

Implementation of CMA transparency recommendations set out in its Legal Services Market Study

CLC response to consultation findings

July 2018

Executive summary

In June 2018, we consulted¹ on the proposed changes to our Regulatory Arrangements in order to implement the Competition and Markets Authority's (CMA) recommendations set out in its Legal Services Market Study² regarding price and service transparency.

The changes aim to provide better transparency for consumers and foster innovation and competition in the legal services market whilst having minimal impact on the regulatory burden on the profession.

The consultation was open for four weeks and we received 24 responses. Respondents generally agreed with the proposals however many disagreed with the requirement to publish cost information.

We will review the proposed rule changes in light of the responses we have received. We will publish the draft rules and guidance at the same time they are submitted to the Legal Services Board for approval in August. Practices will have several months to consider how to implement the rule changes before they come into effect in December 2018.

We are working closely with other regulators to ensure any changes come into effect at the same time for all of those working in the affected sectors.

Cost Information

Two thirds of respondents disagreed with the proposals to require practices to publish cost information on their website. Some of the arguments against this proposal were:

- Many transactions are complex and it is difficult to give clients a clear and meaningful idea of the fees they are likely to pay.
- Providing prices on a website will require monitoring and maintenance which could lead to an increase in costs and resources.
- Some practices may seek to undercut others, potentially leading to the market being led by larger practices who could take on some cases at a loss.
- For practices who secure work through introducer relationships, the price quoted on their website would need to take into account the price difference, otherwise there may be a risk of 'under-cutting'.
- Practices should not be able to rely on an average referral fee. If the practice has a variety of different referral fee arrangements then they should be required to display all of them for comparison purposes.

88% of respondents agreed with the proposal to require practices to include a description of, and likely cost of, any disbursement likely to be included, and where applicable with VAT and Land Tax

¹ [Implementation of CMA transparency recommendations set out in its Legal Services Market Study consultation, CLC, June 2018](#)

² [Legal Services Market Study: Final Report, Competition and Markets Authority, 15th December 2016](#)

separately itemised. Those that disagreed thought that it would not be possible to provide the details of every disbursement as many are provided by third parties whose costs are either unknown or subject to change at any time. There were also concerns regarding the current interpretation of the application of VAT on some disbursements.

Service Information

Just over half (52%) of respondents agreed with the proposal to include the experience and if applicable, the qualifications of the individual having day-to-day conduct of the matter and of the individual responsible for its overall supervision. Those that were against this proposal were concerned that experience and qualifications do not necessarily guarantee the quality of service to be provided.

Two thirds of respondents agreed with the proposal to include service information such as the key stages of the transaction, on their website and by other reasonable means on request. There were concerns that providing indicative timescales could cause an increase in complaints if the transaction takes longer than suggested, especially when delays are often due to external factors.

Complaints and redress

55% of respondents disagreed with the proposal to require the information contained in paragraphs 13.5-13.8 of the Estimates and Terms of Engagement Code to be made available on the practice website and by other reasonable means on request. This information includes service information, details of the internal complaints procedure including the name of the individual who a complaint can be made to, and the client's right to refer their complaint to the Legal Ombudsman. Those that disagreed thought that including it in the client care and terms of engagement letters is more appropriate and could be tailored to the client.

60% of respondents agreed that practices should advise clients of their complaints procedure on their website. Those that disagreed thought that the client care letter is the most appropriate place to include information about the complaints process.

Over half (57%) of respondents agreed that practices should advise clients of their right to complain to the Legal Ombudsman on their website. One respondent suggested that it must be clear that the client must first exhaust the practice's internal complaints process.

Regulatory status

All respondents agreed with the inclusion of the practice license number on all correspondence and the practice website. Respondents were also supportive of the removal of the names of the Managers. One respondent said that including this information can sometimes take up a lot of space on a website and another suggested that it could help reduce the ease by which fraud using 'telephone-spoofing' can be carried out.

All but one respondent agreed with the inclusion of the specific requirement to display the secure badge in a prominent position. One respondent said that *'the secure badge is an additional fraud protection tool, which has no cost implications for the client or regulated firm.'*