



REVIEW OF LICENCE AND PRACTICE FEE ARRANGEMENTS

CONSULTATION PAPER

May 2021

SUBMISSION DEADLINE: 9 July 2021

NOTICE TO READERS

This consultation comprises of three parts. Although we encourage you to read and respond to the whole consultation you may if you wish respond only to the part that is of interest to you. The parts of the consultation are summarised as follows:

Part 1	Separate billing for OLC charges	The CLC is proposing that the OLC cost should no longer be recovered through the Practice Fee but rather a separate levy based on a practice's usage of the service.	Page 7
Part 2	Practice Fee banding	The CLC is proposing that the number of fee bandings is increased, with each individual band narrowing to smooth progression, and that the minimum fee is increased from £539 to £550.	Page 11
Part 3	Setting Regulatory Fee Rates	The CLC is proposing that the Practice Fee rates are amended to reflect the reduction in cost recovery from the separate billing of the OLC recharge as well as any further amendments required to ensure fee collections are sufficient to cover the CLC operating costs.	Page 16

Summary of questions

PART 1 – Separate billing of activity-based recharges

- 1) Do you agree with the CLC's proposal to remove the OLC charge from the Practice Fee and charge it to practices separately on a 'user pays' basis?
- 2) Do you agree that all practices should pay an OLC availability fee regardless of whether they have any active cases being investigated by the OLC?
- 3) Do you agree that the OLC availability fee should increase with turnover?
- 4) Do you have any other thoughts or recommendations on the proposal to separate the OLC recharge from the Practice Fee and to bill this charge separately on a user pays basis?

PART 2 – Practice Fee banding

- 5) Do you agree with the CLC proposal to increase the number of fee bands?
- 6) Do you think that additional bands should be added, over and above those being proposed? – if so, please specify.
- 7) Do you agree with the principal of reducing fee rates as turnover increases?
- 8) Do you agree that we should be charging a minimum fee on turnovers under £100,000?
- 9) Do you think that the minimum fee should be set at a higher amount?
- 10) Do you think that the Practice Fee could be collected using a different model? – if so what model of collection do you propose and why?
- 11) Do you have any other thoughts or suggestions relating to the proposed fee banding and fee rates?

PART 3 – Setting regulatory fee rates

- 12) Do you agree that if the Practice Fee bandings change that the Compensation Fund bandings should be adjusted to mirror the Practice Fee bandings?

- 13) Do you agree with the CLC proposal to not amend the other fees listed in Annex 2?
- 14) Do you have any other comments on the fee structure and process for determining the Regulatory Fees payable for the licence year starting on 1 November 2021?
- 15) Please explain with as much detail as possible why, if that is the case, you do not agree to any of the objectives or principles proposed for determining fee rates.

Responding to this consultation

The CLC will publish all responses and may refer to any of them specifically in any further document it publishes following this consultation. If you wish your response to be treated as confidential, please let us know when you respond.

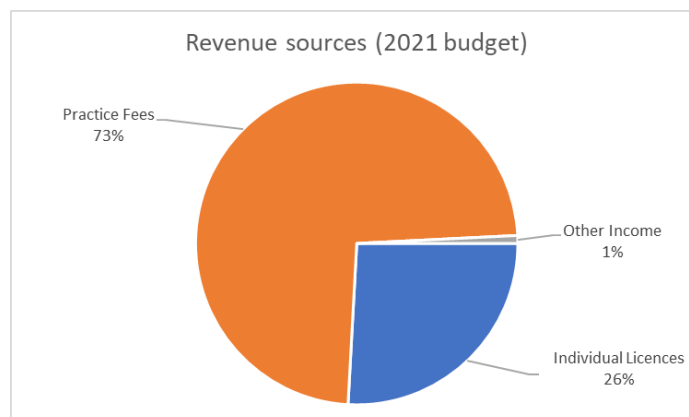
You can respond to the consultation by email to consultations@clc-uk.org or by post to:

The Council for licensed Conveyancers
WeWork
131 Finsbury Pavement
London
EC2A 1NT

Submission Deadline: 9 July 2020

Introduction

1. This consultation will consider:
 - whether activity-based recharges (specifically the OLC charge) should be split from the Practice Fee and charged as a separate “user pays” fee based on the number of cases associated with the practice.
 - the Practice Fee bandings used to calculate the practice fees – and whether these need to be changed.
 - amendments to the Practice Fee rates to offset the income from the proposed activity-based recharge contemplated above.
2. The CLC generates revenue from levying Practice Fees, licensing Licensed Conveyancers and probate practitioners and from administration fees for licence applications (shown as ‘other income’ in chart below).
3. The chart below reflects the proportional contribution of these fee elements.



4. The current fee arrangements were implemented in 2010 and have not been fundamentally changed since. However, the Practice Fees contribution rates have been very significantly reduced, by 42% since 2016.
5. The average size of practices regulated by the CLC and the costs incurred by the CLC have changed quite significantly since the implementation of the current fee arrangements, and so it is now necessary to review the underlying practice fee arrangements in addition to the fee rates.
6. The CLC is mindful of the cost of regulation on practices and continues to look at ways to ensure a reduction in the fee burden and a fair allocation of costs across the regulated community.

7. We strive to keep our costs as low as possible and endeavour to increase the value of this cost to the regulated community by:
 - Allocating dedicated points of contact for practices
 - Building relationships with practices and being available for advice and support
 - Working with practices to help them remain in compliance with the CLC codes
 - Being fair and proportionate
 - Understanding our specialist areas and working to improve the provision of conveyancing and probate services.

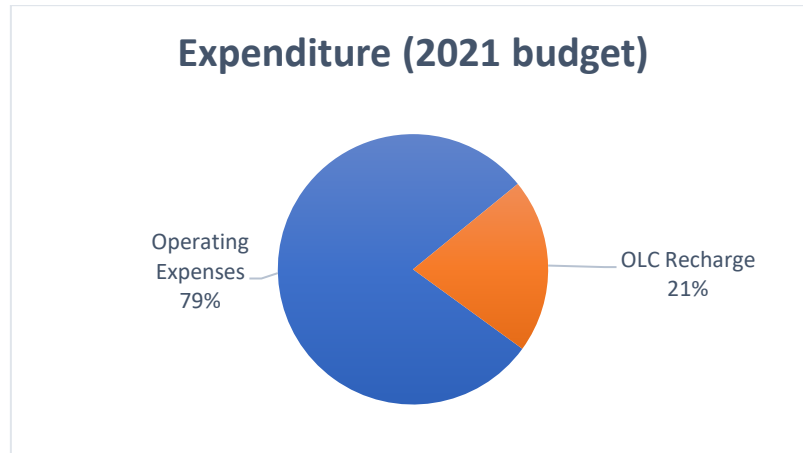
8. The CLC incurs two types of cost.
 - **Direct operating costs** which are under our control and are expended specifically for the execution of our regulatory responsibilities. These costs include staff, office and IT costs.
 - **Recharges** from other organisations. Recharges include Office for Professional Body AML Supervision (OPBAS), Financial Conduct Authority (FCA) and the Legal Ombudsman (OLC) costs. Recharges are based on number of cases (activity based) (OLC), or number of regulated practices or individuals (FCA and OPBAS).

9. Direct operating costs tend to be well defined, recurring and predictable. They generally increase with inflation and the size of our regulated community.

10. Recharge costs are set by third parties and we can have only a very little, indirect influence on the cost and budget setting of these organisations.

11. The OLC charge can be singled out because the charging mechanising is inherently variable and activity based. The charge to the CLC is based on the number of cases originating from CLC regulated practices that are referred to and accepted by the OLC for investigation.

12. The chart below illustrates the CLC's budgeted proportionate spend split between the OLC activity-based recharge and all other expenses (operating expenses and the OPBAS and FCA recharges of £15k). The variability of such a large proportion of the CLC expenditure, which is outside our control, obscures the stable costs of regulation by the CLC. It also impacts on our efforts to provide planning certainty to the practices we regulate based on stable rather than very volatile fee rates from year to year.



PART - 1

Separate billing for activity-based recharges (OLC charges)

13. The CLC is proposing that the OLC cost is separated from the CLC operating expenditure and not collected through the Practice Fee. This would mean that less cost would be recovered through the Practice Fee and that the practice fee rates could be reduced. The reduction in Practice Fees would equate to the OLC cost removed from the CLC's operating expenditure. The OLC cost would then be charged to practices separately based on a user pays charging model.
14. OLC recharges currently account for 21% of the total expenditure of the CLC. This cost is allocated through the Practice Fee which means that all practices are contributing proportionally to their turnovers and not to their use of the OLC service.
15. The cost to the CLC is based on the total OLC cost to be allocated to regulators, divided by the total number of cases investigated by the OLC, and then multiplied by the number¹ of cases about CLC practices.
16. This means that under the current CLC fee arrangements even if a practice has no cases with the OLC, that a proportion of their Practice Fee contribution is being used to fund the investigation of OLC cases relating to other practices.
17. The cost per case in 2020 was approximately £1,900. The 2021 cost per case is expected to be around £2,200. This increase is due to budgeted increases approved by the OLC board.
18. In 2020, the OLC invoiced the CLC for the cost of investigating 256 cases (based on the 3-year average number of cases). Almost half of CLC regulated practices have had no cases investigated by the OLC in the last 3 years.
19. Regardless, it is right that all practices should make a contribution to the OLC for the availability of the ombudsman service as the OLC plays an important role in securing consumer confidence in the legal sector and conveyancing in particular. As such it can be argued that all practices should be contributing at a minimum for the availability and maintenance of this service for consumers regardless of whether any cases relating to the practice are being investigated.
20. Most practices have good complaints handling processes and either have no OLC referrals or a level of referral that is proportional to the volume of transactions they

¹ Case numbers are determined by taking an average of the last 3 years' case numbers.

undertake each year. It is acknowledged that even with good complaints handling processes that some complaints cannot be resolved to the satisfaction of both parties and clients will refer their case to the OLC.

21. A small minority of practices have ineffective procedures and complaints handling arrangements which results in a disproportionate referral of cases to the OLC. The OLC cost per case is high – around £1,900 – and so this drives up considerably the cost to be met by the CLC’s regulated community as a whole.

22. Under the CLC’s proposal, The OLC recharge would be collected from CLC practices by the CLC in April of each year and would comprise two elements:

- **An OLC availability charge** (a fixed fee based on the practice’s turnover)
- **An OLC usage fee** that would be based on the number of cases associated to the practice (using a 3-year average of the case numbers to be consistent with the OLC charging model) that have been referred to the OLC multiplied by the cost per case. The cost per case would be determined by subtracting the availability fee from the total OLC cost charged to the CLC and then dividing by the total number of cases.

23. The impact of this change on practices is summarised below for various scenarios:

Scenario	Likely impact
Practices with no OLC cases	Total cost of regulation will reduce
Practices with an average amount of cases	Total cost of regulation will not change materially. Small practices may however see an increased cost as the Practice Fee is small and the OLC cost per case is high.
Practices with excessive amounts of cases	Total cost of regulation will increase

24. The CLC is proposing to collect approximately 15% of the OLC cost through the OLC availability charge. The availability charge will be tiered using the proposed new turnover bandings (see part 2).

25. The table below illustrates the proposed OLC availability fee that will be levied on practices. The availability fee starts at £200 for practices with a turnover under £100,000 and increases by 40% for each successive band.

OLC availability charge per practice	
£0 – £100,000	£200
£100,001 – £250,000	£280
£250,001 – £500,000	£392
£500,001 – £1,000,000	£549
£1,000,001 – £5,000,000	£768
£5,000,001 – £10,000,000	£1,076
£10,000,001 and over	£1,506

26. The table below illustrates the total cost impact to the practice of implementing the separate OLC recharge. The figures in the table take into account the proposed OLC availability fee and amended fee bandings and fee rates set out in part 2 below. The table also highlights the number of cases a practice would need to have at the OLC before they end up paying more that they are in the current model.

Practice turnover	Practice fee saving from current rates if no cases at the OLC over 3 year period	Number of cases at OLC over rolling 3 year period before the practice will pay more	Additional cost from current fee rates at indicated case levels over 3 year period
£100,000	£20	1	-£611
£250,000	£195	1	-£436
£500,000	£608	1	-£23
£1,000,000	£1,251	2	-£10
£2,000,000	£2,932	5	-£221
£4,000,000	£6,032	10	-£274
£5,000,000	£7,232	12	-£336
£10,000,000	£14,424	23	-£79
£20,000,000	£29,994	48	-£275

27. The benefits of charging practices separately for the OLC recharge are:

- A clearer distinction between direct regulatory costs and activity-based costs.
- A fairer distribution of cost as practices would be billed proportionate to the number of cases referred to the OLC.
- encouraging practices to improve complaints handling processes to help minimise unnecessary referrals.

28. Some disadvantages of charging practices separately for the OLC charge include:

- An added administrative burden as practices will receive an additional invoice from the CLC

- The total regulatory cost will increase for some practices and this will disproportionately impact smaller practices. However, that impact will be modest if there is not an excessive number of OLC cases relating to the practice.
- This may encourage the wrong behaviour in some practices that might be tempted to settle complaint cases to prevent referrals rather than deal with the underlying issues raised.

29. The proposed process would be:

- The CLC receives the invoice from the OLC in April of each year for the previous 12 months ending in March of that year.
- The CLC will calculate the average annual number of OLC cases per practice using the previous three years of data provided by the OLC. This means that if a practice has 1 case that the cost recovery will be spread over 3 years.
- Practices will be provided with details of the calculations and the invoice in May.
- The billing cycle would run from May – April and practices would be able to pay upfront or in instalments.

PART 1: Questions:

- 1) Do you agree with the CLC's proposal to remove the OLC charge from the Practice Fee and charge it to practices separately based on a user pays basis?
- 2) Do you agree that all practices should pay an OLC availability fee regardless of whether they have any active cases being investigated by the OLC?
- 3) Do you agree that the OLC availability fee should increase with turnover?
- 4) Do you have any other thoughts or recommendations on the proposal to separate the OLC recharge from the Practice Fee and to bill this charge separately on a user pays basis?

PART - 2

Practice Fee banding

30. The CLC levies a Practice Fee on all CLC regulated practices to recover the operating costs associated with the provision of regulatory functions. The Practice Fee is based on a percentage of the practice's turnover declared to insurers when their PII is renewed. The contribution rates are banded by turnover and reduce as turnover increases.

31. Since the introduction of the existing fee bandings in 2010, the distribution of practices by banding has changed quite significantly. In 2010 93% of practices had a turnover less than £500,000. This has now decreased to 65% of practices. The number of practices with a turnover under £100,000 has decreased by 71% over the last 10 years. The £500k to £3m band has grown by 377%.

32. The table illustrates the change in practice numbers by banding between 2010 and 2020.

Analysis of practices by current banding	Number of practices 2010	% of total in 2010	Number of practices 2020	% of total in 2020	Growth in practice numbers
>£3m	4	2%	16	7%	300%
£500k to £3m	13	6%	62	28%	377%
£100k to £500k	111	53%	122	55%	10%
<£100k	80	38%	23	10%	-71%
	208	100%	223	100%	

33. The sub £100k band contraction has been driven by a reduction in the number of very small sole practitioners, largely through retirement and through turnover growth moving the practices into the next band.

34. The £500k to £3m and greater than £3m bands have shown the most significant growth in practice numbers over the last 10 years. This is most likely attributed to the implementation of the ABS regime and a more commercial approach to conveyancing.

35. The table below shows a more granular distribution of practice turnovers (not the proposed new fee bandings). The colour bands in the table represent the existing fee bands. The table highlights that most practices' turnovers are distributed between £100k and £1m (75% of the total).

Turnover banding 2020	Number of practices
>£20m	2
£10m to £20m	3
£5m to £10m	5
£3m to £5m	6
£2.5m to £3m	1
£2m to £2.5m	5
£1.5m to £2m	4
£1m to £1.5m	7
£500k to £1m	45
£250k-£500k	65
£100k-£250k	57
<£100k	23
	223

36. The table below analyses the total turnover and CLC Practice Fees generated by the existing fee bands. The analysis reveals that:

- 65% of the CLC regulated practices turnover falls into the >£3m banding and
- £61% of the CLC Practice Fee revenue is generated from these practices.
- 1% of CLC revenues are generated by practices in the sub £100k band and
- a total of 15% of the CLC revenue is generated by the sub £500k turnover banding.

Fee Banding analysis	2010	2020
Practice turnover in each band		
>£3m	49%	65%
£500k to £3m	18%	22%
£100k to £500k	28%	12%
<£100k	5%	1%
	100%	100%
Total turnover	£ 84,720,091	£ 268,632,405
Turnover growth		217%
% of total fee generated by band		
>£3m		61%
£500k to £3m		24%
£100k to £500k		14%
<£100k		1%
		100%

37. The problems highlighted by this analysis are:

- 55% of practices have turnovers in the £100k to £500k range and they are all concentrated in a single band. As a result practices at the bottom of the band, even with significant growth do not benefit from the tiered rates.
- A similar picture emerges in the £500k to £3m banding with 23% of practices being in the bottom half of the band and not being able to benefit from rate reductions even with significant growth.
- Large practices do not receive any further rate reduction benefit on turnovers in excess of £3m, which considering their turnovers and fee contribution is a very low maximum tier.
- A disproportionate percentage of the CLC's revenue is collected from a small number of larger practices indicating a level of cross subsidisation of the smaller practices.

38. The CLC is proposing to:

- Add additional fee bands with narrower turnover ranges to provide a more effective rate tiering (i.e. reducing fee rates as practice move up the tiers).
- Increasing the minimum Practice Fee payable to improve the recovery of the CLC cost of regulation.

39. The table below reflects the current fee banding

Turnover Banding (2020-21)		Practice Fee payable	
£0 – £100,000	£539	or	0.77% of turnover (whichever is greater)
£100,001 – £500,000	£770	plus	0.70% of turnover in excess of £100,000
£500,001 – £3,000,000	£3,570	plus	0.63% of turnover in excess of £500,000
£3,000,001 and over	£19,320	plus	0.56% of turnover in excess of £3,000,000

40. The proposed revised fee bandings before adjusting for the separate recovery of OLC costs are:

Turnover Banding (Proposed) (2021-22) – Before any OLC recovery adjustment		Practice Fee payable	
£0 – £100,000	£750		
£100,001 – £250,000	£750	plus	0.70% of turnover in excess of £150,000
£250,001 – £500,000	£1,800	plus	0.68% of turnover in excess of £250,000
£500,001 – £1,000,000	£3,425	plus	0.63% of turnover in excess of £500,000
£1,000,001 – £5,000,000	£6,575	plus	0.60% of turnover in excess of £1,000,000
£5,000,001 – £10,000,000	£30,175	plus	0.55% of turnover in excess of £5,000,000
£10,000,001 and over	£57,675	plus	0.54% of turnover in excess of £10,000,000

41. The change in Practice Fees levied for a range of turnovers is illustrated in the table below. This illustration excludes the impact of implementing the OLC recharge proposed in Part 1 of this consultation.

Turnover	Practice Fee (new bandings and rates)	% of turnover (new rates)	Practice Fee (current fee rate table)	Change in practice fee
£ 50,000	750	1.5%	539	211
£ 100,000	750	0.8%	770	(20)
£ 150,000	1,100	0.7%	1,120	(20)
£ 200,000	1,450	0.7%	1,470	(20)
£ 250,000	1,800	0.7%	1,820	(20)
£ 300,000	2,125	0.7%	2,170	(45)
£ 500,000	3,425	0.7%	3,570	(145)
£ 750,000	5,000	0.7%	5,145	(145)
£ 1,000,000	6,575	0.7%	6,720	(145)
£ 2,000,000	12,475	0.6%	13,020	(545)
£ 5,000,000	30,175	0.6%	30,520	(345)
£ 10,000,000	57,675	0.6%	58,520	(845)
£ 20,000,000	111,675	0.6%	114,520	(2,845)

42. The impact of these changes is that very small practices with a turnover less than £50,000 (currently 6 practices) would see a material increase in their Practice Fee. This increase would serve two purposes. Firstly, to discourage businesses that have insufficient resources to maintain standards effectively, and secondly, to improve the CLC's recovery of the costs of monitoring and support activity.

43. The larger practices would see a reduction in their Practice Fee. This would reduce the cross subsidisation that is inherent in this type of charging model. We will continue to address this imbalance in future banding and fee rate amendments.

44. The table below reflects the revised banding and proposed fee rates after accounting for the separation of the OLC recharge from the Practice Fee.

Turnover Banding (Proposed) (2021-22) including the OLC recovery reduction.		Practice Fee payable	
£0 – £100,000	£550		
£100,001 – £250,000	£550	plus	0.53% of turnover in excess of £150,000
£250,001 – £500,000	£1,345	plus	0.49% of turnover in excess of £250,000
£500,001 – £1,000,000	£2,570	plus	0.47% of turnover in excess of £500,000
£1,000,001 – £5,000,000	£4,920	plus	0.44% of turnover in excess of £1,000,000
£5,000,001 – £10,000,000	£22,520	plus	0.41% of turnover in excess of £5,000,000
£10,000,001 and over	£43,020	plus	0.40% of turnover in excess of £10,000,000

45. The financial impact of the reduced fee rates proposed in 41 above compared to the current banding and fee rate table (39 above) is summarised in the table below. The table does not include the mandatory OLC availability charge that will be levied on all practices. The proposed OLC availability charge can be found at 25 above.

Turnover	Practice Fee (with OLC recharge removed)	% of turnover (new rates)	Practice Fee (current table)	Change in practice fee
£ 50,000	550	1.1%	539	11
£ 100,000	550	0.6%	770	(220)
£ 150,000	815	0.5%	1,120	(305)
£ 200,000	1,080	0.5%	1,470	(390)
£ 250,000	1,345	0.5%	1,820	(475)
£ 300,000	1,590	0.5%	2,170	(580)
£ 500,000	2,570	0.5%	3,570	(1,000)
£ 750,000	3,745	0.5%	5,145	(1,400)
£ 1,000,000	4,920	0.5%	6,720	(1,800)
£ 2,000,000	9,320	0.5%	13,020	(3,700)
£ 5,000,000	22,520	0.5%	30,520	(8,000)
£ 10,000,000	43,020	0.4%	58,520	(15,500)
£ 20,000,000	83,020	0.4%	114,520	(31,500)

PART 2: Questions:

- 5) Do you agree with the CLC proposal to increase the number of fee bands?
- 6) Do you think that additional bands should be added, over and above those being proposed? – if so, please specify.
- 7) Do you agree with the principal of reducing fee rates as turnover increases?
- 8) Do you agree that we should be charging a minimum fee on turnovers under £100,000?
- 9) Do you think that the minimum fee should be set at a higher amount?
- 10) Do you think that the Practice Fee could be collected using a different model? – if so what model of collection do you propose and why?
- 11) Do you have any other thoughts or suggestions relating to the proposed fee banding and fee rates?

PART - 3

Setting Regulatory Fee Rates

46. The Legal Services Act 2007, s.51(4) specifies the permitted purposes for which fees received by the CLC may be applied (see Annex 1). s.51(5) specifies that 'a practising fee is payable under the regulatory arrangements of an approved regulator [such as the CLC] only if the Board has approved the level of the fee'.
47. The Deadline for receipt of responses to this Consultation is 1 June 2021. This allows a short period for the responses to the Consultation to be assessed before a final proposal is put to the Council for determination at its meeting at the end of July 2021.
48. A formal application for approval will then be made to the Legal Services Board with a view to consent to the CLC's new fees rules being granted by September 2020, so allowing a reasonable period for the profession to be notified of the new arrangements for Licence and Practice Fees in time for the licence year commencing 1 November 2020.
49. The CLC is wholly funded by the profession and, through the profession, by consumers. Since 1 November 2010 the regulatory charges have been as follows:
 - The same licence fee payable by all CLC Lawyers
 - A Practice Fee payable by all CLC Regulated Entities (determined as a percentage of turnover with bandings)
 - A contribution to the CLC's Compensation Fund payable by all CLC Regulated Entities (determined as a percentage of turnover with bandings).
50. The CLC is proposing in this consultation to separate the OLC recharge from the Practice Fee and to add a new regulatory charge which incorporates the OLC availability charge and usage-based fees. This will result in a corresponding decrease in the amount collected through the Practice Fee. In addition, CLC is also proposing that the fee bandings for calculating the Practice Fee are amended.
51. The CLC is proposing to amend the Compensation Fund fee banding table to mirror the fee bandings proposed for the Practice Fund (see bandings in 40 above). The contribution rates will be set so that the total contributions to the Compensation Fund remain at similar levels to the 2020 collection which amounted to £377,389.
52. The Practice Fee rates and Compensation Fund contributions are reviewed and set in July of each year using the most recently declared practice turnovers provided to the CLC by insurers during the PII renewal round.

53. The CLC seeks to avoid volatility in Practice Fee rates and aims not to increase Practice Fee rates soon after any prior year reduction. Practice Fee reductions will only be considered if it is believed that the decrease can be sustained in future years.
54. The CLC has in prior years used excess reserves to fund an operating deficit. The expectation pre-coronavirus was that growth in Practice Turnovers through organic growth and new practices coming into CLC regulation would reduce the planned deficit and use of reserves.
55. The level of excess reserves has reduced significantly due to the CLC running an operating deficit and levels are within the reserving policy limits set by the Council. As such the release of excess reserves through running a deficit budget will need to be reduced in the current billing cycle.
56. If the practice turnovers declared at PII renewal do not increase organically, or if a significant number of practices close, the operating deficit referred to above will increase and will put pressure on the CLC reserves. If this happens the CLC will need to adjust the Practice Fee rates to increase collections and reduce the reliance on reserves. This will offset some of the reduction in the fee rates proposed in 48 above.
57. Should claims against the Compensation Fund increase in 2021/22 as a result of the coronavirus or any other reason the CLC will need to consider increasing Compensation Fund Contribution rates in 2022 to replenish reserves.
58. It is proposed that the following overriding objectives are applied when determining fee rates for the next cycle commencing 1 November 2021.
- Fee setting in general is determined with the aim of generating no more than a nominal surplus each year.
 - A managed deficit can be used when sufficient excess reserves are available to fund a decrease in fee rates.
 - Fees are set at a level that recovers the cost of regulation of practices and individuals, except where the minimum reserve in either the Practice or Compensation Fund needs to be 'topped up'.
 - Fees charged are consistent year on year, with the expectation that fee rates reduce as economies of scale are realised and practice turnovers increase.
 - Fee rates (Practice Fees and Compensation contributions) are increased only in exceptional circumstances, such as a prolonged economic downturn where minimum reserves cannot effectively absorb losses.
59. The factors which are likely to impact the fee rates are:
- a. Total turnover of practices under CLC regulation as well as the growth in turnover since the prior year. Practices renew their Professional Indemnity

Insurance in June. As part of the process they declare their turnover to the insurers which then pass the figures on to the CLC to use in setting the fees for the next fee year starting in November. Overall turnover is likely to have remained static or reduce, which will impact the CLC revenue.

- b. The CLC's projected expenditure for 2022. In July our proposed expenditure will be forecast based on the best estimates at hand, any significant fluctuations from the current budget will need to be considered when setting fee rates.
- c. The current state of the wider economy. Indicators available in June will contribute to our outlook over the forecast period and may impact our turnover growth assumptions.
- d. Projected pipeline of practices coming into CLC regulation. An increase in new practices switching regulator, or interest from practices would indicate that our assumptions are correct and could warrant a more bullish approach. Conversely, little interest and practice closures over the next quarter would suggest a more cautious approach.
- e. For the Compensation Fund, analysis of the current level of claims. We have assumed that grants out of the Compensation Fund will remain at similar levels to the past 2-3 years. Any significant additional claims or interventions may impact the expenditure on the Compensation Fund which would result in a more prudent approach to rate cuts.

60. The other current fee rates are set out at Annex 2. The CLC's current view is that they should remain unchanged.

61. Further information on the fee setting process can be found in Annex 3.

PART 3: Questions:

12) Do you agree that if the Practice Fee bandings change that the Compensation Fund bandings should be adjusted to mirror the Practice Fee bandings?

13) Do you agree with the CLC proposal to not amend the other fees listed in Annex 2?

14) Do you have any other comments on the fee structure and process for determining the Regulatory Fees payable for the licence year starting on 1 November 2021?

15) Please explain with as much detail as possible why, if that is the case, you do not agree to any of the objectives or principles proposed for determining fee rates.

Annex 1
Permitted Purposes
Extract LSB Practising Fee Rules

Monies raised through practising fees must not be applied for any purpose other than one or more of the permitted purposes.

The permitted purposes are:

- (a) the regulation, accreditation, education and training of applicable persons and those either holding themselves out as or wishing to become such persons, including:
 - (i) the maintaining and raising of their professional standards; and
 - (ii) the giving of practical support, and advice about practice management, in relation to practices carried on by such persons;
- (b) the payment of a levy imposed on the approved regulator under section 173 [Legal Services Act 2007] and/or the payment of a financial penalty imposed on the approved regulator under section 37 of the Act;
- (c) the participation by the approved regulator in law reform and the legislative process;
- (d) the provision by applicable persons, and those either holding themselves out as or wishing to become such persons, of legal services including reserved legal services, immigration advice or immigration services to the public free of charge;
- (e) the promotion of the protection by law of human rights and fundamental freedoms;
- (f) the promotion of relations between the Approved Regulator and relevant national or international bodies, governments or the legal professions of other jurisdictions;
- (g) increasing public understanding of the citizen's legal rights and duties.

Annex 2
Other Fees Charged

		Fee
1	Individual licence for Conveyancing or probate	£400
2	Individual licence for Conveyancing and probate	£475
3	Issue of a duplicate licence	£50
4	Amendment to a licence	£75
5	New practice application – (Alternative Business Structure)	£1,200
6	New practice application – (Recognised body)	£150
7	Application Fee – Head of Legal Practice (HoLP)	£240
8	Application Fee – Head of Finance and Administration (HoFA)	£240
9	Application Fee – CLC Manager	£150
10	Application fee - First qualifying licence application	£75
11	Failure to submit and an accountant's report on time	£100

Annex 3

Fee setting and approval process

Statutory Framework

62. The Council for Licensed Conveyancers (CLC) was established by the Administration of Justice Act 1985 (AJA) and is an Approved Regulator under the Legal Services Act 2007 (LSA), subject to the oversight regulation of the Legal Services Board (LSB). It licenses and regulates CLC Lawyers and CLC Practices in the provision of reserved legal activities, currently conveyancing and probate services and other non-reserved legal activities (including will writing). It is also a Licensing Authority authorised to license and regulate Alternative Business Structures (ABS). It has no representative function.
63. As an approved regulator the CLC ‘must, so far as is reasonably practicable, act in a way which is compatible with the regulatory objectives’
64. The CLC’s role is to safeguard the public interest and consumers by regulating providers to deliver high quality and accessible legal services.
65. The CLC’s regulatory activities include:
- setting educational and training standards for entry to the profession
 - issuing licences to practise to those qualified to provide conveyancing and probate services and to Alternative Business Structures
 - maintaining a register of all CLC Lawyers and CLC Practices
 - setting standards to regulate the professional practice, conduct and discipline of CLC Lawyers and CLC Practices
 - setting standards to maintain adequate professional indemnity insurance and a Compensation Fund to protect consumers
 - monitoring the work and conduct of CLC Practices
 - providing guidance and advice to CLC Practices to maintain compliance with our regulatory requirements
 - investigating allegations of misconduct and where appropriate taking disciplinary action and
 - collaborating with key stakeholders in the legal services market to monitor and shape future policy.
66. The CLC’s approach to regulation is proportionate, risk-based and outcomes-focused. Licence holders are required to demonstrate that they:
- act with independence and integrity
 - maintain high standards of work
 - act in the best interest of clients
 - deal with regulators and ombudsmen in an open and cooperative way and
 - promote ease of access and service.