

Standards and Regulations - Year Three evaluation of SRA reforms

3 May 2024

This report

This report highlights the key findings from our year three evaluation of the SRA Standards and Regulations and considers the impacts the reforms have had in the first three years since they were introduced.

The evaluation was externally commissioned and provides an independent assessment of the impact of the reforms. It builds on the year one 'direction of travel' study to provide further detail on impacts. Stakeholders were extensively engaged in the evaluation which gathered the views of consumers, solicitors and wider legal services organisations.

As part of our wider commitment to evaluate the impact of our changes, we have also published a [year three impact evaluation of the transparency rules](https://www.sra.org.uk/research-publications/year-three-evaluation-sra-transparency-rules/) [/[sra/research-publications/year-three-evaluation-sra-transparency-rules/](https://www.sra.org.uk/research-publications/year-three-evaluation-sra-transparency-rules/)].

Key findings from the year three evaluation

- Consumers using regulated firms demonstrate a high level of awareness of the protections available to them, with 89% reporting they were informed the provider was regulated and 52% reporting understanding the overall protections very or reasonably well.
- Awareness levels on protections, or limits/lack thereof, are lower for those using non-regulated providers.
- Levels of familiarity with, and understanding of, the Standards and Regulations remains high amongst solicitors. Four-fifths (82%) of those surveyed were familiar with the rules (compared to 73% at year one) and 72% said they understood them (74% at year one).
- Overall, law firms and individual solicitors report that the new Codes of Conduct and updated Principles have made it easier for them to do business and are less burdensome compared with the previous SRA Handbook. The majority of solicitors (58%) also report that the Standards and Regulations provide flexibility about how they work to a great or a reasonable extent and only 10% report that the Standards and Regulations provide no flexibility at all.
- The number of freelance solicitors continues to increase steadily from around 300 at the year one stage to around 600 at the time of the evaluation. This number has risen further to 650 at the start of 2024. This trend would appear to demonstrate that operating as an SRA-regulated freelance solicitor is an increasingly attractive practising model. However, anecdotal feedback suggests that the



challenge of obtaining professional indemnity insurance remains a barrier to pursuing this route.

- The number of solicitors offering services directly to the public while working outside an SRA-regulated organisation remains relatively low. Also, only 25% of solicitors responding to the survey were aware of this being an option and the rules around it.
- The new practising options are improving access to a solicitor and at a lower cost for consumers, however, the impact is limited due to the low take-up of these practising options.
- There continues to be high levels of understanding among the profession on rules relating to client money and the Account Rules:
 - 70% find the current Accounts Rules to be clear, with many reporting a reduction in administrative burden.
 - Compliance Officers for Legal Practice (COLPs) / Compliance Officers for Finance and Administration (COFAs) report that the rules are clear in relation to:
 - the definition of client money (96%),
 - when an Accountant's report is due (94%)
 - operation of third party-managed accounts (68%)
 - The majority of COLP/COFA (89%) also report that the SRA's Accounts Rules guidance helped them to comply with the rules and safeguard clients' money.

There has not been any significant increase in the level of complaints to the SRA since the Standards and Regulations were introduced. There have been proportionately fewer complaints regarding SRA regulated freelance solicitors than for non-freelance solicitors, although the sample size for this group is still relatively small.

Background and methodology

The Standards and Regulations

Our [Standards and Regulations \[solicitors/standards-regulations/\]](#) set out the requirements expected of our regulated community. In 2019 we introduced these reforms which placed greater trust in professional judgment and provided solicitors with greater flexibility about how and where they practise. We also redrafted our rulebook to introduce shorter, simpler rules and removed unnecessary prescription and outdated restrictions.

Other key changes included:

- Updating the principles that we expect solicitors to uphold
- Introducing separate codes of conduct for individuals and firms
- Streamlining our Accounts Rules to focus on keeping client money safe
- Simplifying our authorisation rules



- Introducing a new enforcement strategy – which provides greater clarity and transparency.

Since 2019, solicitors have been allowed to provide certain services directly to the public while working in ways other than through a regulated law firm. For example, this could be while working for an organisation or business we did not regulate, working in-house or working as a freelance solicitor.

Year three evaluation of the SRA Standards and Regulations

We commissioned the [Centre for Strategy and Evaluation Services](https://www.cses.co.uk/) (CSES) to undertake a Year Three evaluation of our Standards and Regulations reforms.

The main aim of the evaluation was to consider the impacts of the reforms on consumers of legal services, law firms, individual solicitors, and the wider legal services market.

Fieldwork was conducted between January 2023 and August 2023 and involved:

- a literature review and analysis of SRA data
- online surveys of 1,000 consumers of legal services
- in-depth interviews with 73 individual consumers and 52 small or medium-sized enterprises (SMEs)
- online survey of over 1,700 practising solicitors and 54 freelance solicitors
- in-depth interviews with 71 practising solicitors
- in-depth interviews with key consumer, professional and regulatory organisations.

Next steps

The evaluation found that the Standards and Regulations are broadly working as they were intended. It did not identify any significant issues for consumers, the profession or the legal services market.

The evaluation includes a range of specific recommendations and options, where researchers suggest we may want to focus our future work in order to further enhance the understanding and impact of the Standards and Regulations. We are already reviewing our rules, to identify whether changes to the rules could result in greater understanding and clarity for the profession. For example:

Although the research found there was good general understanding of our rules, it did highlight specific areas where a significant minority of those surveyed may not be aware of or understand certain rules. And there were similar findings on awareness or understanding of the

opportunities provided through the regulations. We are considering how to address this, and are particularly keen to focus on areas where such misunderstanding, or lack of awareness, may lead to potentially negative impacts on consumers, or be placing unnecessary burden upon firms.

We concluded in June 2023 a public consultation on minor changes to the Standards and Regulation which sought to address where the rules either had unintended knock-on consequences or where greater clarity was needed according to feedback from the profession. We are already progressing the recommendation focusing on gathering and improving the data we hold on the number of solicitors delivering services to the public whilst working for non-regulated organisations. This is potentially important information to improving access to legal services to the public. Work to understand how we achieve this is ongoing.

Moving forward, we will continue to review the long-term impact of these reforms, and we will consider how we can incorporate further learnings from this evaluation, in line with our commitment to evaluating the impact of our work across all major policy areas.

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Executive summary

In November 2019, the Solicitors Regulation Authority (SRA) introduced the Standards and Regulations reforms. The reforms were intended to eliminate outdated prescriptive rules and unnecessary bureaucracy, place greater trust in solicitors' professional judgment, provide solicitors with more flexibility about how they work and provide consumers with more choice about how and where to access legal services. They were developed over a four-year period, and informed by four major public consultations.

The reforms include:

- updated Principles, new and separate Codes of Conduct for individual solicitors and for firms
- allowing solicitors to provide legal services to the public on a freelance basis or in an entity not regulated by the SRA (subject to certain conditions and restrictions)
- reforms to the certain specific rules, for example, around authorisation of individuals and firms
- reforms of Accounts Rules
- a revision to the SRA's Enforcement Strategy, which was introduced in February 2019 and anticipated the other reforms by increasing the focus on the most serious issues.

The evaluation

On behalf of the SRA, the Centre for Strategy and Evaluation Services (CSES) has undertaken a Year Three evaluation of the Standards and Regulations reforms. It builds on the Year One evaluation completed in 2021. The evaluation has considered impacts on consumers of legal services, law firms, individual solicitors, and the wider legal services market. It explored any emerging unforeseen risks or unintended consequences, which may prompt adaptations to particular reforms or require regulatory attention. The evaluation has examined the impact of the reforms against what was expected and aims to ensure that lessons learned are fed back into the decision-making process. The SRA is also planning a further evaluation after five years.

The evaluation was conducted between January 2023 and December 2023. It featured a review of literature and media articles, analysis of SRA data, consultations of industry stakeholders (e.g. bodies representing consumers or solicitors), online surveys of consumers, solicitors and freelance solicitors, and interviews of consumers and solicitors.

Type	Consultation mechanism	Total
Practising solicitors (other than freelance solicitors)	On-line survey	1,718
Freelance solicitors	On-line survey	54
Practising solicitors	Interviews	71
Consumers	On-line pre-survey to identify those having had a legal need and having sought or made use of legal services	5,000
Consumers	On-line survey to explore experiences and opinions of those having sought or made use of legal services	1,000
Consumers	Interviews	125
Bodies representing solicitors	Interviews	5
Provider of insurance for the profession	Interview	1

Key findings

The key findings from the research are grouped around the three main objectives of the Standards and Regulations reforms, namely to: i) focus on high professional standards; ii) make it easier for solicitors and firms to do business; iii) make it easier for the public to access legal services.

Focus on high professional standards

A first objective of the reforms was to make the SRA Standards and Regulations focus more on what matters, i.e. high professional standards. This was to be achieved in part through shortening and simplifying the rules and standards that apply to solicitors as individuals, and regulations that apply to regulated providers placing greater trust in a solicitor's professional judgment. The SRA Code of Conduct (2011) was replaced with a separate Code of Conduct for Firms and a separate Code of Conduct for Solicitors, Registered European Lawyers (RELs) and Registered Foreign Lawyers (RFLs). At the same time, a revised set of Principles was introduced. The SRA also introduced a new Enforcement Strategy.

Evidence from the evaluation suggests that this objective has largely been achieved. Almost three quarters of solicitors (71%) report that the current Standards and Regulations trust solicitors to exercise their professional judgment to a great or a reasonable extent. This builds on the positive situation at the Year One stage, when just over half of solicitors (51%) reported that, compared with the previous SRA Handbook, the Standards and Regulations placed more trust in solicitors to exercise their professional judgment and 29% reported that they placed the same level of trust. The focus on high professional standards is also helped by a high level of familiarity with and understanding of the Standards and Regulations: more solicitors are familiar with the Standards and Regulations (82%) than at the Year One stage (73%). There is a similar level of understanding of the Standards and Regulations (72%) compared with Year One (74%).

Notwithstanding this, a minority of solicitors remain dissatisfied with the move from a prescriptive approach and concerned about future risks. As at Year One, the qualitative evidence suggests that some solicitors perceive a lack of certainty and a risk of the SRA coming to a different interpretation of the Standards and Regulations to them. A few solicitors report difficulties or uncertainties with specific Standards and Regulations, such as those relating to the prevention of money-laundering.¹ Some solicitors continue to perceive the risks identified at Year One in relation to enforcement: the risk of an inflexible approach to enforcement, risk of investigations taking an unduly long time and risk of enforcement actions being taken in relation to behaviours that do not impinge on professional conduct.

Ease of doing business

A second objective of the reforms was to make it easier for solicitors and firms to do business. For the profession as a whole, this was to be achieved in part through the move from the SRA Handbook to the Standards and Regulations (as described above). A number of reforms also aimed to make it easier for individual solicitors or specific types of organisation to do business. New options were introduced for practising solicitors to serve the public from outside LSA-regulated law firms: either

on a freelance basis or via non-regulated entities. Revisions to the rules relating to client accounts were intended to make it easier for regulated law firms to do business. The SRA also revised certain rules related to the authorisation of firms and individuals.

Evidence from the evaluation suggests that this second objective has largely been achieved, although the benefits arise in different ways for different solicitors and firms, depending on the various reforms, as explained next.

Principles and Codes of Conduct

Overall, law firms and individual solicitors report that the new Codes and updated Principles have made it easier for them to do business compared with the previous SRA Handbook. At the Year One stage, more practising solicitors reported that the Standards and Regulations had reduced (37%) rather than increased (20%) the burden associated with compliance (whilst another 34% reported that the burden had remained the same). At this Year Three stage, only 19% report that the current Standards and Regulations are very burdensome. The majority of solicitors (58%) also report that the Standards and Regulations provide flexibility about how they work to a great or a reasonable extent and only 10% report that the Standards and Regulations provide no flexibility at all. Again, this positive finding builds on the positive finding at the Year One stage, when more than half (54%) reported that the Standards and Regulations provided solicitors with more flexibility about how they work compared with the previous SRA Handbook.

Practising flexibly: freelance solicitors

Since November 2019, individual solicitors have been allowed to provide legal services to the public on a freelance basis without being authorised as an entity. A freelance solicitor is a self-employed solicitor who practises on their own and in their own name, does not employ anyone and is engaged directly by clients with fees payable directly to them without that practice being authorised². To provide reserved legal activities, they must satisfy certain conditions, such as having at least three years' practising experience since admission or registration, having adequate and appropriate professional indemnity insurance (PII), and only holding client money when it is for payments on account of costs and disbursements not yet billed. Freelance solicitors are not allowed to provide immigration services, claims management or regulated financial services, unless regulated by another suitable regulator. This reform aimed both to improve consumers' access to solicitors (see below) and to make it easier for solicitors to do business.

There has been a steady increase in the number of freelancers from around 300 at the Year One stage to nearly 550 at the Year Three stage. Although this accounts for less than 1% of practising solicitors, this



demonstrates that freelancing is a viable and increasingly attractive practising model. Only 2 of 52 freelance solicitors responding to the survey reported ceasing to operate on a freelance basis. Compared with the overall population of practising solicitors, freelance solicitors are more likely to be male (61% versus 48%) but less likely to be white (70% versus 81%). They are more likely than solicitors in general to be Asian/British Asian (17% versus 12%) or Black/Black British (8% versus 3%).

Freelancing mostly represents a shift in provision to the public rather than an expansion of provision. The majority of freelancers responding to the survey (34/48) previously worked in an LSA-regulated law firm (including registered sole practitioners), whereas the others had worked as in-house solicitors or were previously non-practising.

The freelance solicitor role clearly provides a range of benefits to practitioners, mostly in terms of how they operate. Typically, they take up the freelance option in the later stages of their career, as evidenced by the fact that the average age (51 years) is older than the average age of the overall population of solicitors (44 years). To operate more flexibly (79%) and gain more independence (75%) were the two motivational factors most stated as very or reasonably important to freelance solicitors. A better work life balance was also seen as important with 63% of respondents selecting it as very or reasonably important. These results correspond closely with the Year One results, with considerations as to how they can operate also the primary motivation at this stage. Evidence from the qualitative interviews also demonstrates that operational considerations are salient motivational factors. The desire to work flexibly and in a more balanced way was often linked to the stage of career that interviewees were currently in, which was often following on from an extended period of work within a legal firm, including at a senior level. The opportunity to combine freelance work alongside childcare was also highlighted.

There are a range of operating models that freelance solicitors have adopted, which perhaps reflects the importance that freelancers place on flexibility. The majority of freelance solicitors responding to the survey (29 or 60%) reported that they work solely on a freelance basis. These individuals often work from home and tend not to share premises, or operate from an office. They often base their work around members of the public that they serve in the community, and gain new clients through word of mouth. Their operating model also permits them to conduct meetings at clients' residences, which could be a benefit in some instances, for example, clients with mobility issues. They may work a relatively limited number of hours per week.

Alternatively, some freelance solicitors combine their freelance role with an in-house solicitor role. Feedback from the qualitative interviews outlined how freelancers would combine their work alongside

consultancy assignments for law firms, with freelancers sometimes undertaking work as a consultant that they would not be able to complete as a freelancer, including elements of conveyancing. Such freelancers may have in-depth knowledge of niche legal topics for which they provide services to legal firms.

One persistent barrier to the take-up of the freelance solicitor role is the challenge of obtaining professional indemnity insurance (PII), with 9 out of 41 responding to the survey reporting that they had been unable to obtain it. Challenges in obtaining PII was one of the key themes that emerged from the freelance solicitor interviews with interviewees suggesting that support should be put in place to support freelance solicitors in their efforts to obtain suitable insurance. Occasionally, freelance solicitors may have to adapt their operating model in order to obtain suitable insurance, for example through joining professional associations which offer insurance.

The current restrictions on provision of immigration services and claims management are limiting the take-up of the freelance option by solicitors who specialise in these fields. Indeed, 23% of practising solicitors (non-freelancers) reported that the restrictions on immigration and claims management would be a barrier to them taking up the freelance option. However, there is support from the profession for the maintenance of such restrictions: of non-freelance solicitors responding to the survey, 48% disagreed that the restriction on providing immigration services should be lifted, whilst only 13% agreed. For claims management, 49% disagreed and only 11% agreed.

Practising flexibly: solicitors serving the public via non-regulated entities

Another reform aimed to provide greater flexibility for solicitors and firms by allowing solicitors to provide non-reserved legal activities to the public whilst practising in an organisation not regulated under the LSA. Previously, solicitors working in such organisations could not provide any services to the public, except in specific circumstances. The reform was introduced in part to address concerns that the previous regulations may have been adversely impacting on competition and consumers, by restricting choice and not allowing consumers to access the services of a solicitor outside a regulated organisation. The regulations also limited the opportunities for solicitors to work in different types of organisations. By removing these requirements, the SRA's aim was to allow solicitors greater flexibility to deliver non-reserved legal activities through a range of different business structures and service providers and in ways which are most responsive to their customers. Solicitors providing services in this way must inform their customers of the organisation's non-LSA-regulated status and of protections available to them, most notably that the client has access to the Legal Ombudsman but not the SRA Compensation Fund. This reform aimed both to improve consumers'

access to solicitors (see below) and to make it easier for solicitors to do business.

Evidence from the current evaluation suggests that the reform is providing benefit for those non-regulated entities and solicitors that choose to provide services in this way, but take-up remains modest. Only 21 of 183 (12%) solicitors working in non-LSA regulated organisations who answered this question in the survey reported that their organisation provided legal services to the public, which represents a decrease from the Year One stage for which the figure was 17%. Notwithstanding this, such providers may have gained more of a foothold in the market, and over time have developed their legal services offer to be more competitive.

Take-up of this form of legal service provision remains limited by the preferences or perceptions of solicitors and law firms. Of 156 solicitors responding to the survey who practised in non-LSA regulated organisations not currently serving the public, 85 (55%) stated that their organisation does not wish to do so. Only 85 out of 191 (45%) solicitors who answered this question in the survey reported that the rules on solicitors in non-LSA regulated organisations providing legal services to the public were either very clear or reasonably clear; this represents a reduction from the figure of 61% at the Year One stage. Some interviewees stated that their firm had considered the creation of a non-regulated entity, for discrete parts of work, but it was not enough of a priority for them to focus on it in the short-term, though it may remain a prospect for the future. For some interviewees, whilst their firm had considered doing so, they were put off by the administrative burden that such a move might entail. For some of the interviewees, they would not countenance such a step, as in doing so, the reputation and branding of their organisation could be harmed. For some of those in SRA-regulated firms, this step could potentially compromise professional standards and diminish the standing of solicitors.

Accounts Rules

The SRA shortened and simplified the Accounts Rules in order to ensure a better focus on keeping client money safe and separate, while removing unnecessary prescription about how firms manage their finances. The reforms included: simplification of the Rules; revised definition of client money and client liability; confirming the use of third-party managed accounts (TPMAs); updated rules on accountants' reports and when they are due; updated rules about how firms manage clients' own bank accounts (where the firm is a signatory) or joint accounts.

The reform of the Accounts Rules has brought increased clarity and reduced the administrative burden for firms. Of the practising solicitors responding to the survey who are familiar with the Standards and Regulations, the majority (70%) find the current Accounts Rules to be

reasonably clear or very clear, which represents an increase compared with Year One (65%). Moreover, a very large majority of the COLP/COFAs continue to report that the rules are clear in relation to the definition of client money (96% at Year Three versus 91% at Year One), operation of third party-managed accounts (68% at Year Three versus 70% at Year One) and when an Accountant's report is due (94% at Year Three versus 86% at Year One). The majority of COLP/COFAs (71%) report that the new Accounts rules are only slightly burdensome or not burdensome at all, which builds on the positive finding from Year One, when a majority of COLP/COFAs reported that the new Accounts rules were less or no more burdensome than the previous rules. The majority of COLP/COFAs (89%) also report that the SRA's Accounts Rules guidance helped them to comply with the rules and safeguard clients' money to a great or reasonable extent.

The full benefits of the new Accounts Rules have been limited by low take-up of the specific new possibilities. Of the COLP/COFAs whose firm handled client money and was not able to rely on the exemption not to have to operate a client account, only 2% reported that the firm had stopped or was planning to stop operating a client account in response to the reforms. This compares to 1% who had stopped at the Year One stage. Demand for TPMAs has been low with only 1% of COLP/COFAs reporting that their firm operated one, none of whom reported lower costs. The interviews of solicitors suggest that the revised rules, by themselves, have not particularly affected firms' choices about whether and how to handle client money. However, law firms, particularly small ones, value the revised rules and the possibility to apply their own judgment, for example, around not needing to distribute tiny amounts of residual funds in probate matters.

Authorisation reforms

The SRA revised certain rules related to the authorisation of firms and individuals. As at Year One, only a small proportion of firms or solicitors have been affected by these reforms, although those that are familiar with the new rules are mostly positive about them.

Access to legal services

A third objective of the reforms was to make it easier for the public to access legal services. The evidence from this evaluation suggests that the reforms have contributed to this objective, but that challenges remain and other factors perhaps remain more influential on consumer access to legal services.

The new practising options have had modest impact on consumer choice, given the relatively limited take-up. Consumers are now able to access a solicitor via non-regulated entities, although take-up of this option does not appear to have increased since Year One. As noted



above, around 550 solicitors are practising on a freelance basis, with some providing services on a more flexible basis than law firms. This mostly represents a shift in the form of provision rather than an expansion, given that 69% of freelance solicitors were previously serving the public via regulated entities. However, there has been some widening of the pool of solicitors serving the public, given that the remaining 31% of freelance solicitors were not previously serving the public via regulated entities. Nonetheless, freelance solicitors and non-regulated providers are seen by consumers and solicitors as offering a price advantage over law firms. For example, lower prices offered by solicitors was the impact most commonly observed by respondents to the survey of solicitors. There is also some evidence that freelancers are providing better access to solicitors for less well-off consumers. For example, the survey of consumers showed that those with a household income of less than £20,000 were more likely to use freelance solicitors than law firms.

Challenges remain around consumer awareness of the status of different types of provider and the protections available to them. Those using an LSA-authorized provider demonstrate a high level of awareness of the provider's regulated status and of the protections available to them; in this, they are helped by the fact regulated entities consistently provide written information to consumers about the protections available to them. In contrast, the limited evidence available suggests uncertainty over consumers' awareness of the status of the organisation and the lower level of consumer protection when using a solicitor in a non-regulated entity; consumers using such providers tend instead to rely on trust and reputation. Freelance solicitors report making appropriate efforts to inform the clients about their freelance status and the consumer protections available. Despite those efforts, only 7 of the 51 consumers responding to the survey who had used a freelance solicitor, reported being aware that the freelance solicitor did not offer the same protections as a law firm.

The consumers responding to the survey expressed high levels of satisfaction with the quality of service across all types of provider. Individuals and businesses who used a solicitor reported that their needs were met, with expected outcomes and few surprises.

There is no evidence of any increase in consumer harm as a result of the Standards and Regulations reforms. There has been no increase in total complaints made by consumers to the SRA since the reforms were introduced. Solicitors making use of the new forms of flexible practice attract fewer complaints to the SRA on average than those practising in LSA-authorized entities. Solicitors making use of the new forms of flexible practice tend to attract the same types of complaints as those practising in LSA-authorized entities. Consumers using all types of provider retain a high level of confidence in legal professionals in terms of service quality.



Conclusions

- 1. The current Standards and Regulations are widely understood and accepted amongst the profession and thus contributing to a greater focus on high professional standards.** The Year One evaluation showed that, compared with the previous SRA Handbook, the Standards and Regulations placed more trust in solicitors to exercise their professional judgment, provided solicitors with more flexibility about how they work and were less burdensome or at least no more burdensome to comply with. At the Year Three stage, the levels of familiarity with and understanding of the Standards and Regulations remain high and the administrative burden is not excessively burdensome for most providers.
- 2. Whilst the worst risks raised by some prior to the reforms have not been realised, a minority of solicitors remain dissatisfied with the move from a prescriptive approach and concerned about future risks.** The main perceived risks here include a lack of clarity for solicitors, the risk of enabling poor practice and the risk of the SRA arriving at a different interpretation to that of solicitors. Whilst these views are strongly held by some solicitors, those interviewed or consulted via the survey tended not to provide concrete evidence of such risks being realised in practice.
- 3. Linked to this, some solicitors perceive risks related to the SRA Enforcement Strategy.** Again, although only held by a minority, this view is strongly held. The concern here is that the move away from a prescriptive approach has resulted or risks resulting in an inconsistent or inappropriate approach to enforcement. Key issues include the risk of enforcement action being taken in relation to conduct not related to professional practice, enforcement actions not focusing on the most serious breaches, delays in completing investigations and the risk that solicitors of limited means accept findings against them that they would otherwise have challenged due to not being able to recover any legal fees in the event that they are exonerated.
- 4. The reforms have made it easier for solicitors and regulated law firms to do business, although for most the benefits are modest.** Solicitors and firms mostly report that the Standards and Regulations offer increased clarity and flexibility and a lighter administrative burden compared with the previous SRA Handbook. Although only modest numbers of firms have taken up the new options around authorisation or the operation of client accounts, those that have report increased ease of doing business.
- 5. The freelance option has made it considerably easier for a small but growing number of solicitors to do business.** Whilst the total numbers remain modest (around 550), those that have taken up the freelance option report that they are gaining the expected benefits. These mostly relate to the method of operation (better work-life balance, practising more flexibly, having more



independence, lower operating costs) rather than increased income or provision of different services. However, some freelance solicitors feel disadvantaged by not being able to use the SRA's clickable logo.

6. **The option for solicitors to serve the public via non-regulated entities has made it considerably easier for some providers to do business, but barriers remain to the expansion of this form of provision.** Whilst take-up remains modest (with no evidence of increase since Year One), those practising in this way report being able to compete with law firms and with non-solicitors. Moreover, the survey evidence shows a small number of law firms shifting part of their business into non-regulated entities. Possible barriers to the expansion of this form of provision include low levels of awareness of the possibility to practice in this way and low levels of understanding and awareness of the relevant rules.
7. **The new practising options, where adopted, are enabling consumers to have access to a solicitor at lower cost but are not yet sufficiently widespread to have an effect on prices across the legal services market.** Solicitors practising on a freelance basis or serving the public via a non-regulated entity report that they benefit from lower costs and their clients benefit from lower prices, whilst lower prices was the impact of such forms of provision most often observed by other solicitors. However, the limited take-up of these options means that such competition has to date been limited.
8. **There does not appear to have been any significant increase in risk to consumers.** There has not been any significant increases in complaints to the SRA and complaints against freelancers are lower than for non-freelance solicitors. There has also been no increase in complaints related to client money. The survey and interviews of consumers suggest broadly high levels of satisfaction across different types of provider, albeit with a need for better communication about (un)available protections. This positive finding must be seen in the context of relatively limited take-up of the two new practising options, although the evidence does not suggest that greater take-up would necessarily increase the risk.

Recommendations

1. **The SRA should continue to make only minor revisions of the principles and Codes of Conduct over the next few years, as necessary, rather than major reforms.** Given that the principles and separate Codes are generally understood and working well, with the profession having made the necessary adaptations, it would make sense to have a period of stability without further major reforms.
2. **The SRA should review its enforcement actions in light of the risks perceived by some solicitors, if only to reassure**



the minority of solicitors that express concern. These includes the risk of an inflexible approach to enforcement and the risk of enforcement actions being taken in relation to conduct outside of legal practice that does not affect the delivery of safe legal services. Whilst the evidence does not demonstrate that these risks have arisen in practice, such monitoring would at least provide the necessary data to enable the SRA to address any issues at an early stage and provide reassurance to the profession.

3. **The SRA should consider additional communication efforts to ensure that the profession is aware of the possibility for SRA-regulated firms have addresses in Northern Ireland or Scotland.** Although the SRA is not specifically promoting this option (leaving it instead to firms to make their own choices), such communication efforts would ensure that the development of online or cross-border services is not unduly restricted by a lack of awareness of this option.
4. **The SRA should consider additional communication efforts to increase awareness of and understanding of the possibility for solicitors to provide services to the public via non-regulated entities.** This would reduce the risk that take-up of this form of provision is limited by low levels of awareness of the possibility to practice in this way and low levels of understanding and awareness of the relevant rules.
5. **The SRA should provide more clarity around specific rules that some solicitors reported to found challenging or unclear, such as those relating to prevention of money-laundering.** Whilst there was insufficient evidence to demonstrate any level of harm related to these rules, improved clarity might help solicitors in their day-to-day practice.
6. **The SRA should consider more systematic gathering and monitoring of data about the number and profile of solicitors in non-LSA-regulated entities providing legal services to the public.** This would allow the SRA more opportunity to mitigate risks and also to identify impacts and communicate successes. Mitigation of risks might include additional steps to ensure that solicitors in non-regulated organisations adequately inform their clients about their status and the relevant consumer protections.
7. **The SRA could monitor key indicators that relate to the extent to which regulated firms move all or part of their services outside the scope of SRA regulation,** such as the level of fee income or the number of regulated firms with a view to identifying any indication of significant or sustained movement of firms outside of SRA regulation. Of course, the aim of such monitoring is not to discourage or prevent such movement, but would instead be to understand any trends in order to better identify impacts and assess risks.
8. **The SRA should take steps to increase solicitors' understanding of the freelance role.** There is a cohort of



solicitors that describe themselves or are described by other solicitors as "freelancers"; but who fall outside of the SRA's definition of freelance solicitor and who have not informed the SRA of an intention to practise on a freelance basis. For example, this may include some solicitors acting as consultants for law firms. This does not pose any particular risks to the profession or to consumers but there would be benefits from ensuring that the freelance role is understood as being distinct from other roles.

9. **The SRA should explore the possibility for freelance solicitors to provide immigration and claims management services, whilst taking into account any risks of increased consumer harm.** This would potentially make it easier for solicitors specialising in such services to do business (i.e. by starting to practice on a freelance basis). To the extent that the removal of restrictions increases take-up of the freelance option, this could also increase consumer choice and access.
10. **The SRA should consider allowing freelance solicitors to add the SRA clickable log to their websites or providing a suitable alternative identifier.** This would address the concerns expressed by those freelance solicitors who felt disadvantaged by not being able to use the logo. It would also provide additional reassurance to consumers considering using a freelance solicitor.

[Introduction](#)

Purpose of the report

In January 2023, the Solicitors Regulation Authority (SRA) commissioned the Centre for Strategy and Evaluation Services (CSES) to provide a Year Three evaluation of the Standards and Regulation reforms introduced in November 2019.

The specific objectives of the Year Three evaluation were to:

- evaluate the effectiveness of the overall approach, including those aspects that had been most effective and those that had not worked so well
- assess the impacts on solicitors, law firms, consumers and the wider legal services market
- identify detrimental emerging risks or unintended consequences; and
- identify potential areas for improvement.

The study has examined the impact of the reforms against what was expected and is designed to ensure that lessons learned are fed back into the decision-making process. It builds on but goes beyond a similar evaluation at the Year One stage, which provided information on the 'direction of travel' at that early stage. The SRA is planning a further evaluation after five years.

Focus of the study

On 25 November 2019, the SRA introduced the new Standards and Regulations reforms. [3](#) The reforms were based on the SRA's 2015 position paper "Looking to the future", which outlined the SRA's new model for regulating legal services. This model centres on a targeted and proportionate regulatory approach, which is fit for purpose in a fast-changing and dynamic sector. As well as modernising the SRA's rules, the reforms were designed to focus the SRA's activity on the core purpose of providing protection for the public and supporting the operation of the rule of law and the proper administration of justice.

The 2019 reforms represented a substantial overhaul of the rules governing the way that solicitors practice, the aim being to place greater trust in professional judgment, eliminate outdated prescriptive rules and provide solicitors with more flexibility about how they work. By introducing the reforms, the SRA aimed to facilitate a focus on high professional standards rather than simply on compliance with rules and also to give solicitors the freedom to run their businesses as best suits them and their clients. The reforms were developed over a four-year period, and informed by four major public consultations, with more than 35,000 members of the public, the profession and wider stakeholders getting involved. Their introduction was supported by a major communications effort targeted at solicitors, law firms, and other industry stakeholders. The revised Standards and Regulations are also complemented by a revised Enforcement Strategy introduced in February 2019.

The main Standards and Regulations reforms are as follows.

- Practising flexibly reforms:
 - updated SRA Principles: these comprise the fundamental tenets of ethical behaviour that the SRA expects all solicitors to uphold [4](#)
 - replacing the SRA Code of Conduct (2011) with a separate Code of Conduct for Firms and a separate Code of Conduct for Solicitors, Registered European Lawyers (REs) and Registered Foreign Lawyers (RFLs)
 - allowing solicitors to provide legal services to the public on a freelance basis in certain circumstances, including reserved legal activities [5](#)
 - allowing solicitors to provide legal services to the public in an entity not regulated by the SRA or another legal services regulator, under certain circumstances.
- Reforms to specific rules, including changes to the:
 - requirement to have a practising address in England and Wales
 - forming and managing authorised bodies rules
 - 'qualified to supervise' rule
 - assessing character and suitability



- approving managers and owners
- regulation of overseas practices.
- Reforms to Accounts Rules, including:
 - revised definition of client money and client liability
 - use of Third Party Managed Accounts (TPMA)
 - revisions to rules on Accountants' reports and when they are due
 - revisions to rules governing joint bank accounts or clients' own bank accounts.
- Revision to the SRA's Enforcement Strategy, which was introduced in February 2019 and anticipated the other reforms by increasing the focus on the most serious issues.

Fuller descriptions of each reform are provided in the relevant sections presenting the study findings for each reform.

Methodology

The evaluation gathered a mix of quantitative and qualitative data and evidence from the following sources:

- literature review: including key publications of the SRA, reports or statements of opinion/policy by key stakeholders, academic papers and media articles.
- analysis of SRA data relating to the number and profile of solicitors and firms regulated by the SRA, reasons for firm closure, firms holding (or ceasing to hold) client money, accountants' reports, complaints made against solicitors, enforcement actions taken, and SRA fee income. Where appropriate, significance tests were undertaken at the 95% confidence level.^{[6](#)}
- online surveys of freelance solicitors and other solicitors. The response rate to the surveys is presented in the table below.

Table 1 Volume of survey responses

Type	Full response	Partial response	Total
Practising solicitors (other than freelance solicitors)	933	785	1,718
Freelance solicitors	37	17	54
TOTALS	970	802	1,772

- consultations of practising solicitors: practising solicitors as well as freelance solicitors responding to the survey were invited to state their willingness to participate in a research interview to explore their experiences and opinions in more depth. All those that responded received an invitation to participate in an interview, and 71 were interviewed.



- consultations of stakeholders: five bodies representing the profession and one provider of insurance for the legal profession.
- online surveys of consumers in August 2023: a first survey of 5,000 consumers was used to identify 1,000 consumers who had used legal services in the last three years; the second survey explored the choices and experiences of those 1,000 consumers.
- consultations of consumers: 73 individual consumers and 52 small or medium-sized enterprises (SMEs) consumers were interviewed regarding their experience of receiving services from solicitors practising in non-regulated organisations or in law firms.

Focus on high professional standards

A first objective of the reforms was to make the SRA rules focus more on what matters, i.e. high professional standards. This was to be achieved in part through shortening and simplifying the rules and standards that apply to solicitors as individuals, and regulations that apply to regulated providers. Specific reforms were introduced in relation to the authorisation of solicitors and firms. The SRA also introduced a new Enforcement Strategy.

Principles and Codes of Conduct

The reform

The SRA Code of Conduct (2011) was replaced with a separate Code of Conduct for Firms and a Code of Conduct for Solicitors, Registered European Lawyers (RELS) and Registered Foreign Lawyers (RFLs). At the same time, a revised set of Principles was introduced. The new Codes and updated Principles are based on clear universal standards but are less prescriptive, the intention being to allow solicitors more scope to use their professional judgment.

Clarity

Familiarity with the Standards and Regulations has increased since Year One, according to the surveys of solicitors. As shown by Figure 1 below, the percentage of practising solicitors that were familiar with the Standards and Regulations to a great or reasonable extent increased to 82% at Year Three from 73% at Year One. This shows that solicitors both made the effort to familiarise themselves with the Standards and Regulations soon after they were introduced in November 2019 and continue to familiarise themselves, as necessary.

Figure 1 Extent of familiarity with the current Standards and Regulations

Source: CSES survey of solicitors

Familiarity is lowest amongst solicitors with less than two years' post-qualification experience. Indeed, some 29% reported being familiar only to a slight extent or not at all. Thus, any efforts to increase familiarity with the Standards and Regulations might be best focussed on the least experienced solicitors.

Figure 2 Familiarity with the Standards and Regulations by years of post-qualification experience

Source: CSES survey of solicitors

There continues to be a high level of understanding of the Standards and Regulations amongst those solicitors that are familiar with them. As shown in Figure 3 below, of the solicitors that reported being familiar with the Standards and Regulations, 72% reported that they understand them very or reasonably well, compared with 74% at the Year One stage.⁷ [\[#n7\]](#) The difference between the two results is not statistically significant, which suggests no fall in the level of understanding.

Figure 3 Level of understanding of the current Standards and Regulations

Source: CSES survey of solicitors

Effects

There is a divergence of views regarding the extent to which the current Standards and Regulations are burdensome. At the Year Three stage, just over half of solicitors (51%) report them to be very or fairly burdensome, whereas less than half (44%) report them to be slightly burdensome or not burdensome at all. However, to put this into context, the evidence does not suggest any greater burden than prior to the introduction of the Standards and Regulations; at the Year One stage, more practising solicitors reported that the Standards and Regulations had reduced (37%) rather than increased (20%) the burden associated with compliance compared with the previous SRA Handbook.

Figure 4 Burden associated with the Standards and Regulations

Source: CSES survey of solicitors



The majority of solicitors (71%) report that the Standards and Regulations trust solicitors to exercise their professional judgment to a great or reasonable extent. Moreover, this positive finding builds on the positive finding at the Year One stage, when just over half of solicitors (51%) reported that the Standards and Regulations placed more trust in solicitors to exercise their professional judgement and only 12% reported less trust (29% reported about the same) compared with the previous SRA Handbook.

Figure 5 Trust in solicitors' professional judgment

Source: CSES survey of solicitors

The majority of solicitors (58%) report that the Standards and Regulations provide flexibility about how they work to a great or a reasonable extent. Only 10% report that the Standards and Regulations provide no flexibility at all. Again, this positive finding builds on the positive finding at the Year One stage, when more than half (54%) reported that the Standards and Regulations provided solicitors with more flexibility about how they work and only 11% reported less flexibility (27% reported about the same) compared with the previous SRA Handbook.

Figure 6 Flexibility provided by the Standards and Regulations

Source: CSES survey of solicitors

Some solicitors remain dissatisfied with the move away from a prescriptive approach and are concerned about future risks. Although the majority of solicitors are broadly satisfied with the current Standards and Regulations (for example, as evidenced by the two previous figures), many solicitors expressed strong dissatisfaction when given an opportunity to do so through the interviews and through qualitative responses to open questions in the survey. None gave concrete instances of having to change their practice but they consistently referred to two main risks. These risks were that, first, SRA arrives at a different interpretation of the Standards and Regulations from solicitors acting in good faith and, second, the less prescriptive approach provides greater opportunity for unscrupulous or incompetent solicitors to practise. Although those expressing this view tended not to provide concrete evidence of such risks being realised in practice, they nonetheless expressed reduced trust in the SRA. Many of those dissatisfied with the move from a prescriptive approach reported that they referred back to the SRA Handbook when seeking clarity.



The creation of separate Codes for firms and individual solicitors is largely accepted by the profession. The solicitors interviewed were almost unanimous in reporting that the creation of separate Codes made little difference to them. Those who disagreed with the creation of separate Codes did not report major impacts, only minor inconveniences. Moreover, those who expressed strong dissatisfaction with the Standards and Regulations rarely mentioned the creation of separate Codes as being problematic; their greatest concern was most often the move away from a prescriptive approach.

Some solicitors highlighted a number of specific Standards and Regulations as being problematic for them. These were mentioned spontaneously in response to open questions in the survey and interviews. Thus, they do not necessarily affect the majority of solicitors. However, there may be merit in the SRA reviewing these rules and enhancing the guidance. The specific rules mentioned were as follows.

- **Anti-money laundering rules:** these were most commonly mentioned by solicitors as being problematic. A first concern was that the anti-money laundering requirements risked conflicting with the requirement to act in the best interests of their clients.⁸ A second concern was that the role of solicitors risked duplicating the role of banks. A third concern was around the volume and scope of requirements, which were reported to be burdensome and, in some cases, disproportionate, e.g., in respect of small amounts of money. One specific suggestion to ease the burden was the provision of templates to help solicitors undertake the necessary checks and record any required information.
- **Communication with represented parties:** some solicitors reported that the Standards and Regulations did not provide them with sufficient clarity, which risked creating uncertainty.⁹
- **Conflicts of interest:** several solicitors reported that they found the rules and definitions to lack sufficient clarity for them to operate with certainty. They called for enhanced guidance. One specific suggestion was to provide guidance on complaints made by non-clients in respect of conflicts of interest.
- **Pro bono work:** it was reported that the current Standards and Regulations have increased the administrative burden by requiring solicitors to provide more information to clients at the outset, e.g. regarding their registration with the SRA, whereas previously the main requirement was to inform the client in writing about any lack of insurance. This was reported to be particularly burdensome where requests for advice were received at short notice.

Authorisation reforms

The reforms

Five specific reforms were introduced in relation to the authorisation of solicitors and firms.

Practising address requirements: prior to the reform, all SRA-regulated organisations were required to have a practising address in England or Wales. This restriction meant that firms outside this territory were unable to offer reserved legal activities to clients in England and Wales. The reform lifted this restriction for firms with a practising address in Northern Ireland or Scotland in order to ensure that rules do not unnecessarily restrict the development of online or cross-border services.¹⁰

Corporate managers: Previously, the Practice Framework Rules required an SRA-regulated organisation to always have a manager that was an authorised individual, as opposed to an authorised person which may include a body corporate.¹¹ However, this requirement went beyond the provisions of the Legal Services Act and thus risked unnecessarily restricting how law firms operate.

This requirement has now been lifted, allowing firms to be managers of authorised bodies. Post-reform, the SRA no longer seeks to formally approve individual managers within corporate manager entities as part of the authorisation rules. Instead, the SRA will look into the ownership chain, as appropriate on a pragmatic basis, to see whose involvement to take into account when approving the corporate manager itself. The process is intended to ascertain who ultimately manages and controls that company, and to refuse authorisation if the SRA is not satisfied they are suitable.

Qualified to supervise: Previously, the SRA required all regulated entities and in-house legal departments to employ a solicitor¹² who was 'qualified to supervise'. To do this a solicitor had to have been admitted for at least three years and have completed at least 12 hours of management training. However, the SRA found that the rule was widely misunderstood as a requirement that solicitors must themselves be supervised for at least three years post admission, or that a solicitor must have three years' experience before they can set up as a sole practitioner.¹³ Moreover, the rule did not directly address or deal with issues of technical competence and supervision of work, or the management experience or competence of those running a legal business. The effect of the rule was to prevent someone practising alone until they had been qualified for three years.¹⁴ Nonetheless, the SRA's consultation prior to the reforms identified that solicitors considered that three-year rule to be a basic safeguard to protect clients from inexperienced and newly qualified solicitors practising on their own.¹⁵

The rule was replaced by a requirement that any firm authorised by the SRA (including recognised sole practitioners) must have at least one

manager or employee who has practised as an authorised person for three years. In all cases, that individual will be responsible for supervising the work undertaken by the authorised body. The SRA also requires freelance solicitors to have practised for a minimum of three years since admission or registration before they can deliver reserved legal activities to the public.

Assessing character and suitability: the SRA requires all individuals applying for admission or restoration to the roll of solicitors or those applying for or renewing their registration to be a REL or a RFL to be of satisfactory character and suitability. Character and suitability is determined by an assessment carried out by the SRA. [16 \[n16\]](#)

Prior to the reform, the assessment of character and suitability was seen as rigid and binary. The reform therefore introduced a more flexible approach, by moving to a set of indicative events and behaviours, aggravating and mitigating factors which apply equally to all, taking account of an individual's circumstances and the nature of their role. It also extends elements of the test to apply to RELs and RFLs. There used to be provision for students to have their character and suitability assessed in advance of applying for admission, but this was removed. A new character and suitability rule was included in these reforms, which enables individuals to apply for an early assessment of their character and suitability if they have any concerns that their past will not enable them to enter the profession.

Approving managers and owners: prior to the reform, all solicitors, RELs and RFLs without a condition attached to their practising certificate were automatically deemed suitable to be managers and owners of authorised bodies on admission or registration, without the need for SRA approval. However, SRA-authorized persons with a condition on their practising certificate, and all other LSA-authorized persons (such as barristers or licensed conveyancers) needed the SRA's approval every time:

- they became managers or owners of a new body; or
- their existing body changed constitution, e.g. moving from partnership to a limited company.

As a result of the reform, solicitors, RELs and RFLs are deemed suitable to be managers and owners of authorised bodies on admission or registration, unless they (i) have a condition on their practising certificate; (ii) have a regulatory decision against them, and/or (iii) are undergoing an investigation. Should individuals be in any of these situations, they must be specifically approved by the SRA.

Other LSA-authorized persons are now deemed suitable to be managers and owners of authorised bodies on admission or registration unless (i) they have conditions attached to their approval for a role, (ii) are undergoing an investigation, and/or (iii) have regulatory findings against

them. Should individuals be in any of these situations, they must be specifically approved by the SRA.

Effects

An increasing number of solicitors have had reason to refer to most of the revised authorisation rules, albeit still a minority. As shown in Figure 7 below, a considerably higher percentage of solicitors reported referring to the rules at the Year Three stage compared with the Year One stage, except for the rule allowing more corporate managers of SRA-regulated law firms. The latter rule had been referred to by the lowest percentage of solicitors (6%), which was slightly fewer than at the Year One stage.

Figure 7 Familiarity with authorisation reforms

Source: CSES survey of solicitors

There was broad satisfaction with the new rules. When offered the opportunity (via the survey and interviews) to comment on the clarity and effects of the rules, only a minority chose to. Of those, most reported broad satisfaction with the new rules. For example, several solicitors supported the new rule on **Corporate managers**, as well as the earlier reform allowing non-lawyers to manage or have an ownership interest in law firms established as Alternative Business Structures. These reforms were seen as positive in enabling law firms to draw on the management experience of corporate managers and non-lawyers.

Two specific concerns were raised in relation to the '**Approving owners and managers**' rule. One solicitor reported challenges in gathering evidence of 'rehabilitation' in relation to a regulatory decision against a potential owner 20 years ago. The suggestion was that a time limit might be appropriate for such decisions to be considered relevant to the approval of a manager or owner (assuming a period of continuous 'unblemished' practice since the regulatory decision). Another concern related to the time taken to complete investigations, which would thus risk delays in approving owners or managers.

Removal of the **requirement to have a practising address in England or Wales** does not appear to have had a significant impact. Data from the SRA shows that relatively few SRA-regulated firms have addresses in Northern Ireland or Scotland. As at the Year One stage, the scope of the research did not extend to exploring the extent to which law firms in Northern Ireland and Scotland were aware of this reform. However, the modest take-up of this reform suggests a possible need for additional communication efforts targeted at such firms, in order to ensure that the development of online or cross-border services is not restricted by a lack of awareness of this option.

Revised Enforcement Strategy

The SRA's Enforcement Strategy was adapted to provide greater clarity for the public and profession about when and how it would - or would not - take action against a solicitor or law firm. The revised Enforcement Strategy seeks to:

- enforce standards through a transparent framework that can be easily understood
- set standards that establish clear expectations
- make the approach to enforcement more principles-based and flexible
- clearly set out reasons for decisions taken
- help SRA staff and legal professionals understand the risks of certain behaviours
- provide the transparency and assurance requested by solicitors.¹⁷
[\[#n17\]](#)

The revised Strategy sets out an approach that aims to focus on the most serious issues, take account of aggravating and mitigating factors, and engage constructively with regulated firms and individuals.¹⁸
[\[#n18\]](#) It complements the new Codes of Conduct and updated Principles by moving away from an approach based on prescriptive rules. It includes guidance on the expected behaviours that underpin the SRA standards, clarity about how, and when, the SRA will and will not enforce, and clarity about events that need to be reported to the SRA.

More solicitors are familiar with the Enforcement Strategy at the Year Three stage than were familiar at the Year One stage.

Although the vast majority of solicitors have not needed to familiarise themselves with the Enforcement Strategy, the percentage has increased since the Year One stage. Only 21% of practising solicitors and 26% of COLP/COFA reported that they had had reason to familiarise themselves with it (compared with 16% and 25% respectively at the Year One stage).

Solicitors familiarise themselves with the current Enforcement Strategy both proactively and reactively. As shown in Figure 8 below, some solicitors proactively and routinely refer to the Strategy to reduce the risk of non-compliance and to support their own ongoing competence. Familiarisation is also very often a response to a specific situation, such as solicitors checking whether they need to report something to the SRA or responding to a disciplinary process against them, the firm or someone else.

[] Figure 8 Reasons for familiarisation with the Enforcement Strategy

Source: CSES survey of solicitors

The Enforcement Strategy and associated rules are clear to the majority of solicitors that refer to them. As shown in Figure 9 below, 79% of solicitors found the Enforcement Strategy to be very or reasonably clear and 73-82% found the associated rules to be very or reasonably clear. This builds on the positive finding from the Year One stage that the majority of solicitors that had referred to the Enforcement Strategy and associated rules found them to be clearer compared with the previous versions (prior to November 2019).

Amongst the solicitors interviewed, **there was a divergence of views regarding the extent to which solicitors were sure as to when they should or should not report to the SRA.** Some interviewees reported that most solicitors were sure, whilst others reported that they were not. However, when interviewees were probed, it became clear that they believed that most solicitors have a good general awareness of when they should report concerns to the SRA but perhaps not a precise knowledge of the rules. Overall, the interviewees tended to place more emphasis on first, the inherent honesty and professionalism (or lack of) on the part of individual solicitors and, second, the possibility for solicitors in law firms to consult their COLP/COFA for advice. Some also reported that the SRA should offer greater clarity over inappropriate reporting of other solicitors' behaviour to the SRA (e.g., reports made with malicious intent).

Figure 9 Clarity of the Enforcement Strategy and associated rules

Source: CSES survey of solicitors

Of those solicitors that are familiar with the Enforcement Strategy, the majority (74%) find that it has a strong focus on the most significant issues related to maintaining high professional standards. This includes 18% reporting a very strong focus and 56% reporting a reasonably strong. Only 23% reported that the Strategy had a weak focus on the most significant issues (including 11% reporting a slightly weak focus and 12% reporting a very weak focus.

Notwithstanding these broadly positive findings, **some solicitors report a number of risks related to the Enforcement Strategy.** These risks were highlighted by solicitors in the interviews and in their qualitative responses to open questions in the survey. Although these risks were not highlighted by a majority of solicitors, those who did highlight them did so without prompting. Moreover, some have persisted since the Year One stage. The most commonly-mentioned risks are as follows.



Conduct outside professional practice: a first concern raised by solicitors related to the possibility for the SRA to take enforcement actions in relation to actions and behaviours that are related to conduct outside professional practice. This was one of the most common concerns raised at the Year Three stage, as well as at the Year One stage, although those expressing this view tended not to refer to specific instances. Linked to this, a few solicitors also referred to the possibility that the SRA takes action in relation to workplace matters covered by employment law, e.g. bullying and harassment. The SRA guidance on 'Acting with integrity' does confirm that the SRA may take action where the conduct is sufficiently serious and morally culpable as to call into question whether a solicitor's conduct meets the high personal standards expected from a member of the solicitors' profession, even where no connection exists to the individual's professional activities, workplace or relationships.¹⁹ Similarly, the guidance on 'Sexual Misconduct' sets out the SRA's approach to allegations of sexual misconduct, what behaviours are unacceptable and when they might become a regulatory matter.²⁰ The guidance on 'Workplace environment' also sets out the SRA's expectations on regulated firms and individuals and when it will take regulatory action.²¹ Given the SRA's position and the continued concern of some solicitors, there may be a need for enhanced communication of the guidance and the SRA's approach to enforcement, in order to increase awareness and understanding amongst the profession.

Focus on the most serious breaches: amongst some solicitors there is a perception that enforcement actions taken by the SRA do not always prioritise the most serious breaches but sometimes focus on issues that do not risk causing serious harm. Linked to this, some solicitors perceive that the enforcement actions are disproportionately taken against sole practitioners, small firms and junior staff (e.g. trainees), rather than large firms. It is beyond the scope of this assignment to determine the accuracy of these perceptions and in any case, this does appear to be a minority view, given that 74% of solicitors that were familiar with the Enforcement Strategy reported that it addresses the most significant issues related to maintaining high professional standards. However, it does suggest a possible need to enhance communication around enforcement actions and the outcomes thereof.

Ease of doing business

A second objective of the reforms was to make it easier for solicitors and firms to do business. For the profession as a whole, this was to be achieved in part through the move from the SRA Handbook to the Standards and Regulations. A number of reforms also aimed to make it easier for individual solicitors or specific types of organisation to do business. New options were introduced for practising solicitors to serve the public from outside LSA-regulated law firms: either on a freelance

basis or via non-regulated entities. Revisions to the rules relating to client accounts were intended to make it easier for regulated law firms to do business.

Evidence from the evaluation suggests that this second objective has largely been achieved, although the benefits arise in different ways for different solicitors and firms, depending on the various reforms, as explained next.

Practising flexibly reform: freelance solicitors

The reform

Individual solicitors are now allowed to provide reserved legal activities to the public on a freelance basis (i.e. without being authorised as an entity) provided that they satisfy the following conditions:

- at least three years' practising experience since admission or registration
- being self-employed and practising in their own name, and not through a trading name or service company
- not employing anyone in connection with the services provided
- engaged directly by the client, with fees paid directly by the client
- a practising address in the UK
- taking out and maintaining indemnity insurance that provides adequate and appropriate cover in respect of the services provided
- only holding client money when it is for payments on account of costs and disbursements not yet billed
- not providing immigration, claims management or regulated financial services, unless regulated by another suitable regulator.²²
[\[#n22\]](#)

Solicitors not meeting these criteria can operate on a freelance basis (without being authorised as an entity), provided that they only provide non-reserved legal activities.

The Year One evaluation found that around 300 solicitors were operating on a freelance basis, and the survey suggested that more were planning to or might consider doing so. Freelance solicitors were diverse in terms of the services offered, the clients served and their previous experience. They were more likely to be Black/Black British and equally likely to be Asian/Asian British compared with the overall population of solicitors and the overall population of England and Wales. Freelancers reported that their ambitions were generally being fulfilled, which were most often to have a better work-life balance, practise more flexibly, have more independence and reduce operating costs. The majority were satisfied with the SRA's regulatory requirements and the guidance provided. However, the restrictions on claims management services or immigration services provide difficulties for a minority of freelancers who wish to

provide such services. There had been very few misconduct reports concerning freelance solicitors. Some freelance solicitors reported that professional indemnity insurance (PII) was expensive or difficult to obtain, which reflected the challenge that insurance providers lacked precedents on which to assess the risks posed by freelancers.

Take-up

The number of solicitors practicing as freelancers has increased rapidly over the past two years. At the Year One stage, 294 solicitors had registered to operate on a freelance basis, as of March 2021, representing 0.14% of all solicitors in England and Wales. At the Year Three stage, the number of registered freelance solicitors had risen to 544, representing 0.33% of all solicitors in England and Wales. Only 2 out of 52 freelance solicitors responding to the survey reported that they had ceased to operate on a freelance basis.

While the role remains new in comparison to other established operational models, it could well be expected to grow further as more solicitors discover the opportunity and better understand the potential benefits that it can present. Of the non-freelance solicitors responding to the survey, 2% stated that they were planning to become a freelance solicitor, while 24% said they would consider it in the future. More solicitors reported that they were planning to become a freelance solicitor than at the Year One stage when only 1% stated such an intention.

Figure 10 Proportion of practising solicitors considering becoming freelance

Source: CSES survey of solicitors

Demographic profile

Freelance solicitors have a different demographic profile to the overall population of solicitors, according to age, gender, ethnicity and level of experience. While at the Year One stage there was a degree of similarity, broader differences have emerged at the Year Three stage.

SRA data shows that, in comparison with the overall population of solicitors, freelance solicitors are:

- more likely to be male (61% of freelance solicitors compared with 48% of all solicitors).
- more likely to be older (average age of 51 years for freelance solicitors compared with, compared with 44 years for all solicitors).



- more experienced (20 years of practicing experience on average for freelance solicitors compared with 16 years for all solicitors).
- less likely to be white (70% of freelance solicitors compared with 81% of all solicitors - a similar degree of difference observed at the Year One stage) this is in contrast to solicitors in general, within which the percentage of White people is the same as the working-age population (81%).
- more likely to be Asian/British Asian (17% of freelance solicitors compared with 12% of all solicitors). This difference is significant at the 95% confidence interval. Whilst people of this ethnicity are highly represented amongst solicitors in general (12% compared with 10% in the working-age population), they are even more highly represented amongst freelance solicitors.
- more likely to be Black/Black British (8% of freelance solicitors compared with 3% of all solicitors). This difference is significant at the 95% confidence interval. Despite being under-represented amongst solicitors in general compared with the working age population (3% compared with 4% in the working-age population), people of this ethnicity are highly represented amongst freelance solicitors (i.e. 8%).
- much more likely to be located in the South East (16% of freelance solicitors compared with 8% of all solicitors), and slightly more likely to be located in the South West (9% to 6%).
- less likely to be located in London (40% of freelance solicitors compared with 53% of all solicitors), although London still accounts for more freelance solicitors than any other region.

Professional profile

The majority of freelancers (69%) were previously serving the public via an LSA-authorized entity. Survey results show that 50% of freelance solicitors took up the role following a job in an SRA-regulated law firm, whilst another 17% had practised as Registered Sole Practitioners and 2% had practised in an entity authorised by another LSA regulator. These results are consistent with those observed at the Year One stage, at which 48% had previously worked in an SRA-regulated law firm and 14% as a Registered Sole Practitioner.²³ [\[#n23\]](#)

The freelance option is widening the pool of solicitors serving the public. Although most freelance solicitors responding to the survey (69%) had previously been serving the public via regulated entities in England and Wales, the remainder (31%) had not. This includes 15% that had previously worked as an in-house solicitor, 8% that were not practising and 2% that had practised in other roles (e.g. foreign law firm, consultant to SRA-authorized firms).

Many freelancers take up the role towards the latter part of their career, due to the flexibility it provides. On this basis, freelance



solicitors are likely to have extensive experience in their areas of law. Freelance solicitors have slightly more years of practicing experience, overall, compared to solicitors working for an SRA-regulated law firm. 83% of respondents held more than 10 years of experience. After which, 4% had between 5-10 years of experience, with 11% holding between 2-5 years of experience. Looking at the experience of solicitors working in an SRA-regulated law firm, we see that 79% of respondents had more than 10 years of experience, 9% between 5-10 years of experience, and 5% have between 2-5 years of experience. As highlighted above, the average age of freelance solicitors is higher than the overall population of solicitors.

Motivations

Operational aspects remain the main factors motivating solicitors to take up the freelance role. The three factors most often selected by survey respondents as either very or reasonably important, were the opportunity to practice more flexibly (38/48 or 79%), have more independence (36/48 or 75%) and a better work-life balance (30/48 or 63%). Operational dimensions to the freelance solicitor role were also the primary motivations for becoming a freelance solicitor at the Year One Stage.

Feedback provided through the freelance solicitor interviews support these survey results. Less rigid hours, when compared to working within a law firm, was appreciated *'It was work life balance, decided to stop working there (legal firm) and it just so happened the freelance role became available.'* The desire to work flexibly and in a more balanced way was also linked to the stage of career that interviewees were currently in, which was often following on from an extended period of work for legal firms, including at a senior level. Although freelance solicitors are on average older than other solicitor, some mentioned the opportunity to balance work commitments around childcare responsibilities as an example of the beneficial flexibility that the freelance solicitor role holds.

The flexibility offered by the freelance solicitor role, was also outlined as attractive in comparison to the nature of roles within legal firms, which often require individuals to account very specifically for their time. Flexibility also extends to the clients that the interviewee works with, and their option to decide whether there would be a good fit, with the individual/organisation concerned. *'I can pick and choose the hours and clients I take on'. In the corporate environment I didn't have choice.'*

Reduced costs and administrative burden are also important motivations for solicitors to become freelance. After the operational aspects just described, the next most important motivations were reduced operating costs, lower insurance costs and lower regulatory burden, which were highlighted as very or reasonably

important by 69%, 65% and 50% of freelancers, respectively. In comparison, the cost of obtaining mandatory insurance for a registered sole practitioner was reported by some of those interviewed as prohibitive and a driver towards opting for the freelance role. The opportunity to practice in a manner that was also less burdensome, from a regulatory perspective, was also highlighted as appealing.

The opportunity to improve career prospects or provide different services were not strong motivational factors for freelancers, as observed at the Year One stage. Qualitative interviews highlighted how freelancers would offer services according to those they had specialised in throughout their legal careers, with the opportunity to do so on a more flexible basis the key motivational factor in their decision to take up the role. Again, given that freelancers tend to be older and more experienced than other solicitors, it is perhaps not surprising that there would be comparatively less interest in improving career prospects at the latter stage of their careers.

Figure 11 Motivations for becoming a freelance solicitor

Source: CSES survey of freelance solicitors

Client base

In line with their operational motivations, freelance solicitors are typically serving what they believe to be a 'manageable' number of clients, rather than maximising the size of their client base.

The vast majority (35/46 or 76%) had served fewer than 25 clients over the last year and only 4% (2/46) had served more than 50. Qualitative interviews highlighted how freelance solicitors appreciated the flexibility of the freelance role in being able to maintain a manageable number of clients, whom they could serve whilst also maintaining a good work-life balance. Moreover, some also highlight that many of their clients were known to them prior to taking up the freelance role. This feedback aligns with the survey results and further feedback provided across qualitative interviews undertaken with freelance solicitors, who were often focussing their service offer to individuals local to them, within their local community.

Perhaps reflecting their intention to serve a manageable number of clients, most freelance solicitors serve individual consumers or SMEs. The types of clients most often served were individuals (29/46 or 63%) or SMEs (24/26 or 53%). Fewer than 11% reported that they mainly serve large firms, public bodies or charities/NGOs.

Freelance solicitors are mostly reaching their clients through personal and professional connections rather than through

advertising. The most common methods by which freelance solicitors reach their clients is through word-of-mouth (37/46 or 80%) or referrals from other service providers (26/46 or 57%). In contrast, fewer than one quarter of freelance solicitors (11/46 or 24%) reached new clients through their website or other online platforms. They often operate within their communities and in a manner that can be contrasted with other solicitors in certain respects, for example, travelling to conduct meetings within clients' homes. This type of more personalised service may well be among the factors that encourage clients to recommend their freelance solicitors among their personal networks.

Figure 12 Means employed by freelance solicitors to reach clients

Source: CSES survey of freelance solicitors

Services provided

Freelance solicitors practise a wide range of categories of law consistent with their main focus on individual and SME consumers.

As shown in Figure 13 below, the category of law most frequently practiced by freelance solicitors is that of commercial/corporate work for non-listed companies, with 21/46 or 46% of respondents to the survey undertaking this work. This is consistent with the findings at Year One with this category also the most frequently practiced area of law, at 34%. Probate and estate administration is the next most frequently practiced area of law (12/46 or 26%), followed by intellectual property (10/46 or 22%) and wills, trusts and tax planning. As highlighted, freelance solicitors predominantly serve individual consumers, followed by SMEs, both of which are likely to hold a range of legal service needs. That the services freelance solicitors provide is varied would indicate that the role has helped to open-up the legal services market, with freelancers being called upon for a range of purposes suitable for consumers who may find that freelancers offer greater access than more traditional legal service providers. In certain instances, freelance solicitors reported that they would forward a client on to other solicitors, for example, if they lacked appropriate insurance or did not meet the requirements for providing reserved legal activities.

The majority of freelance solicitors (63%) reported providing only non-reserved legal activities. The remaining 37% offered both reserved and non-reserved legal activities. The predominance of non-reserved legal activity may partly reflect the desire to reduce the regulatory burden associated with their work but also barriers to obtaining appropriate PII, which was raised as a challenge by respondents.

Figure 13 Categories of law practised by freelance solicitors

Source: CSES survey of freelance solicitors

Practising models

A considerable minority of freelance solicitors combine their freelance work with other forms of practice. Most survey respondents operate solely in the capacity of a freelancer (29/48 or 60%). However, a significant minority also combine their freelance role either with an in-house solicitor role, (10/48 or 21%), or a role practicing in a law firm (7/48 or 15%). One freelance solicitor combined freelance work with two other roles: practising in a law firm and as an in-house solicitor. This finding from the survey was confirmed by the interviews, with several freelance solicitors reporting that they combined their work with other roles.

In many cases, freelance solicitors serve as consultants to law firms rather than directly serving the public. In this way, they are able to work in areas that would not otherwise be open to them, such as elements of conveyancing. This can include relatively niche areas where they have developed strong expertise. The survey and interviews also highlighted that some solicitors acting as consultants describe themselves as 'freelance' in the broad sense, although they are not practising on their own according to the definition provided by Rule 10 of the SRA Authorisation of Individuals Regulations and thus have not notified the SRA accordingly.

Figure 14 Practising model of freelance solicitors

Source: CSES survey of freelance solicitors (NB: of the 48 respondents, one practised both in a law firm and as an in-house solicitor not serving the public).

The freelance option allows solicitors the flexibility to practise without the need for a traditional 'shopfront'. The majority of freelance solicitors (40/46 or 87%) serve their clients through online means, including 22/46 48% who also operate with physical premises. Only 6/46 (13%) served their clients only at physical premises. The interviews highlighted that the majority of freelance solicitor interviewees in fact worked from home, which could be an attractive factor of the role, in the wider context of the flexibility it can offer.

Linked to this, most freelance solicitors operate without the administrative 'infrastructure' of a firm. The majority of survey respondents (33/46 or 72%) highlighted that they do not make use of support services to help with accounting, reception, mail etc., although

some interviewees had outsourced elements of their admin to arms-length companies. Only 2/46 (4%) freelancers reported that they shared premises, costs or expenses with other freelance solicitors, for example, via an unincorporated association. While freelance solicitors tend not to hold an extensive group of on-going clients at any one time, some of those interviewed expressed frustration that they are barred from employing support staff in connection with the support services they provide, so there may well be a need for administrative support that is going unmet.

Professional Indemnity Insurance

Obtaining appropriate PII remains a significant barrier for many freelance solicitors. Of the freelance solicitors responding to the survey who reported that they needed PII, most (21/34) had obtained it, whilst another 4 were planning to obtain it. However, the rest (9/34) reported that they had been unable to obtain PII. This appears to be a stubborn challenge given that 45% of respondents at the Year One stage found obtaining appropriate insurance to be challenging (compared with 22% stating that it was easy).

A shortage of providers and price were the main barriers to obtaining adequate and appropriate insurance reported by freelance solicitors. Results from Year One also identified price as a barrier, with 29% of the freelance survey respondents reporting that it was costly to obtain suitable insurance. Yet for freelance solicitors who had obtained PII, more than half, 72% (15), thought the price was reasonable or low, indicating that there may be a range of expectations across freelance solicitors, with regard to what they would reasonably expect to pay for insurance. In the interviews, freelance solicitors outlined how, despite contacting a number of providers, they were unable to find appropriate products for their needs with most insurers not willing to provide coverage for freelancers working on non-reserved legal activities. The cost of procuring PII vis-à-vis a relatively small case load was not always worth the investment. As one freelance solicitor reported:

'It was very new at the time, very expensive, and nothing that the SRA was promoting. You'd have to go out in to the market and find it yourself. The lack of an affordable insurance scheme militated against me doing more work than I in fact did.'

Freelance solicitors who were unable to obtain PII explored alternative options and sometimes took up alternative arrangements to ensure that they were still protected. For two of the freelance interviewees, who worked across wills, they opted to join the Institute of Professional Will Writers, which offers insurance for all of its members. One interviewee outlined how this was unsatisfactory, fearing it could detract from their individual standing as a qualified and regulated solicitor.



Another barrier to obtaining PII was the conditions surrounding the termination of the agreement. On leaving an insurance arrangement, the freelance solicitor may be required to make an exit payment, several times the cost of the annual rate. For this individual solicitor, who was planning to work as a freelancer for a few years only, prior to taking retirement, this additional cost acted as a disincentive.

Opinion pieces in the industry press have highlighted the challenges that freelance solicitors can face in procuring appropriate PII, on account of a lack of provision.^{24 [n24]} Further reports have picked up on examples of brokers stepping in to the market to provide freelancers with PII, whilst suggesting that insurers may have little incentive to cover freelance solicitors, on account of the challenges they perceive in assessing risks and the small margins involved.^{25 [n25]}

Benefits gained by freelance solicitors

As at Year One, freelance solicitors report gaining the benefits they expected. There is thus a high degree of cross-over between the survey results on the motivations for becoming a freelancer and the benefits that are experienced. The three most frequently selected benefits from becoming a freelance solicitor were (to a great or reasonable extent): more independence (36/47 or 77%), better work-life balance (30/48 or 63%) and reduced operating costs (28/84 or 58%). These benefits were also identified at the year one stage, which showed that more independence and a better work-life balance were the two most significant benefits reported by freelance solicitors. The majority of surveyed freelancers (33/48 or 69%) stated that their regulatory burden had decreased, either to a great, reasonable or slight extent. This finding is favourable to the results at the year one stage, which showed that 54% of respondents to the freelance survey had benefited from a lower regulatory burden. This indicates that there may be something of a misapprehension among solicitors in law firms as across the qualitative interviews undertaken with them, when asked about the barriers to becoming a freelancer, one of the factors highlighted by interviewees was a perceived increase in the regulatory burden.

Most freelance solicitors intend to maintain their current practising model - given the benefits in terms of flexible working and low administrative burden - rather than expanding their provision. Of those responding to the survey, more than half 55% (26) of surveyed freelancers do not intend to expand their current provision. The opportunity to enjoy a healthy work-life balance, and work on a flexible basis was appreciated. For a number of the freelance solicitors interviewed, they were in the latter stage of their careers, and while they did not want to stop working entirely, they did want to work less, so being able to choose just how much work they took on, was appreciated. Often the interviewees had worked with a small group of clients that they

had previously worked with in a prior capacity, in a previous role within a law firm.

A minority of freelancer solicitors would like to expand their provision but, of these, most face barriers to doing so. Of those responding to the survey, 18/47 (38%) wished to expand but of these most (14/47 or 31%) faced barriers to achieving this. Freelancers highlighted difficulties in obtaining (both finding and affording) insurance in order to undertake conveyancing transactions such as the transferring of title deeds into joint owners names. A lack of administrative capacity to carry out operations, and a lack of options in terms of financial assistance or regulations to be able to invest further in workforce (administrative staff) for expansion. These themes were also highlighted in the qualitative interviews.

Figure 15 Benefits of becoming a freelance solicitors

Source: CSES survey of freelance solicitors

SRA requirements and support

Freelance solicitors find the regulatory requirements that they need to comply with to be reasonable. The majority (29/41 or 71%) stated that it was very or fairly easy to comply with the SRA's requirements for freelance solicitors. Most (24/41 or 59%) also reported that the administrative burden associated with being a freelance solicitor was much less or slightly less than in their previous role. There may be a discrepancy here in terms of the perceptions held by solicitors in law firms, with regard to what the freelance solicitor role entails. Interviews of solicitors in law firms, showed that for these individuals, the prospect of having to deal with a large amount of administration and regulatory compliance by themselves, could be a deterrent to taking up the freelance solicitor role.

Some freelance solicitors feel disadvantaged by not being able to use the SRA's clickable logo. Although only a marginal majority, more freelance solicitors felt disadvantaged (16/43 or 37%) than not (15/43 or 35%) in comparison to law firms by not being allowed to use the SRA's clickable logo. When asked to explain, a common reason was that the lack of a logo was seen as inferring an inferiority of freelance workers, and suggests that they are not supported by the SRA. *'It is already hard out here for freelance lawyers and not having that is a headache to explain to clients.'*

Overall, freelance solicitors are content with the guidance made available to them by the SRA. The majority of survey respondents stated that the SRA's requirements for freelance solicitors are clear and

that the SRA's tools and guidance for freelancers are helpful, with 71% (29) stating that the former is either very or reasonably clear, and 73% (30) stating that the latter were very or fairly helpful. On this point, there is a positive increase from the Year One results, which showed that 62% of respondents reported that the tools and guidance are very helpful or fairly helpful.

When asked an open question about how the SRA could better support freelance solicitors, the most common suggestions were, first, more help with securing affordable insurance and, second, relaxation of the restrictions on hiring administrative staff. Better overall promotion of the freelance status to clients and the public was also raised.

Immigration and claims management

Perhaps by definition, those solicitors that have chosen to operate on a freelance basis are mostly not disadvantaged by the restrictions on providing immigration and claims management services. Given these restrictions, it is of course unlikely the solicitors specialising in these areas would choose to operate on a freelance basis. Reflecting this, only a small minority of freelance solicitors responding to the survey reported that restrictions on providing claims management services (2/40 or 5%) or immigration services (5/40 or 13%) caused any difficulties. In their responses to the open questions in the survey, these solicitors reported having to either turn away clients seeking immigration services or gain authorisation by the Office of the Immigration Services Commissioner or provide immigration services through a regulated law firm (i.e. separately from their provision on a freelance basis). All of the solicitors that reported difficulties with these restrictions stated that they would provide immigration services (7/40 or 18%) or claims management services (5/40 or 13%) were the restrictions to be removed.

The restrictions on providing immigration and claims management services serve as a barrier to practising freelance for solicitors that specialise in these areas of law. Although most solicitors would not be affected, a considerable minority, i.e. 23% (35) of respondents to the survey of freelance solicitors stated that restrictions on working in some areas of law (e.g. immigration/claims management) would be a barrier to them becoming a freelance solicitor. However, other factors were viewed as more significant barriers. The most frequently selected barrier was insecure income at 59% (89), followed by difficulties obtaining insurance 50%.

Practising flexibly reform: solicitors in non-regulated organisations

Another set of reforms introduced in November 2019 aimed at providing greater flexibility for solicitors and firms by allowing solicitors to provide

non-reserved legal activities to the public or a section of the public, by practising in a non-Legal Services Act (non-LSA) regulated provider.

Under the previous rules, solicitors could not provide legal services to the public through non-LSA-regulated organisations, while using their solicitor title, except in specific circumstances. In addition, clients of such non-LSA regulated organisations could not make a complaint to the Legal Ombudsman (LeO).

The reform

The reforms were introduced in part to address concerns that the previous regulations may have been adversely impacting on competition and consumers, by restricting choice and not allowing consumers to access the services of a solicitor outside a regulated organisation. In addition, the regulations limited the opportunities for solicitors to choose to work in a range of different organisations. This, in turn, risked limiting innovation in business and supply models to the ultimate detriment of consumers. The SRA also considered that the existing arrangements created an unnecessary and restrictive 'artificial entity' model around solicitors operating as individuals.

By removing these requirements, the SRA's aim was to allow solicitors and firms greater flexibility to deliver non-reserved legal activities through a range of different business structures and alternative legal services providers. This was expected to allow solicitors to deliver non-reserved legal activities in ways which are most responsive to their customer needs and consistent with their business strategy.

Following the reforms, solicitors in non-LSA regulated organisations can provide non-reserved legal activities to the public using their solicitor title. They are not required to hold PII and their clients do not have access to the SRA Compensation Fund.^{[26](#)} To address the risks this presents, the SRA requires solicitors working in non-LSA regulated organisations to inform clients before engagement of their PII and Compensation Fund status. In addition, solicitors working in non-LSA regulated organisations are subject to conduct rules under the Code of Conduct for Solicitors. Clients also have access to LeO.

Clarity of reforms

A considerable minority of solicitors (36%) reported being unaware of the possibility to serve the public via a non-LSA- authorised entity.^{[27](#)} This indicates that within the profession, there is still some way to go in order for flexibility reforms to be fully understood. Thus, the SRA may need to go further to ensure that this new form of legal service provision is more widely known about. A lack of knowledge of this new operational model was also reflected in the

qualitative interviews undertaken with solicitors in law firms, with many interviewees not having come across the reform.

Of those solicitors that are familiar with the rules on providing services to the public via a non-LSA-authorised entity, only 40% find them to be clear.^{28 [n28]} It is important that solicitors are clear on the rules which govern the way in which solicitors in non-regulated entities serving the public operate. Indeed, the simplification of the rules was one of the key aims of the Standards and Regulation reforms, introduced in 2019. Overall, only 25% of all solicitors responding to the survey were both aware of the possibility to serve the public via a non-LSA-authorised entity and found the rules clear.

This degree of clarity closely matches the results found at the Year One stage, with 38% of solicitors practicing in law firms, and 39% of solicitors in non-regulated organisations stating that they found the rules for solicitors in non-regulated organisations, offering services to the public, to be either very or reasonably clear. The finding that 36% of the sample 'don't know' how clear the rules on solicitors in non-regulated law firms are reflects a lack of awareness of the reform, among a significant proportion of solicitors overall, as highlighted above.

Figure 16 Clarity of rules for solicitors in non-regulated entities serving the public

Source: CSES survey of solicitors

Take up and demographic profile

The survey evidence suggests that around 12% (21/183) of solicitors working in non-regulated entities are serving the public. Given that there were just over 59,000 solicitors working in non-regulated entities in 2023, this would represent more than 7,000 solicitors. By comparison, the Year One evaluation found that around 17% (39/224) of practising solicitors working in non-LSA-regulated organisations were providing legal services to the public. However, the precise number cannot be known, given that solicitors are not required to inform the SRA if they start practising in this way.

The possibility for solicitors to serve the public via a non-regulated entity offers the potential for the profession to become more diverse. Given the limited data, it is not possible to give a reliable picture of the demographic profile of solicitors currently serving the public via non-regulated entities. However, solicitors practising in non-regulated entities (whether serving the public or not) are more likely than those in regulated entities to be female (56.1% versus 50.5%), Asian/British Asian (13.1% versus 11.7%) or Black/Black British (3.8%

versus 2.3%). Moreover, non-regulated entities that start serving the public tend to rely on their in-house solicitors to do this rather than specifically recruiting for this purpose; only 1 of 19 solicitors who answered the relevant survey question was specifically recruited to serve the public.

Motivation

As highlighted above, a significant proportion of solicitors working in non-LSA regulated organisations had been in post prior to the reform – 58%. This trend was also observed at the Year One stage, with 69% already in post before the reform was introduced. As highlighted by the Year One evaluation, the reform may well have opened up the possibility for qualified solicitors to work in a different capacity, within their existing organisation, or to combine the in-house service with work for other clients. There does appear to be a degree of flexibility being made use of, with the reform serving to widen the availability and breadth of providers within the legal services market.

Practising models and services provided

The limited evidence suggests that SMEs are the non-regulated entities most likely to employ solicitors to serve the public. Of the 16 solicitors responding to the question, 14 worked in a private company and 15 worked in an entity employing less than 50 staff. This is broadly consistent with the findings at the Year One stage and thus suggests that large non-regulated entities are tending not to serve the public in this way. These solicitors reported that they were mostly serving individual consumers and SMEs, which supports the assertion made at the Year One stage, i.e. that non-regulated entities may sometimes be better placed than law firms to reach this segment of the market, depending on the legal need. Indeed, they reported being able to compete with regulated law firms and with non-solicitors, in some cases because the organisation did not have a website. They mostly reported not being disadvantaged by not being able to use the SRA's clickable logo. However, they tended to report modest benefits in terms of reaching new clients, providing additional legal services and increasing turnover from legal services.

There is evidence of a small number of SRA-authorised entities moving some or all of their business into non-regulated entities.

Data on law firms establishing non-LSA regulated organisations is not systematically captured within the existing SRA data collection process. However, the survey identified instances of this taking place. Of the solicitors responding to the survey who practised in an LSA-authorised entity, only 7 reported that their organisation created a separate, non SRA-regulated entity to deliver legal services, whilst another 8 reported the organisation was planning to do so. These respondents reported a range of motivations, including a lower regulatory burden, the option to

provide different legal services, the ability to reach new clients and the opportunity to increase turnover. A similar number of instances was reported at the Year One stage, which suggests that this approach remains the choice of only a small percentage of law firms rather than a general trend.

When asked whether their firm had moved any of its non-reserved legal activities into a separate business not regulated by the SRA, some interviewees (in SRA-regulated firms) outlined that doing so would be harmful, from a reputational standpoint: "*No. This would be risky and potentially harm the companies' branding*". Other feedback from the qualitative interviews drew attention to potential of more costs being incurred by creating a new outfit for non-reserved legal activities, as it would create additional administration.

When assessing both the qualitative and quantitative evidence, it would appear that the prospect of creating a new organisation for non-reserved legal activity is not appealing for the majority of legal firms. It is likely that organisations providing non-reserved legal activity to the public, through non regulated entities, could well remain a small component of the overall legal services market, with their offer focussed on a relatively narrow range of services.

Accounts Rules

The reforms

The SRA has shortened and simplified the Accounts Rules in order to ensure a better focus on keeping client money safe and separate, while removing unnecessary prescription about how firms manage their finances. The previous Accounts Rules were considered to be unnecessarily detailed and prescriptive and led to a focus on minor technical breaches rather than on client protection.

This package of reforms was comprised of the following five individual reforms:

- simplification of the Rules
- revised definition of client money and client liability
- confirming the use of third-party managed accounts (TPMAs)
- accountants' reports and when they are due
- new rules about how firms manage clients' own bank accounts (where the firm is a signatory) or joint accounts.

Simplification of the Accounts Rules

The SRA Accounts Rules set out requirements for when SRA-authorized firms receive or deal with money belonging to clients, including trust

money or money held on behalf of third parties. Firms need to have systems and controls in place to ensure compliance with the rules.

Familiarity with the Accounts Rules amongst all solicitors has increased since Year One. As noted in section 2.1.2, a higher percentage of solicitors were familiar with the Standards and Regulations (including the Accounts Rules) to a great or reasonable extent (82%) than was the case at Year One (73%). Moreover, when asked their opinion about the clarity of the Accounts Rules, a smaller percentage was unable to give a view (12%) than at the Year One stage (22%).

The majority of solicitors find the Accounts Rules to be clear. Of the practising solicitors responding to the survey who are familiar with the Standards and Regulations, 70% find the current Accounts Rules to be reasonably or very clear. This represents an increase compared with Year One (65%). One solicitor reported that the simplifications had particularly benefitted the firm's book-keepers who were non-lawyers and thus less familiar with the details of the previous SRA Handbook.

Figure 17 Clarity of Accounts Rules

Source: CSES survey of solicitors

The current Accounts Rules are not generally found to be burdensome. Of the COLP/COFA whose firms handle client money, the majority (71%) reported that the new Accounts rules were only slightly burdensome (45%) or not burdensome at all (26%). Only 5% reported that they were very burdensome. This builds on the positive finding from Year One, when the majority of COLP/COFA reported that the new Accounts rules were less burdensome or at least no more burdensome than the previous rules.

There is no evidence of increased consumer harm resulting from the reforms of Accounts Rules. Figure 18 below shows the number of complaints related to Accounts Rules Reforms from 2015 to 2022. The data shows a general downward trend in the number of such complaints over this period and no particular increase since the reforms were introduced in 2019.

Figure 18 Trend in complaints related to Accounts Rules

Source: SRA data

Revised definition of client money

Rule 2 defines client money as money held or received by SRA-
authorised firms:

- relating to regulated services delivered by the firm to a client;
- on behalf of a third party in relation to regulated services delivered by the firm (such as money held as agent, stakeholder or held to the sender's order);
- as a trustee or as the holder of a specified office or appointment, such as donee of a power of attorney, Court of Protection deputy or trustee of an occupational pension scheme;
- in respect of fees and any unpaid disbursements if held or received prior to delivery of a bill for the same.

The definition of client money is clear. The overwhelming majority of COLP/COFA (96%) report that the definition of client money was very clear or clear; this represents a slight increase from Year One (91%).

Very few firms have stopped or are planning to stop operating a client account in response to the reforms. Only 4% of COLP/COFA responding to the survey whose firm handled client money reported that they were able to rely on the exemption not to have to operate a client account. Of the rest (286 in total), only five (2%) reported that their firm had stopped or was planning to stop operating a client account in response to the reforms. This compares to 1% who had stopped at the Year One stage. Some solicitors reported that their firms continued to operate client accounts, even if no longer required in order to provide reassurance for clients as to the security of their money and also to facilitate monitoring of the firm's own finances.

The guidance enables solicitors to comply with the rules and safeguard clients' money. The majority of COLP/COFA (89%) report that the SRA's guidance helped them to comply with the Accounts Rules and safeguard clients' money to a great extent (34%) or a reasonable extent (55%). For example, one solicitor reported finding the guidance related to Rule 5.1 (c) of the SRA Accounts Rules to be helpful in a situation where, following a probate matter, the cost of distributing a residual client balance to multiple beneficiaries would exceed the value of the balance (less than £1). In these circumstances, the solicitor was reassured by the guidance specifying that the amount of the residual balance is one factor determining the reasonableness of any steps that should be taken to return the money to the rightful owner.²⁹ [n29]

Rule 3.3 prohibiting using a client account to provide banking facilities to clients or third parties was reported by several solicitors to be challenging. When asked an open question about which of the Standards and Regulations they found most challenging, solicitors responding to the survey most often referred to this rule (alongside the anti-money laundering rules). Some solicitors reported a lack of clarity over the rule and in particular the definition of a banking

facility and the conditions attached to payments and disbursements to clients. Other solicitors found the rule to be clear but not well-designed for certain situations, such as large law firms acting for corporate groups, or where clients do not have a current account into which the firm can pay any monies due. Given the difficulties faced, there may be value in providing additional case studies covering different situations.

Third-party managed accounts

Money held in a TPMA does not fall under the definition of client money in the SRA Accounts Rules as it is not held or received by firms of solicitors. As such it does not have to be held in accordance with the SRA's rules relating to the holding of client money. However, firms of solicitors should ensure that the client is informed of and understands their rights and obligations and what the use of the TPMA means in their case. The TPMA provider must be regulated by the Financial Conduct Authority.

The rules around operating a TPMA remain clear. Of the COLP/COFA whose firms handle client money, the majority (68%) reported that the rules were clear, whilst only 13% reported that they were unclear. This is similar to the situation at the Year One stage, when 70% found them clear and 12% found them unclear.

There has been very limited take-up of TPMA by firms of solicitors, despite the clarity of the rules associated with them. Of the COLP/COFA responding to the survey whose firms handled client money and were not able to rely on the exemption not to have to operate a client account, only two firms (1%) operated a TPMA. Of these, one operated the TPMA as an alternative to the client account, whilst the other operated it in conjunction with the client account. Another two COLP/COFA (1%) reported that their firms would like to but had not found a suitable provider. In the interviews, one solicitor whose firm used a TPMA reported that the main benefits were ease of compliance with Rule 3.3 (prohibiting the use of a client account to provide banking facilities to clients or third parties) and easier administration of multiple payments to multiple shareholders at the completion of a deal.

Accountant reports

Accounts Rule 12 requires firms to obtain an accountant's report if, at any time during an accounting period, they have held or received client money, or operated a joint account or a client's own account as signatory.

The rules around accountant reports remain clear. Of the COLP/COFA whose firms handle client money, the overwhelming majority (94%) reported that the rules about when an accountant's report is due were clear or very clear. This represents an increase from Year One

(86%). Only 4% of COLP/COFA found them fairly or very unclear at the Year Three stage.

Whilst the rules are clear, **there may be a need to increase the average balance threshold (currently £10,000) below which an accountant's report is not required**, to take account of inflation over the last three years. For example, one solicitor reported that the firm risked exceeding the threshold simply because increases in the value of a typical costs undertaking had led to an increase in the amounts held in the client account, even though the nature of the work had not changed.

Managing clients' own bank accounts or joint accounts

Where SRA-authorised firms operate joint accounts with clients, Rule 9 exempts them from the rules around client money and accounts (Part 2 of the SRA Account Rules), except that they must obtain bank statements and keep a record of all notifications of costs.

Very few SRA-authorised firms operate joint accounts with clients or third parties. Of the COLP/COFA, responding to the survey only 6% reported their firms did so. When asked to comment on their experience of Accounts Rule 10, one of the solicitors interviewed highlighted the importance of accounts reconciliation being undertaken by a solicitor not directly involved in the file in order to safeguard client interests, for example, in case of a deceased client's estate. Two other solicitors reported a reluctance, particularly on the part of small firms, to take on the risks associated with operating a joint account.

Similarly, where SRA-authorised firms operate clients' own bank accounts, Rule 10 exempts them from the rules around client money and accounts (Part 2 of the SRA Account Rules), except that they must obtain and reconcile bank statements and keep a record of all notifications of costs.

Only a minority of SRA-authorised firms operate clients' own bank accounts. Of the COLP/COFA, responding to the survey only 26% reported that their firms operate client's own bank accounts as signatories, whilst another 1% reported that they intended to do so.

[Access to legal services](#)

A third objective of the reforms was to make it easier for the public to access legal services. To evaluate the progress made towards this objective, evidence was gathered from a survey of consumers, interviews of consumers, analysis of SRA complaints data, the survey of solicitors and interviews of solicitors. The evidence suggests that the reforms have contributed to this objective without increasing the risks of consumer but there remains a need to improve consumer awareness.

Consumer access

Overall, the new practising options have improved access to a solicitor, albeit at a modest scale. As explained in the paragraphs that follow, there has been relatively modest take-up of the new practising options. Nonetheless, where solicitors are serving the public outside of regulated law firms, there is evidence of increased competition and improved access for consumers, including for those that are less well-off.

Solicitors serving consumers via non-regulated entities account for only a small part of the legal services market overall and small part of the market served by non-regulated entities. As discussed in section 3.2.3, evidence from the survey of solicitors suggests that only around 12% of solicitors working in non-regulated entities are serving the public. As shown in Figure 19 below, the survey also showed that solicitors in general perceive that solicitors in non-regulated entities are serving only a modest share of the market: of solicitors answering this question in the survey (n=607), only 13% reported that this reform had resulted in more consumers accessing solicitors to a great or reasonable extent, only 13% reported that a more diverse client base was being reached, 11% reported that it was meeting unmet legal needs and 10% reported that it was better serving vulnerable consumers. Reinforcing this, of the 1,000 individual consumers responding to the survey, only 56 (6%) were served by non-regulated entities and of these only 10 (1%) were served by a solicitor.³⁰ [\[#n30\]](#)

Figure 19 Solicitors' perceptions of the impact of solicitors working in non-regulated entities

Source: CSES survey of solicitors

The possibility to practice on a freelance basis has improved consumers' access to a solicitor albeit only to a limited extent due to modest take-up of this practising option to date. As shown earlier, around 550 solicitors are practising on a freelance basis, representing less than 1% of all practising solicitors. Of the 46 freelance solicitors responding to the survey, the vast majority, i.e. 35 (76%) reported that they had served 25 or fewer clients in the last year. Reflecting this, as shown in Figure 20 below, only 15% of solicitors had observed that freelance solicitors had enabled more consumers to access a solicitor to a great or reasonable extent. However, there is some evidence that freelance solicitors are improving choice: of the 51 consumers who had used a freelance solicitor, 26 reported that this was the first time that they had used their chosen provider.

There is some evidence that freelancers are providing better access to a solicitor for less well-off consumers. The survey of consumers showed that those with a household income of less than £20,000 constituted 10% of individual consumers using freelance solicitors but only 6% of individual consumers using law firms. Again, it should be noted that the limited take-up of the freelance option is limiting the absolute numbers of less well-off consumers served. Indeed, although solicitors in general were observing some impact in terms of freelance solicitors better serving vulnerable consumers, this was very much a minority, i.e. only 18%, as shown in Figure 20 below.

Figure 20 Perceived impacts of solicitors operating on a freelance basis

Source: Survey of solicitors (not including freelance solicitors)

Increased availability to their clients was also mentioned by freelance solicitors as a benefit they could offer, which, alongside lower prices and greater competition in the market for services has been echoed by the survey of practising solicitors. However, to put this in context, it is worth noting that 27/48 freelance solicitors (57%) reported that improving access to legal services for vulnerable consumers and groups was not an important motivation for them to start operating on a freelance basis. Instead, as noted in section 3.1.5, the choice to operate on a freelance basis is more often driven by personal considerations, such as the chance to practice more flexibly, have more independence or have a better work-life balance.

Freelance solicitors report some barriers hindering consumers' access to their services. Some of the freelance solicitors surveyed raised concerns regarding the current restrictions and lack of clarity for consumers relating to their work, and the implications this may have in limiting their ability to serve and attract a broader diversity of consumers, including more vulnerable consumers. While areas of specialisation such as immigration services are not relevant for the majority of freelance solicitors (80%), it remains a significant issue for those who do wish to offer services in this area - with one freelance solicitor arguing that "it isn't in the public interest to bar freelance solicitors from practising in these areas."

Consumer awareness

Overall, limited consumer awareness of provider status and the protections available to them - despite the efforts made by some providers - risks limiting their confidence in and thus their use of solicitors practising outside regulated entities. As explained in the paragraphs that follow, consumers may be relatively unaware of the

protections available to them and the status of providers when using freelance solicitors or solicitors practising in non-regulated entities.

Freelance solicitors report making appropriate efforts to inform clients about their freelance status and the consumer protections available. The vast majority of freelance solicitors (89%) reported always informing their clients about their status, whilst only 4% reported that they never did. The majority provided a written statement at the outset (86%) and/or a verbal statement (63%), whilst 26% provided information via a website. Similarly, 78% reported always informing their clients about the protections available to them and 9% only rarely or never did. In line with this, the freelance solicitors interviewed reported that they routinely provided clients with a letter at the outset outlining their freelance status and the protections available to the client. As a result, 67% believed that their clients were aware of the protections available to them.

The limited evidence available suggests uncertainty over consumers' awareness of the status of the organisation when using a solicitor in a non-regulated entity. Of the 1,000 consumers responding to the survey, only 10 (1%) reported being served by a solicitor in a non-regulated entity (e.g. trade union, charity organisation, local council). All 10 individuals reported either that they were not informed of the status of the organisation, or that they could not remember being informed. The solicitors practising in this way did not consistently report informing their clients about their organisation's non-regulated status, with only 7/16 confirming that they "always" did so and 7/16 that they "rarely or never" did so. Despite this, 12 out of 16 solicitors serving the public via non-regulated entities asserted that their clients were "very aware" or reasonably aware of the organisation's non-regulated status.

In contrast, consumers using an LSA-authorised provider demonstrate a high level of awareness of the regulated status of the provider. Of the 566 consumers of such providers who could recall, the majority (89%) were informed that the provider was regulated by a legal services regulator, whilst only 11% reported that they were not informed. These figures were broadly consistent between providers authorised by the SRA and those authorised by other legal services regulators or by the Financial Conduct Authority.

Consumer awareness and understanding of the protections (un)available to them is highest amongst those using LSA-authorised law firms. Of the consumers responding to the survey who had used a law firm, the majority reported being informed of each of the protections available to them, as shown in Figure 21 below.³¹ [[#n31](#)]

Being thus informed has led to a reasonable, if not a high, level of understanding; a total of 52% reported understanding the overall

protections very or reasonably well and another 33% slightly, whilst only 15% reported not understanding them at all. This positive finding was supported by the evidence from the interviews of consumers. In general, the consumers stated that law firms have been generally clear and proactive in their use of websites, providing advice or warnings about malpractice to watch out for and informing clients about their complaints procedure, all of which help instil greater consumer awareness and confidence. Of the individual consumers using law firms, many were well aware of the protections available to them and some reported a positive prior experience having used the SRA for complaints against practising solicitors.

Figure 21 Consumer awareness of protections offered by LSA-authorized firms

Source: Online survey of consumers

Regulated entities consistently provide written information to consumers about the protections available to them. Of the consumers using regulated entities who could remember being informed, 75% reported that they received a written document explaining the protections available to them. In most cases, they also received the same information via email, the firm's website or a verbal explanation. Only 6% of consumers reported that they only received the information via a verbal explanation. There is perhaps room for improvement with only 25% of consumers reporting that information about protections was provided on the provider's website. For example, firms could display the SRA's clickable logo more prominent on their websites, thus providing a link to information on SRA website about the protections available. Similarly, only 30 consumers (7% of those who recalled being informed) could recall receiving the information via all four means: verbal, written, email and website.

In contrast, consumers demonstrate low awareness of the lower level of protection afforded to them when using a non-LSA-authorized entity. Of the 56 consumers served by such entities, only 15 (27%) reported being aware that the provider did not offer the same consumer protections as a regulated law firm. The 10 consumers using a solicitor in a non-regulated entity were mostly not informed or could not recall being informed that they would be able to make a claim to the SRA Compensation Fund or whether the provider held PII, although most were informed that they had the right to complain to the Legal Ombudsman. This contrasts somewhat with the evidence from the survey of solicitors, whereby 11 out of 16 solicitors serving the public via non-regulated entities asserted that their clients were very or reasonably aware of the protections available to them.

Figure 22 Methods of informing consumers about the protections offered by regulated entities

Source: Online survey of consumers (NB: only includes those able to remember being informed)

Freelance solicitors report making appropriate efforts to inform clients about the consumer protections available. The vast majority of freelance solicitors (78%) reported always informing their clients about the protections available to them and 9% only rarely or never did. In line with this, the freelance solicitors interviewed reported that they routinely provided clients with a letter at the outset outlining their freelance status and the protections available to the client. As a result, 67% believed that their clients were aware of the protections available to them.

Despite the steps taken by freelance solicitors, consumers using freelance solicitors lack a full understanding of the protections available to them. The 51 consumers who reported using a freelance solicitor were asked about their awareness. Of those who could recall, only 7 were aware that the freelance solicitor did not offer the same protections as a law firm, whilst 26 were unaware. More positively, a higher proportion recalled being informed by the solicitor about their right to complain to the Legal Ombudsman and whether the solicitor had professional indemnity insurance.

The regulated status of law firms continues to offer clarity and reassurance for consumers. Individuals that had used a solicitor tended not to hold non-authorised providers in the same regard. Consumers drew comparisons between using a "will kit" versus having a solicitor "that you can trust and talk to openly". Moreover, SMEs and individual consumers using authorised law firms cited the security and accountability associated with such firms, particularly those that were long-established. Trust and protections were especially important for business consumers who noted that "risks" could not be taken when it came to compliance and the implications that this can have for their wider operations; for them, solicitors, and long-standing relationships with reputable law firms remain the gold-standard. Where the legal need was particularly sensitive or of high personal significance (e.g. related to immigration, family law, custodial issues), consumers preferred using a solicitor, even for non-reserved legal activities. This generally meant choosing an LSA-authorised entity in whom they could trust, but also rely on as accountable should anything go wrong.

Consumers continue to value the regulated status of solicitors in whatever capacity they practice. The consumers who were interviewed reported that the main benefit in using solicitors (either paid or free, through any service provider) was their professional status with

assumed levels of trust and competence as ethically trained legal service providers. Solicitors either in law firms, in non-regulated organisations and in a freelance capacity were viewed as having met the needs of consumers. In these cases, the competence of solicitors ensured that consumers reported having "never had any debate about it, without question", reinforcing their professional reputation of trust and reliability. Consumers using freelance solicitors highlighted that the "extra level of protection" was critical to them feeling sufficiently reassured to access a solicitor outside of a law firm.

Consumers using non-LSA-authorised entities tend to rely on trust and reputation. After web searching, word of mouth recommendations and recommendations from existing financial or business service providers were the second- and third-most popular means of identifying a legal services provider, respectively. Where the legal need did not require the consumer to use a law firm, some consumers reported being willing to trade off the protections offered by an LSA-authorised provider for less expensive provision or free guidance from independent or charitable bodies. Of the consumers who were unaware that the provider did not offer the same protection as a regulated law firm, 20 reported that they would still have used the same provider, whilst only 10 reported that they would not. Individual consumer usage of non-SRA regulated organisations typically occurred as a result of referrals from third parties such as the consumer's insurance or mortgage brokers. Although in these cases consumers did not expect these organisations to be classed as law firms (and therefore SRA regulated), it was nonetheless assumed that some form of appropriate accreditation or regulation existed, regardless of whether this had been mentioned during interactions. Among SMEs engaging with non-regulated organisations, there was also a view towards the status of organisations that "as a company [we] should know", with assurance checks assumed to have been made by other colleagues.

Consumers would value more and better price comparison websites to enable them to find and compare different types of provider. Overwhelmingly, the consumers interviewed commented on the desirability of a comparison website which would allow for all important factors (status, experience, location, price) to be compared. They tended to report that it was difficult to compare online search results even once one had a shortlist of potential providers. Consumers using law firms noted that it was fairly easy to cross-reference providers and narrow down options, but had expected to find a "kind of comparison site" to streamline the process of selection, "saving time on both sides". Comparison became all the more difficult once the new practising options were taken into account. As a result, consumers unhappy feeling that they were "reliant on own research and word of mouth", uncomfortable with the idea of having to take "a leap of faith" with their choice of provider. The individuals and SMEs that were interviewed

tended not to refer to existing sources of information, e.g. the Legal Choices website.³² [n32]

Consumers show limited awareness of the information that is already available to them via the SRA and other sources. The consumers interviewed consistently reported a need for better (access to) information relating both to the rights and protections they should expect with each type of provider, how to identify a type of provider and how to complain about a provider. Although such information is readily available on the SRA website, the consumers tended not to report being aware of it. A few consumers reported turning to Citizens Advice, who typically played a useful signposting role.

Consumer benefit

Overall, there is evidence of consumers gaining benefit from and being satisfied with the services provided by solicitors practising outside regulated law firms. As explained in the paragraphs that follow, consumers accessing these forms of provision demonstrate comparable levels of satisfaction regarding service and greater levels of satisfaction regarding price than consumers served by regulated law firms. There is also some evidence that the profession as a whole is observing that solicitors practising outside regulated law firms are offering lower prices and increasing competition.

There is evidence that solicitors practising outside regulated law firms are delivering levels of customer satisfaction that are comparable those of regulated law firms (albeit in relation to a more limited range of services). Although the sample sizes are small, Figure 23 below shows that 48/51 consumers using freelance solicitors and 7/9 consumers using solicitors in non-regulated entities reported satisfaction with the service received. This compares with 86% of consumers using regulated firms of solicitors reporting satisfaction.

Figure 23 Consumer satisfaction with the quality of service

Source: Online survey of consumers (NB: excludes "don't know/can't remember")

Solicitors serving the public via non-regulated entities tend to benefit consumers through lower prices, greater competition and, to a lesser extent, innovation, rather than increased access. As shown earlier in Figure 19 (section 4.1), offering lower prices than law firms was the impact of this form of provision most commonly observed by solicitors in general (with 28% of solicitors having observed this to a great or reasonable extent). The second most commonly-observed impact was greater competition in the legal services market with 25% of

solicitors reporting this impact to a great or reasonable extent. Solicitors across the profession view the opportunity to provide services outside of LSA-regulated organisations (e.g. with Citizens Advice, Charities, Trade Unions) as potentially offering innovative means of encouraging services with lower prices than those offered in law firms. In this way, non-regulated entities can offer a wider choice of models for consumers, including reliable advice trusted by consumers (from active solicitors), and lower prices, which can only be good in supporting vulnerable consumers (and consumers in general) to meet their legal needs. However, as discussed earlier, solicitors practising in this way are relatively few in number and thus have had limited impact on the overall legal services market.

The main consumer benefit offered by freelance solicitors is lower prices and greater competition and, to a lesser extent, innovation, rather than increased access. Figure 20 earlier presents evidence from the survey of all solicitors. It shows that the most commonly-observed impact of this form of provision was offering lower prices than law firms with 19% of solicitors reporting having observed this to a great or reasonable extent. The second most commonly-observed impact was greater competition in the legal services market with 25% of solicitors reporting this impact to a great or reasonable extent.

There is evidence that solicitors practising outside regulated law firms offer a price advantage over regulated law firms. Although the sample sizes are small, Figure 24 below offers evidence of price competition with 45/50 consumers using freelance solicitors and 8/9 consumers using solicitors in non-regulated entities reporting satisfaction with the price charged. This compares with 76% of consumers using regulated firms of solicitors reporting satisfaction. Of course, the higher level of price satisfaction may reflect the lower levels of protections offered, as well as the more basic range of services provided by them at lower cost. This finding is consistent with the opinions of solicitors responding to the survey; the most commonly-reported impacts of solicitors serving the public via non-regulated organisations were lower prices and greater competition, albeit only observed by a minority of solicitors (28% and 25% to a great or reasonable extent, as shown in Figure 19. Similarly, the most commonly-reported impacts of freelance solicitors were lower prices and greater competition (19% and 16% to a great or reasonable extent, as shown in Figure 20).

Price alone has not been the sole driver of consumer decisions to use (or not use) solicitors practising outside non-regulated entities. Amongst the consumers interviewed, price was a key influence on choice, in particular as users of freelance solicitors and non-LSA-authorized organisations viewed these as cheaper and more tailored to individual needs than law firms. However, individuals using freelance solicitors cited the commitment, "passion, reputation and location" of the

provider as vital elements. In the cases of SMEs that used freelance solicitors, cost was less important, with an overall emphasis upon experience and general suitability above all else. For individuals and SMEs using law firms, paying a higher fee was expected, but this was understood as value-for-money in return for the quality of service ("good communication", "accessible") and specificity of expertise provided.

Figure 24 Consumer satisfaction with the price charged

Source: Survey of consumers

Consumer harm

Overall, there is no evidence that the reforms have significantly increased risks to consumers. As explained in the paragraphs that follow, analysis of data on complaints to the SRA shows no evidence of increased harm, whilst the survey and interviews of consumers suggest broadly high levels of satisfaction across different types of provider, albeit with a need for better communication about (un)available protections.

There has been no increase in complaints made to the SRA against all types of solicitor since the reforms were introduced. As shown in Figure 25 below, the average number of complaints per solicitor in 2020-2022 across all types of solicitor was similar to the level in 2019 and lower than the levels in previous years.

Solicitors making use of the new forms of flexible practice attract fewer complaints to the SRA on average than those practising in LSA-authorized entities. Whilst this is positive, it does not necessarily imply a lower standard of service offered by solicitors in LSA-authorized entities. Indeed, it is not known whether this reflects less "risky" services provided (i.e. fewer reserved legal activities provided by solicitors practising on a freelance basis or in non-regulated entities) or less clear mechanisms for complaining (e.g. compared with LSA-authorized entities).

Solicitors making use of the new forms of flexible practice tend to attract the same types of complaints as those practising in LSA-authorized entities. The two most common complaints made against solicitors in LSA-authorized and non-LSA-authorized entities were "Taking unfair advantage of non-client" (16% of complaints against LSA-authorized and 9% of complaints against non-LSA-authorized entities) and "Inadequate client care" (12% and 9%, respectively). The same two complaints were most commonly-made against freelance solicitors (14% and 10% respectively).

Figure 25 Level of complaints against different types of solicitor

Source: SRA data

There is no evidence of increased consumer harm related to PII and the SRA Compensation Fund. One possible indicator of increased consumer harm related to the reforms might be an increase in complaints related to PII given that: i) a solicitor serving the public via a non-LSA-authorized entity is not subject to the SRA's compulsory professional indemnity insurance requirements; ii) freelance solicitors providing reserved legal services are not required to obtain PII on the SRA's minimum terms and conditions (but are instead required to have "adequate and appropriate" cover). Another indicator of increased consumer harm might be an increase in complaints related to the SRA Compensation Fund, for example, due to consumer misunderstanding around the possibility to apply to the Fund. However, Figure 26 shows no particular increase in complaints related to PII and the SRA Compensation Fund.

Figure 26 Trend in complaints related to PII and the Compensation Fund

Source: SRA data

Consumers using all types of provider retain a high level of confidence in legal professionals in terms of service quality. As shown by Figure 27 below, the majority of consumers (69%) report having confidence to a great or reasonable extent that legal professionals will offer a good service and only 6% reported no confidence at all. Those using non-solicitors reported least confidence; however, it is not known whether a lack of confidence caused them to use a non-solicitor or whether the experience of using a non-solicitor has reduced their confidence in the profession.

Figure 27 Consumer confidence in the quality of service offered by legal professionals

Source: Online survey of consumers (NB: excludes "don't know" responses)

Conclusions and recommendations

Conclusions



This study has considered the clarity and impacts of the Standards and Regulation reforms introduced by the SRA in November 2019. It has gathered evidence from previous studies and other literature, data provided by the SRA, interviews with stakeholders, consumers and solicitors, a survey of solicitors and a survey of consumers. This approach has allowed us to identify general trends and to look at a number of solicitors that are practising on a freelance basis or in organisations not regulated by the SRA. The analysis of the available evidence allows us to draw some conclusions about the impacts of the reforms.

- 1. The current Standards and Regulations are widely understood and accepted amongst the profession and thus contributing to a greater focus on high professional standards.** The Year One evaluation showed that, compared with the previous SRA Handbook, the Standards and Regulations placed more trust in solicitors to exercise their professional judgment, provided solicitors with more flexibility about how they work and were less burdensome or at least no more burdensome to comply with. At the Year Three stage, the levels of familiarity with and understanding of the Standards and Regulations remain high and the administrative burden is not excessively burdensome for most providers.
- 2. Whilst the worst case risks raised by some prior to the reforms have not been realised, a minority of solicitors remain dissatisfied with the move from a prescriptive approach and concerned about future risks.** The main perceived risks here include a lack of clarity for solicitors, the risk of enabling poor practice and the risk of the SRA arriving at a different interpretation to that of solicitors. Whilst these views are strongly held by some solicitors, those interviewed or consulted via the survey tended not to provide concrete evidence of such risks being realised in practice.
- 3. Linked to this, some solicitors perceive risks related to the SRA Enforcement Strategy.** Again, although only held by a minority, this view is strongly held. The concern here is that the move away from a prescriptive approach has resulted or risks resulting in an inconsistent or inappropriate approach to enforcement. Key issues include the risk of enforcement action being taken in relation to conduct not related to professional practice, enforcement actions not focusing on the most serious breaches, delays in completing investigations and the risk that solicitors of limited means accept findings against them that they would otherwise have challenged due to not being able to recover any legal fees in the event that they are exonerated.
- 4. The reforms have made it easier for solicitors and regulated law firms to do business, although for most the benefits are modest.** Solicitors and firms mostly report that the Standards and Regulations offer increased clarity and flexibility and a lighter administrative burden compared with the previous SRA Handbook.



Although only modest numbers of firms have taken up the new options around authorisation or the operation of client accounts, those that have report increased ease of doing business.

5. **The freelance option has made it considerably easier for a small but growing number of solicitors to do business.** Whilst the total numbers remain modest (around 550), those that have taken up the freelance option report that they are gaining the expected benefits. These mostly relate to the method of operation (better work-life balance, practising more flexibly, having more independence, lower operating costs) rather than increased income or provision of different services. However, some freelance solicitors feel disadvantaged by not being able to use the SRA's clickable logo. Moreover, the restrictions on providing immigration and claims management services serve as a barrier to practising freelance for solicitors that specialise in these areas of law.
6. **The option for solicitors to serve the public via non-regulated entities has made it considerably easier for some providers to do business, but barriers remain to the expansion of this form of provision.** Whilst take-up remains modest (with no evidence of increase since Year One), those practising in this way report being able to compete with law firms and with non-solicitors. Moreover, the survey evidence shows a small number of law firms shifting part of their business into non-regulated entities. Possible barriers to the expansion of this form of provision include low levels of awareness of the possibility to practice in this way and low levels of understanding and awareness of the relevant rules.
7. **The new practising options, where adopted, are enabling consumers to have access to a solicitor at lower cost but are not yet sufficiently widespread to have an effect on prices across the legal services market.** Solicitors practising on a freelance basis or serving the public via a non-regulated entity report that they benefit from lower costs and their clients benefit from lower prices, whilst lower prices was the impact of such forms of provision most often observed by other solicitors. However, the limited take-up of these options means that such competition has to date been limited.
8. **There does not appear to have been any significant increase in risk to consumers.** There has not been any significant increases in complaints to the SRA and complaints against freelancers are lower than for non-freelance solicitors. There has also been no increase in complaints related to client money. The survey and interviews of consumers suggest broadly high levels of satisfaction across different types of provider, albeit with a need for better communication about (un)available protections. This positive finding must be seen in the context of relatively limited take-up of the new options to serve the public on a freelance basis or via a non-regulated entity, although the evidence does not suggest that greater take-up would necessarily increase the risk.



Recommendations

- 1. The SRA should continue to make only minor revisions of the principles and Codes of Conduct over the next few years, as necessary, rather than major reforms.** Given that the principles and separate Codes are generally working well, with the profession having made the necessary adaptations, it would make sense to have a period of stability without further major reforms.
- 2. The SRA should review its enforcement actions in light of the risks perceived by some solicitors, if only to reassure the minority of solicitors that express concern.** These include the risk of an inflexible approach to enforcement and the risk of enforcement actions being taken in relation to conduct outside of legal practice that does not affect the delivery of safe legal services. Whilst the evidence does not demonstrate that these risks have arisen in practice, such monitoring would at least provide the necessary data to enable the SRA to address any issues at an early stage and provide reassurance to the profession.
- 3. The SRA should consider providing more clarity around specific rules that some solicitors reported to find challenging or unclear, such as those relating to prevention of money-laundering.** Whilst there was insufficient evidence to demonstrate any level of harm related to these rules, improved clarity might help solicitors in their day-to-day practice.
- 4. The SRA should consider additional communication efforts to ensure that the profession is aware of the possibility for SRA-regulated firms have addresses in Northern Ireland or Scotland.** Although the SRA is not specifically promoting this option (leaving it instead to firms to make their own choices), such communication efforts would ensure that the development of online or cross-border services is not unduly restricted by a lack of awareness of this option.
- 5. The SRA should consider additional communication efforts to increase awareness of and understanding of the possibility for solicitors to provide services to the public via non-regulated entities.** This would reduce the risk that take-up of this form of provision is limited by low levels of awareness of the possibility to practice in this way and low levels of understanding and awareness of the relevant rules.
- 6. The SRA should consider more systematic gathering and monitoring of data about the number and profile of solicitors in non-LSA-regulated entities providing legal services to the public.** This would allow the SRA more opportunity to mitigate risks and also to identify impacts and communicate successes. Mitigation of risks might include additional steps to ensure that solicitors in non-regulated organisations adequately inform their clients about their status and the relevant consumer protections.



7. **The SRA could monitor key indicators that relate to the extent to which regulated firms move all or part of their services outside the scope of SRA regulation**, such as the level of fee income or the number of regulated firms with a view to identifying any indication of significant or sustained movement of firms outside of SRA regulation. Of course, the aim of such monitoring is not to discourage or prevent such movement, but would instead be to understand any trends in order to better identify impacts and assess risks.
8. **The SRA should take steps to increase solicitors' understanding of the freelance role**. There is a cohort of solicitors that describe themselves or are described by other solicitors as "freelancers" but who fall outside of the SRA's definition of freelance solicitor and who have not informed the SRA of an intention to practise on a freelance basis. For example, this may include some solicitors acting as consultants for law firms. This does not pose any particular risks to the profession or to consumers but there would be benefits from ensuring that the freelance role is understood as being distinct from other roles.
9. **The SRA should explore the possibility for freelance solicitors to provide immigration and claims management services, whilst taking into account any risks of increased consumer harm**. This would potentially make it easier for solicitors specialising in such services to do business (i.e. by starting to practice on a freelance basis). To the extent that the removal of restrictions increases take-up of the freelance option, this could also increase consumer choice and access.
10. **The SRA should consider allowing freelance solicitors to add the SRA clickable logo to their websites or providing a suitable alternative identifier**. This would address the concerns expressed by those freelance solicitors who felt disadvantaged by not being able to use the logo. It would also provide additional reassurance to consumers considering using a freelance solicitor.

[Annex 1 Statistical annex](#)

Profile of freelance solicitors

Table 2 Personal characteristics of freelance solicitors

Categories	Total 2023	Total 2021	% 2023	% 2021
Total	544	205	-	-
Age				
Age (mean years)	50.2	49.0	-	-
Age (std deviation)	11.9	11.7	-	-
Years Active, mean	19.6	18.1	-	-
Years Active (std deviation)	12.5	12.3	-	-



Gender				
Female	200	83	36.8%	41.5%
Male	314	117	57.7%	58.5%
Other preferred description	0	0		
Prefer not to say	0	0		
Ethnicity				
Asian / Asian British	73	21	15.3%	12.8%
Black / Black British	37	15	9.4%	9.1%
Mixed / multiple ethnic group	8	5	1.0%	3.0%
Other ethnic group	8	1	1.7%	0.6%
White	305	119	71.2%	72.6%
Prefer not to say	8	3	1.4%	1.8%
Location				
Channel Islands	0	0	0%	0%
East Midlands	15	7	4.5%	3.8%
East of England	26	15	7.9%	8.1%
Isle of Man	0	0	0%	0%
London	133	75	40.3%	40.3%
North East	6	5	1.8%	2.7%
North West	32	17	9.7%	9.1%
Northern Ireland	2	1	0.5%	0.5%
Scotland	2		0.6%	
South East	53	32	16.1%	17.2%
South West	28	13	8.5%	7.0%
Wales	5	1	1.5%	0.5%
West Midlands	18	16	5.5%	8.6%
Yorkshire and The Humber	10	4	3.0%	2.2%

Source: SRA data

Table 3 Ethnicity of freelance solicitors compared to all solicitors (2023)

Categories	All solicitors (2023)		Freelance solicitors (2023)		England & Wales (2011)(2021)	
	No.	%	No.	%	No.	%
Total	117,790	100.0%	544	100.0%	37,502,985	100.0%
Asian / Asian British	14,391	12.2%	73	15.3%	3,787,330	10.1%
Black / Black British	3,401	2.9%	37	9.4%	1,657,235	4.4%



Mixed / multiple ethnic group	2,267	1.9%	8	1.0%	920,415	2.5%
Other ethnic group	1,912	1.6%	8	1.7%	879,895	2.3%
White	94,806	80.5%	305	71.2%	30,258,110	80.7%
Prefer not to say	1,013	0.9%	8	1.4%	-	-

Source: SRA data. NB: data were not available for all solicitors (n=5843) and freelancers (n=105).

Table 4 Ethnic profile of solicitors in 2023 compared with 2021

Categories	Freelance solicitors (2023)		Freelance solicitors (2021)		
	No.	%	No.	%	
Total	288	544	100.0%	205	100.0%
Asian / Asian British	73	16.6%	21	12.8%	
Black / Black British	37	8.4%	15	9.1%	
Mixed / multiple ethnic group	8	1.8%	5	3.0%	
Other ethnic group	8	1.8%	1	0.6%	
White	305	69.5%	119	72.6%	
Prefer not to say	8	1.8%	0	0%	

Source: SRA data. NB: data were not available for all solicitors (n=5843) and freelancers (n=105 for 2023 and 41 for 2021).

Table 5 Comparison of freelance solicitors with all solicitors

Indicator	Freelance	All solicitors
Personal characteristics		
Number	544	165549
Average age (years)	50	44
Years active	20	16
Female	39%	53%
Male	61%	48%
Ethnicity		
Asian / Asian British	17%	12%
Black / Black British*	8%	3%
Mixed / Multiple ethnic group	2%	2%
Other ethnic group	2%	2%



Prefer not to say	2%	1%
White*	70%	81%
Region		
Channel Islands		0%
East Midlands	5%	3%
East of England	8%	4%
Isle of Man		0%
London	40%	53%
North East	2%	2%
North West	10%	9%
Northern Ireland	1%	0%
Scotland	1%	0%
South East	16%	8%
South West	9%	6%
Wales	2%	3%
West Midlands	6%	5%
Yorkshire and the Humber	3%	5%

Source: SRA data. NB: some data were not available for all freelancers: age and years active (n= XX); gender (n=30); ethnicity (n=105); region (n=214). *denotes a significant difference at the 95% confidence interval.

Table 6 Ethnicity of freelance solicitors

Indicator	Freelance solicitors	All solicitors	Working age population (18-64 years)	Total population
Number#	544	165,549	37,502,985	48,700,000
Asian / Asian British	17%	12%	10.1%	9.3%
Black / Black British*	8%	3%	4.4%	4%
Mixed / Multiple ethnic group	2%	2%	2.5%	2.9%
Other ethnic group	2%	2%	2.3%	2.1%
Prefer not to say	2%	1%	-	-
White*	70%	81%	80.7%	81.7%

Source: SRA data. #NB: total population of freelancers was 544, however, ethnicity data were not available for all freelancers (n=105).

*denotes a significant difference at the 95% confidence interval in the population of freelance solicitors compared with all solicitors.

Profile of solicitors serving the public via non-LSA-authorized entities

Table 7 Personal characteristics of solicitors in regulated and non-LSA-authorized entities (2023)

Categories	Regulated entities	Regulated entities %	Non-LSA-authorized entities	Non-LSA-authorized entities %
Total	105,826	64%	59,365	36%
Practising	101,993	96.4%	57,323	96.6%
Registered European Lawyer (REL)	4	0.0%	8	0.0%
Registered Foreign Lawyer (RFL)	3,829	3.6%	2034	3.4%
Age / experience				
Age (mean years)	43.6	-	44.7	-
Age (std deviation)	11.9	-	10.3	-
Years active (mean years)	15.9	-	16.1	-
Years active (std deviation)	11.9	-	10.2	-
Gender				
Female	45,470	50.5%	29,600	56.1%
Male	44,603	49.5%	23,194	43.9%
Other preferred description	3	0.0%	1	0.0%
Prefer not to say	26	0.0%	3	0.0%
Ethnicity				
Asian / Asian British	8,632	11.7%	5,715	13.1%
Black / Black British	1,722	2.3%	1,652	3.8%
Mixed / multiple ethnic group	1,277	1.7%	987	2.3%

Other ethnic group	995	1.3%	912	2.1%
White	6,0696	82.1%	33,905	77.9%
Prefer not to say	649	0.9%	360	0.8%

Location

Channel Islands	1	0.0%	508	1.6%
East Midlands	3,549	3.4%	990	3.1%
East of England	4,159	4.0%	1,408	4.4%
London	54,824	52.6%	16,875	53.1%
North East	1,847	1.8%	746	2.3%
North West	10,532	10.1%	2,156	6.8%
Northern Ireland	12	0.0%	149	0.5%
Scotland	171	0.2%	316	1.0%
South East	7,671	7.4%	3,515	11.1%
South West	7,287	7.0%	1,154	3.6%
Wales	2,700	2.6%	763	2.4%
West Midlands	5,542	5.3%	1,735	5.5%
Yorkshire and The Humber	5,861	5.6%	1,400	4.4%

Source: SRA data

Complaints against solicitors

Freelance solicitors attract fewer complaints per solicitor compared with non-freelance solicitors.

Table 8 Complaints by type of solicitor

Status	Year	Number of solicitors	Number of complaints	Complaints per solicitor per annum
Working in regulated entities	2019	-	8,086	
	2020	91,044	7,669	0.084
	2021	96,211	8,238	0.086
	2022	101,102	7,914	0.078
	Average (2019-2021)	96,119	7,940	0.083

Working in non-regulated entities	2019	-	2,394	
	2020	53,318	2,323	0.044
	2021	54,852	2,687	0.045
	2022	56,485	2,623	0.046
	Average (2019-2021)	54,885	2,544	0.045
Freelance solicitors	2019		0	0.000
	2020	335	9	0.025
	2021	344	18	0.052
	2022	358	17	0.047
	Average (2019-2021)	346	15	0.041
Non-freelance solicitors	2019	-	10,480	
	2020	144,362	9,992	0.069
	2021	151,063	10,925	0.072
	2022	157,587	10,537	0.067
	Average (2019-2021)	151,004	10,485	0.069

Source: SRA data

The types of complaints made against solicitors in non-regulated organisations are fairly similar to those made against solicitors in law firms (except where the latter provide different services). The sources of complaints are also similar.

Table 9 Top 20 types of complaint against solicitors in regulated and non-LSA-authorized entities

Categories	Regulated entities	Regulated entities %	Non-LSA-authorized entities	Non-LSA-authorized entities %
Total	31,907	100.0%	12,745	
Type of complaint				
Taking unfair advantage of non-client	4,833	15.9%	877	8.6%
Inadequate client care	3,717	12.2%	754	7.4%
Breach of confidentiality	1,250	4.1%	159	1.6%

Breach of Principle 1 or Principle 2 33 [#n33]	1,211	4.0%	446	4.4%
Misleading non-client	987	3.2%	293	2.9%
Bogus ID theft / cloning	752	2.5%	142	1.4%
Identity theft / cloned website	742	2.4%	315	3.1%
Offensive behaviour - written or verbal	672	2.2%	162	1.6%
Legal - Lack of competence	600	2.0%	152	1.5%
Intentional Misleading court	546	1.8%	178	1.7%
Misleading client	504	1.7%	-	-
Misleading court	503	1.7%	-	-
Client Care: lack of competency	492	1.6%	-	-
Breach of Undertaking	469	1.5%	-	-
No appropriate matter reason	421	1.4%	186	1.8%
Failure to co-operate with LeO or other regulator	414	1.4%	-	-
Failure to account to client or others	394	1.3%	163	1.6%
Fraud				
Deception/Dishonesty	332	1.1%	-	-
Failure to pay debts	314	1.0%	151	1.5%
Inappropriately acting/refusing instructions	300	1.0%	-	-
Holding out of acting as a solicitor by identifiable body/individual	-	-	537	5.2%
Bogus: Holding out by identifiable individual/body	-	-	393	3.8%
Abandonment of practice	-	-	270	2.6%
Failure to manage closure of firm	-	-	253	2.5%
Practising uncertificated /	-	-	169	1.6%



without registration

Bogus: Holding out unconnected to regulated entity	-	-	169	1.6%
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Practising without authorisation	-	-	166	1.6%
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Source of complaints

Public	20,690	65.5%	7,639	63.0%
Profession	8,407	26.6%	3,115	25.7%
Internal	1,278	4.0%	844	7.0%
Legal Ombudsman	432	1.4%	112	0.9%
Anonymous	402	1.3%	191	1.6%
Police	178	0.6%	64	0.5%
Government department	116	0.4%	49	0.4%
Other regulator	29	0.1%	9	0.1%
Bank	23	0.1%	15	0.1%
Insurance company	16	0.1%	75	0.6%
Court	9	0.0%	9	0.1%

Source: SRA data

Footnotes

1. Solicitors and law firms must adhere to the [Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#) [[/solicitors/resources-archived/money-laundering/aml-regulations-apply/](#)], the Proceeds of Crime Act 2002 and the Terrorism Act 2000.
2. <https://www.sra.org.uk/solicitors/guidance/preparing-sole-practitioner-regulated-independent-solicitor/> [[/solicitors/guidance/preparing-sole-practitioner-regulated-independent-solicitor/](#)]
3. The Standards and Regulations reforms were part of the Looking to the Future reforms.
4. <https://www.sra.org.uk/solicitors/standards-regulations/principles/> [[/solicitors/standards-regulations/principles/](#)]
5. Six specific legal service activities are 'reserved' in the Legal Services Act (2007). These include: exercising rights of audience (the right to appear before a court); conducting litigation; probate services; reserved instrument activities (conveyancing); acting as a notary; administering oaths. By definition, any activity that is not a 'reserved activity' is a non-reserved activity. Examples of non-reserved activities include: general legal advice; housing advice; employment advice; advice on planning disputes; mediation services; will writing; and advice provided by law centres, citizens



- advice bureau and university legal services on a range of legal issues (such as housing, commercial, family, employment etc.)
6. A 95% confidence level means that if the same population is sampled on numerous occasions and interval estimates are made on each occasion, the resulting intervals would bracket the true population parameter in approximately 95% of the cases. It is thus possible to be 95% confident that any changes or differences in the data are not due to chance.
 7. The comparable survey question at Year One was 'How well do you understand *the changes introduced by* the current Standards and Regulations'.
 8. Solicitors and law firms must adhere to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, the Proceeds of Crime Act 2002 and the Terrorism Act 2000. See: <https://www.sra.org.uk/solicitors/resources/money-laundering/aml-regulations-apply/> [[/solicitors/resources-archived/money-laundering/aml-regulations-apply/](https://www.sra.org.uk/solicitors/resources-archived/money-laundering/aml-regulations-apply/)].
 9. This concern has also been highlighted by LexisNexis. See: <https://www.lexisnexis.co.uk/legal/guidance/in-what-circumstances-might-a-solicitor-be-able-to-contact-another-lawyers-client-directly> [<https://www.lexisnexis.co.uk/legal/guidance/in-what-circumstances-might-a-solicitor-be-able-to-contact-another-lawyers-client-directly>].
 10. SRA (2017), Looking to the future: phase two of our Handbook reforms, p.11.
 11. SRA (2017), Looking to the future: phase two of our Handbook reforms, p.11.
 12. Or other lawyer manager in the case of an entity.
 13. SRA (2017), Looking to the future: phase two of our Handbook reforms, p.11.
 14. www.sra.org.uk/sra/consultations/consultation-listing/lttf-phase-two-handbook-reform/#headingTwo [[/sra/consultations/consultation-listing/lttf-phase-two-handbook-reform/#headingTwo](http://www.sra.org.uk/sra/consultations/consultation-listing/lttf-phase-two-handbook-reform/#headingTwo)]
 15. SRA (2018), Looking to the Future: phase two of our Handbook reforms, Our post consultation position
 16. <https://www.sra.org.uk/solicitors/standards-regulations/assessment-character-suitability-rules/> [[/solicitors/standards-regulations/assessment-character-suitability-rules/](https://www.sra.org.uk/solicitors/standards-regulations/assessment-character-suitability-rules/)]
 17. SRA (2018), Looking to the future: Phase two of our Handbook reforms – post-consultation paper.
 18. <https://www.sra.org.uk/sra/corporate-strategy/sra-enforcement-strategy/> [[/sra/corporate-strategy/sra-enforcement-strategy/](https://www.sra.org.uk/sra/corporate-strategy/sra-enforcement-strategy/)]
 19. <https://www.sra.org.uk/solicitors/guidance/acting-with-integrity/> [[/solicitors/guidance/acting-with-integrity/](https://www.sra.org.uk/solicitors/guidance/acting-with-integrity/)]
 20. <https://www.sra.org.uk/solicitors/guidance/sexual-misconduct/> [[/solicitors/guidance/sexual-misconduct/](https://www.sra.org.uk/solicitors/guidance/sexual-misconduct/)]
 21. <https://www.sra.org.uk/solicitors/guidance/workplace-environment/> [[/solicitors/guidance/workplace-environment/](https://www.sra.org.uk/solicitors/guidance/workplace-environment/)]
 22. SRA Guidance: Preparing to become a sole practitioner or an SRA-regulated freelance solicitor; 25 November 2019.



23. As noted in section 1.3, the survey of freelance solicitors attracted 37 complete responses and another 17 partial responses.
24. Hilborne, N. (2020). Insurance woes ground freelance solicitor network. Available at: <https://www.legalfutures.co.uk/latest-news/insurance-woes-ground-freelance-solicitor-network> [<https://www.legalfutures.co.uk/latest-news/insurance-woes-ground-freelance-solicitor-network>].
25. Hyde, J. (2020). Broker steps in to offer freelance solicitors PII solution. Available at: <https://www.lawgazette.co.uk/news/broker-steps-in-to-offer-freelance-solicitors-a-pii-solution/5103086.article> [<https://www.lawgazette.co.uk/news/broker-steps-in-to-offer-freelance-solicitors-a-pii-solution/5103086.article>] (accessed 20.11.2023).
26. While not mandatory non-LSA regulated organisations can choose to take out PII, and are also subject to consumer trading regulations.
27. Based on 947 responses to this question in the survey of solicitors.
28. Based on 594 responses to this question in the survey of solicitors.
29. <https://www.sra.org.uk/solicitors/standards-regulations/withdraw-client-money/> [[/solicitors/standards-regulations/withdraw-client-money/](https://www.sra.org.uk/solicitors/standards-regulations/withdraw-client-money/)]
30. Regulated entities here includes those authorised under the Legal Services Act (2007).
31. Figures exclude consumers who could not remember.
32. <https://www.legalchoices.org.uk/> [<https://www.legalchoices.org.uk/>]