



The Specialist
Property Law
Regulator

SLC Conference 2015

Wednesday, 18th June 2015

Sheila Kumar speech

Delighted to be here with you all today.

You will be getting a treble dose of the CLC.

Dame Janet Paraskeva, who became Chair of the Council in May will be speaking later.

Janet will be looking at the big picture and at strategic challenges facing you and we as your regulator.

I want to have a look at more day to day issues that are also important for both you and us.

And to fill you in on the various changes that have taken place at the CLC recently.

And Stephen Ward, our Director of External Affairs is joining me in that.

Changes at the CLC

As many if not all of you will know, we have moved our entire operation into offices in central London.

We are in the process of selling the building we occupied in Chelmsford as well as our storage unit there.

Financially this has been a good move , not just through the bolstering of our reserves, but also because our day to day running costs have been reduced and we are able to concentrate on running the core functions of CLC, not about the building.

Clearly we needed to be clear that any change would need to be at least cost neutral to the profession, but importantly the key reasons for looking at where the business should be situated where

1 access to key interlocutors – the finance industry, other regulators

2 to make access easier to and by our regulated community

3 to future proof from the point of view of staffing, capacity and capabilities – this has already paid off in terms of the staff we have recruited recently

We have had significant changes in personnel, which you will notice at practice level by having some changes in designated contact

This is the new team of Regulatory Support Managers replacing the old practice inspector roles.

The role of inspection is very much there, but as you will have heard me say before, the cornerstone of CLC regulatory ethos is to prevent problems before they occur.

This new role also clearly embodies our mission to ensure compliance with the CLC's Handbook and to support you as you seek to find new ways to meet consumer demand and to manage your businesses differently.

The aim of the changes

The changes we have made this year are achieving two things.

Firstly the new roles are designed around the work we really need to do now to deliver proportionate, activity-based regulation for a profession that has matured but continues to evolve.

The people we have appointed in the last year are bringing new experience and fresh insight to our work.

Secondly, we have reviewed and simplified where possible our processes to be more efficient and proportionate.

That's how we were able to complete the licence renewal process so quickly this year. And we are applying the same discipline to our monitoring work, first licence application, complaints handling and management of the Compensation Fund.

In short we are becoming a leaner and more efficient organisation.

As we do that, we are maintaining the level of support that we have been able to provide historically to specialist firms finding new and better ways to meet their customers' needs.

Some of this is still bedding down, but despite the significant change programme I am delighted that we have kept to our business plan delivery.

My aim is to make all of this change and improvement seamless for all of you, but as ever, I welcome any of your observations – you can see me afterwards around the conference or get in touch later.

Licence renewal

Which brings me onto the licence renewal process.

What might seem a piece of bureaucracy is in fact a key point in the regulatory year.

It's a chance for us to check in with those firms with whom we might not otherwise have had contact for the last twelve months other than the standard communications and alerts.

Individual lawyers and regulated entities each have to sign declarations that enable us to issue the new annual licence.

And it's a prompt for you to raise with us any issues that you might be facing but not have raised with us before.

It collects the money that we need to do our work and collects contributions to the Compensation Fund that provides financial protection for clients.

It's important we get it right, but it's also important that it does not take up a disproportionate amount of staff time or of your time.

This year the renewal round has been faster and more efficient than ever.

In part that's due to improvements to our online systems, but it's also due to the preparatory work put in by our staff and prompt action by you, the regulated community.

I know that a small number of you faced difficulties arising from IT issues with the platform. Thank you for your patience with that.

I also know that some of you would like us to make BACs payments possible again.

We are looking at how we might be able to reintroduce that next year following a review of our finance systems.

However, the vast majority of renewals were smooth.

As a result, the process was completed in record time. Entities were all renewed just two weeks after we launched the exercise.

Individuals had rather longer to complete their renewals and we were able to close the process as planned one month after launch.

We ran a survey afterwards to get feedback and to help plan for next year.

I'm very pleased that nine out of ten of the 160 respondents said the online system was either Easy or Very Easy to use.

That leaves on in ten who found it difficult or very difficult which means that we still have some work to do.

But a score of nine out of ten has been the basis for advertising campaigns for some famous brands before.

So I am happy to have that to build on.

Some of you needed to email or call us to deal with some aspect of the process.

60% of those rated the service they then received as Excellent or Quite Good.

We're looking at the issues faced by the other 40% to improve that service in 2016.

But I am pleased overall that we have delivered a faster, more efficient process this year with an entirely new administration team.

We were also able to deal with an anomaly that arose from the numbers of firms opting out of the Master Policy.

Those remaining in the master policy made a contribution to the Compensation Fund in the shape of a commission paid to the CLC by the scheme brokers.

Those who had opted out did not make that contribution.

So to level the playing field, we gave firms in the master policy a 15% reduction on their Compensation Fund contribution. The balance will be paid back by brokers directly.

This was a step the Council wanted to make to be fair to all firms.

My thanks to you all for your help in this exercise.

As I mentioned, we will not stand still on this. We will be using your feedback to continue to make improvements to the service we offer and the efficiency of our operations.

So please forgive us if we seem to be asking you for your views rather often.

Now I'm going to ask Stephen to tell us a bit more about the regulated community as that leads on very neatly from talking about the licence renewal process.

The regulated community

We regulate 225 firms. As you would imagine they vary greatly in size, turnover and structure.

From the largest volume conveyancer to practitioners working alone to deliver a local service.

As a body, they are carving themselves out a larger slice of the conveyancing market.

You might have seen our analysis last year that showed that the CLC regulated firms started to recover sooner and faster than the conveyancing market as a whole.

That's an example of this part of the sector punching above its weight.

In September of this year, CLC regulated firms made up 4.4% of the Land Registry's account customers but carried out more than 10.3% of transactions for value.

If we take out the outlier CLC practice that accounts for around 2% of all transactions, that still sees the remaining firms accounting for twice as many transactions as their numbers would indicate.

CLC firms averaged 49.8 transactions for value in the month of September, more than double the average of just 19.9 transactions for other practices.

These figures make plain, I think, the major difference between the CLC and SRA conveyancing communities.

CLC firms are overwhelmingly focused on conveyancing and attracting large numbers of clients for that service.

A small number are specialist probate firms and we expect to see more of those in the future.

While SRA firms are more likely to have mixed practices and less emphasis on specialisation.

As an aside, I should point out that this of course means that we are able to tailor our regulation closely to the needs of specialist CLC lawyers.

Another observation I must make is that this is a hugely fragmented market still.

There has been little change in overall firm numbers in the CLC community, although the headline stability does hide some churn as smaller firms have closed and others have started up.

There is also of course the odd intervention to protect the consumer from serious and immediate risk.

And I am pleased that those are few in number but equally pleased that we are able to act swiftly when necessary.

The shape of the market is not so unusual for professional services.

But we saw some consolidation in the downturn and I wonder whether in better times we may see larger players continue to secure a larger market share for themselves and smaller firms joining together to enjoy the economies of scale and access to investment for innovation.

<PAUSE>

Turning now to individuals.

We regulate some 1,300 individual lawyers.

As well as in CLC regulated firms, a good number work in-house in a wide range of organisations, generally those with significant estates to manage.

A large number work in firms regulated by the SRA of course.

And no doubt before long in firms regulated by CILEx.

The vast majority of those individuals we license are specialised conveyancers.

However 60 or so also hold probate licences and either carry out that work alongside conveyancing or as specialist probate practitioners.

Since September we have been able to issue stand-alone probate licences.

We have not yet received an application, but the main purpose of this power is to be able to issue licences to new lawyers who complete specialist training leading to CLC licence.

Which now moves Sheila neatly on to CLC students and professional education.

Students

Since I became Chief Executive in 2013 it has been a priority for me to ensure that there is a steady supply of new qualified CLC lawyers.

This is important for the health of the sector overall.

But my major concern is that there should be a good supply of appropriately qualified lawyers to ensure that the growing workload is properly supervised and standards are maintained.

So we put considerable effort into attracting more people to study for the qualification.

And I am pleased that in just over two and a half years we have increased student numbers from 400 to 1,000 – that's two and a half times.

The majority of those are working in CLC regulated firms and they are spread fairly proportionately across firms of different sizes.

We expect to see a significant spike in the numbers qualifying following the January and June exam sittings next year.

With changes that we are making to the routes to qualification in 2016, we hope this growth will continue.

Education changes

To continue to attract students and to meet the changing needs of the firms that we regulate as well as demand from SRA firms, we are completing a project to overhaul our education offering.

New routes to new qualifications are in preparation.

In addition to qualifying for licence as a Licensed Conveyancer, it will also be possible to qualify as a Licensed Probate Practitioner under our new stand-alone power.

Probate Practitioners will no longer need to qualify first as a conveyancer.

We are also creating two new qualifications that will lead to registration as a Conveyancing Technician or Probate Technician.

These could each be steps on the way to qualification for a full licence or stopping off points of their own.

To deliver these new qualifications, we are partnering with SQA, a well-established educational accreditation body who will accredit front line providers.

A key piece of feedback we have had from students is that the course content is great but the delivery is not what modern students wish for.

This collaboration will modernise our courses and make them even more attractive to students.

Current students should carry on with their courses until we are able to give instructions on how transfer from the existing to the new scheme will be managed.

We will ensure that all current attainment is transferred into the new course so that there is a smooth transition and so that students can take with them all they have achieved.

It will also place the provision of education and assessment of attainment at arm's length from the CLC's regulatory work, which is best practice, keeping us as the standard setter.

These evolutions are both a necessary separation of powers for a regulator and a sign of the maturity of the profession of Licensed Conveyancer in its 30th year.

We've created the new qualifications in response to demand and in collaboration with consortiums of firms who have worked with us on developing legal apprenticeships.

Because as well as the usual distance-learning and college models, there will also be apprenticeships available conveyancing and probate.

More and more we hear from firms that they value being able to 'grow their own', to hire candidates with the right attitude for dealing with clients and give them high quality technical training.

Apprenticeships are a great way to do this.

They are also a great way to attract talented young people who do not wish to go to university for whatever reason – and often that reason today is cost.

Government support will be available for employers putting their staff through apprenticeships and a quick survey we ran last year showed that there is real employer demand for apprentices.

These innovations are an exciting change for the profession and for the CLC and I'm looking forward to congratulating the first wave of qualified Conveyancers and Probate Practitioners.

Now back to Stephen who wants to talk about some of the things he has been working on.

Cybercrime

Now I'd like to turn to some practical points, starting with the worrying topic of cybercrime.

The CLC regulated community has seemed until now comparatively sheltered from this type of crime.

However, we had an incident earlier this year in which fraudsters targeted two CLC regulated practices.

They very convincingly imitated the practices' bankers and through a combination of IT access and what the experts call social engineering – essentially fooling someone into trusting them – managed to empty the firms' client accounts.

Now, because those firms then acted quickly to alert their banks, the CLC and their insurers, the monies were recovered.

But it could very easily and quickly have been a different story and two great conveyancing businesses could have failed.

With all the impact that would have had on their clients and the lawyers in those firms.

We all imagine when we hear these blood-curdling tales that we would not fall victim to fraudsters.

But are we doing all that we can to protect ourselves?

We have a dedicated page on our website with lots of help and advice that we have gathered from a range of sources.

You can find it from the home page clc-uk.org.

I would recommend that you take some time later this week to have a look at it and consider what more your firm could do to protect your clients' money and your livelihoods.

It could be an hour very well spent.

And please let us know if you ever become aware of an attempted fraud and tell Action Fraud too.

That will help protect others.

Extension to CHAPS settlement day

Now, turning to a happier topic.

The welcome news that the Bank of England is extending the CHAPS settlement day to 6pm and they expect the retail banks to pass the benefits of that extension on to customers, including you.

The new deadline will be operational in summer 2016 and you can keep up to date through our website and monthly newsletter.

We hope this will mean fewer failed completions because time has run out for bank transfers.

You will probably want to ask your bankers too about their plans.

Annual Regulatory Return

Which reminds me that I must thank you for completing the Annual Regulatory Review .

I know it was a hefty questionnaire this year, but it is providing us with a much better understanding of your businesses and how we can deliver our regulatory responsibilities while supporting your innovation and growth.

We will be publishing the findings shortly and I hope that you will find useful the overview of the profession that they provide.

Conferences in January

Finally, I hope that we will see many of you at two conferences we are running in Manchester on 12th January and in Bristol on 28th January next year.

There will be a dedicated strand for owners and managers of CLC regulated firms as well as sessions on marketing your firm and protecting your firms and clients from cybercrime.

There will also be graduation ceremonies for CLC students who have successfully completed the course in the last year.

Booking is now open through our website. Look out for more details in the email newsletter next week.

Closing

I am very grateful indeed for the opportunity to meet and speak with you all today.



We see regulation as a partnership between the CLC and the profession.

That's why we continue to look to you to let us know about the operation of lenders panels.

As regulator, we will not lobby on behalf of an individual firm – that is the job of your representative body.

But we engage constantly with lenders to ensure that there is a level playing field for all conveyancers in terms of access to those panels.

The opening up of the HSBC panel was the most notable success so far.

So please do not hesitate to speak to me in the breaks today or to contact us at any time with questions or ideas about this or any other issue.

Later today Dame Janet will be outlining some of the major issues we want to work on with you in the coming months.

We're all looking forward to the next chapter for the CLC and the profession.

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