

CLASSIFICATION – PUBLIC

**SOLICITORS REGULATION AUTHORITY
Minutes of the SRA Board meeting
held on 9 September 2015 at 12:15pm
at the Grange Holborn Hotel, 50-60 Southampton Row, London, WC1B 4AR
PUBLIC**

Present: Enid Rowlands (Chair)
Julia Black
Graham Chisnall
Martin Coleman
Jane Furniss
David Heath
Cindy Leslie
Paul Marsh
Moni Mannings
Peter Phippen
Chris Randall
Elaine Williams
David Willis

In attendance: Paul Philip, Richard Collins, Robert Loughlin, Jane Malcolm, David Middleton, Juliet Oliver, Crispin Passmore and Dominic Tambling

1 APOLOGIES

1.1 The Chair welcomed everyone to the meeting including the journalists in attendance and Law Society observers. Apologies had been received from Bill Galvin and Shamit Saggarr.

2 MINUTES OF THE MEETING HELD ON 15 JULY 2015

2.1 The minutes of the meeting held on 15 July 2015 were agreed.

3 MATTERS ARISING AND DECLARATIONS OF INTEREST

3.1 There were no matters arising that were not covered on the agenda. The Board reviewed the action log and noted that:

- i a recommendation on possible extension of post six year run off cover would come to the Board in the New Year;
- ii action had been taken (including in a published letter from the Legal Services Board) to ensure that solicitors were aware what proportion of the Law Society (TLS) Group budget related to the SRA; and
- iii EDI committee members would be involved in the work on professional standards.

3.2 The solicitor members had previously declared their interests as solicitors and therefore part of the regulated profession. No other interests were declared.

SRA BOARD

4 CHAIR'S UPDATE

- 4.1 The Chair reported that the SRA would be attending party conferences for the first time that autumn. A full programme of activity would be in place including three fringe meetings covering equality and diversity issues at the Liberal Democrats conference and the Question of Trust consultation at the Labour and Conservative conferences. This was an important element of making sure that the SRA's role and direction of travel was better understood.
- 4.2 As part of the cultural change programme the Chair had addressed the Leadership Team and, along with Graham Chisnall and David Willis, had taken part in "Meet the Board" sessions to which all staff had been invited. All of the sessions had been interesting and more were planned for 2016.
- 4.3 The Chair thanked Moni Mannings for attending the TLS 2020 City focused roundtable.
- 4.4 The recruitment of new members for the SRA Board was progressing well. A long listing meeting had been held on 3 September 2015 and short listing would take place on 29 September 2015. Interviews for a new independent member of the Business and Oversight Board would take place on 17 September 2015 and interviews for a new Chair of Audit committee would take place on 18 September 2015.

5 COMMENTS RELATING TO THE CONFIDENTIAL SESSION

- 5.1 The Chair said that given that there had been no substantive discussion of the papers which would be discussed at the public meeting in the confidential session this agenda item should be dropped for future meetings.

6 CHIEF EXECUTIVE'S REPORT

- 6.1 Paul Philip drew the Board's attention to paragraph 3 of his report and the Legal Services Board's approval of our application on behalf of the TLS Group for the level of practising fees for 2015/16. The Legal Services Board had also approved changes to rules relating to Sole Practitioners following Board decisions made in March and June 2015.
- 6.2 Paragraph 4 discussed the warning notice which the SRA had published in response to a protocol issued by the London Criminal Courts Solicitors Association about legal action over criminal aid changes. Our focus had been on the obligation on solicitors to comply with the Handbook in their dealings with clients.
- 6.3 Operational performance continued to improve thanks to the continuing work of Robert Loughlin and his colleagues though Board members should note that the percentage of files closed within 12 months of receipt was 92%, not 94% as stated in paragraph 18 of the report.
- 6.4 A formal request had now been received from the LSB to complete our self assessment as part of its assessment of us against the Regulatory Standards. A draft would be presented to the Board at its 21 October 2015 meeting and a final version would need to be submitted to the LSB by the end of October.
- 6.5 Paul Philip reported that there had been a great deal of publicity in recent weeks about the consultation which had been held on PII. The consultation had been a

SRA BOARD

response to the LSB's decision not to approve proposed changes to PII in 2014 on the grounds that there was not enough evidence for the changes. The consultation had been wide ranging but had not contained any recommendations. Recommendations would be brought to the Board later in 2015 or in early 2016 but thus far none had been made in addition to those considered last year.

7 REGULATION OF CONSUMER CREDIT ACTIVITIES

- 7.1 Crispin Passmore explained that when the Board paper had been circulated a final set of rules to deal with changes to the arrangements for consumer credit activities had not been available. This would now be circulated in hard copy and e-mailed to the Board after the meeting for approval.
- 7.2 Board members congratulated the team on getting to this very acceptable outcome but asked about why the exemptions only allowed for a fixed and not variable rate of interest. Crispin Passmore said that the FCA took the view that variable rates required a higher level of regulation and so this point had been accepted, though it had been a compromise.
- 7.3 The Board agreed to:
- a) note the position with regards to guidance for SRA-authorised firms carrying on consumer credit activities;
 - b) note the outcome of the consultation on the regulation of consumer credit activities; and
 - c) consider the further version of the Draft SRA Amendments to Regulatory Arrangements (Consumer Credit) Rules [2015] and indicate whether they were content to make them by close on Monday 14 September 2015.
- 7.6 These rules would come into effect on 1 April 2016 subject to approval by FCA and the Legal Services Board

8 IMPROVING REGULATION: TARGETED AND PROPORTIONATE MEASURES

- 8.1 Enid Rowlands reminded the Board that Standards Committee had considered this item at its recent meeting and that Julia Black as Chair of the Committee had circulated a helpful note setting out the points on which the Committee had sought assurance.
- 8.2 Crispin Passmore introduced the paper which represented the latest step along the way to deregulation. It reported on a diverse range of proposals which had been consulted on and which for ease had been divided into three sections: authorisation changes; third party managed accounts; and other measures.
- 8.3 Board members expressed concerns about the proposals relating to third party managed accounts. Julia Black said that Standards Committee had looked for a different approach to the one currently on the table but had not been able to find one which did not involve a large number of ancillary changes. The recommendation was, in any case, to defer a decision on this matter and to incorporate it into a wider review of the rules.
- 8.4 Martin Coleman, Chair of the Education and Training Committee, said that there had been a number of questions from different quarters as to whether the introduction of an apprenticeship route to qualification as a solicitor would lower

SRA BOARD

standards. The answer was that it would not. This would simply be a different pathway into the profession and one that was designed to advance equality of opportunity and social mobility.

8.5 The Board:

- a) noted the summary of the outcome of the consultation “Improving regulation: proportionate and targeted measures”, together with the impact statement;
- b) agreed the proposal for deemed approval of compliance officers in sole practices and small firms;
- c) approved the proposal to remove the requirements for separate declarations from and notifications to prospective role holders, in addition to the applicant firm;
- d) amended the provisions in the Authorisation Rules which suggest that firms are required to carry out reserved legal activities in order to obtain/maintain authorisation;
- e) approved the proposals to:
 - a. remove the requirement for the SRA to approve individual managers within ABS corporate owners; and
 - b. remove the requirement that firms must notify the SRA of a manager deemed to be authorised as a manager or owner of an ABS at least 7 days in advance;
- f) deferred the decision on whether to make changes to the Rules to permit the use of third party managed accounts, and to incorporate this work into the wider review of the Rules due to report to a future meeting of the Board;
- g) agreed the proposal to allow us to refuse or impose conditions on renewal of a practising certificate where applicants have been involved in partnerships that have entered administration but have not yet been subject to insolvency or bankruptcy;
- h) noted the amended guidance in relation to recording non-material breaches;
- i) noted that some SRA literature that does not form part of the Handbook in relation to outsourcing and cloud computing would be amended;
- j) agreed that a new outcome should be added to the code of conduct to require firms to have in place appropriate arrangements for monitoring, reporting and publishing diversity data, and that the Indicative Behaviours should be amended to clarify that firms’ written equality and diversity policies need not be contained in one separate document;
- k) agreed to amend the rules to allow qualification as a solicitor through an apprenticeship route;
- l) noted the plan to carry out further investigative work on the issues raised by respondents in respect of referral fees for criminal and publicly funded work; and

SRA BOARD

- m) made the SRA Amendment to Regulatory Arrangements (Regulatory Reform Programme) Rules 2015, to come into force on 1 November 2015 subject to the approval of the Legal Services Board.

9 COMPENSATION FUND 2014 FINANCIAL STATEMENTS

- 9.1 Richard Collins introduced the paper and underlined the importance of the Compensation Fund which had paid out nearly £24m in grants in 2013/14. As at 24 October 2014 £56 million had been held in the fund. This was therefore the most substantial financial issue that the SRA dealt with and therefore needed to be treated with sufficient financial vigour.
- 9.2 Helen Herniman, the TLS Group's Chief Finance Officer reported that additional testing had been carried out on these statements to give sufficient assurance as to their accuracy. The Group's external auditors, PWC, had then audited the assurance work and were content with it. If the Board approved the Statements and Letters then they would also need to be approved by officers of the Law Society.
- 9.3 It was agreed that it would be helpful to know the profile of the firms the Fund was compensating on behalf of and those who are receiving compensation as this might help with the accusation that we over regulate.
- 9.4 The Board:
 - (a) agreed the Compensation Fund 2014 Financial Statements, Letter of Representation and Statement of Disclosure for the period ended 31 October 2014.

10 ANY OTHER BUSINESS

- 10.1 The Board noted the minutes of the Regulatory Risk Committee on 7 July 2015 and the Equality, Diversity and Inclusion Committee on 7 July 2015.

NEXT MEETING: WEDNESDAY 21 OCTOBER AT THE CUBE, 199 WHARFSIDE STREET, BIRMINGHAM, B1 COMMENCING AT 1:30PM

SRA BOARD

Solicitors Regulation Authority Action Log: Public - 21 October 2015

Meeting date	Paragraph	Action	Owner	Date for action
3 Dec 2014	6.4	Bring further recommendations to Board on possible extension of post six year run off cover for one or two years	Crispin Passmore	Early 2016
9 September 2015	7.1	Circulate Consumer Credit rules to Board members for approval	Dominic Tambling	9 September 2015

Solicitors Regulation Authority Board Record of Actions Completed: Public

Meeting date	Paragraph	Action	Owner	Date completed
3 June 2015	5.1	Ensure that solicitors are aware what proportion of the Group budget relates to the SRA.	Richard Collins/Jane Malcolm	9 September 2015
15 July 2015	7.3	Involve EDI Committee members in work on professional standards	Crispin Passmore	9 September 2015