger buyers may also have the market power to demand changes to standard terms where these do not provide them with adequate protection. We therefore support the SRA's proposed amendment to the definition of 'applicant' in the SRA handbook.

The consultation states that currently payment from the Compensation Fund is wholly discretionary and that the majority of claims made by larger and commercial organisations tend to be rejected. However, specific data on this is not published and we therefore urge that this gap in information is addressed, echoing the Panel's findings and recommendations in our publication on *Financial Protection Arrangements*. With regards to the substantive policy, we note the proposed change will codify existing practice, not alter the pattern of payouts – therefore, larger consumers will not lose out in practice following the changes.

We note that currently anyone can make an application to the fund free of charge, and they do not have to be a client of the closed firm. We have two important observations to make in this respect. First, it is vitally important that consumers continue to be able to apply to the fund free of charge. Applying a charge could have the consequence that some consumers,

who may already be out of pocket due to a lawyer's actions, will be excluded from being able to access the fund. Secondly, consumers may need to apply to the fund in circumstances where they are not the client of the closed firm. This could happen where money from an inheritance has been stolen or lost by a lawyer, for example. Clearly it is very important that consumers such as these can get access to compensation.

I hope these brief comments are helpful. Please contact Harriet Gamper, Consumer Panel Associate, with any enquiries.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Elisabeth Davies', with a horizontal line extending to the right.

Elisabeth Davies  
Chair