

CHANGING REGULATORS

DECISION IN PRINCIPLE (DiP) FORM 2020/21

**THIS GUIDANCE IS FOR PRACTICES CURRENTLY REGULATED BY THE SRA
SEEKING TO CHANGE TO CLC REGULATION:** This documents contains 8
sections

- 1. The 'switch' model (from SRA to CLC regulation) is where a SRA firm delivering conveyancing and/or probate services moves its entire business to CLC regulation. The firm agrees a 'switch day' with each regulator. Firms seek to 'switch' their lender accounts on the date of switch;*
- 2. The Hive-off model – a SRA practice sets up a CLC practice to deliver conveyancing and/or probate services, the SRA practice continues to deliver other legal services such as family law, litigation and company commercial services. The SRA firm may either (i) run down its conveyancing services over a transition period; or (ii) continue to deliver some (or all) its current conveyancing services. Firms seek to hold both a SRA and CLC account with Lenders either for a 'transitional' period to manage the operational transfer;
or*
- 3. A new CLC business, when the current SRA business intends to cease trading.*



Section 1

BACKGROUND

The services we regulate: The CLC is the regulator of choice for businesses intending to offer conveyancing services (sometimes referred to as reserved instrument activities) and probate activities. Please let us know if you wish to provide these, or any other services, because CLC Practices may only deliver those legal services which the CLC has expressly licensed them to provide. Many of the practices we regulate also offer other types of legal services, such as

Will writing

Estate Planning

Court of Protection Services

Administration of Estates

Lasting Powers of Attorney

Administration of Oaths

CLC Practices may only provide non-contentious work. A service is treated as contentious when it becomes likely that an application will be made to court, and at that stage a CLC Practice must cease acting.

Section 2

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In order to be granted a CLC Practice Licence applicants must satisfy the CLC Practice Licensing Outcomes. **BEFORE** they are able to progress an application to become regulated by the CLC, owners of existing practices must satisfy the CLC the existing Practice is well managed with motivated managers and dedicated staff, has identified the risks to the business and has policies and processes which appropriately mitigate those risks.

The information provided will help to indicate how well the business is likely to perform under CLC's regulatory arrangements.

CLC Practice Licensing Outcomes

1. The CLC is able to license this business model.
2. The plan for the business indicates that it will provide legal services which protect the interests of clients.
3. The business can operate in a sustainable way.
4. The business has in place compliant governance arrangements to:
 - a. keep Client Money safe;
 - b. protect the interests of the business; and
 - c. protect the interests of clients.
5. The business has clear lines of accountability for managers.
6. The business has suitable (trustworthy, qualified, skilled, experienced) managers.

[Annual Regulatory FEES](#)

Section 3

THE PROCESS

The first part of the process, which is at no cost to you, is for you to tell us about your practice. We will ask you to provide some standard information about the business for us to review. Most applications follow the steps below. We will discuss this with you in the telephone call.

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Most applications follow the steps below. We will discuss this with you in the telephone call.

Step 1. An introductory phone call. Applicants should email Claire Richardson, who leads the licensing team on licensing@clc-uk.org outlining key information about the current business and the legal services intended to switch or hive off to CLC regulation.

Step 2. Come and meet us. Applicants are invited to attend a virtual Microsoft Teams meeting with the CLC Licensing Team. It's important that owners and managers attend this meeting because we will be discussing the investment and governance elements of your application and the associated authorisations and licences required for any key personnel.

We will discuss the financial and regulatory viability and sustainability of the proposed business. In addition we will explain the following documents and their importance in the application process together with what we expect from you.

A. Sources of and evidence of investment and financing. Corporate or personal. Including details of the repayment terms or any conditions that would apply as a result of financial non-performance. You must also explain any relationship the proposed CLC business may have with other existing businesses through common ownership or financing. We will be seeking to establish the appropriate AML checks and whether any due diligence is required on any related business or its owners/officers. We may request to see copies of the following types of legal agreements:

- Corporate investment, loan, intercompany financing agreements
- Share Purchase/Share Holders agreements
- Exit/retirement packages

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- Agree Payment Plans, such as those relating to HMRC arrangements
- The contracts of employment for the key personnel
- Current employment contracts including restrictive covenants relating to key personnel, in particular the HoLP/HoFA.

This is an entirely confidential discussion but in order for the meeting to be useful you must come prepared to share factual information.

B. Application Synopsis: You will be asked to upload a 2-3 page synopsis explaining the investment, ownership, governance and operating models for the business including **financial, technological and operational provisions** to execute the start-up and those that manage the regulatory requirements in the event of a planned or unplanned closure/wind up. The synopsis should be a comprehensive summary about the investment model, the operating parameters of the business and its accountable qualified and unqualified key personnel. (whist trading and in the event of the business having to ceasing trading – including planned for and unplanned for closure events)

The CLC expects that business owners are able to identify the particular risks associated to the following areas of the business, its:

- Investment, governance and operating model and any limitation or risk to the business/clients as a result of its resources
- Any operational aspects
- Sources of work and ability to manage volumes of work through the transition

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- The nature of the legal services the business intends to provide, transactions types, especially higher risk areas of practice
- The client base, nature and characteristics of clients
- Post closure regulatory requirements – applicants are advised to prepare a risk analysis for un-planned closure identifying typical scenarios for **rapid response events** such as, failure to secure PII, death, terminal ill health, hospitalisation, dissolving business relationships, early foreclosure of investment.

C. Replies to the CLC’s Licensing Outcomes: Your replies should form the narrative to explain the context and logic behind the businesses policies and procedures. You will need to clearly demonstrate in your replies the owners and managers of business complete understanding of the risks associated to the business and how to operate a compliant legal services business.

Your replies should explain how the Practice’s organisational structure and operating procedures will effectively identify and manage risk associated to the legal services provided, with particular reference to properly maintaining consumer protection and regulatory compliance. Typically, we would expect the HoLP/HoFA/MLRO and Practice Managers to contribute to the drafting this document.

D. An organisational chart, you will be asked to upload an organisational chart which should include, non-operational individuals with a material interest and specify individual roles, such as HoLP, HoFA, GDPO, MLRO, together with other key responsibilities such as, complaints handling or specific areas of practice.

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You must also specify which individuals are licensed or regulated professionals, including the name of the regulator and the individuals regulatory ID, for example SRA: 1234, ICAEW: 1234 and the date that their first licence was granted.

E. Transaction and Financial forecast (a break down by month for the first 12 months of trading). This must be submitted in excel using the following tab format. Each tab must include the assumption used for to make any average calculations.

- **Tab 1:** Fee Structure
- **Tab 2:** Transaction volumes by types, including referral and conversion rates
- **Tab 2:** income/fee by type for 12 month forecasts, including any referral costs
- **Tab 4:** full 12 month profit and loss/or balance sheet

F. Policies and Procedures. The CLC is only seeking to verify that your client facing policies and procedures are compliant. We do not need you to submit any employer related documentation. The application form will ask for specific polices such as a Business Continuity Plan, AML policy and a separate completed practice wide AML risk assessment.

Part of the test is that in addition to these you provide the relevant documents to ensure the provision of compliant legal services. Your policy documents should set out the systems and controls in place to mitigate risk. They should include reference to any accountable roles/individuals in the business and any legal or regulatory timeframes.

Applicants should refer to the CLC's Handbook and tool kits, such as AML, GDPR and Informed Choice when thinking about the types of policies that are appropriate to their Practice licence application.

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Applicants that are not able to provide sufficient detail in the above documents, in particular when explaining 'how to implement appropriate systems, controls and management processes to ensure the business can operate in a complaint way' risk being rejected on the basis that there is insufficient evidence.

Step 3. Preparing the information for your digital application. You should ensure you have: obtained a quotation for professional indemnity insurance cover (PII) from an Insurer which is a signatory to the CLC Participating Insurance Agreement (with the exception of SRA firms applying to switch to CLC regulation). Details of Insurers are in the box below. The CLC encourages firms to seek quotes from more than one insurer. Click on the names to find out more about each scheme.

[Gallagher CLC Scheme](#) [Hera CLC Scheme](#) [Howdens CLC Scheme](#)

[Marsh JLT CLC Scheme](#) [Miller CLC Scheme](#)

Important information please read and download the relevant policies and documents.

[CLC Professional Indemnity Insurance Terms \(effective 1st July 2016\)](#)

[Participating Insurers Agreement \(sample agreement\)](#)

[CLC Professional Indemnity Insurance Framework](#)

[CLC Professional Indemnity Insurance Code](#)

The CLC PII Code set out the permitted maximum excess limits by annual turnover. See table below:

Turnover	Banded %	Max excess
70,000	0.05	3,500
100,000	0.05	5,000
200,000	0.05	10,000
250,000	0.03	16,900
300,000	0.03	18,400
350,000	0.03	19,900

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	353,500	0.03	20,005	
	400,000	0.03	21,400	
	450,000	0.03	22,900	
	500,000	0.03	24,400	
	600,000	0.02	26,400	
	700,000	0.02	28,400	
	800,000	0.02	30,400	
	900,000	0.02	32,400	
	1,000,000	0.02	34,400	

Step 4. Complete and submit your digital application through the online platform, DocuSign, attaching all relevant supporting information. All documents uploaded through the DocuSign system should be clearly numbered with the question number they relate to. You will also need to simultaneously submit all associated individual applications. The CLC carries out Credit and Criminality checks on all applicants and additionally disciplinary checks on regulated professionals. We use the credit checking agency Experian to complete these checks and applicants will be sent separate links and email/text communication from Experian.

Investors/owners and key personnel making applications for individual licences and authorisation MUST read the associated individual guidance to ensure they fully understand what documents are required to support the application before completing the online application form.

Step 5. We review your application. We will have agreed a submission timeline with you at the licensing meeting. Straightforward applications are reviewed and determined within the timescales stated in the licensing framework. **We will email you when your practice application filters into the review process. The CLC endeavours to process straightforward applications within 90 days of you receiving this email. More complex applications may take longer.**

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The review will not start until all the associated applications have been received and paid for and each individual has paid and completed the consent form in order for Experian to carry out the credit and criminality checks.

Step 6. The CLC Determination. The determination outcome is focused on an assessment of the ability of the owners, managers and key personnel to provide compliant legal services and manage the risks associated to the legal services.

We will need all the relevant disciplinary, credit and criminality checks to be completed before we are able to make a determination.

Step 7. Informing you of the outcome of your application: We will confirm the CLC's decision by email.

Step 8. When approved. Completing the final preparations before the practice licence can be issued. If approved, applicants will be required to complete the final steps before the licence can be generated and issued:

1. Ask the PII broker to confirm to the CLC in writing:
 - a. the annual turnover figure provided for the purpose of calculating the annual premium;
 - b. that the premium has been paid or that a third party financier agreement is in place for the payment of the premium; and
 - c. obtain the certificate of insurance from the PII broker (expiry date of 30 June) ***the PII must incept before the practice licence can be issued.**
2. Pay the upfront portion of the annual Practice licence and contribution to the compensation fund together with any fees associated to individual licences.
3. Complete and return a Direct Debit Mandate for the remaining amount owed for the annual Practice Licence Fee.

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4. Provide copies of all branding and marketing materials, including letter heads and email footers.
5. Complete and sign a **Cooperation Inspection Agreement** and any final declarations associated to the key personnel.
6. Sign up to and have approved the CLC's Secure Badge. Which must appear in a prominent place on the Practice's website. *We will email you with instructions.*

Section 4

1. BEFORE SUBMITTING

1.1 Professional Checks: the CLC will need to satisfy itself that the current business is owned by and employs trustworthy, qualified, skilled and experienced individuals. Therefore, the CLC will

- a) Carry out professional body and regulatory checks on the business, its owners and MANAGERS;
- b) Search Companies House for listings for the business, and for its owners and MANAGERS details of any previous directorships and associations with dissolved, liquidated and insolvent companies.

Individuals will be asked to provide replies to any questions raised as a result of the searches carried out by the CLC. Failure to provide adequate replies will delay or ultimately prevent any subsequent licensing application being made.

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1.2 Provision of adverse information: Does not necessarily mean the CLC will reject a subsequent licensing application from the practice. Where adverse information is provided it will be discussed with the business to determine the risk posed to the CLC and the business' willingness or capacity to address the issue.

1.3 Declarations: The designated owner/manager completing the form will be asked to sign the declaration on behalf of all owners/managers.

A CLC 'manager' is defined as a person (lawyer and non-Lawyer) who is:

- a. if the body is a limited company, a director registered at Companies House;*
- or*
- b. if the body is a Limited Liability Partnership, an LLP member registered at Companies House; or*
- c. if the body is a partnership, a person held out as a partner who may be an equity or salaried partner e.g. listed as a partner on the Practice's headed paper;*
- or d. Sole Practitioner; or*
- e. HoLP and HoFA; or*
- f. Private or Corporate Investors (Beneficial Owners)*

2. HOW TO SUBMIT THE DECISION IN PRINCIPLE APPLICATION FORM

Application forms will be emailed through the online platform, DocuSign. Instructions on how to complete the DocuSign form will be emailed with the link to the application.

2.1 Preparing the documentation to upload with your application

Below is a list of the documents you will be asked to upload when you complete the digital form. Please have this information ready to upload before you start to complete the form.

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Documentation you will be asked to provide about the business during the course of completing the online form.

All documents uploaded through the DocuSign system should be clearly numbered with the question number they relate to.

Section ID	Document Type	Source
A5	Evidence to show how the SRA business is formed.	Applicant to source.
A6	Evidence to show how the CLC NewCo will be formed.	Applicant to source.
A8	Schedule of Insurance (PII) for the SRA business.	Applicant to source.
A11	PII Claims Record for the SRA business.	Applicant to source.
A12	Policy quote from a CLC Participating Insurer.	Applicant to source.
B3	<p>An excel sheet to show a summary/breakdown of the typical level of transaction volumes (by type) carried out by the SRA business over the past 3 years.</p> <ul style="list-style-type: none"> • <i>Tab 1: Fee Structure</i> • <i>Tab 2: Transaction volumes by types, including referral and conversion rates</i> • <i>Tab 2: income/fee by type for 12 month forecasts, including any referral costs</i> • <i>Tab 4: full 12 month profit and loss/or management accounts</i> 	Applicant to source.
C1	Copy of the most recent approved regulatory inspection.	Applicant to source.
C4	Completed SRA/CLC Regulatory Information Exchange.	Template available to download from the Guidance for CLC Practice applicants. Appendix 1.

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C5	Last three years' management accounts and the most recent Balance Sheet.	Applicant to source.
C7	If applicable, evidence that the SRA business or its owners has been: <ol style="list-style-type: none"> 1. Refused Professional Indemnity Insurance 2. Is the subject of a relevant insolvency event 3. Is subject to any ongoing, pending or previous investigation by any statutory, regulatory or governing body 	Applicant to source.
D1	Provide information on the Owners and Managers in the SRA business.	Template available to download from the Guidance for CLC Practice applicants. Appendix 2.
D2	Organisational chart for the existing SRA business and CLC NewCo, including non-operational individuals with a material interest specifying individual roles.	Applicant to source.
E1-E4	SRA business' client facing policy documents AML Business Wide Risk Assessment Business Continuity Plan Terms of Engagement	Applicant to source.
F1	2-3 page synopsis explaining the proposed <ol style="list-style-type: none"> a) investment; b) ownership; and c) governance models; and d) operating systems, including any changes <i>within the first year of CLC regulation</i> to key personnel (as listed in D1);and e) explain any anticipated changes to historic transaction volumes (as set out in B3) as a result of changing regulator. 	Applicant to source.



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G1	Responses to demonstrate how the proposed CLC business will meet each CLC Licensing Outcome.	CLC Licensing Outcomes available to download from the Guidance for CLC Practice Applicants. Appendix 3.
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2.2 Applications will be rejected when:

- a) they are completed incorrectly, please note 'not applicable' is NOT acceptable response;
- b) the form is incomplete because the mandatory supporting documentation is missing, or not labelled correctly, i.e. not accurately indicating the question it relates to;
- c) The DocuSign link expires, and no submission has been made. DocuSign will email weekly reminders.

Section 5

3. INDIVIDUAL APPLICATIONS

3.1 Once we have received the Decision in Principle form, individual application forms will be emailed through the online platform DocuSign, to everyone associated to the application. Instructions on how to complete the DocuSign form will be emailed with the link to the application.

3.2 Each individual will need to provide 3 certified proofs of ID and Address for the Criminality and DBS checks. Please ensure everyone expected to make an individual application has prepared these documents in readiness to complete their applications.

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[View how to correctly certify a document and a list of acceptable proofs here.](#)

3.3 Remote certification. Proving your Identity:

Temporary changes to certifying documents for a licence application: In line with the Government's new temporary guidance on certifying documents, from Tuesday 24 March, the CLC will accept certification of documents where the facial recognition/verification has been carried out online through a video call. Any electronic means such as, Skype, Microsoft Teams, Whatsapp video, Facetime etc can be used to make the video call. There is no change to who can certify your documents. Documents must be certified by an authorised person, such as, a Licensed Conveyancer, Solicitor or FCILEx.

Note: In addition to the standard wording the lawyer certifying your documents MUST include the following wording when facial recognition/identification has been verified using a video call:

'I certify that facial recognition/verification took place by video call on (date) and that the ID documentation provide is a true likeness of the applicant (name).' How to have your documents certified via a video link:

Step 1: Email your documents to the authorised person

Step 2: Arrange a video call with the authorised person. The authorised person will verify that the photo ID provided matches the face of the person on the video chat

Step 3: the lawyer can then certify the documents and email copies back to you

Step 4: Upload your certified documents to support your CLC application through DocuSign when you submit your application.

[View the Universal Guidance for Individuals applying for a CLC Licence or Authorisation.](#)

Section 6

4. DECISION IN PRINCIPLE

4.1 Once you have provided us with a complete set of documents and answered all outstanding enquires, we will let you have a decision in principle whether you are eligible to apply to change to CLC regulation.

4.2. Following a decision in principle, the application process moves on to Experian checks for MANAGERS. These can take up to 6 weeks to process after the application has been made.

If you are confident that you will be able to meet our criteria for licensing, you can choose to pay for the standard Experian checks when you submit your business information for us to review. Otherwise you may choose to wait until you submit your formal application.

Experian charges (between £80 and £100 per individual) are non-refundable and the results are valid for 12 months.

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5. APPLICATION FEES

No application fees are usually charged for the initial practice application review. Practice and individual application fees are charged when the applicant is approved in principle and the business chooses to proceed with the change of regulator.

[Application FEES](#)

6. CHANGES AND HOW TO NOTIFY THE CLC

You must notify the CLC immediately of any changes to the information provided in the Business Information Form and the Licensing Application. **Failure to do so will result in delaying the processing of your application or result in a review of any decision made by the CLC.**

7. CQS MEMBERSHIP

Conveyancing firms regulated by the CLC are able to access lender panel work with no additional accreditation beyond their regulated status. CQS membership for a CLC-regulated firm would amount to an unnecessary burden on specialist conveyancing firms under tailored regulation.

CQS was established by the Law Society to improve lender confidence in firms represented by the Law Society and facilitate access to lender panel work for its members. It is a scheme operated by a representative body for solicitors. We are not clear about the value of the benefits it provides to lenders or firms' clients. Firms transferring into CLC regulation are expected to terminate their CQS membership.

8. USING YOU PERSONAL DATA

Your details will be held by the CLC in accordance with the General Data Protection Regulations (GDPR). For the purposes of GDPR, if you provide any information to us, we will be the data controller. For further information about how your information is used, how we maintain the security of your information, and your rights to access information we hold about you, please see our privacy policy which is kept under regular review.

You can contact our Data Protection Officer via email at privacy@clc-uk.org or in writing to:
Council for Licensed Conveyancers Main Line: 020 3859 0904 We Work, 131 Finsbury Pavement, London EC2A 1NT

Section 7

9. Mandatory templates

Appendix 1: [The CLC Licensing Outcomes](#)

Appendix 2: [SRA/CLC Regulatory Information Exchange Template](#)

Appendix 3: [Owners and Manager's Information Template](#)

Section 8

10. DEFINITIONS

10.1 'Reserved legal activities' are as defined in s.12 and Schedule 2 of the Legal Services 2007 Act. Currently, there are six reserved legal activities: the exercise of a right of audience (advocacy), the conduct of litigation, reserved instrument activities, probate activities, notarial activities and the administration of oaths. The CLC currently licenses and regulates Conveyancing Services which are included reserved instrument activities and probate activities and in the administration of oaths.

10.2 An **'approved regulator'** is a body which is authorised to regulate providers of legal services and includes the Law Society, Bar Council, The Chartered Institute of Legal Executives, The Council for Licensed Conveyancers, The Chartered Institute of Patent Attorneys, The Institute of Trade Mark Attorneys, The Association of Law Costs Draftsman, The Master of Faculties, The Institute of Chartered Accountants in England and Wales.

10.3 An **'authorised person'** is a person who has been authorised by an approved regulator to carry out reserved legal activities, for example: -

- a) Licensed Conveyancer
- b) Licensed Probate Practitioner
- c) Solicitor
- d) A Fellow of the Chartered Institute of Legal Executives

10.4 A **'non-authorised person'** is a person who has not been authorised by an approved regulator to carry out reserved legal activities

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10.5 A '**beneficial owner**' is an individual or company which has all the benefits and entitlements of a legal owner, even if not named or registered as the legal owner.

10.6 A person or legal Practice holds a '**material interest**' in a Licensed Body if the person, legal Practice (or any of the person's associates or the person and any of the person's associates together):

- a) holds at least 10% or more shares in the body (or in a parent undertaking);
- b) is someone able to exercise significant influence over the management of the body (or a parent undertaking) due to their entitlement to exercise, or control the exercise of voting rights;
- c) is entitled to exercise, or control the exercise of, voting powers in the body (or a parent undertaking), which, if it consists of voting rights, constitutes at least 10% or more of the voting rights;
- d) is a partner having at least 10% interest in the capital or profits of the partnership; and includes any ultimate beneficial owner of more than 10%.

10.7 An '**insolvency event**' is defined as:-

- a) resolution for a voluntary winding up of the body is passed without a solvency declaration (under s.89 of the Insolvency Act 1986);
- b) the body enters administration under the meaning of Schedule B1, para 1(2)(6) of that Act;
- c) an administrative receiver within s.251 of that Act is appointed;

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- d) a meeting of creditors – which has the effect of converting a members’ voluntary winding up into a creditor’s voluntary winding up – is held in relation to the body under s.95 of that Act;
- e) an order winding up the body is made.

10.8 An ‘**individual voluntary arrangement**’ (**IVA**) is an agreement between a debtor and their creditors. The agreement sets out how creditors will be repaid and normally entails setting up monthly payments over a certain period of time, such as five or six years. Alternatively, if an asset such as property can be sold, the agreement may specify that a lump sum is raised and distributed to creditors of the debtor.

10.9 ‘**Lenders panel**’ comprises of lawyers who have been approved by lenders to carry out legal work on their behalf in relation to property purchases and re-mortgages.

END