



The
Specialist
Property
Law
Regulator

Council for Licensed Conveyancers

Annual Report on the Year 2017



Contents

Foreword	4
Introduction	5
Key achievements in 2017	5
Firms transferring between legal sector regulators	6
Organisational Development.....	6
The progress set out in this report	6
The regulated community	7
Entity Type	7
Total Turnover	7
Consumer Protection	8
Tackling Fraud and Cybercrime	8
Anti-Money Laundering.....	9
Education, Training and Apprenticeships.....	9
Managing Entry to the CLC Regulated Community	10
Licence Renewal	10
The Annual Regulatory Return	10
Monitoring.....	11
Enforcement	11
Interventions and Managed Close Downs.....	12
Conduct Complaints	12
Adjudication Panel Findings	12
Publishing Disciplinary Information.....	12
Professional Indemnity Insurance	12
Compensation Fund.....	13
Regulatory Framework	13
Transforming home buying	14
Consumer Education, Information and Choice	14
Improving the Property Transfer Process	16

Developing and delivering the CLC’s strategy	17
Our Vision for 2022.....	17
Strategic objectives for the period 2018-2022.....	18
Indicators of Strategic Change.....	18
Appendix: The CLC’s approach to regulation	19
Equality, Diversity and Inclusion.....	19
Maintaining the health of the profession.....	19
Close Initial Support and Supervision	20
Annual Checks.....	20
Monitoring Inspections.....	21
Other Intelligence	21
Working with Financial Institutions.....	21
Disciplinary Action	22



Foreword

Janet Paraskeva

Chair of the CLC

The Council for Licensed Conveyancers plays a vital role underpinning confidence in the property market that is such a vastly significant element of the British economy. As well as protecting consumers we serve the public and commercial interest by supporting innovation in the delivery of property law services.

2017 marked the end of a three-year strategy period for the CLC. Delivery of that strategy has put us into a very strong position:

- The most recent performance assessment by the Legal Services Board gave us the highest rating of all of the front line regulators.
- The community we regulate believes that we help their businesses innovate and thrive.
- We are making more efficient use of resources to deliver value-for-money regulation.
- We have a rich insight into the management of conveyancing and probate businesses that informs our approach to regulation.

During the year, the staff and Council of the CLC worked carefully to develop a new five-year strategy. We ran workshops, undertook market research with a wide range of specialist property law firms and looked at the changing habits and expectations of consumers of legal services. We also talked directly to CLC-regulated individuals and practices and drew on the findings of our most recent stakeholder perceptions report.

We concluded that the CLC's strength, and our value to stakeholders, comes from our specialisation and the new strategy, set out in detail in this report, reflects that focus.

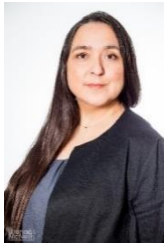
I would like to thank the chief executive Sheila Kumar, the dedicated staff, the non-executive members of Council and the Audit and Risk Committee and the Remuneration Committee for another year of very substantial progress.

PROTECTING THE CONSUMER, SUPPORTING INNOVATION AND COMPETITION

In 2017 the Council set out a new five-year strategy for the CLC.

Our strategic objectives for the period to 2022 are to:

- Empower consumers to make informed choices of conveyancing and probate lawyers.
- Adapt regulation to the changing market.
- Be the regulator of choice in our specialist areas.



Introduction

Sheila Kumar

Chief Executive

The CLC aims to help its regulated community to achieve compliance with regulatory and legal obligations. Our determination to support innovation and growth means that we want to help the entities we regulate to implement new ways to meet customer needs and grow their businesses. This means supporting businesses to understand how they can meet the appropriate regulatory outcomes and not binding them into inflexible forms of compliance. We believe this is the best way of providing consumer protection and choice.

Key achievements in 2017

Here are some of our major achievements in the year:

- Clients protected through intervention into three entities regulated by the CLC.
- Grants from the Compensation Fund made to 22 applicants.
- Our mandatory, online secure badge, unique in the legal sector, helps prevent fraud and provides consumers with reassurance that a website they are using is genuinely that of a CLC-regulated firm.
- A marked reduction in the time that practices spend on our watchlist as non-compliance is being addressed more rapidly than ever.
- Awareness raising of the risks of fraud and cybercrime and advice on mitigation for lawyers and their clients.
- Guidance on the Money Laundering Regulations 2017 produced jointly with others in the legal sector.
- Growth of education provision to achieve CLC qualifications and increase in student numbers.
- The Annual Regulatory Return again secured 100% participation within the deadline, further enriching our insight into the market.
- Very wide formal and informal consultation with the regulated community and other stakeholders on improving consumer information in response to recommendations for the whole legal sector from the Competition and Markets Authority (CMA).
- Taking a leadership role in the sector on the response to the CMA recommendations.

TRANSFORMING THE HOME BUYING PROCESS

In 2017, the CLC:

- Launched work with fintech and lawtech entrepreneurs and established players to explore how we can support the transformation of conveyancing.
- Led discussions with the regulated community and stakeholders on how changed processes and new IT solutions could improve the consumer experience and reduce risks in property transfer.
- Forged alliances with key partners to help drive change.

Firms transferring between legal sector regulators

2017 saw major regulatory changes made which can help reduce the cost of firms transferring between legal sector regulators. The CLC's regime will be of interest to firms currently under other regulation that specialise in conveyancing and/or probate work. A number of such firms have indicated a desire to transfer into CLC regulation.

Any firm seeking to transfer into CLC regulation – whether in whole or in part (by separating off from the rest of the firm its conveyancing or probate activities) – faces the same standard of checks and due diligence as a firm being established for the first time. In addition, we work closely with that firm's current regulator to understand their view of the firm and the regulated individuals in it. Transfer into the CLC regime is not a right: firms must be able to demonstrate that they meet the standards of specialist practice that we expect of the entire regulated community.

Organisational Development

Past annual reports have set out the work that we have done recently to ensure that our organisational model, in terms of people, processes and infrastructure are appropriate to the tasks and challenges that the CLC faces now and expects to face in the near future. It is also important that we have resilience to deal with change and a model that can scale as needed by the growth and development of the regulated community.

We remain committed to keeping the regulatory burden to a minimum. That relates to regulatory requirements and to the financial costs to individuals and firms. A lean and efficient organisation that can respond quickly to a changing landscape is key to meeting that commitment.

The progress set out in this report

This report is being published to accompany our statutory Financial Statements for 2017. They set out in detail how we have maintained our low cost base and so are able to meet our commitment to keep the financial burden of regulation to the appropriate minimum in the interests of consumers and the businesses that we regulate. It shows that we continue to make significant progress.

The new strategy set out by the Council for 2018-2022 seeks to ensure that we continue to realise the benefits of tailored regulation of specialist lawyers. Our approach delivers benefits for clients and lawyers as well as the wider conveyancing market and the public interest in a stable and well-functioning property transfer process.

As I look back on the five years since I joined the CLC, I feel pride in what we have been able to achieve. Those achievements have made possible the ambitious strategy for the next five years. I am pleased that, as this report shows, we continue to evolve and improve and that gives me great confidence in the future of the CLC.

The regulated community

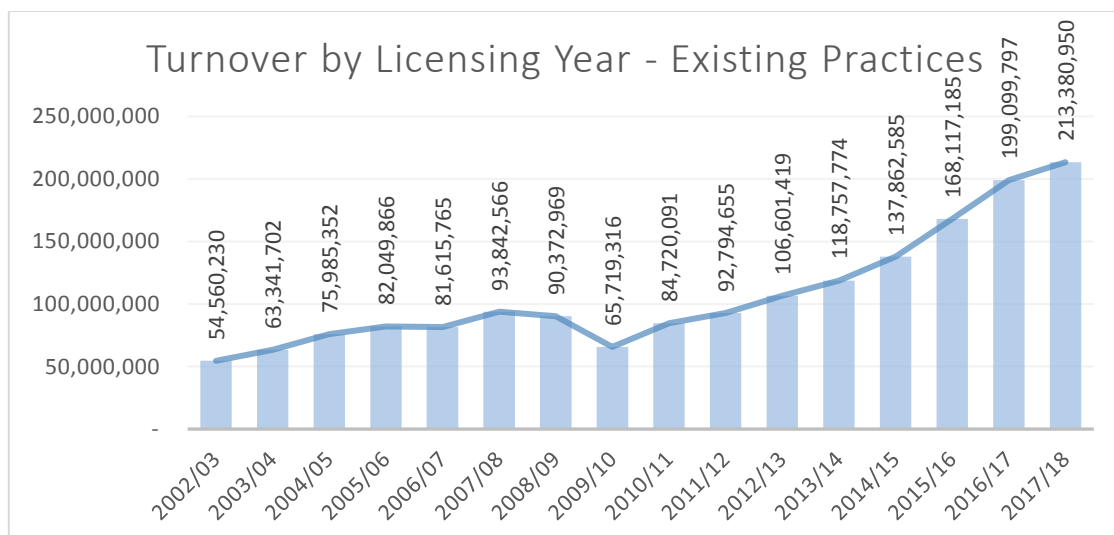
Entity Type

Regulated entities can be established in a range of company types. At the end of December 2017, 61 were Alternative Business Structures, meaning that they have some degree of non-lawyer ownership. This could be in the form of external investment or having non-lawyers (e.g. finance, HR or marketing professionals) as owners or directors of the business.

Practices by entity type	Total	Of which ABS
Limited Company	158	58
Limited Liability Partnership	12	3
Partnership	19	-
Sole Practitioner	44	-
Total	233	61

Total Turnover

The chart below looks at the reported turnover of all firms within CLC regulation each year since 2002/03. As is clear, total turnover growth has been considerably faster since the 2007 downturn than in the years leading up to it while overall the number of firms under regulation has been fairly stable despite closures and openings of firms each year. There is a general trend for turnover to be concentrated increasingly in the larger firms.



Consumer Protection

Tackling Fraud and Cybercrime

Experience shows that fraud (particularly imposter fraud) is a very significant risk across the property market. We are aware that other legal services regulators have seen examples of criminals setting up fake law firms to extract money from would-be clients.

In 2017 the CLC took a number of steps to reduce the risk that CLC-regulated firms or their clients will be affected by fraud.

- We provided comprehensive advice:
 - Drawn from the most authoritative sources (National Cyber Security Centre, National Crime Agency, Information Commissioner's Office).
 - Promoted in monthly e-newsletters to all regulated individuals and many others working in the industry and on our social media channels (Twitter and LinkedIn).
 - Featured in a plenary session at the conference for holders of Manager licences from the CLC in January 2017.
 - Through a webinar recorded in December 2016 focusing on imposter fraud.
- Promoted the Take Five to Stop Fraud campaign:
 - Encouraging firms to join the campaign and raise awareness of types of fraud risk.
 - Using campaign assets to help lawyers and clients protect conveyancing firms and themselves from fraud.
- Deployed a new, mandatory online secure badge that:
 - Makes it more difficult for fraudsters to imitate real law firms or create fake law firms.
 - Allows consumers to check the regulatory status of a firm they are considering instructing.
 - Leads clients to the CLC website where they can find more information about how to raise complaints and seek redress.



Anti-Money Laundering

2017 saw the introduction of new anti-money laundering (AML) regulations in late June. We published a Practice Note in July to provide immediate assistance to the firms that we regulate in complying with the new regulations. This was promoted heavily to the regulated community through all of our channels.

The CLC has worked with HM Treasury and the legal sector affinity group, that brings together all of the front line regulators, to produce new guidance for lawyers. This was issued in draft in 2017 and finally agreed by HM Treasury in March 2018.

A firm's AML procedures are always reviewed as part of inspection visits. It is clear from those inspections that this remains an area of challenge for firms. Work to ensure that procedures are in place and being followed effectively will continue.

To raise awareness further of the risks of money laundering, in 2018 we have joined the Home Office's Flag It Up! campaign that targets the key professionals who may become enablers of money laundering. As well as raising awareness, the campaign also encourages the submission of Suspicious Activity Reports.

Education, Training and Apprenticeships

2017 was the first full year of the new arrangements for the delivery of education to achieve qualifications that pave the way to becoming a Licensed Conveyancer. This is overseen by the Scottish Qualifications Authority and is delivered by a range of education providers offering distance and classroom learning and apprenticeship routes to qualification.

There are now five providers:

- Bradford College
- Damar Training
- MOL (Manchester Online Learning)
- LTC (Law Training Centre)
- The Manchester College

In addition, some regulated entities are approved to deliver education.

We work with the SQA and individual education providers to raise the profile of the CLC qualifications with school leavers who might have an interest in a non-graduate route into the legal profession. We also encourage firms to put more of their staff through CLC education to help maintain high standards across the sector and to recognise and reward achievement and reduce churn and the loss of experienced talent.

Conveyancing firms continue to report difficulties securing sufficient numbers of qualified conveyancers and we will continue to promote the CLC qualifications and encourage growth in the pipeline of Licensed Conveyancers to help meet the demand in the sector. The initial response to the new course materials and providers and to the overall learning experience

has been very positive and student numbers more than doubled from 651 at the beginning of 2017 to some 1400 by the end of February 2018. We expect this growth to continue.

Managing Entry to the CLC Regulated Community

The CLC has always set a high bar for entry to its regulated community. Lawyers may enter through qualifying as a Licensed Conveyancer or Probate practitioner. These CLC Lawyers are then Authorised Persons under the terms of the Legal Services Act 2007. Experienced lawyers who have qualified via other routes (e.g. Solicitors, Fellows of CILEx) may apply to convert to become CLC lawyers if they can demonstrate their specialist expertise in conveyancing or probate work. Alternatively, Authorised Persons holding current practising certificates may work in CLC-regulated firms, but will need to apply for a Manager designation if they are to take on a leadership role in the firm.

In addition to legal qualifications and experience, the CLC carries out a range of background checks according to the role of the lawyer in the firm. We also carry out checks on beneficial owners. All key personnel must have passed these checks before we will issue an entity licence to a new firm. There is more detail on this at the appendix. Firms seeking to transfer into CLC regulation from another regime are subject to the same rigorous checks and additional checks with the current regulator.

Our Regulatory Supervision Managers quickly develop close working relationships with new CLC-regulated entities. Managers of new firms take part in induction workshops and the firm will be inspected in its first year of operation.

An open dialogue with firms is key to the success of our regulatory model, encouraging them to speak to us about problems they are facing before they escalate so that we can help to avoid the materialisation of any risk to clients rather than deal with the impact after the event.

Licence Renewal

In 2017 we continued the streamlining of the licence renewal process we began in 2014 to reduce the regulatory burden on Licensed Conveyancers. In a feedback survey of the regulated community 90% of respondents rated their experience of licence renewal in 2017 as either 'good' or 'very good'.

The licence renewal process is a useful checkpoint to remind practitioners of their responsibilities and duties and to ensure that all changes have been reported to us over the course of the year.

The Annual Regulatory Return

In 2017 we undertook the third of our wide-ranging surveys of the regulated community to deepen understanding of the market that we regulate. The full report of that Annual Regulatory Return (ARR) has been published and the ARR is repeated annually so that we can continue to enrich the data we hold and are able track trends in the market place.

Analysis of ARR data drew out some key points:

- There was a small but encouraging increase the overall proportion of managerial staff that are women (47% in 2017 compared to 41% in the 2016 Annual Regulatory Review).
- Over half of firms expected their volume of work to increase in the coming year.
- The two greatest business risks for firms were identified as being:
 - Cybercrime
 - Fraud and money laundering.
- The most common channels for securing work were reported to be
 - Personal recommendation - 38%
 - Referral (e.g. from an estate agent or mortgage broker) - 24%
 - Direct approach by client – 18%.

The ARR contains a great deal more data about firms, some of which informs CLC’s risk assessments of individual firms as well as providing an overview of the market. The risk assessment looks at risks posed by individual entities based on a range of information either provided by firms themselves (whether through the ARR or other contact) or third parties such as the Land Registry, Legal Ombudsman, mortgage lenders and panel managers. This tool informs our monitoring activity by identifying concentrations of risk and issues to explore further with individual entities or the profession as a whole.

Monitoring

In 2017 we undertook 83 monitoring inspections against a plan for 80. 69 of these visits were routine inspections (each firms has a monitoring inspection at least once every three years) and 14 were targeted inspections triggered by monitoring of the firm concerned or intelligence received. These were undertaken by CLC staff and by appointed inspectors working to the same procedures.

The majority of the routine inspections resulted in the regulated entity being required to take some remedial action to address minor areas of non-compliance. These were addressed by the practice in line with the expectations of our Regulatory Supervision Team.

The insight gained from monitoring is fed back to firms by our Regulatory Supervision Managers to help raise standards of practice as well as informing the development of new policy and compliance support materials.

Enforcement

The CLC watchlist is an internal document that tracks activity with firms that are under investigation or enhanced supervision as a result of concerns that have come to light through general monitoring activity, inspection visits, consumer complaints or intelligence received.

The work of the Regulatory Supervision Managers in 2017 has ensured that the average time spent on the watchlist by any one firm has continued to reduce. Issues are being resolved more promptly by being very clear to practices about our expectations coupled with active management of practices which are required to resolve compliance issues. The number of firms on the watchlist ranged between three and seven during the year and a total of 13 practices appeared on the watchlist during 2017.

‘Resolution’ of an issue may mean either that the entity has successfully addressed the concerns identified by the CLC and is judged compliant with our requirements. Alternatively, it may mean that they have failed to do so and some form of disciplinary action has to be taken. In the event of disciplinary action short of a referral to the Adjudication Panel, there is an accompanying plan to ensure that the entity continues to work to address the CLC’s concerns. If they fail to do so, the matter will be escalated further as appropriate.

The watchlist is kept under regular review to ensure that the issues it records are resolved as quickly and efficiently as possible and to improve the clarity of reporting to the Senior Management Team and to the Council.

[Interventions and Managed Close Downs](#)

The CLC intervened into, and closed down, three practices in the course of 2017. In one case, the sole practitioner was ill and unable to attend the practice. In all cases, the intervention was required to protect the interests of clients.

[Conduct Complaints](#)

We investigated 88 conduct complaints from clients of CLC-regulated firms in 2017. None of these resulted in disciplinary action.

[Adjudication Panel Findings](#)

The Adjudication Panel sat twice in 2017 and issued findings in respect of allegations against two Licensed Conveyancers. Each of these resulted in permanent disqualification of the lawyers concerned from practising as a Licensed Conveyancer.

[Publishing Disciplinary Information](#)

In line with the Publication Policy agreed by the Council in 2015, details of disciplinary actions taken by the CLC are published. In 2017 this amounted to the publication of the dates and details of hearings of the Adjudication Panel and the outcomes of the two such hearings.

[Professional Indemnity Insurance](#)

The Participating Insurers Agreement (PIA) introduced in 2016 enjoyed another a smooth insurance renewal round alongside the introduction of enhanced protection for consumers and benefits for regulated entities.

Under the PIA, insurers must provide run-off cover to insured entities when they close at no additional cost. The six-year run-off cover is subject to an aggregate £2m limit. The history of claims in relation to closed firms shows that this limit provides adequate [sufficient?] cover.

This provision gives consumers excellent protection by removing the risk that a firm will close without taking out run-off cover because the cost is too high. For the same reason, it also reduces the exposure of the Compensation Fund that we manage on behalf of the regulated community.

We are in close touch with the insurance providers to assure ourselves of the effective operation of the scheme.

Compensation Fund

The CLC operates a Compensation Fund as a fund of last resort for clients who have suffered financial loss at the hands of a CLC-regulated firm that is not covered by professional indemnity insurance. This is funded by the regulated community.

In 2017, the Fund made payments in response to 22 claims. The total of those payments was £35,695 and the vast majority of individual payments were each less than £500.

Regulatory Framework

Since it was created, the CLC has been an entirely independent regulator. We enjoy productive and sometimes challenging working relationships with a range of stakeholders from bodies representing the lawyers we regulate (principally the Society of Licensed Conveyancers and the Conveyancing Association) to our oversight regulator, the LSB, other front line legal sector regulators, mortgage lenders and consumer organisations.

Our work with those stakeholders and the constructive challenges that arise help to improve the quality of the work that all of us do to ensure consumer protection, drive forward the practice of law and improve the consumer experience.

Our purpose as an independent regulator is clear and not muddled by any role in representing the regulated community. This is vital for public confidence and for the success of our work. It also ensures that there can be complete transparency about how we develop and ensure compliance with our regulatory policy as well as how our work is funded and delivered. Throughout 2017 we continued to argue for complete independence for all front line regulators of legal services from their representative body parents.

Transforming home buying

The CLC seeks to play its full part in the development of the practice of property law, the management of legal businesses and delivery of conveyancing and probate services to the consumer. This wide remit flows from the CLC's mission to foster competition, innovation and growth alongside protection of the public and consumer interest.

This strand of work included, in 2017, our response to the recommendations from the Competition and Markets Authority (CMA) for improving service, quality and price information to drive consumer choice as well as other work to make conveyancing faster and more secure and to reduce the uncertainty around transactions.

In addition, 2017 saw an exciting step-change in moves to transform the home buying and selling process. We're delighted to be working together with the Ministry of Housing, Communities and Local Government, IT entrepreneurs and established legal sector suppliers, representative bodies of conveyancers, innovative firms and progressive mortgage lenders, HM Land Registry and others to hasten that transformation.

We all share the objectives of making conveyancing faster, more secure and more certain. This could transform the consumer experience and reduce risks. New and different risks could emerge though, and as the specialist regulator of property lawyers we must ensure that we are properly informed to protect the consumer while we continue to foster innovation.

In 2017, that meant a considerable focus on the transformation of the home buying process through improved consumer information and effective responses to the promise of developments in IT and changes to practice in the delivery of legal services.

Consumer Education, Information and Choice

Improving the conveyancing market

Throughout 2016, we worked with the CMA to inform their market study of legal services. Their report was published in December 2016 and made wide-ranging recommendations aimed at improving the accessibility and comparability of information about service features, quality and price to drive better-informed consumer choice and to encourage shopping around. It set out a range of information 'remedies' for the sector to develop.

The CLC's Chief Executive, Sheila Kumar, chairs the group of all of the front line regulators that coordinates the work on transparency across the legal sector. Called the Remedies Programme Implementation Group, it is vital to securing the whole of market approach that the CMA recommended in the report on its market study.

Following publication of the CMA’s report, we moved quickly to engage our regulated community and other key players (technology providers, comparison websites, data aggregators) in consideration of the recommendations to inform our response.

In 2017 we:

- Ran an interactive plenary session in our conference for CLC manager licence holders that looked at the key issues raised by the CMA.
- Ran a short survey to gauge views on some potential approaches to achieving greater transparency of price and service information.
- Held small group discussions with members of the regulated community at locations across England and Wales at the beginning of the year.
- Discussed the CMA’s agenda with members of the Society of Licensed Conveyancers at their spring roadshows around the country.
- Presented at the following:
 - LegalEx exhibition (London, March)
 - Modern Law conference (Manchester, May)
 - Law Firms Services Conference (Birmingham, September)
 - Conveyancing Association Conference (London, December).
- Published our Action Plan in response to the CMA recommendations (July).
- Launched a full consultation on our proposals in September that ran until January 2018.
- Held a series of four webinars focussing on different strands of the transparency agenda, including live polls on key points, and
- held meetings with the managers of individual firms towards the end of the year.

The rich feedback from this important series of presentations and discussions is helping to shape our final response to the CMA’s recommendations.

Legal Choices

Legal Choices is a consumer-facing website funded and delivered jointly by the front line regulators of legal services. In 2017 we began joint work to increase very significantly the reach and impact of the website, issuing invitations to tender for research into consumer needs from and responses to the website and the development of new products and a new site.



Increased Consumer Web Content and PR

In the last quarter of 2017 we began work to improve and increase the information that the CLC provides online to consumers to guide them through the conveyancing and probate processes, the selection of the right lawyer for them and preparation for working with that lawyer.

Improving the Property Transfer Process

As the specialist regulator of specialist property lawyers, we have to ensure that our response to the changing profile of risk to the consumer remains targeted and proportionate. To support innovation and competition, we must also ensure that our regulations do not inhibit positive developments that will deliver benefits to the consumer, the wider property industry or the economy. Indeed, we aim to foster such development positively. So we are very pleased to be at the centre of the very wide-ranging discussions that are underway across the sector about transforming the home buying process.

Policy Development

Alongside other key players, we have been working with government for some time now as it explores how the property transfer process could be simplified and accelerated and how some of the risks could be mitigated better. This is in the consumer interest and will help those legal businesses that wish to innovate, by creating a more permissive environment that will help to encourage experimentation.

In 2017, following the post-election reshuffle, the Ministry of Housing, Communities and Local Government took the lead on this work in government and we have worked with officials there to broaden the debate. We submitted a formal response to their call for evidence on improving the home buying process. To encourage others in the sector to engage with this agenda, we also ran a lively webinar with the lead government official and the Conveyancing Association's director of delivery to look at the issues raised in the then Department for Communities and Local Government's call for evidence to encourage further debate across the regulated community .

Transformational IT

We have engaged with and run our own round table discussions and workshops to explore the potential for lawtech, fintech and proptech start-ups, as well as established IT providers, to help transform the delivery of legal services. HM Land Registry's Digital Street project has shown some of what might be possible and we need to prepare the sector to make the most of all such opportunities.

A partnership with Legal Geek has proved extremely useful in opening up discussions about this and a roundtable discussion in partnership with Legal Futures resulted in a very useful publication that continues to prompt further discussion and engagement from across the sector. We have made clear to IT suppliers that we are open to supporting the testing of new solutions. The first of such tests will take place in early 2018 as we look at the opportunities that e-escrow offers to improve the security and certainty of conveyancing transactions.

In 2018 we will continue to drive discussions of the potential for change and encourage firms to develop new ways, or use new tools, to improve the customer experience and increase the speed and security of conveyancing. We encourage lawtech and fintech firms to work with us in developing new solutions, assisting them by introducing them to CLC-

regulated practices interested in trialling new approaches and by giving firms the confidence to test new solutions and approaches they develop themselves or with suppliers.

Developing and delivering the CLC's strategy

The successful delivery of our 2014-2017 strategy has established a strong platform for the CLC that means we can now look to deepen and enrich our approach to the regulation of specialist conveyancing and probate lawyers. It will allow us to exploit to the full the benefits of tailored, activity-based regulation to protect consumers and support the development of innovative legal businesses.

The governing Council of the CLC has set out a vision for the organisation at the end of the new strategy period. It was developed in collaboration with the full staff team as well as the Senior Management Team and was informed by independent market research. It builds on the achievements of the 2014-2017 strategy period that delivered strength in specialisation and looks to increase our influence in the sector based on that strength.

The Council explored the potential and demand for the CLC to broaden its regulatory remit to other reserved services and on the basis of consultation and research decided to maintain the focus on conveyancing and probate services that serves well clients and the regulated community.

It also takes into account the new focus on the promotion of competition following the recommendations of the market study by the CMA.

Our Vision for 2022

In 2022 the CLC will benefit from even deeper insight into the specialist practice of conveyancing and probate thanks to increased policy input from practitioners, our own research, analysis of the impact of our policies and operations and intelligence received as we progress.

We will have evolved approaches to monitoring compliance that deliver common standards whilst accommodating diverse business models. This will mean that we will be viewed as an even more effective regulator delivering evidence-driven, risk-based regulation. It will also ensure that we maintain high standards of compliance by regulated firms. As a result, the LSB's assessment of our regulatory performance will remain very positive.

Lenders and government agencies will view the CLC as a valued partner in maintaining the integrity of the property market and combating fraud, and legal tech providers will want to work with us to develop new tools for the sector. CLC-regulated lawyers will enjoy market access on a level footing with other providers of conveyancing. Specialist conveyancing and probate practitioners will therefore view the CLC as their regulator of choice and the share of the conveyancing market under CLC regulation will have increased while we maintain strict standards for entry to regulation by the CLC.

Wider appreciation of our expertise will give us a stronger voice on policy issues around regulation as well as in relation to the practice of conveyancing and probate. We will lead

the development of best practice in relation to transparency of price and quality of legal services provision through responses to the CMA recommendations that are valuable to consumers and offer opportunities for legal service providers.

Realising this vision will require further evolution of our operating model, development of supporting infrastructure and an increase in resources. We are confident that these changes can be achieved without increasing the financial burden on the regulated community and we have committed to reducing regulatory fee rates whenever that is possible on a sustainable basis.

Strategic objectives for the period 2018-2022

- Empower consumers to make informed choices of conveyancing and probate lawyers
- Adapt regulation to the changing market
- Be the regulator of choice in our specialist areas

Indicators of Strategic Change

Empower consumers to make informed choices of conveyancing and probate lawyers:

- Price and service information is more easily accessible and comparable in line with the CLC's Action Plan in response to the CMA's recommendations on information remedies in legal services.
- CLC firms with the best ratings from consumers will increase their transaction volumes.

Adapt regulation to the changing market:

- No regulatory failures will arise as a result of new technological innovations or business models.
- We will adapt our regulatory approach in response to changes in the market for specialist conveyancing and probate services.
- Innovative practices will agree that being regulated by the CLC is either 'extremely' or 'mostly' beneficial to their business.

Be the regulator of choice in our specialist areas:

- All firms agree that being regulated by the CLC is either 'extremely' or 'mostly' beneficial to their business.
- The share of the conveyancing market (in terms of numbers of transactions) under CLC regulation continues to grow.

Appendix: The CLC's approach to regulation

The CLC aims to help its regulated community to achieve compliance with regulatory and legal obligations. Our determination to support innovation and growth means that we want to help the entities we regulate to implement new ways to meet customer needs and grow their businesses. This means helping businesses to understand how they can meet the appropriate regulatory outcomes and not binding them into inflexible forms of compliance. This is the best way of providing consumer protection and choice.

We pride ourselves on having a good understanding of the businesses that we regulate. We aim to have a detailed and rounded view of their activities so that we have a global understanding of the particular risks they might face. This starts with very close supervision of new businesses in the first years of their regulation by the CLC. Our concern then is not simply with regulatory compliance but also with financial stability and health because unsound businesses also present a threat to the consumer and public interest. We aim to work in close partnership with the business so that they succeed and are compliant.

CLC proceeds on the basis that prevention is better than cure and use a wide range of approaches and tools to support regulated entities, ensure compliance and take corrective or disciplinary action where it is necessary. They give us a range of regulatory responses that are proportionate to the risk to clients in any particular case.

Equality, Diversity and Inclusion

The CLC's efforts to improve equality, diversity and inclusion (EDI) within the regulated community and in relation to the treatment of clients has been significantly mainstreamed within our regulatory work for some time. All policy proposals are assessed for their EDI impact and especially for any negative impact on protected groups. Our Annual Regulatory Return is now tracking the particular challenge of progress from entry to managerial roles of women and BAME lawyers and support staff in the firms that we regulate. This year saw a small but positive move forward for women.

To support individuals and employers better, we are working with the other front line regulators to share insight, ideas and best practice. We have also become a member of Business in the Community, opening up their wider social responsibility resources to the regulated community.

Maintaining the health of the profession

When new entities are established under CLC regulation for the first time they will have satisfied us that they have in place the appropriate processes and resources to deliver conveyancing or probate services and manage their own and clients' money in line with our regulatory requirements. They will also have presented a business plan for their first three years setting out their road to sustainability. We will also have satisfied ourselves as to the qualifications, experience and background of the Authorised Persons, other managers and

any external owners. All of these aspects are monitored closely at the beginning of the firm's life.

Close Initial Support and Supervision

Before a new entity is authorised, Licensing Team at the CLC will have met the managers of the firm to discuss their plans in detail. This takes place at an early stage, to help ensure that submitted applications take full account of our requirements. This helps ensure that we and the applicants don't waste time dealing with incomplete or insufficient applications. Some applicants will find at this stage that CLC regulation is not right for them or may take time to think more about their plans and how they might need to change in order to meet our requirements for consumer protection.

Either before or very soon after entity authorisation, key managers are required to attend a workshop at our offices led by the Regulatory Supervision Managers. This is valuable in establishing the firm's relationship with that team and ensuring that the managers are fully prepared for the reporting that is expected of them.

All new CLC-regulated entities will be inspected during their first year of operation to ensure that the systems and processes they have in place are being followed and that they are achieving compliance with the CLC's Handbook.

Annual Checks

After the early period of regulation of a new entity, we use a mix of self-certification, third-party reports, desk-based supervision and inspection visits to monitor the all-round health of the profession. The key points in the regulatory year are:

- Submission of accountants' reports – in line with the entity's audit year.
- Licence renewal
 - For individuals – in October each year individuals must inform us of any change in circumstances that might affect their right to a licence for the coming year beginning 1st November .
 - For entities – also in October, a licensed Manager must confirm that there is no issue that might affect the entity's licence to practise.
- Annual Regulatory Return – Each entity is required to provide a response to a questionnaire that probes a range of areas to understand ongoing or emerging risks within the firm and across the sector as a whole.

Concerns raised in accountants' reports may give rise to requirements on the entity to address shortcomings in their management of client funds. If so, a timescale will be set and compliance monitored until the CLC is satisfied.

Licence renewal is an automated and speedy, but not automatic process and is a key point in the regulatory year. If the CLC has concerns about an individual or entity, we may decide to hold over renewal of a licence until the issue has been addressed or a timetable for its

correction is agreed. Licences may also be issued with conditions that need to be met by the individual or entity to ensure retention of that licence.

Data from the Annual Regulatory Return may give rise to further regulatory action in relation to a specific entity or highlight the need for more general action such as enhanced or clarified guidance to the profession or new CPD requirements in relation to specific issues. It also provides an understanding of changes in the profession as a whole.

Monitoring Inspections

In addition to the desk-based monitoring that is set out above we undertake a programme of on-site inspections of regulated entities each year. The largest group of inspections will be arranged because of the time that has elapsed since the entity last had a monitoring inspection. Each practice will be inspected at least once every three years.

Additional visits are arranged in light of specific issues that we have identified with firms and where desk-based supervision is judged to be insufficient. Others will be risk-based, in other words, we will not be aware of a specific issue, but have concerns about the entity's risk profile that merit a closer look. (That might be because the firm undertakes a significant amount of transactions in which they act for both sides, for example, or are disproportionately dependant on one client.)

Other Intelligence

The CLC may also receive information about a regulated entity or individual from another regulator, The Legal Ombudsman or a mortgage lender as well as an employee, colleague or client. In such cases, the matter will be addressed directly with the firm or individual until the CLC is satisfied that they are in compliance or may lead to some kind of disciplinary action. Conduct complaints may, following investigation, also give rise to some form of compliance assurance or disciplinary action, as appropriate.

Working with Financial Institutions

We engage with mortgage lenders on a range of issues that relate to the work the regulated community does for and with them. Their panel management approaches can offer useful insight into the conveyancing market place for us at an aggregate level and, where there might be problems, with an individual firm that we regulate.

Those same panel management arrangements can create problems where they impede market access for Licensed Conveyancers on a level footing with other lawyers. While this problem has largely been dealt with, it is instructive to understand how panel criteria have had the effect of excluding non-SRA firms in the past. This was because of confusion about membership of the Law Society's CQS scheme, which many banks require of SRA firms. Some banks were excluding CLC-regulated entities because they were not members of CQS even though that cannot be a requirement of firms that are specialist conveyancers as is the case of our regulated community.

As a regulator, we would not advocate for panel access for an individual firm, but we are anxious to ensure that there are no unfair barriers to market entry or access. We are pleased that lending institutions have responded so positively when we have had to address the issue with them.

Disciplinary Action

Where an individual or entity fails to achieve compliance to the satisfaction of the CLC, for example, where there is evidence of misconduct or where there is clear evidence of risk to the consumer, the CLC can refer the matter to the independent Adjudication Panel. The Adjudication Panel, which will set an appropriate sanction following consideration, or intervene to close an entity in the interest of existing and potential future clients. At time of writing, work is underway to develop a set of guidelines for the Council to assist in applying sanctions. This reflects the fact that the hearings are infrequent and so what might be called case law is slow to build up. The guidelines will not impinge on the independence of the Adjudication Panel and will be published in the interests of transparency and to guide the profession and other stakeholders.