



**Application to the Legal Services Board  
Under s.51 Legal Services Act 2007**

**For Approval of  
Individual Licence fees, Practice Fees and other charges  
for the period 2025-2026**

**September 2025**

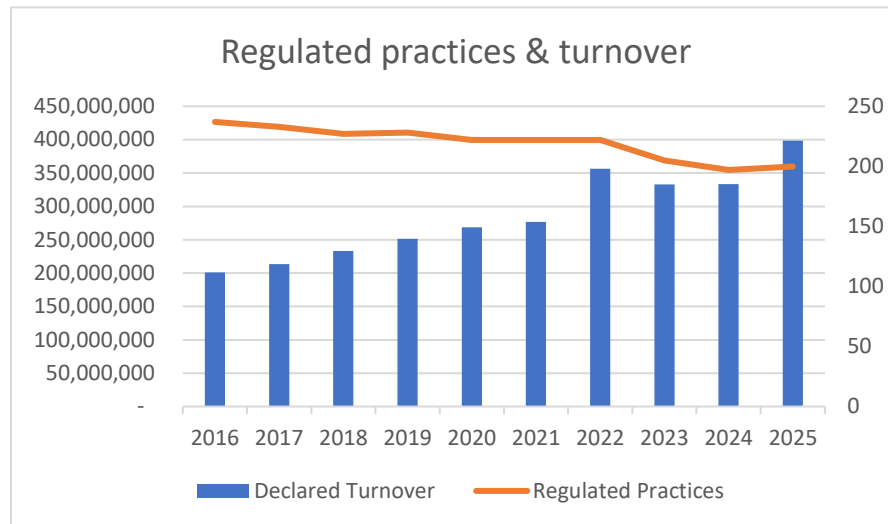
## CONTENTS

---

	Introduction	3
I	Summary and overview of the proposal	6
II	Allocation of the practicing certificate fees to permitted purposes	11
III	Financial information – Practice Fund	18
IV	Reserves – Practice Fund	34
V	Consultation and engagement	41
VI	Impact assessment	47
VII	Transparency of PCF information to relevant authorised persons	53
VIII	Checklist – Enclosures	54
IX	Compliance statement	55
	 Annex A – Licence fee	 56
	Annex B – Practice fee contribution table	57
	Annex C – Other administration charges	58

## Introduction

- 1) After two years of aggregate practice turnover reductions (4% in 2023 and 1% in 2024) we have noted a 19% aggregate turnover growth in 2025. Although some of this is due to new entrants to CLC regulation most of the turnover growth is due to organic growth of turnover from existing regulated practices.



- 2) The turnover growth recorded in 2025 is likely due to improved market conditions, increased transaction volumes because of SDLT rate changes and increases in pricing.
- 3) We continue to see increased practice merger enquiries and activity and many small and micro practices have decided that this is an opportune time to close or sell. Closures have largely been driven by economics, business sales and the retirement of owners.
- 4) Significant uncertainty still pervades the industry with economic conditions, political uncertainty, stubbornly high interest rates and inflation all contributing to a cautious outlook for the medium term.
- 5) The insurance market has however stabilised, with new insurers entering the market and being prepared to write policies, which may encourage new entrants into the sector. This may also entice practices to switch into CLC regulation.
- 6) The CLC intentionally operated with a deficit budget prior to 2023. This was done to reduce reserve levels held in the Practice Fund to the appropriate level and not hold what is in fact the regulated community's money unnecessarily. An unplanned deficit was recorded in 2023 and 2024 due to in year planned additional expenditure, which resulted in reserves dropping more than anticipated. During 2024 the Council carefully reviewed the reserve policy and the risks being mitigated by holding reserves and it was decided to increase reserve levels, specifically the cashflow reserve.
- 7) The demands on all regulators continue to grow, specifically in relation to AML, international sanctions, and economic crime as well as oversight regulator initiatives. This

coupled with internal initiatives to update codes, frameworks and rules and work to support the reform of home buying and selling in the public interest means that the CLC has had to increase capacity and recruit additional staff. Recruitment is ongoing with some additional capacity already in place and more to be added during the remainder of 2025 and the first half of 2026.

- 8) Income generated at current fee rates will increase during 2026 because of the organic growth in practice turnovers and individual licence holders. This will be supplemented by an inflation adjustment to the Practice Fee and Licensing administration charges.
- 9) The Council carefully considered the fee rate options available for 2025-26 billing cycle and has resolved to make an inflation linked adjustment of 3%.
- 10) The key factors that influenced the Council's decision to increase practice fee rates were:
  - 1) Persistently high inflation rates above the bank of England's 2% target level.
  - 2) Increasing costs, particularly staff cost which make up more than 71% of expenditure, need to be adjusted for and keep pace with inflation.
- 11) The current CLC Strategy was adopted in 2023. The current strategic objectives are:
  - Promote quality in legal services.
    - i. The CLC should promote all aspects of improvement in the practice of conveyancing and probate, whether legislative, process change or it-driven to improve client outcomes.
    - ii. Revised ethical standards should underpin work to drive quality and compliance and assist in the disciplinary process.
  - Exploit the CLC's unique approach, insight and relationship with the regulated community to further improve consumer protection.
  - Benefit clients by reducing the unit cost of regulation by the CLC and bringing the CLC's specialist regulation of conveyancing and probate to bear on a larger part of the market.
- 12) The approach to fee setting has not changed, and the principles used to set Practice Fee rates remain as follows:
  - a) Fee setting in general is determined with the aim of generating no more than a nominal surplus each year. This will ensure we do not accumulate unnecessary reserves.
  - b) A managed deficit budget can be used to fund a decrease in fee rates when sufficient reserves are available.
  - c) Fees are set at a level that recovers the cost of regulation of practices and individuals, except where the minimum reserve in either the Practice or Compensation Fund needs to be topped up.

- d) Fees charged are consistent year on year, with the expectation that fee rates will reduce as economies of scale are realised by the CLC and/or practice turnovers increase.
- e) Fee rates (Practice Fees and Compensation Contributions) are increased only in exceptional circumstances, such as a prolonged economic downturn where minimum reserves cannot effectively absorb a loss of income nor the increased regulatory costs that can arise in times of economic difficulty.

## **I. Summary and overview of the proposal**

---

- 13) This application sets out the CLC's proposed fee structure for the 2025-26 billing cycle commencing on 1 November 2025.
- 14) The Council has carefully reviewed and discussed the financial requirements and the funding thereof through multiple engagements during the year including:
- a) a workshop on 1 July 2025 to review practice fee estimates for the next year and look at options available for operational funding.
  - b) a comprehensive review of the 2025 forecast and estimate for 2025 and the resulting fee rate proposals was conducted at the 24 July 2025 Council meeting and Council agreed the fee rates subject to consultation.
  - c) A public consultation of the proposed fee rates and expenditure and ran from 11 July to 12 September. The responses to the consultation were carefully considered by Management and Council prior to the finalising this application.
- 15) The CLC's current funding arrangements can be summarised as follows:
- a) An **Individual Licence fee** (a fixed sum) payable by all Licensed Conveyancers regulated by the CLC,
  - b) A **Practice Fee** levied as a percentage of turnover subject to a minimum fixed fee, and
  - c) An **OLC Levy** payable by all CLC regulated practices. The levy is a direct recharge of the Legal Ombudsman costs allocated to the CLC. 50% of the cost is allocated on a proportional basis using the practice fee payable as a percentage of the aggregate of the practice fees to be collected. The remaining 50% is allocated to practices with cases accepted for investigation by the OLC.
- 16) The fee rate proposals for the 2025-26 billing cycle are as follows:
- a) The **Individual Licence fee** (Appendix A) will remain unchanged at £400 for a conveyancing or probate licence and £475 for a dual licence.
  - b) The allocation of **OLC Levy to practices** will be remain unchanged. 50% of the cost will be allocated proportionally to all practices (the availability component) and 50% of the cost will be allocated to practices based on case numbers (the usage component).
  - c) A 3% inflationary adjustment will be made to the **Practice Fee rates** (Appendix B).
  - d) The **turnover bands** will remain unchanged.
  - e) A 3% inflationary adjustment will be made to the **Licensing administration charges**.

- 17) Should the application not be approved, the CLC would continue collecting the existing fees at current fee rates due until the end of the licensing year (30 October). The CLC would also request in accordance with rule 30 of the PCF Rules that the board approves a Temporary Practice Fee based on existing approved fee rates as collecting the PCF over a shorter period could be detrimental to practices. Once the amended PCF arrangements are agreed, the CLC would adjust collections over the remaining period so that the approved fee is collected over the course of the billing cycle. The individual License fees are not changing and we would propose that these are collected as usual at the current rates to prevent individuals from not having a licence to practice.
- 18) The CLC is prepared to work with the LSB to provide any explanation, analysis, or amendments to facilitate receiving a decision within the requisite timeframe.
- 19) The LSB highlighted its expectations for the 2026 application when it approved the 2025 PCF application. These expectations and the action taken are summarised in the table below.

Requirement for 2025-26 PCF application	Comment and action taken
Provide an explanation around employment costs, in accordance with paragraph 71 of the Guidance, particularly where there is going to be a significant change from previous years;	<p>We have incorporated more detailed information into this application, including FTE figures and cost allocations by activities (see paragraphs 25 to 27).</p> <p>Additional information on the cost variances is included in section <b>III – Financial Analysis</b>.</p> <p>Since 2024, the CLC has been expanding the policy, licensing and monitoring teams’ headcount to increase capacity. This is being done to meet increasing stakeholder demands as well as to ensure we can continue to deliver progressive, risk-based regulation in a developing industry. We anticipate that our recruitment objectives will be completed during 2026 and we will be fully resourced.</p>
To provide a more detailed explanation for its rationale for spending of practising fee income against permitted purposes pursuant to Section 51 of the Act and Rules 7,8, 15,16 and 29b.	<p>We have incorporated additional information into <b>Section II</b> of this application.</p> <p>It is important to note that the CLC is a pure regulator. We <b>do not</b> have a</p>

Requirement for 2025-26 PCF application	Comment and action taken
	<p><u>representative function</u>. All our fee income is applied to the permitted purposes. The CLC does not undertake any activities that are not permitted purposes.</p>
<p>provide an explanation as to how holding less than three months of pre-budget estimate expenditure in uncommitted reserves reflects a proper estimate of risk, pursuant to paragraph 102 of the Guidance. Included in this explanation, the CLC should consider the impact of being required to curtail communications, legal fees, and other activities as a result of not holding three months of expenditure in reserve.</p> <p>satisfy the LSB that the target level for practising fee reserves and the accumulated practising fee reserves are sufficient to ensure that the approved regulator is reasonably financially resilient even in adverse circumstances, pursuant to Rule 21;</p> <p>identify any changes to the reserves policy in the application, so that the LSB can properly assess whether it is satisfied that the target level is sufficient;</p> <p>have regard to the expectations of the Guidance when it is internally reviewing its reserves policy, pursuant to Rule 4;</p> <p>consider whether the policy minimum reserve level is adequate in the context of the statutory Guidance to the Rules, and the fact that the minimum reserve level is being breached;</p>	<p>The reserve section of this application addresses the points raised.</p>
<p>provide financial information for the previous year in its practising fee application, including a comparison of actual and budgeted income and expenditure, pursuant to Rule 17(a);</p>	<p>We have included the actual and budgeted figures together with commentary on the variances in section <b>III – Financial Information</b>.</p>



Requirement for 2025-26 PCF application	Comment and action taken
<p>provide accurate and up-to-date information to the LSB when submitting practising fee applications, so that these can be properly assessed;</p>	<p>We have taken steps to ensure data included in the application is accurate and final. Many of the tables are related and changes to one may impact another. To prevent errors, we have updated all tables from the most recent version of the financial model.</p> <p>If any errors are missed it is certainly not intentional.</p>
<p>consult on its programme of activity to which the practising fee will be applied, pursuant to Rule 23(a) of the Rules;</p>	<p>The CLC is a pure regulator, as such our regulatory activity is consistent body of work which is completed annually. These works are not discretionary or something that can be influenced by the views of the regulated community (e.g. wanting less disciplinary and monitoring activity). As such this has not previously been included in the consultation.</p> <p>This year, our consultation document includes more information about our programme of activities and we intend to include details of our programme of work in our “information to relevant authorised persons” document sent to practices notifying them about the fees.</p> <p>We are also planning to include questions on our programme of work in our annual regulatory return which is a mandatory response from all regulated practices. This survey is undertaken in December / January.</p>
<p>include an assessment of the tangible benefits of those activities which are regulatory functions in its consultation document, pursuant to paragraph 107 of the Guidance.</p>	<p>Paragraph 107 of the LSB guidance does not require regulators to include this information in the consultation document.</p> <p>The CLC is a pure regulator and does not have a representative function. As such all our activities relate to regulatory functions.</p>

Requirement for 2025-26 PCF application	Comment and action taken
	<p>Some of the key tangible benefits of CLC's programme of activities can be seen in paragraph 39.</p> <p>The published business plan (<a href="#">link</a>) includes information on all our planned activities as well as the regulatory and strategic objectives it supports.</p> <p>This year we also intend to include a section on our programme of work in our "information to relevant authorised persons" document sent to practices notifying them about the fees.</p>

20) To the best of our knowledge no further issues have been raised during our informal engagements with the LSB that need to be addressed in this application.

## II. Allocation of practising certificate fees to permitted purposes

- 21) The CLC is a pure regulator and has no representative function. As such all costs are regulatory in nature and aligned with the permitted purposes. No costs are incurred outside of permitted purposes and there is no allocation of costs to representative functions.
- 22) Practicing Fees are derived from:
- 1) fees charged to practices which are calculated on a sliding scale based on turnover and;
  - 2) individual licence fees which are fixed fees levied on individual licence holders.
- 23) An OLC Levy is charged to each practice. This levy is a cost recovery of the recharge of costs made by the Legal Ombudsman to the CLC. The OLC levy is separated from the direct operating costs of the CLC as the levy is a recharge of 3<sup>rd</sup> party costs which is outside the CLC's control.
- 24) The tables below summarises the allocation of the Practicing Fee elements for 2026 to the various activities undertaken by the CLC.

ALLOCATION OF THE PRACTICING CERTIFICATE FEES TO PERMITTED PURPOSES (2026)				
Description of activity	Permitted purpose	Rule	Cost allocated	% Of PCF
Licensing	Accreditation	8a	£501,195	16%
Education	Education and training	8a	£89,735	3%
Monitoring	Regulation	8a	£498,167	16%
Policy	Setting practice standards	8a i.	£617,247	20%
Payment of levies	Payment of levy imposed	8b	£83,084	3%
Disciplinary	Regulation Setting practice standards	8a 8a i.	£438,415	14%
Complaints	Regulation Setting practice standards	8a 8a i.	£176,272	6%
Communications	Maintaining & raising standards Law reform & Leg process Promotion of relations Increasing public understanding	8a 8c 8f 8g	£288,799	9%
Council and Committees	Maintaining & raising standards Law reform & Leg process Promotion of relations	8a 8c 8f	£467,143	15%
<b>Total practicing certificate fees levied</b>			<b>£3,160,056</b>	<b>100%</b>

RECHARGE TO PRACTICES - OLC Levy				
Description of activity	Permitted purpose	Rule	Cost allocated and % of PCF	
Payment of levy's	Payment of levy imposed	8b	£1,465,747	100%
<b>Total OLC Levy</b>			<b>£1,465,747</b>	<b>100%</b>

25) Staff costs account for 71% (2024:71%) of the CLCs' operating expenditure and are thus a significant driver of the expenditure allocated to the various activities. Each employee's time and cost have been allocated to the various activities based on their role and the estimated time spent on the various activities. Other operating costs are allocated by nature or apportioned based on staff cost percentages. The table below summarises the allocation of costs by activity and the change in allocation between 2025 and 2026.

Cost allocation by activity	2024 Actual	2025 Forecast	2026 Estimate	Change 24 to 25	Change 25 to 26
Licensing	473,651	449,391	501,195	(24,260)	51,804
Education	88,016	89,974	89,735	1,958	(239)
Monitoring	435,942	476,488	498,167	40,547	21,678
Policy	368,266	446,503	617,247	78,237	170,743
Payment of levy's	71,785	75,463	83,084	3,678	7,621
Disciplinary	516,134	339,137	438,415	(176,997)	99,277
Complaints	141,733	152,071	176,272	10,337	24,201
Communications	202,340	296,938	288,799	94,599	(8,139)
Council and Committees	431,573	449,425	467,143	17,852	17,718
<b>Total Expenditure</b>	<b>2,729,440</b>	<b>2,775,391</b>	<b>3,160,056</b>	<b>45,951</b>	<b>384,664</b>

26) The cost allocation table above highlights the following trends:

- 1) Licensing costs dipped in 2025 due to changes in staffing and is expected to increase in 2025 due to recruitment of additional staff.
- 2) Monitoring costs have increased steadily due to cost increases and recruitment
- 3) Policy costs have and are expected to increase materially due to recruitment of additional policy staff.
- 4) Disciplinary costs are driven by case load. The dip in 2025 is due to a significant cost recovery recorded (£180,000).
- 5) Communications costs and activity have increased with the new policy hires and is expected to flatten from 2026.

27) The CLC has been actively recruiting to new posts since 2024 and we expect the headcount to increase to 21 at the end of 2025 and 24 by the end of 2026. The table below shows the FTE allocation by activity.

FTE allocation by activity	2024 Actual	2025 Forecast	2026 Estimate
Licensing	4.46	5.49	5.44
Education	0.61	0.58	0.57
Monitoring	5.70	6.32	6.27
Policy	1.47	3.00	4.19
Payment of levy's	-	-	-

FTE allocation by activity	2024 Actual	2025 Forecast	2026 Estimate
Disciplinary	2.45	1.84	2.73
Complaints	2.28	1.81	2.11
Communications	0.78	0.84	1.09
Council and Committees	1.26	1.13	1.59
<b>Total</b>	<b>19.00</b>	<b>21.00</b>	<b>24.00</b>

- 28) The current CLC Strategy was reviewed and adopted by the Council in early 2023. It was developed based on:
- 1) a review of the achievement against the strategy that was coming to an end in 2022;
  - 2) our intelligence and insight into the evolution of the conveyancing and probate markets;
  - 3) key risks and the performance of CLC-regulated practices; and
  - 4) the Regulatory Objectives of the 2007 Act. There were staff and Council workshops to work up the new strategy, which was drafted by the Senior Management Team for final approval by the Council.
- 29) As ever when the CLC reviews its strategy, it took the opportunity to review the organisation's overall remit and whether it should consider in detail again, the possibility of extending its regulatory remit beyond the current areas of conveyancing and probate. The extensive discussions concluded that no change to the CLC's remit was desirable and that the strength of specialist regulation remained the fundamental consideration.
- 30) The strategic objectives for the current strategy period (2023 -2025) agreed by the CLC Council are as follows:
- a) Promote quality in legal services
    - i. The CLC should promote all aspects of improvement in the practice of conveyancing and probate, whether legislative, process change or it-driven to improve client outcomes.
    - ii. Revised ethical standards should underpin work to drive quality and compliance and assist in the disciplinary process.
  - b) Exploit the CLC's unique approach, insight and relationship with the regulated community to further improve consumer protection
  - c) Benefit clients by reducing the unit cost of regulation by the CLC and bringing the CLC's specialist regulation of conveyancing and probate to bear on a larger part of the market
- 31) The link between the permitted purposes and strategic objectives are summarised in the table below.

<b>The permitted purposes for the utilisation of practicing certificate income</b>	<b>Strategic objectives linked to permitted purpose</b>
1) the regulation, accreditation, education and training of applicable persons and those wishing to become such persons, including –	a
i. the maintaining and raising of their professional standards; and	a and c
ii. the giving of practical support, and advice about practice management, in relation to practices carried on by such persons;	a, b and c
2) the payment of a levy imposed on the approved regulator under section 173 of the Act and/or the payment of a financial penalty imposed on the approved regulator under section 37 of the Act;	a
3) the participation by the approved regulator in law reform and the legislative process;	b
4) the provision by applicable persons, and those wishing to become such persons, of legal services including reserved legal services, immigration advice or immigration services to the public free of charge;	b and c, though this does not generally arise in relation to the legal services regulated by the CLC
5) the promotion and protection by law of human rights and fundamental freedoms;	b
6) the promotion of relations between the approved regulator and relevant national or international bodies, governments or the legal professions of other jurisdictions;	a, b and c
7) increasing public understanding of the citizen's legal rights and duties;	a and c
8) preventing any person, who is not a relevant authorised person and/or does not hold a current relevant practising certificate, purporting to be such a person or to hold such a certificate; and	a, b and c
9) Promoting the prevention and detection of economic crime.	a and b

32) The most recent strategy, beginning January 2023, was informed by comments made in the open consultation held over the summer of 2022. The Strategy page of our website explains that the annual business plans sets out to deliver the strategy and that the Council monitors progress via the Annual Report/Financial Statements and regular progress updates at Council meetings. Each Business Plan maps activities to the Legal Services Act 2007 Regulatory Objectives, performance standards and certain key risks.

33) Whilst the business plan itself is not open to public consultation, the CLC's overarching 3-year strategy is subject to consultation which offers the regulated community the opportunity to provide input into and challenge on the CLC's strategic direction. As outlined above, the governance arrangements and decision making that results in the production of an annual business plan is open and transparent, and each business plan is informed by a process of informal engagement and evidence from various sources. Taken in the round, the process of developing a strategy and the business planning that delivers that strategy offers the regulated community transparency, and the opportunity to hold the CLC to account for how their licence and practice fees are spent by their regulator.

- 34) Perhaps also unsurprisingly for a pure regulator the key areas of the business plan do not change year on year, though there may be a change of emphasis between years – our core functions of licensing, compliance and discipline are at the heart of every year’s plan supported by appropriate policy making.
- 35) The CLC’s published Business Plan for 2025 ([link](#)) sets out the activities that underpin the achievement of the organisation’s strategic objectives and are set out in relation to the strategic objective that they chiefly help to meet. As a wholly independent regulator with no representative function, these all fall within the permitted purposes as defined above. The business plan is approved by the Council and progress against it is reviewed quarterly and by exception by the Council.
- 36) We do not undertake formal consultation on the annual business plan but engage in a variety of ways both in its development and in reporting of progress. Each business plan is the product of a thorough process that starts with extensive planning at the Executive level, before extensive deliberation and consideration by both the Audit and Risk Committee (ARC) and the Council, which ultimately approves the plan. Throughout this process the CLC engages with representative bodies and the regulated community and those it regulates directly and any Policy implementation areas will have already been the subject of consultation with the profession, the Professional Reference Group (PRG) and Consumer Reference Group (CRG) (most recently this has included for example consultation on proposed changes to the Compensation Fund, new Complaints Handling Guidance and proposed revision of the Customer Charter). Suggested areas of policy development will be subject to consultation during the process of development, both informal and formal consultation. Council agendas and papers are published on the CLC website, offering stakeholders, including the regulated community, the opportunity to review and if they wish, to provide comment on the proposed business plan.
- 37) Planning and prioritisation are informed by informal engagement with stakeholders including the PRG and CRG, as well as horizon scanning activities, monitoring, and enforcement activities, LSB policy statements and other regulatory indicators, and the statutory imperative to deliver on the Regulatory Objectives. The business plan and priorities are also shaped by feedback that we seek from the regulated community via for example, the Annual Regulatory Return, PII claims data, HM Land Registry requisition data and stakeholder perceptions research.
- 38) The CLC’s business plan for 2026 has not yet been finalised. The CLC business plan runs from January to December and the business plan is developed during the preceding three months.
- 39) The overarching objective of the CLC as a pure regulator is to protect the consumer. We track the success of our regulatory functions by the improvements on metrics that demonstrate progress against this objective. The key metrics tracked by the CLC include:
- a) Governance arrangements – The CLC has effective and embedded governance arrangements in place that ensures that the Council has access to granular,

consistent and wide-ranging data on a quarterly basis. Data is scrutinised by the Audit and Risk Committee, supported by internal and external audit. The governing Council is advised by the risk committee and receive comprehensive management information reports. These governance structures meet quarterly and review performance metrics at each meeting.

- b) Single point of contact – each practice regulated by the CLC is allocated to a Regulatory Supervision Manager who is responsible for all aspects of that practices' regulatory responsibilities, including guidance, complaint handling, monitoring and disciplinary. This enables us to effectively identify risk, respond quickly and protect consumers. The connectivity of all activities allows a holistic view and enhanced ability to identify regulatory challenges.
- c) Complaint handling – this includes practice complaints, complaints about practices to the CLC and complaints made to the legal ombudsman. This is an ongoing focus area and we use all three sources to identify outlying practices so that we can take steps to protect the consumer interest. A key success measure is an overall downward trend in complaints.
- d) Practice monitoring – The CLC operates a comprehensive rolling inspection program that is informed by risk. In any year, 20% – 25% of our base is subjected to a monitoring visit. Every 4 – 5 years all regulated practices are inspected. The inspections are structured and cover all the CLC codes. We track compliance by code which gives us insight into compliance trends. This enables us to target our efforts, provide guidance and if necessary, changes to rules. When we identify breaches to our codes, we issue a mandatory set of actions which are time bound and only signed off once we are happy with the actions taken.
- e) Disciplinary processes – The CLC has a robust disciplinary process. All breaches identified through licensing, monitoring and complaints handling processes are considered for disciplinary action and assessed against our threshold criteria. This ensures that appropriate action is taken when there is sufficient risk to the consumer. The volume and type of disciplinary cases and level of sanction is an indication of compliance to the codes. We monitor and report the data and by doing so ensuring consumer protection.
- f) Practice risk ratings – Every practice is risk rated based on a set of criteria which constantly evolve with changes in the sector. Changes to practice risk ratings is an indicator of practice compliance with the CLC codes and overall reducing the risk to consumers.
- g) Annual Regulatory return – A comprehensive and wide-ranging annual return is used to track and identify risk. Regulatory return responses are also an indicator of



how the regulated community benefit from CLC regulation and is a useful indicator of areas of potential risk.

- h) Contact with stakeholders, formal and informal raising of concerns and utilisation of third-party data.
  - i) We track our performance in our KPI report which is reviewed by the Council quarterly and published on our website. Any trends identified in individual metrics are investigated and appropriate measures implemented.
- 40) A further core focus is that practices comply with specific legislation such as anti-money laundering. This aspect of compliance is tracked separately and very closely monitored for non-compliance. It is also subject to a high degree of oversight by OPBAS and HM Treasury.
- 41) At a strategic level we are working to reform the conveyancing process itself as structural changes to conveyancing will have a positive impact on consumer protection. These initiatives include working towards digitising the conveyancing process, looking at ways to reduce the time taken to complete a transaction and protecting client money better.
- 42) Over the last few years, regulators have been tasked with doing more and we have noted a steady increase in expectations from stakeholders. We monitor our capabilities and the resources available to us. In the short term we can leverage outsourced arrangements to increase capacity quickly if necessary while we arrange for recruitment and funding of new resources.

### III – Financial information

---

#### Introduction

- 43) The CLC's financial cycle runs from January to December and the Licensing period runs from November to October. The Council approves the Practicing Fee rates in July for the next licensing period based on the best estimates of expenditure available at the time. The budget for the next financial cycle is approved by the Council in January.
- 44) It is important to note that the Figures used in this application include forecast and estimate numbers and are likely to differ from the actual results and budget for the following year. Forecast figures are generally less than 6 months from the current date and estimates are 6-12 months from the current date. Estimates are more likely to differ or change due to uncertainty about future plans and supplier (including employee) costs.
- 45) This Fee application uses the actual figures from January – July 2025, a forecast to December 2025 and then an estimate for the 2026 financial year.
- 46) Because of the timing of this application, and our business planning/budgeting cycle there are always going to be variances due to supplier increases, changes in priorities and staff vacancies'.
- 47) There are some expenditure line items that are inherently more difficult to project. These include:
- 1) Legal expenses incurred on disciplinary matters, where the timing, complexity and robust challenge can have a significant impact on cost.
  - 2) Staff expenditure, although carefully budgeted and planned can vary significantly due to resignation, timing of recruitment and changes to market rates.
- 48) The financial information presented below includes comparison of the prior year's estimates and forecasts against our current year's budget and next year's estimate. These comparisons demonstrate how our estimates transition to budgets and are then updated intra year through forecasts.
- 49) The CLC has, over the past 6 years, operated a managed deficit budget. This was intentional and had two purposes:
- 1) To reduce the financial burden of regulation on practices during a very difficult period which included the pandemic and an economic downturn.
  - 2) To reduce excess cash reserves being held by the CLC arising from a property sale in 2017.
  - 3) Offset significant increases in OLC recharges.

50) The table below summarises the operating surplus or deficit of the CLC since 2015 as well as the changes to the practice fee rates over the period.

Financial Year	Fee rate change	Operating Surplus/ (Deficit)
2015		60,872
2016		1,372,408
2017	(20%)	189,399
2018		55,444
2019	(10%)	(323,142)
2020	(30%)	(886,713)
2021		(539,622)
2022	(23%)	(576,513)
2023		(65,831)
2024	10%	(80,571)
2025 (forecast)	9%	231,555
2026 (estimate)	3%	62,871

- 51) The CLC has through fee rate reductions returned £2.4m back to the profession since 2019. The impact of this is that the CLC reserve levels have reduced significantly.
- 52) Higher than anticipated disciplinary costs in 2023 and 2024 have resulted in deficits being realised during those years, which has further reduced reserve levels. These negative variances have been recovered in 2025 due to cost recovery awards made by the adjudication panel.
- 53) To offset the cashflow impact of these timing differences the CLC is intending to run surplus budgets for the next few years to gradually increase its cashflow reserve so that there is an increased buffer to absorb these timing differences. Further information is included in the reserve section of this application.
- 54) The practice fee rate was increased in 2024 and 2025 due to an aggregate reduction in practice turnovers (resulting in lower practice fees being generated) and an increase in inflation and regulatory activity/burden of the CLC (resulting in increased costs).
- 55) Factors that are likely to result in increases to the fee rates are:
- 1) A decrease in aggregate practice turnovers as this will result in lower practice fee billings
  - 2) Inflationary increases to costs, specifically staff costs
  - 3) Increased costs such as significant and complex disciplinary cases
  - 4) Additional regulatory responsibilities and requirements from government, LSB and other stakeholders

56) The CLC has always been mindful of containing the regulatory burden on individuals and practices at a level proportionate to the risks to consumers. One of the ways we have done that is by keeping very tight cost controls and wherever possible minimising expenditure.

57) The chart below shows the CLC operating expenditure (blue), which is the expenditure we can directly control and the Legal Ombudsman (orange) cost that is recharged to us and is not under our control. This represents the total cost burden on our regulated community.



58) Keeping overall operating expenditure contained has been achieved by carefully managing cost. Our most significant cost driver is employment costs (2025 - 71% of total costs, up from 62% in 2024). This cost has increased over time as we invest in people who are passionate about their jobs and are focussed on better, risk-based regulation and protecting the consumer. Our staff are our biggest asset, and they enable us to provide effective, specialist regulation.

59) Operating expenditure for 2025 is forecast to be £2.7m, expenditure for 2026 is expected to be 19% higher (£3.2m). most of this increase is attributed to employment costs generated from an increase in headcount. Note that the total 2025 operating cost is reduced by a significant disciplinary cost recovery, adjusting for that the expenditure would have been £2.9m and the 2025 cost would be 13% higher.

60) Increasing sectoral demands, inflation, and the need to continue to invest in our staff and regulatory processes mean that we will continue to see above-inflation increases in employment costs for the next few years as we invest in and recruit additional staff.

61) The extent of any future increase to the practicing certificate rates will be dependent on turnover growth (of regulated practices) and increases in the number of individual licence holders. Growth in these would reduce the need for rate increases.

## Fee Banding Review

62) The Practice Fee turnover bands were last amended in 2021 when we added five bands to narrow the scope of each band, allowing practices to benefit from lower fee rates as they grow. We reviewed the bands this year and have noted that there is still a good

distribution of practices across the bands. As such we concluded that there was no need to amend the bands to be used in the next billing cycle. The table below summarises the distribution of practices since the new band were introduced.

Fee bands and practice allocation	Number of Practices July 22	Number of Practices July 23	Number of Practices July 24	Number of Practices July 25
£0 – £100,000	20	12	8	7
£100,001 - £250,000	37	36	40	31
£250,001 – £500,000	58	47	47	41
£500,001 – £1,000,000	53	57	45	54
£1,000,001 – £2,000,000	28	29	30	33
£2,000,001 – £4,000,000	9	10	14	16
£4,000,001 – £8,000,000	11	6	7	7
£8,000,001 – £16,000,000	1	4	5	7
£16,000,001 and over	5	5	4	4
	222	206	200	200

63) The following trends have been identified in the distribution of practices across the bands:

- 1) A steep decline in the practices with a turnover under £100k. This is mostly due to closure or retirement. It is now unusual to see new entrants to regulation starting with a turnover under £100k.
- 2) A decline in the practice numbers in the £100k – £250k band this is also driven by closures and practices moving to higher bands due to growth.
- 3) Overall, there is a decline in practices with a turnover under £500k and growth in practices with turnover greater than £500k

64) The distribution of fees generated per turnover band at the current fee rate and the proposed rate for 2026 is shown in the table below.

Turnover bands	Number of practices	Practice Fee at current rate	Practice Fee at proposed rate	Increase in fees collected	Average increase per practice
£0 – £100,000	7	4,170	4,296	126	3.0%
£100,001 – £250,000	31	35,957	37,042	1,084	3.0%
£250,001 – £500,000	41	102,534	105,616	3,082	3.0%
£500,001 – £1,000,000	54	246,414	253,830	7,415	3.0%
£1,000,001 – £2,000,000	33	279,729	288,127	8,398	3.0%
£2,000,001 – £4,000,000	16	260,277	268,167	7,890	3.0%
£4,000,001 – £8,000,000	7	256,852	264,620	7,768	3.0%
£8,000,001 – £16,000,000	7	468,080	482,098	14,018	3.0%
£16,000,001 and over	4	591,133	608,813	17,680	3.0%
	200	2,245,147	2,312,609	67,462	3.0%

65) The increase in practice fees for a range of practice turnovers is summarised in the table below and shows the annual and monthly cost increase based on turnover.

<b>Illustrative practice turnovers</b>	<b>Fee at current fee rate</b>	<b>Fee at proposed fee rate (3% Inc)</b>	<b>Annual cost increase</b>	<b>Additional monthly payment</b>
100,000	695	716	21	2
250,000	1,693	1,744	51	4
500,000	3,280	3,378	98	8
1,000,000	6,215	6,404	189	16
2,000,000	11,995	12,354	359	30
4,000,000	23,375	24,094	719	60
8,000,000	43,775	45,094	1,319	110
10,000,000	53,895	55,514	1,619	135
15,000,000	79,195	81,564	2,369	197

66) We have considered the impact that these increases may have on practices and have concluded that based on turnover, the increase in fees from the changes in rates is not likely to have a material impact on individual practices.

### Prior year financial results (2024) vs Budget (2024)

67) The table below summarises the actual audited results for 2024 against the budget set at the beginning of 2024.

2024 actual vs budget	2024 Budget	2024 Actual	Variance	Variance %
Practice Fee	1,745,465	1,773,133	27,668	2%
Individual License Fee	755,646	766,842	11,197	1%
Other income	60,468	85,255	24,787	29%
Applicant vetting	33,000	23,638	(9,362)	(40%)
<b>TOTAL INCOME</b>	<b>2,594,579</b>	<b>2,648,868</b>	<b>54,289</b>	<b>2%</b>
Staff costs	1,853,275	1,850,191	3,083	0%
Staff cost recharge	(151,069)	(161,490)	10,421	(6%)
Communications	147,700	166,448	(18,748)	(11%)
Professional Fees	224,306	351,691	(127,385)	(36%)
Finance charges	10,386	12,496	(2,110)	(17%)
Monitoring	54,000	28,968	25,032	86%
Applicant vetting	33,000	23,694	9,306	39%
Recharges	66,376	69,594	(3,218)	(5%)
Office rent	162,543	153,906	8,637	6%
Office costs	17,608	13,281	4,327	33%
IT costs	31,829	37,075	(5,246)	(14%)
Travel costs	19,465	18,849	616	3%
Consulting & subs	51,238	102,678	(51,440)	(50%)
Insurance	63,817	62,055	1,762	3%
<b>TOTAL EXPENDITURE</b>	<b>2,584,475</b>	<b>2,729,440</b>	<b>(144,964)</b>	<b>(5%)</b>
OLC Levy received	1,213,568	1,193,283	(20,285)	(2%)
OLC Levy Paid	(1,213,568)	(1,193,283)	20,285	2%
<b>OPERATING PROFIT/LOSS</b>	<b>10,104</b>	<b>(80,571)</b>	<b>(90,675)</b>	<b>113%</b>

68) Income for the year was 2% better than budgeted. This is due to higher practice fee income as a result of the 9% practice fee rate increase in November 2024. Individual licensing fee income is also better than budget due to higher than anticipated growth in licence holders. Other income comprises interest and licensing application income, both of which exceeded the budget expectations. Applicant vetting costs were below budget.

The budget estimate is based on prior years spend due to the inherent uncertainty of the level of cost which is on a cost recovery basis (We pay the fee and recover it from the applicants).

69) Operating expenditure is £144,964 higher than the budget expectation. The key drivers of this negative variance are:

- 1) Professional fees – Higher legal costs were incurred in relation to two ongoing disciplinary cases. Note that one of these was concluded in 2025 resulting in £175k cost recovery.
- 2) Consulting & Subscriptions – The CLC entered into an out of budget fixed term consultancy agreement to facilitate building relationships with the new government.
- 3) Communications – The increase in cost is predominantly driven by supplier cost increases due to VAT being added to the invoices (the CLC is not VAT registered and cannot recover the input cost).

#### Review of 2025 Estimate made in 2024 to the current forecast for 2025

70) The table below summarises the changes from 2024 PCF applications estimate for 2025 to the 2025 budget and then this year's 2025 Forecast. Material adjustments are explained below the table.

2025 estimate for the PCF application vs the 2025 budget	2025 Estimate used in 2024 PCF	2025 Budget	2025 Forecast	Variance Estimate to Budget	Variance % Estimate to Budget	Variance Budget to Forecast	Variance % Estimate to Budget
Practice Fee	1,896,504	1,954,731	1,967,451	58,227	3%	12,719	1%
Individual License Fee	781,835	805,660	807,941	23,825	3%	2,280	0%
Other income	80,320	83,020	98,337	2,700	3%	15,317	16%
Applicant vetting	27,480	24,820	27,611	(2,660)	(10%)	2,791	10%
<b>TOTAL INCOME</b>	<b>2,786,140</b>	<b>2,868,231</b>	<b>2,901,339</b>	<b>82,092</b>	3%	<b>33,108</b>	1%
Staff costs	2,096,897	2,206,768	2,084,009	(109,871)	(5%)	122,760	6%
Staff cost recharge	(190,740)	(212,594)	(204,974)	21,853	(11%)	(7,619)	4%
Communications	159,404	159,404	177,739	-	0%	(18,335)	(10%)
Professional Fees	163,540	170,889	262,881	(7,348)	(4%)	(91,992)	(35%)
Professional Fee recoveries	-	-	(180,000)	-	0%	180,000	0%
Finance charges	10,308	12,733	13,836	(2,426)	(24%)	(1,102)	(8%)
Monitoring	48,000	38,500	17,041	9,500	20%	21,459	126%
Applicant vetting	27,480	24,820	26,648	2,660	10%	(1,828)	(7%)
Recharges	74,130	74,130	73,841	-	(0%)	289	0%
Office rent	158,400	158,900	165,120	(500)	(0%)	(6,220)	(4%)



Office costs	17,820	14,820	22,091	3,000	17%	(7,271)	(33%)
IT costs	44,426	38,908	42,233	5,517	12%	(3,324)	(8%)
Travel costs	17,365	18,055	15,196	(690)	(4%)	2,859	19%
Consulting & subs	89,618	96,663	90,810	(7,045)	(8%)	5,853	6%
Insurance	64,920	63,640	63,316	1,280	2%	324	1%
<b>TOTAL EXPENDITURE</b>	<b>2,781,567</b>	<b>2,865,637</b>	<b>2,669,784</b>	<b>(84,069)</b>	<b>(3%)</b>	<b>195,852</b>	<b>7%</b>
OLC Levy received	1,354,870	1,354,870	1,389,234	-	0%	(34,364)	(2%)
OLC Levy Paid	(1,354,870)	(1,354,870)	(1,389,234)	-	0%	34,364	2%
<b>OPERATING PROFIT/LOSS</b>	<b>4,572</b>	<b>2,595</b>	<b>231,555</b>	<b>(1,978)</b>	<b>(43%)</b>	<b>228,960</b>	<b>99%</b>

71) The significant variances by value and the reasons are summarised in the below.

Line item	Explanation of the variance
<b>Practice Fee</b>	The Practice Fee income used in the forecast is higher than the estimate due to the proposed fee rate increase included in this application.
<b>Individual Licence Fee</b>	The Individual Licence Fee income for the budget and forecast is better than the estimate from the prior year. This is attributed to more individuals being licensed than was anticipate in our projections.
<b>Other Income</b>	The 2025 forecast is higher than both the prior year estimate and the budget. The forecast is based on 6 months of actual income and a projection based on similar volumes of applications. This positive variance is because of a higher than projected number of applications being made.
<b>Applicant vetting</b>	This is revenue received from applicants for DBS checks. The revenue is offset by a corresponding expense. We budget and forecast based on the prior periods expense due to the difficulty of accurately projecting the follow periods application volumes and mix (applications include new individual licence applications, new practice applications and changes to licenses and authorisations)
<b>Staff costs</b>	The variance in staff costs is attributed to changes to the timing and expected cost of new and replacement staff. Due to difficulties in identifying the right candidates' appointments have been delayed which has reduced the expenditure on staff.
<b>Staff cost recharge</b>	The staff cost recharge has been amended in the forecast to account for staff movements and work being done on the Compensation Fund because of interventions, claim activity and fund administration.
<b>Communications</b>	The forecast figures are higher due to supplier cost increases and provision for additional road show venue costs.
<b>Professional Fees &amp; Professional Fee Recovery</b>	This expenditure line is predominantly related to the cost of disciplinary action taken against practices and individuals. This cost is not something we can precisely forecast and is impacted by the number and complexity of cases and whether the CLC receive any cost awards to recover the costs incurred. The forecast for 2025 is higher than the estimate and budget due to costs incurred in two complex cases. One of these cases was finalised in Q1 of 2025 and resulted in a cost recovery of

Line item	Explanation of the variance
	£175,000. The net professional fee cost for the year is expected to be below the estimate and budget due to the cost recoveries.
<b>Monitoring</b>	This cost relates to payments to independent outsourced inspectors for undertaking inspections for the CLC. The usage of outsourced inspectors has been lower than budgeted and estimated due to the availability of the pool inspectors and more inspections being undertaken by the employed monitoring team.

72) The table below summarises the sources of funding for the 2025 operating expenditure forecast as well as the allocation of expenditure by activity. All expenditure was incurred for permitted purposes.

PCF allocation to expenditure	%	2025 Forecast
<b>Total expenditure</b>		<b>(2,669,784)</b>
<b>PCF collected</b>	<b>100%</b>	<b>2,775,391</b>
Licensing	16%	448,378
Education	3%	90,107
Monitoring	17%	475,822
Policy	16%	447,217
Levy collection	3%	79,343
Disciplinary	12%	340,163
Complaints	5%	150,374
Communications	11%	299,528
Council	16%	444,460
<b>Surplus/ (Deficit) from PCF</b>		<b>105,607</b>
Other income		125,948
<b>Addition to/(Utilisation) of reserves</b>		<b>231,555</b>
<b>Total PCF fees collected</b>		<b>2,775,391</b>
Practice Fees		1,967,451
Individual Licences		807,941

73) The table below compares the estimate for 2026 against the 2025 forecast. The 2026 revenue estimate is based on currently regulated practices and turnovers as declared by them in July 2025. As such the revenue estimate for 2025 has a high degree of probability. The budget for 2025 will be finalised and approved by the Council in January 2026 using

the most recent figures and estimates and assumptions which may differ from the estimate below.

2025 forecast vs 2026 estimate	2025 Current Forecast	2026 Pre Budget Estimate	Variance £	Variance %
Practice Fee	1,967,451	2,312,609	345,158	18%
Individual License Fee	807,941	847,447	39,506	5%
Other income	98,337	99,614	1,277	1%
Applicant vetting	27,611	27,600	(11)	0%
<b>TOTAL INCOME</b>	<b>2,901,339</b>	<b>3,287,270</b>	<b>385,930</b>	<b>13%</b>
Staff costs	2,084,009	2,464,808	(380,800)	-18%
Staff cost recharge	(204,974)	(183,741)	(21,233)	-10%
Communications	177,739	183,444	(5,705)	-3%
Professional Fees	262,881	188,945	73,936	28%
Professional Fee recoveries	(180,000)	-	(180,000)	100%
Finance charges	13,836	13,647	189	1%
Monitoring	17,041	24,000	(6,959)	-41%
Applicant vetting	26,648	27,600	(952)	-4%
Recharges	73,841	80,823	(6,982)	-9%
Office rent	165,120	170,290	(5,170)	-3%
Office costs	22,091	26,028	(3,937)	-18%
IT costs	42,233	50,673	(8,440)	-20%
Travel costs	15,196	16,865	(1,669)	-11%
Consulting & subs	90,810	96,358	(5,548)	-6%
Insurance	63,316	64,659	(1,343)	-2%
<b>TOTAL EXPENDITURE</b>	<b>2,669,784</b>	<b>3,224,399</b>	<b>(554,615)</b>	<b>-21%</b>
OLC Levy received	1,389,234	1,465,747	(76,513)	-6%
OLC Levy Paid	(1,389,234)	(1,465,747)	76,513	6%
<b>OPERATING SURPLUS/DEFICIT</b>	<b>231,555</b>	<b>62,871</b>	<b>(168,684)</b>	<b>-73%</b>

74) The material variances between the 2025 forecast and the 2026 estimate are summarised in the table below.

Line item	Explanation of the variance
<b>Practice Fee</b>	The Practice Fee income is expected to increase due to organic growth in practice turnovers (19%) as well as a 3% inflationary increase in the Practice Fee rates. The fee estimate is based on those practices currently under regulation and does not factor in revenue generated or lost from practices entering or exiting CLC regulation during the year. This is because we are not able to accurately estimate the turnover or timing of these events. Our assumption is that entrants should offset exits so that any net impact would be neutral or positive.
<b>Individual Licence Fee</b>	The increased revenue is driven by continued growth in the number of licensed conveyancers and full year collections for new licence holders that joined in 2025. We typically issue 120 – 140 new licenses each year. This new growth is offset by 30 - 60 individuals relinquishing their licenses each year.
<b>Other income</b>	Other income includes interest and application fees. We have assumed that activity levels and interest rates will remain at similar levels to 2025.
<b>Applicant vetting</b>	We have assumed similar levels of applicant activity in 2026 as was seen in the prior year.
<b>Staff costs</b>	Several factors are impacting the increase in staff costs: <ul style="list-style-type: none"> <li>• 3 new hires are expected to start in the first half of 2026</li> <li>• New staff hired during 2025 will have generated cost for a full year in 2026</li> <li>• Additional recruitment cost has been factored into the 2026 estimate for planned recruitment of Council members and chairs.</li> <li>• Staff costs are expected to increase due to a planned inflation adjustment (3%) and scale adjustments where appropriate.</li> </ul>
<b>Staff cost recharge</b>	The staff cost recharge is a recharge of staff cost to the Compensation Fund to account for the work being performed on the fund. We anticipate that costs will reduce in 2026 due to some project work being completed.
<b>Communications</b>	Communication costs for 2026 are expected to increase by slightly more than inflation. These costs include public relations support, website content development and digital design costs.
<b>Professional Fees</b>	We expect professional fees to reduce in 2026 based on our current pipeline of cases which are narrower in focus and unlikely to be contentious. Where we can, we plan to run cases internally and engage counsel directly to reduce cost. This estimate does not factor in any cost recoveries we may be awarded.

Line item	Explanation of the variance
<b>Finance Charges</b>	Finance charges include tax on interest received and merchant fees paid on credit card receipts.
<b>Monitoring</b>	We are estimating that 24 monitoring inspections will be undertaken by our external inspectors.
<b>Recharges</b>	This line item includes all costs recharged to us from other organisations. This includes: a) <b>The LSB</b> - £57,783 b) <b>The FCA</b> - £17,686 c) <b>OPBAS</b> - £5,948
<b>Office Rent</b>	We are anticipating an increase in rental when we renew our office licence in February 2026.
<b>Office costs</b>	General office cost estimates have increased due to headcount and inflation.
<b>IT costs</b>	IT costs have been increased due to the headcount increase (additional licences will be required). Supplier inflation increases have also been factored in.
<b>Travel costs</b>	Travel cost has been estimated based on the 2025 forecast.
<b>Consulting and subscriptions</b>	This includes the Legal Choices costs, subscriptions and research costs. Legal choices and research costs are expected to increase.
<b>Insurance</b>	We have PII, office contents and cyber insurance policies in force. Inflationary increases have been included in the estimate for 2026.
<b>OLC Levy</b>	We are unable to accurately project the increase in the levy as it is based on CLC practice case numbers, all regulator case numbers and the total Legal Ombudsman cost. We have assumed a 10% cost increase based on increase in the most recent estimate received.

75) The table below summarises the sources of funding for the 2026 operating expenditure estimate as well as the allocation of expenditure by activity. All expenditure will be incurred for permitted purposes.

PCF allocation to expenditure	%	2026 Forecast
<b>Total expenditure</b>		<b>(3,224,399)</b>
<b>PCF collected</b>	<b>100%</b>	<b>3,160,056</b>
Licensing	16%	501,195
Education	3%	89,735
Monitoring	16%	498,167
Policy	20%	617,247
Levy collection	3%	83,084

Disciplinary	14%	438,415
Complaints	6%	176,272
Communications	9%	288,799
Council	15%	467,143
<b>Surplus/(Deficit) from PCF</b>		<b>(64,343)</b>
Other Income		127,214
<b>Addition/(utilisation) of reserves</b>		<b>62,871</b>
<b>Total PCF collected</b>		<b>3,160,056</b>
Practice Fees		2,312,609
Individual Licences		847,447

76) The table below shows the 3-year estimate of income and expenditure.

<b>2025 Current year forecast and 3-year estimate</b>	<b>2025 Current Forecast</b>	<b>2026 Estimate</b>	<b>2027 Estimate</b>	<b>2028 Estimate</b>
Practice Fee	1,967,451	2,312,609	2,474,491	2,622,961
Individual License Fee	807,941	847,447	867,950	902,800
Other income	98,337	99,614	102,602	105,681
Applicant vetting	27,611	27,600	28,428	29,281
<b>TOTAL INCOME</b>	<b>2,901,339</b>	<b>3,287,270</b>	<b>3,473,472</b>	<b>3,660,722</b>
Staff costs	2,084,009	2,464,808	2,588,049	2,691,571
Staff cost recharge	(204,974)	(183,741)	(165,367)	(148,830)
Communications	177,739	183,444	192,616	198,395
Professional Fees	262,881	188,945	189,344	179,699
Professional Fee recoveries	(180,000)	-	-	-
Finance charges	13,836	13,647	14,056	14,478
Monitoring	17,041	24,000	30,000	30,000
Applicant vetting	26,648	27,600	28,428	29,281
Recharges	73,841	80,823	84,864	89,107
Office rent	165,120	170,290	187,319	194,812
Office costs	22,091	26,028	26,809	27,613
IT costs	42,233	50,673	53,207	55,867
Travel costs	15,196	16,865	17,371	17,892
Consulting & subs	90,810	96,358	110,000	110,000
Insurance	63,316	64,659	65,952	67,271
<b>TOTAL EXPENDITURE</b>	<b>2,669,784</b>	<b>3,224,399</b>	<b>3,422,647</b>	<b>3,557,155</b>

OLC Levy received	1,389,234	1,465,747	1,685,609	1,938,450
OLC Levy paid	(1,389,234)	(1,465,747)	(1,685,609)	(1,938,450)
<b>OPERATING SURPLUS/DEFICIT</b>	<b>231,555</b>	<b>62,871</b>	<b>50,824</b>	<b>103,567</b>

77) The estimates above make the following assumptions

- 1) Practice Fee income will increase by 7% and 6% respectively.
- 2) Individual licence Fees will grow at similar rates to the prior year.
- 3) Headcount will remain the same but total cost will increase by 5% and 4% respectively.
- 4) The Compensation Fund recharge will reduce as current projects and intervention work wind down.
- 5) Professional fees will remain broadly inline with the 2026 Estimate.
- 6) Other operating expenses will increase by inflation.

## OLC Levy

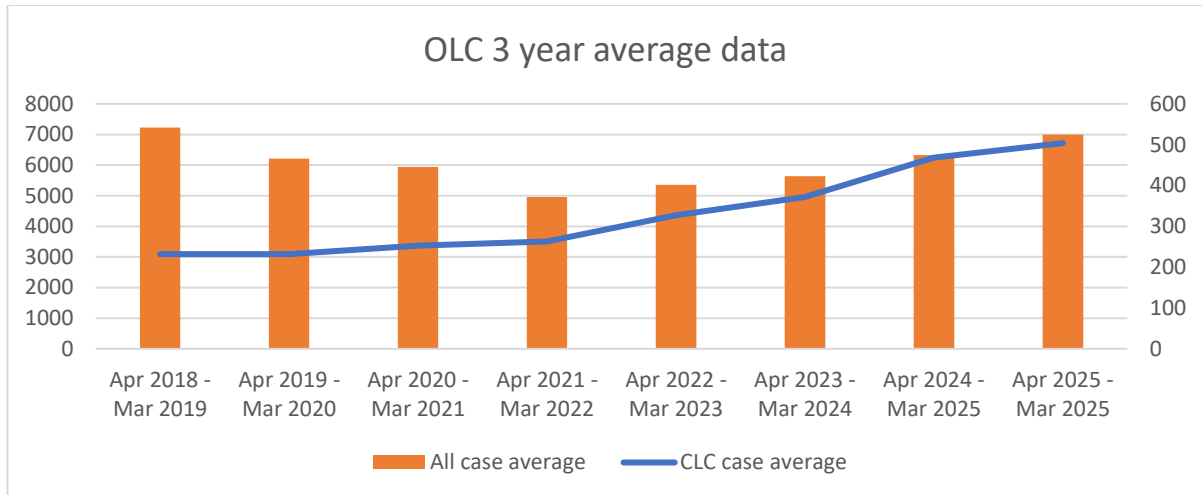
78) The OLC levy was introduced by the CLC in 2022. The aim of the Levy is to:

- 1) Make the cost of LeO more transparent to the regulated community
- 2) Allocate cost to practices transparently and based on usage
- 3) Drive better complaint handling through awareness and levying a cost to poor complaint handling (the cost per case element).

79) The cost is apportioned between a 'service availability' component (50% of the cost) and a 'usage' component (50% of the cost). These components are allocated to practices as follows:

- The **service availability** component is allocated based on the ratio of the Practice Fee charged to a practice and the aggregate of practice fees charged to all practices.
- The **usage** component is allocated to practices based on the number of cases that are investigated by the Legal Ombudsman using a 3-year average of the case numbers. Practices that do not have any cases will not pay a usage fee.

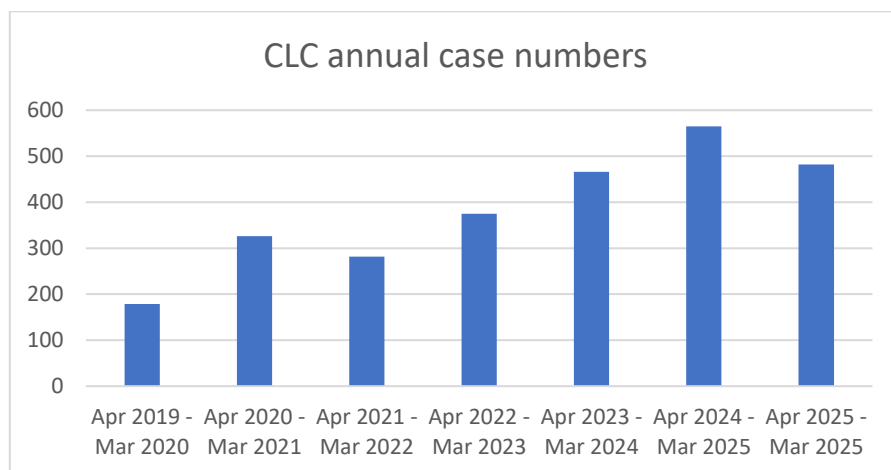
80) The chart below summarises the case numbers of CLC practices (blue Line) and total OLC case numbers (orange columns). Please note that these data set use different scales.



81) Both data sets reflect an increasing trend from 2022 this is due to the OLC changing the way it counts cases. Early resolution of cases has become a key focus of the OLC and since 2022 these cases have been recorded as 'cases' for cost allocation purposes although they have not been accepted for full investigation. CLC case numbers have however increase at a faster rate than other regulators and our share of total case numbers have increased from 5.3% in 2021 to 7.2% in 2025 (7.4% in 2024).

82) Prior to 2024 the CLC allocated 70% of the OLC cost to availability of the service and 30% to usage. Because case numbers were still increasing the CLC changed the model in 2024 so that 50% of the cost was allocated to availability and 50% to usage. The impact of this change is that those practices with higher numbers of cases at the OLC pay more and those with lower case numbers or no cases pay less.

83) The most recent case numbers supplied by LeO suggest that the change implemented in 2024 is having an impact as the case numbers for the period March 2024 to April 2025 have reduced by 15% as shown in the chart below.





- 84) Because of the significance of the change made to the OLC Levy cost allocation model in 2024, and the data indicating that the change is starting to have an impact, the Council has resolved to not make any further amendments until a clear trend is identified.

## IV. Reserves – Practice Fund

---

### Overview of the 2024 CLC Reserve Policy and risk assessment

- 85) The LSB rules state that *“The approved regulator must satisfy the Board that the target level for practising fee reserves and the accumulated practising fee reserves are sufficient to ensure that the approved regulator is reasonably financially resilient even in adverse circumstances.”* The LSB also specifies in the guidance that the target level should be between 3 and 6 months of practising fee expenditure to ensure a reasonable level of financial resilience. Any target level which is below or above this proportion will require an explanation from the approved regulator as to how this nonetheless reflects a proper estimate of risk.
- 86) Using the 2025 forecast as a basis for the reserve calculation, the target reserve level should be somewhere between £693,849 and £1,387,698 (3 to 6 months of practising fee expenditure).
- 87) During the last quarter of 2024, the CLC Audit and Risk Committee carefully reviewed the reserve policy and requirements of the organisation, agreed a revised policy which was then discussed and approved by the Council in October 2024.
- 88) The CLC identified three primary reasons for holding reserves:

Reserve category	Purpose	Risk being mitigated
<b>Minimum reserve</b>	The purpose of the minimum reserve is to provide cashflow in the event of one or more of the identified risks outlined in the policy materialising.	<ul style="list-style-type: none"><li>• Loss of practice fee income</li><li>• Change in regulatory framework (single regulator)</li><li>• Closure of CLC</li><li>• Unbudgeted expenditure required for regulatory purposes</li><li>• Strategic projects</li><li>• Insufficient funds to pay expenses</li><li>• Restriction of fee rate increases</li></ul>
<b>Cashflow reserve</b>	To ensure cashflow availability due to uneven cash collections during the billing cycles.	<ul style="list-style-type: none"><li>• Insufficient cash during periods of low cash receipts due to periodic nature of collections.</li></ul>
<b>Special purpose reserve</b>	The reserve is set at the Councils discretion. This reserve is ordinarily set with a value of £1 unless Council has resolved to set	<ul style="list-style-type: none"><li>• Insufficient funds allocated for specific strategic purposes or risks.</li></ul>

	a higher value for a specific purpose or to mitigate a specific risk.	
--	---	--

89) The approach taken by the CLC to set the minimum reserve was to identify and assess the specific risks that might result in the utilisation of reserves. Based on the assessment of these risks the Council was able to determine the expected impact of each of these risks crystalising and the required reserve level required.

90) The primary risk identified was the potential loss of practice fee income from large practices because of closure or switching to a different regulator. It is likely that the CLC would receive prior notice of such an event, which would enable it to prepare by reforecasting and taking steps to reduce expenditure in the short term. Even if this was not possible, the financial impact of this event would not exceed £100,000 over a 3-month period. Thus a £693,849 minimum reserve (3 months of practice fee income) would be sufficient to mitigate this loss for more than 20 months.

91) Based on the risks identified (see table in paragraph 96 below) the loss of fee income was the most likely risk and had the biggest cost impact. Given that this risk is more likely and has the biggest cost impact it was used to determine the appropriate reserve levels.

92) Councils view was that a minimum reserve level of £100,000 felt too low even though it mitigated the risk for a 3-month period. The Council agreed that a higher minimum reserve based on 3 months of contracted or essential costs was more appropriate and provided sufficient additional buffer to mitigate one or more of the most likely risks crystalising. This level of reserve would provide ample support to offset the lost revenue for a period to allow for restructure and recalibration of expenditure. As such all budgeted expenditure including legal fees and communications could and would still be paid.

93) The Council's view was that there were no identifiable scenarios where all income would cease and all expenditure would continue that would justify holding the equivalent of 3 months of total expenditure.

94) The review also highlighted that the primary risks that reserve need to mitigate is the uneven cashflows through the year. Although the CLC collects most of the Practice licensing fees in 12 monthly instalments, all individual license fees are collected during September and October. While most expenditure is incurred monthly, there are large annual payments that are made in the first half of the year, which results in lower cashflow reserves in the third quarter of the year.

95) With the above mind, the CLC is looking to slowly increase the minimum level of the cashflow reserve to ensure that we have sufficient buffer to ensure that we do not dip into our minimum reserve during cyclical periods of low cashflow receipts. The

accumulation of this reserve will be achieved through running surplus budgets over the next few years.

96) The risk identified by Council as being possible candidates for the use of reserves are included in the table below.

	<b>Risk</b>	<b>Risk Assessment</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation</b>
1	The CLC loses significant annuity revenue flows. (e.g. a large practice closes or moves to the SRA)	Medium	2	3	<p>A large practice could at any time close, merge with an SRA practice or change to SRA regulation. Depending on the size of the practice this could have a significant impact on revenues.</p> <p>Depending on the revenue lost, we would need to consider restructuring operations to reduce cost. We regulate a particular group of companies that together pose a significant concentration risk to our revenue (20%) should they cease to be CLC regulated. If this group exited CLC regulation it would have a material impact. The loss of any other single large practice would probably not require extensive adjustment to operations.</p> <p>We would have some notice of a merger or regulator change which would enable us to act while we were still receiving fees from the practice. Additionally, fees for the current licensing cycle are due on invoice (1 November) and we would be able to collect the balance of that year's fee from the practice which would provide some funding to restructure of operations (if required).</p> <p>In a closure or liquidation scenario we are less likely to get significant notice and may not be able to collect the outstanding fees. A closure may also trigger additional work and cost to the Compensation Fund to wind up the affairs of the practice.</p> <p>Practice Fee rates could be adjusted for the following license year to recoup lost revenue and / or increased costs.</p>
2	The CLC needs to cease operating due to changes in the regulatory frameworks	Low	2	1	<p>The idea of a single legal regulator has been topical for the last few years. This would require a legislative change or regulators deciding to voluntarily consolidate (e.g. CILEx Reg to the SRA).</p> <p>Although this is possible, it is unlikely and would not be a sudden change. A decision to consolidate</p>

	Risk	Risk Assessment	Likelihood	Impact	Mitigation
	(e.g. single regulator)				<p>would not impact revenue flows (at least in the short term) and expenditure could be managed with any changes of revenue.</p> <p>The process of consolidation is likely to take more than 12 months and would provide sufficient time to plan for an orderly transition and wind down of operations.</p> <p>The regulation of CLC lawyers would need to continue and this may also involve transfer of CLC staff to a new regulator.</p> <p>We would expect that a transfer to a new regulator would be as a “going concern” and would encompass all assets and liabilities. There would be no legacy work for completion by the CLC following the cessation of its regulatory duties.</p>
3	The CLC is required to close for some other reason	Low	1	1	<p>This is a very unlikely scenario. Some possible reasons for a closure could be:</p> <ol style="list-style-type: none"> <li>1) Mass resignations and loss of capacity and institutional knowledge</li> <li>2) Staff attrition and inability to recruit suitable staff and thus unable to execute regulatory responsibilities</li> <li>3) Unable to constitute a quorate Council</li> </ol> <p>These options are sufficiently remote that it is probably not appropriate to mitigate and reserve against these eventualities.</p> <p>The regulation of CLC lawyers would need to continue and this may also involve transfer of CLC staff to a new regulator.</p>
4	Additional unbudgeted operating expenditure is required to fund operations (e.g. a large disciplinary or a cost award against the CLC)	Medium/high	3	2	<p>This is a realistic possibility and could crystallise. In some cases, we would have the ability to impact the timing of these costs which could reduce the negative cashflow impact. Other expenditure could be reduced or delayed assisting with mitigation of the impact.</p> <p>The cashflow impact would be borne in the year it was incurred but could be recouped in the next year through the increase in fee rates. Disciplinary costs may be recovered through cost awards.</p>

	Risk	Risk Assessment	Likelihood	Impact	Mitigation
					The CLC has a simple cost structure with few long or high value contracts. Because of this some discretionary expenditure (such as legal fees) can be curtailed quickly to ease cashflow.
5	A strategic project is launched requiring significant funding	Low	1	2	<p>This is a controllable expenditure line and funding of the project would be considered during the approval process.</p> <p>There may be some circumstances where a project needs to be implemented quickly without planning for cashflow. In such a case it may be appropriate to rely on reserves to fund the project.</p>
6	Insufficient cash to pay expenditure as it becomes due for payment	Medium to High	3	3	<p>This risk is only likely to crystallise if there were significant unbudgeted expenditure, as the budget is based on a balanced budget.</p> <p>Cash receipts and payment are not evenly distributed throughout the year. As a result, there are some monthly periods where cash outflow exceeds cash inflow. This is effectively a timing difference.</p> <p>These net cashflow shortfalls are generally small and if we have some reserves, operate a balanced budget and do not significantly exceed approved budget expenditure would not put us in a position that we are unable to pay bills as they become due.</p> <p>Loan funding could be considered to bridge a funding gap or the minimum reserve could be breached.</p>
7	Unable to increase practice fees again to cover further increase in costs (after increasing by 9% two years in a row)	Medium	3	3	The CLC would not be prevented from increasing its fees it was able to demonstrate a commercial reason for doing so. However, an increase off the back of 2 large fee increases is likely to be unpopular and may have a reputational impact. This may make practices consider other alternatives for regulation. This may also deter new startups or switchers coming deciding to use CLC regulation. The only mitigations available to the CLC is growth in revenues (organically or through new entrants) and restricting costs to the revenue available.
8	Economic or social crisis disrupts normal life and	Low	2	3	This would be a situation where it is not "business as usual" and is something that cannot be properly mitigated against.

	Risk	Risk Assessment	Likelihood	Impact	Mitigation
	business activities (e.g. pandemic or war)				<p>The COVID pandemic demonstrated the resilience of the housing market and the support measures that could be implemented to support business and individuals. The CLC did not need to utilise any of these support measures but depending on circumstances could in future events.</p> <p>This is an outlier risk and is something that would need to be managed based on the situation and circumstances. Business plans and reserve utilisation would need to be adapted as appropriate.</p>

97) The risks outlined in the paragraph above can broadly be broken down into two categories:

- a) Risks requiring a strategic restructure of the organisation (E.g. permanent loss of revenue)
- b) Unbudgeted expenditure and cashflow timing differences

98) The cashflow and expenditure risks are more likely to crystalise but are also less problematic as they are under our control, unlikely to be material and short-lived. These risks are timing of cashflow rather than strategic. The set minimum reserve is sufficient to absorb any of these risks in a given year, following which steps can be taken to replenish reserve levels. The CLC also has the option of taking short term funding to manage these cashflows.

99) The strategic restructure or closure risks, being more fundamental, might require more significant changes to the organisation. In all cases, we are likely to have notice of the change, continue to receive income and will have time to adapt. Such Adaptations may involve redundancy and curtailment of expenditure.

100) The minimum reserve is benchmarked on the costs required to be able to make a sudden and material change to the business which would undoubtedly result in ending employment and curtailing all expenditure. A sudden closure event is very unlikely but is likely to require more cashflow to roll out. This level of reserve is also sufficient to mitigate any cashflow shortfall risks comfortably. All the above has been stress tested through the ARC and Council.

### Set reserve levels

101) The minimum reserve funding levels are updated when the fee application is submitted (based on forecasts) and when a new budget is adopted (January each year). It would also be updated if there was a material change in the CLC operations or finances.

102) The minimum reserve levels based on the 2025 budget, forecast and estimates are summarised as follows:

<b>Minimum Reserve Calculation</b>	<b>Budget Jan 2025</b>	<b>Forecast Jul 2025</b>	<b>Estimate 2026</b>
3 months' salary cost	467,128	435,036	509,613
1 Month Professional service cost	14,241	21,907	15,745
3 Months office rent	36,450	39,085	38,273
3 months of IT expenditure	3,669	3,705	3,921
<b>Minimum Reserve Level</b>	<b>521,488</b>	<b>499,733</b>	<b>567,552</b>
<b>Percentage of total expenditure</b>	<b>18%</b>	<b>19%</b>	<b>18%</b>

103) The current cash reserves compared to the policy are summarised in the table below.

<b>Practice Fund Reserves on 31 July 2025</b>	<b>Set reserve levels</b>	<b>Cash reserves</b>	<b>Variance</b>
Minimum reserve	499,733	499,733	-
Cashflow reserve	1	60,139	60,138
Special purposes reserve	1	1	-
<b>Total</b>	<b>499,735</b>	<b>559,873</b>	<b>60,138</b>

104) The Cashflow reserve is a floating reserve that is used to fund operations. The balance on this reserve fluctuates significantly during the annual cycle. It is typically at its highest levels in November and its lowest level in September. The intention is to slowly grow this balance so that it is in the region of £500k at its lowest point. Should this reserve exceed £1m at its lowest point, The Council will consider whether steps should be taken to release surplus funds.

105) Increasing the cashflow reserve to £500k would increase the total reserve levels to well within the LSB's recommended target.

106) The CLC is likely to generate a surplus for 2025 and 2026 which will increase the reserves held. The aim is, over a period to increase the cashflow reserve at the lowest level to approximately £500k. The CLC does not have significant capital expenditure (laptops are our only assets or capital purchases) as such, the surplus generated is a good approximation of cash reserves generated as shown in the table below.

<b>Estimate of cashflow</b>	<b>Surplus generated</b>
2025 forecast	<b>231,555</b>
2026 estimate	<b>62,871</b>



Estimate of cashflow	Surplus generated
2027 projection	50,824
2028 projection	103,567

## V. Consultation & Engagement

---

107) The annual CLC Fee consultation was launched on 11 July and closed on 12 September 2025. The consultation included questions on all our regulatory fees and potential EDI impact.

108) The consultation was promoted extensively in newsletters, the press and sent to key stakeholders. We gave respondents the option to submit a quick response via an online survey rather than responding in full to the consultation document as we have found that this improves response rates.

109) We received 31 responses including one, from the Society of Licensed Conveyancers (SLC) which is a representative body for conveyancers. The CLC also met with the SLC to discuss the proposal and give them an opportunity to ask questions. 29 responses were submitted through the online survey option which allowed for open-ended comment as well as selection of options. The consultation responses can be found [here](#).

110) A summary of the results of the survey is included in the table below:

Question	Yes	No	Overview of responses
Do you agree that the turnover bandings above should remain unchanged?	30 (97%)	1 (3%)	One respondent disagreed with the proposal but did not provide any reason for doing so.
Do you agree with the CLC proposal to increase the current Practice Fee rates by 9%?	20 (65%)	11 (35%)	<p>The SLC agreed that an increase was necessary. The SLC proposed that the turnover calculation should be net of commission payments and questioned the increase in fees (total value increase) versus the small projected surplus.</p> <p>The CLC disagrees that fees should be net of commission as this would mean that the CLC would need to adjust its fee rates to offset the</p>

Question	Yes	No	Overview of responses
			<p>lost revenue. This would mean that fee rates would increase.</p> <p>This approach would also be detrimental to those practices that do not pay commission and incentivise the payment of commissions.</p> <p>The CLC is of the view that gross turnover is a clear and simple metric that is the standard that has been in use throughout and aligns with insurance turnover declarations.</p> <p>Other commentators commented that the increase was too high.</p> <p>Any increase is regrettable, however, to achieve the regulatory objectives, the CLC will need to increase fees. It is our view that these increases are unlikely to have a material financial impact on practices as illustrated in the table of representatives increases included in the consultation document.</p>
Do you agree with the CLC proposal to not make changes to the OLC levy cost allocation between the availability fee (50% of cost allocated to all practices) and usage fee (50% of the cost allocated to practices with cases accepted by the OLC)?	24 (83%)	5 (17%)	<p>The SLC response was that they couldn't answer the question without data from the OLC and they asserted that the OLC data could not be relied upon.</p> <p>The most recent aggregate figures were received from the LSB in August 2025. This data indicates that the CLC 3-year average number of cases has increased by 8% to 504 cases in 2025 (up from 468 in 2024).</p> <p>The allocation of cost was changed in 2024 so that 50% (previously 70%) of the cost was collected from all practices and 50% of the cost was collected based on case numbers (previously 30%).</p> <p>As the number of cases accepted for investigation by LeO determine the cost allocated to the CLC (<a href="#">see LSB rules for allocation</a>), it is right that those that drive the cost should pay more.</p> <p>It is important to note that the TOTAL cost allocation to the CLC is based on case numbers</p>

Question	Yes	No	Overview of responses
			<p>and the LSB rules. The OLC Levy is the CLC's method of allocating this cost to practices in a fair and transparent manner.</p> <p>The CLC agree that the complaints data will need to be available before the recharge amount is allocated according to this metric.</p> <p>A number of respondents raised concerns about the OLC process, fairness and transparency.</p> <p>We continue to work with LeO to get access to timely and accurate data so that we can actively manage practice that have poor complaint handling practices.</p> <p>The infrequency of data feeds from LeO does however not negate the need for a fair allocation method for the costs incurred. We are of the view that this model is fair and that it will continue to be calibrated based on the complaints data received.</p>
Do you agree that the Individual practising certificate cost remains unchanged?	30 (97%)	1 (3%)	<p>The SLC questioned whether an increase would deter new registrants.</p> <p>The CLC's view is that an increase would impact individuals as only approximately 20% of individual licence fees are paid by employers, these individuals would not be impacted by an increase, although the practice's costs would increase.</p> <p>This would however have a significant impact on those individuals who pay the Licence fee themselves.</p> <p>An increase in £40 (10%) would increase revenue by approximately £80,000. Individuals are not able to pay their fee in instalments, thus the impact on the individual is more material (as it comes from a monthly salary).</p>

Question	Yes	No	Overview of responses
			In addition, the CLC rates are slightly more expensive than other legal professional body license fees and we would like to keep these fee rates broadly in line.
Do you agree that a 3% inflationary increase should be applied to the licensing administration charges?	15 (48%)	16 (52%)	<p>The SLC commented that there was no increase last year and thought it would be better to have a small increase consistently.</p> <p>The CLC did not increase the cost in 2024 as the charges had been benchmarked in 2023 and it was felt that they were still sufficient to recover the cost of administration. Due to continued inflationary pressure the CLC opted to increase these fees this year to ensure they remain aligned.</p> <p>The CLC will assess the fees each year to determine whether an inflationary adjustment is required.</p> <p>The point about whether an inflationary increase should be applied each year will be reflected on in future years and for all charging points.</p> <p>We are somewhat surprised by the objection to the increase in the fees. If we didn't increase the fees the regulatory community would end up subsidising the cost of the applications. It is our view that the cost of the application should be borne by the applicant. If the cost of providing the service is increasing, then the application cost needs to increase to prevent the cost being borne by the wider regulated community.</p>
Do you agree with the CLC's initial EIA assessment or the actual or potential impact of the	26 (84%)	5 (16%)	Respondents were broadly supportive of the EIA assessment. None of the comments provided reasons for disagreement.

Question	Yes	No	Overview of responses
proposed amendments?			
Do you anticipate that the proposed increase and variation to the fees will or may result in any impact for individuals with protected characteristics who own, manage or work for CLC licensed practices?	10 (32%)	21 (68%)	No comments received that explained the reason that respondents thought that individuals with protected characteristics would be adversely impacted.
Do you consider that the proposed increases will have a different impact for individuals who own, manage or work for CLC licensed practices based on their socio-economic status? If so, please explain groups you consider may be impacted and how.	13 (42%)	78 (58%)	<p>The SLC noted that the change to the practice fee was unlikely to have an impact but noted that multiple changes had been made and that we should consider whether any practices would be disadvantaged (not just socio-economic status).</p> <p>Other comments were focused on the general impact on practitioners rather than an impact linked to socio economic status.</p> <p>The CLC notes that it is proposing an increase to the Practice Fee and the Compensation Fund Contribution. The Compensation Fund Contributions are at a much lower rate to the Practice Fee contributions, so although the increase % is double, the cost impact is much smaller.</p> <p>No change is being proposed to the OLC Levy recharge percentage.</p> <p>The administration charges are ad hoc fees and are only incurred when a practice comes into regulation or makes changes to their business. These fees are levied on the business that is making the change rather than being borne by the whole regulated community.</p>

111) The results and comments received from the survey have been carefully considered. A summary by question is included below.

- a) **Fee bands** – Respondents overwhelmingly agreed (97%) to the proposal not to change the fee bands. As there is no material reason, or argument for making a change to the bands the CLC proposes to keep the current bands unchanged.
- b) **Practice Fee rate increase** – 65% of respondents agreed with the proposal to increase fees by 3%. Objections to the increase centred on the proposed increase being too high. Given that there is a regulatory basis for increasing the fee rates (to ensure sufficient resources to ensure the CLC’s regulatory objectives are met) and the majority agreed with the proposal, the CLC is proposing to proceed with the 3% inflationary adjustment to the Practice Fee rates.
- c) **OLC Levy recharge amendments** – 84% of respondents agreed that there should not be a change to the allocation model. Commentators were mostly concerned with the data and concerns around fairness and transparency of LeO process. As there is no material reason or argument for not keeping the allocation unchanged, the CLC is proposing to proceed with the proposal not to make any changes to the allocation model.
- d) **Individual Licence Fees** – 97% of respondents agreed with our proposal not to amend the individual licence fees. For the reasons outlined in the CLC commentary above, the CLC is proposing to not make any changes to the individual licence fees.
- e) **Licensing administration charges** – more than half the respondents (52%) disagreed with the proposal to increase the administration fees by an inflation adjustment. The 3 comments indicate that they thought the increase was too high. These costs were benchmarked in 2023 and not changed in 2024. These charges are based on the time to assess applications, and it is important that the cost covers the assessment otherwise the regulated community would be funding them through the practice fee. It is our view that the fairest method of recovering these costs is through those making the application rather than the regulatory community funding these applications. To do this the cost needs to increase by inflation and regularly benchmarked. Because the cost increases are negligible and only levied on individuals and practices making applications, the CLC is proposing to proceed with the increase to ensure the cost is adequately covered by those making the applications.
- f) **EDI questions** – 84% of respondents agreed that our EDI assessment was correct. Although some respondents thought there would be an impact based on socio-economic and protected characteristics, they did not provide any relevant comment or justification. Based on the fact that the majority of respondents thought that the changes were unlikely to have a detrimental

impact on individuals with protected characteristics, the CLC can see no reason not to proceed.

112) Overall, responses did not indicate any significant resistance or flaw in the fee proposals made. Based on this review we have decided to proceed with the changes as proposed in the consultation document.

## **VI. Impact Assessments**

---

113) The CLC has considered whether changing its Practice Fee arrangements would have any unintended impact on any groups within the regulated community, particularly those with protected characteristics. The results of the assessment are set out below.

### **Description of changes proposed**

114) For the next licensing year beginning on 1 November 2025, the CLC is proposing to make the following changes to the fees charged annually to regulated individuals and practices (the regulated community):

- a) Practice Fee rates will be increased by 3% to account for inflation. Increases of 10% and 9% were made in 2023 and 2024. This follows several years of fee rate reductions which reduced fee rates by 60% between 2017 and 2022.
- b) The Office for Legal Complaints (OLC) Levy cost allocation formula will not change and will remain at the rates set in 2024. 50% of the cost is allocated to all regulated practices proportionally (based on calculated practice fees) as a service availability charge. The remaining 50% of the cost is allocated to practices as a usage charge based on the number of cases accepted for investigation by the OLC. This is intended to provide a stronger incentive for the small number of firms that generate disproportionate levels of referrals to the Legal Ombudsman to reduce those consumer complaints. As the number of complaints accepted for investigation by the OLC drive the total cost allocated to the CLC. Any reduction in a practices case numbers will have an impact on every regulated practice.
- c) The Licensing administration charges will be increased by 3% to offset for the effect of inflation. These charges were last benchmarked in 2023, based on the cost of assessing the application.
- d) The individual licensing fee is not being changed.

## **Stage of development**

115) In July 2025, Council members decided in principle to increase these fees subject to the results of a consultation. Following which, a final decision would be made after considering any feedback received in the consultation.

## **Identified stakeholders**

116) The following stakeholders have been identified:

- a) CLC licensed lawyers
- b) CLC licensed practices
- c) Consumers
- d) Legal Ombudsman

## **Potential Impact on identified stakeholders**

117) The CLC has balanced any potential impact or financial burden on practices and individuals arising because of the proposed fee increase against the imperative to maintain a scheme of regulation that safeguards consumers and operates effectively and efficiently. The impact on the sector has also been considered and weighed against the need to ensure that the CLC is adequately resourced, can execute its business plan, and continue to fulfil its statutory objectives to protect consumers and the public interest.

118) To the extent that there may be any detrimental impact or financial burden arising from the proposed increase on either practices or individuals, in the CLC's view, this is outweighed by the imperative to ensure that we are well resourced and capable of fulfilling our Regulatory Objectives, particularly those pertaining to consumer protection and the public interest.

## **Potential Impact of Practice Fee Increase for Licensed Professions**

119) The Practice Fee has two components:

- 1) The practice fee payable by regulated practices
- 2) The individual license fee payable by individuals.

120) The proposed increase in the practice fee rate would in most cases impact the finances of a corporate structure (Limited Company, LLP or partnership). This increase does not directly impact individuals but may indirectly impact individual owners, managers and employees as the increased fees may reduce profitability and thus the ability to increase pay or recruit staff.

121) In assessing the impact of the practice fee change, we need to keep in mind that the 3% increase proposed is likely to have a very limited impact on practices, as can be seen in



the table at paragraph 65. The smallest practices will only pay £21 more each year and a £15m turnover practice will pay an extra £2,369 per year. Given the small value of this change, it is unlikely to impact the businesses decisions in relation to pay and reward.

### **Individual License holders**

- 122) Although we don't have accurate figures, we estimate, based on our interactions at license renewal that 80% of individual licensed conveyancers pay their own licence fee. The employer of the remaining 20% of individuals pay their fee.
- 123) By not increasing the individual licensing fee, the CLC is effectively decreasing the cost of the license due to the reduction in value caused by inflation.
- 124) Although we do not believe there will be any impact on individuals, we have outlined below the impact expected impact on those with protected characteristics should they materialise.
- 125) The broad assumptions are that the potential impact is likely to be felt more by those professionals on the lower end of the earnings scale and those who earn proportionately less than their counterparts. This may be because they work in a smaller firm, their practice turnover is lower, conveyancing is not their primary specialism or other unspecified reasons to do with their personal employment or work situation.
- 126) In addition, we think that there is likely to be an impact on newly qualified lawyers, those more junior in their careers, some women, people of minority ethnic background, and disabled professionals. There may be crossover between these professionals and the assumptions outlined above which may mean that the impact of the fee increase is potentially more acute for some.
- 127) Detail of the assumptions made about impact for those who pay their own fees is set out below under each of the protected characteristics.

**Age:** younger professionals are more likely to be newly qualified and therefore earn less than their older counterparts. The impact of any increase for this cohort will be greater as the increase will represent a greater proportion of their income. However, professionals between the age of 16 and 33 make up only about 14% of the overall percentage of licensed practitioners, therefore although the impact would be greater for this group, in fact it will impact few in total numbers.

**Disability:** 4% of licensed professionals report having a disability and of those, 72% said that their disability limited their day-to-day activities. Although we hold no data on disability and earnings, the reasonable assumption is that professionals with disabilities are likely to earn less than counterparts without disabilities for reasons including the likelihood of their work patterns being intermittent or part time. This means that any fee increase is likely to have a proportionately greater impact for disabled professionals than those without disabilities.

**Race:** 4% of licensed professionals are other nationalities (as opposed to UK nationals) with 7% preferring not to state nationality. 8% of licensed professionals identify their ethnicity as Asian or Asian British, 2% as Black or Black British and 1% as Mixed or Multiple ethnic groups (the percentage overlap between the nationality and ethnicity statistics is not known). Research conducted by the Bar Council concluded that barristers from minority ethnic backgrounds earn less than their white counterparts. Whilst we do not hold data on race and earnings in the CLC regulated community, the broad assumption is that similar may be true for minority ethnic professionals regulated by the CLC, meaning that any fee increase will impact minority ethnic professionals more than it will their white counterparts.

**Religion or belief:** 49% of licensed professionals report are either Christian or share another religion or belief with 7% preferring not to declare. We hold no further data on earnings and religion or belief.

**Sex:** we know that more males have senior (manager/director/partner) roles, in their firms than women do, meaning their income is likely to be higher than female professionals. The impact of any increase will therefore be felt less by male professionals as compared to females, as it will represent a smaller proportion of their earnings.

Women make up 77% of all licensed professionals and are more likely to be employed as practitioner-lawyers as compared to men. Earnings for practitioner-lawyers are generally lower than for male managers and data from other sectors and indeed other areas of the legal profession show that the remuneration package of some, though not all women, remains lower than their male counterparts. As such, for women, who represent most of the licensed profession, the impact of any increase is likely to be greater as it will represent a greater proportion of their earnings.

**Sexual orientation:** latest available data shows that only 4% of licensed practitioners identify as gay or lesbian. We have no data on earnings and sexual orientation and therefore, other than to apply the assumptions applied above in relation to the impact of the increase for male and female practitioners, of which only 4% identify as gay (and 6% prefer not to say), it is not possible to discern whether a professional's sexual orientation in isolation is likely to mean they are impacted by an increase any more or less than others.

**Marriage and civil partnership:** we do not collect any data on marriage or civil partnership across the regulated community.

**Pregnancy and maternity:** pregnancy and maternity are factors likely to impact a female professional's earnings by virtue of their time away from work and potentially any decisions to put their careers on hold. Where these women take the decision to maintain their CLC registration during pregnancy or maternity leave, they will be

required to pay individual license fee. Where their earnings at the time are reduced, the impact for them will be proportionately greater than it would be for any other female professional.

**Gender reassignment:** our most recent survey of the regulated community in 2023 saw 2% of respondents report that their gender identity was different than that assigned to them at birth. At the moment, we cannot assess whether there will be a differential impact on that group.

**NOTE:** the three categories below are not protected characteristics under the Equality Act 2010 and therefore strictly fall outside the scope of an EIA however, the CLC considers these important factors to take into consideration in carrying out its functions and has therefore chosen to include them here. It is likely that individuals with protected characteristics may also fall into one or more of the categories below, or individuals could fall into these categories without necessarily also sharing a protected characteristic. The important thing however is to document whether the proposed activity or work will impact people falling into these categories.

**Socio-economic:** 36% of licensed professionals reported having at least one parent/guardian whose qualifications were below degree level and 22% reported that at least one parent/guardian had no formal qualification. Data from other sectors and across other legal professions suggests that those from disadvantaged socio-economic backgrounds are likely to earn less than their counterparts. If we apply these assumptions, a total of 58% of the profession is likely to be earning less than their counterparts and as such, the impact of the fee increase will be greater as it will represent a higher proportion of their earnings.

**Digital exclusion** We are not aware of any truly digitally excluded individuals in the regulated community and generally believe digital skills are good because digital competence is closely linked with the requirements of the CLC licensed professional.

**Vulnerability:** we have no data on vulnerability among CLC licensed individuals however, to the extent that any of the protected characteristics listed above may render an individual vulnerable generally or at a specific point, this assessment has considered the impact for those individuals.

## **Evidencing impact**

128) The evidence used to support the impact was the CLC Diversity Monitoring Research 2023, EDI data from research undertaken by the Bar Standards Board and Solicitors Regulation Authority and other sectors.

## **Recommendations**

129) The Council recognises that the proposed fee increase may impact the regulated community and as this assessment highlights, some may be impacted more than others, however, for the reasons outlined at the beginning of this document, a fee increase is considered necessary and to the extent that it impacts some regulated professionals, it is considered justified in order to maintain a scheme of regulation in the interests of consumers, the public interest and indeed the profession as a whole. In short, the equality impacts identified are justifiable for both business delivery reasons and for the CLC to continue comply with its statutory obligations as an approved regulator.

#### **Action & monitoring**

130) The CLC is planning to undertake an EDI and workforce survey in autumn 2025 which will inform future assessments.

## **VII. Transparency of PCF information to relevant authorised persons**

---

131) The following information will be provided in an information sheet when we notify practices of their Practice Fees for 2026:

- a. The components of their Practice Fee (Practice Fee, Compensation Fund Contribution and OLC Levy).
- b. A breakdown of the CLC's estimated expenditure by cost category and allocation by function for the next financial year.
- c. The payment schedule for the above Fees.
- d. A statement that indicates which fee rates were changed as well as any of the billing arrangements.
- e. Details of how the OLC Levy operates. This will include the process for determining the levy, the timing and when they will receive the final figures for the charge for 2025-26.
- f. An estimate of their OLC charge based on the OLC estimate and the case numbers provided by the OLC.
- g. The activities that will be funded by the practice fees
- h. information of the benefits which the CLC expects to derive from the programme of activities in respect to their regulatory functions.
- a. The Practice Fee tables and schedule of other administration costs.
- b. A link to the PCF application & LSB approval.
- c. A link to the consultation document and consultation responses.

## **VIII. Checklist - Enclosures**

---

**Income and expenditure forecasts**, including practising fee income, for 3 years from and including the year for which the practicing fee is being levied. **Enclosed**

**Financial information for the previous year**, including a comparison of actual and budgeted income and expenditure. **Enclosed**

**Copy of the information that will be provided to fee paying members** (if description is not provided in section VII). **Enclosed**

## **IX. Compliance Statement**

---

We certify that the information provided in this application is accurate and complete to the best of our knowledge and we have taken reasonable steps to ensure that the application complies with the rules.

**Date: 19 September 2025**

A handwritten signature in dark ink, consisting of a large, loopy initial 'J' followed by a series of connected loops and a final upward stroke.

**Jason Hinrichsen – Director of Finance & Operations**

All queries relating to this application should be directed to Jason Hinrichsen and Stephen Ward.

**Email:** [jasonh@clc-uk.org](mailto:jasonh@clc-uk.org)  
[stephenw@clc-uk.org](mailto:stephenw@clc-uk.org)

## ANNEX A

### Individual Licence Fees

Licence or Application Type	Existing Fee	Revised Fee	Notes
<b>ANNUAL LICENCE FEES</b>			
Individual licence for Conveyancing or probate	£400	£400	No change
Individual licence for Conveyancing and probate	£475	£475	No change



## ANNEX B

### Practice Fee rate table

<b>PRACTICE FUND (2025-26)</b>				
<b>Turnover Banding</b>	<b>Practice Fee payable</b>			
£0 – £100,000	£716			
£100,001 – £250,000	£716	plus	0.685%	of turnover in excess of £100,000
£250,001 – £500,000	£1,744	plus	0.654%	of turnover in excess of £250,000
£500,001 – £1,000,000	£3,379	plus	0.605%	of turnover in excess of £500,000
£1,000,001 – £2,000,000	£6,404	plus	0.595%	of turnover in excess of £1,000,000
£2,000,001 – £4,000,000	£12,354	plus	0.587%	of turnover in excess of £2,000,000
£4,000,001 – £8,000,000	£24,094	plus	0.525%	of turnover in excess of £4,000,000
£8,000,001 – £16,000,000	£45,094	plus	0.521%	of turnover in excess of £8,000,000
£16,000,001 and over	£86,774	plus	0.516%	of turnover in excess of £16,000,000

## ANNEX C

### Other administration charges

Licence or Application Type		Current Fee	Increase	New Fee	% Increase
<b>INDIVIDUAL APPLICATION FEES</b>					
1	Application fee - Individual licence application	£150	£5	£155	3%
2	Application Fee – Head of Legal Practice (HoLP)	£240	£8	£248	3%
3	Application Fee – Head of Finance and Administration (HoFA)	£240	£8	£248	3%
4	Application Fee – Registered Manager	£180	£5	£185	3%
5	Reinstatement of lapsed CLC licence	£150	£5	£155	3%
6	Reapplication for a CLC Licence after a period of suspension or disqualification	£240	£8	£248	3%
7	Additional fees for complex cases with adverse findings. (The applicant will be notified prior to proceeding and will be updated on progress and cost.)	£80/ph	£3	£83/ph	4%
<b>PRACTICE APPLICATION FEES</b>					
8	New practice application – (Alternative Business Structure)	£1,200	£40	£1,240	3%
9	New practice application – (Recognised body)	£1,200	£40	£1,240	3%
10	Additional checks required due to delay in issue of licence. (The applicant will be notified prior to proceeding and will be updated on progress and cost.)	£80/ph	£3	£83/ph	4%
11	New Corporate Investors/Owners notification (to be paid by the incoming party)	£540	£20	£560	4%
12	Change of ownership - existing non corporate owners (to be paid by the CLC Practice)	£280	£8	£288	3%
13	Change of ownership - new non corporate owners (to be paid by the CLC Practice)	£280	£8	£288	3%
14	Addition of a legal service to the licence	£160	£5	£165	3%
15	Notification of new branch office	£50	£2	£52	4%
<b>OTHER ADMINISTRATION FEES</b>					
16	Issue of a duplicate licence	£25	£1	£26	4%
17	Amendment to a licence	£75	£3	£78	4%