

**[Practice Name]**  
**Licence Number [xxxxxx]**  
**1 April 2023**

Dear **[name]**,

**Office for Legal Complaints (OLC)/Legal Ombudsman (LeO) Levy: 2022-2023**

In 2021 the CLC separated the Legal Ombudsman charge for complaint handling from the Practice Fee and implemented a separate charge to practices called the OLC Levy.

The Practice Fee is the only part of the charge that goes to pay for the costs of the CLC. That also includes the levies that need to be paid to the Legal Services Board (LSB) and the Financial Conduct Authority (FCA). The Practice Fee rates were reduced by 23% in November 2021 to account for the separation of the OLC Levy.

The CLC split the charge for a number of reasons:

- 1) We have no control over the Ombudsman's costs
- 2) The Ombudsman's costs, and therefore the charge to CLC-regulated practices, has been steadily increasing and we wanted to raise awareness of that. We also wanted to allocate a portion of the expense (30%) based on usage, as 60% of practices do not have any cases with the Ombudsman. Although the overall case numbers are small, we expected that this would increase awareness of the cost and improve complaint handling in practices thereby reducing the cost to all regulated entities.
- 3) Increase the transparency around the fees you pay and of the real cost of CLC regulation (the Practice Fee) as we have cut fee rates by 60% since 2017.

The CLC is concerned about the Legal Ombudsman's costs and the mechanism of recharge to legal service providers through the regulators. The CLC and other legal sector regulators are obligated by the Legal Services Act 2007 to pay this cost and recover it from the regulated community.

The importance of good complaints handling and an Ombudsman service for the cases where other resolution is not possible cannot be overstated. Whilst supporters of this, we believe that the Ombudsman's costs are disproportionately high for the function that is provided to settle service complaints, and that the recharge model needs to be amended. The current level of costs is a burden on consumers of legal services. Such a change is not in our gift as the charging model is a tripartite agreement between the OLC, Legal Services Board and Ministry of Justice.

The recharge of the Ombudsman costs has increased exponentially over the last few years. The increase in the cost to CLC regulated practices is due to an increase in total Legal Ombudsman costs coupled with a drop in total cases investigated and an increase in CLC-regulated practice cases.

OLC Cost allocated to CLC regulated practices			
Year	Cost	Case Numbers	Cost per case
2015	239,857	152	1,578
2016	234,009	184	1,272
2017	302,873	217	1,396
2018	340,015	232	1,466
2019	422,831	232	1,823
2020	519,717	256	2,030
2021	655,152	263	2,491
2022	864,046	327	2,642
Increase	260%	115%	67%

The Legal Ombudsman calculates the recharge to regulators annually in March. This charge is based on their total cost for the financial year ending that March. The total cost is then allocated based on each regulator's proportion of the cases. The number of cases is determined by summing all the cases accepted for investigation by the Ombudsman for the previous 3 years (in this case April 2019 to March 2022). Not all enquiries or complaints received by the Legal Ombudsman are accepted for investigation. However, if the Ombudsman decides to accept and investigate a case it is recorded as a chargeable case. Please note that it is acceptance by the Ombudsman for investigation and not whether the practice is levied a case fee (£400) that determine whether a case is included in the total number of complaints included in the calculation.

The charge to the CLC is calculated as follows:

Total Legal Ombudsman cost for 12 months ended March 2023	£14,297,000
Total cases accepted for investigation (3 year average – all regulators)	5,399
Total CLC cases (average over last 3 years ended March 2022)	327
<b>Cost allocated to the CLC (14,297,000 X 327 ÷ 5,399)</b>	<b>£864,046.28</b>

The CLC has been invoiced by the Legal Ombudsman for the year to March 2023 and will settle the invoice in March 2023. The cost will then recovered from regulated practices over the following 12 months (or in a single payment in April 2023 if a practice makes payment by BACS).

The CLC recharges the Legal Ombudsman cost to regulated practices through the OLC Levy. The OLC levy has two components:

- An **availability fee** which is set at 70% of the total OLC cost and allocated to practices based on the proportion of their Practice Fee charge to the total Practice Fee collected<sup>1</sup>.
- A **usage fee** comprising of 30% of the OLC cost. Only practices that have had cases accepted by the OLC for investigation in the previous 3 years will pay any usage fee. The

<sup>1</sup> Some of the cases that we are charged for relate to closed practices (48 cases). The cost of these cases is added to the total availability cost and allocated to all practices.

usage fee is calculated using a case fee derived by dividing the total average annual number of cases over the last 3 years by 30% of the total OLC cost. This produces the fee per case that will make up any Usage Fee.

It is important to note that the Usage Fee is calculated using the case numbers (327 for this year) provided to us by the OLC.

The allocation of the OLC cost is summarised below:

**Total OLC levy to be collected from practices** **£864 046.28**

**Total Availability Fee** based on 70% of the total cost to be collected and the case fee generated by closed practices (48 cases)

£642,804.24

**Total usage fee payable** by practices that have had cases accepted for investigation by the OLC in the last 3 years (279.67 cases)

£221,242.04

Your practice's share of the OLC levy for the year ending March 2023 is calculated as follows:

**Availability Fee** (calculated as a proportion of your practice fee to the total Practice Fees charged)

£[availability fee]

**Usage Fee** (based on an average of [cases] cases investigated against your practice in the 3-year cycle multiplied by the cost per case which is currently £791.08)

£[usage fee]

**Total OLC levy payable by you**

£[total]

Please note that if you do not have any cases accepted for investigation by the OLC during the 3-year cycle, then you will not pay a usage fee.

Only 40% of CLC regulated practices have had 1 or more cases accepted by the Legal Ombudsman during the 3 years used to calculate the levy. The average annual number of cases across the regulated community, is 0.58 cases per £1m of turnover. Your practice has [cases/£1m TO] per £1m turnover. We consider that a practice average that is greater than 1 is high, and we would recommend that you review your complaint handling arrangements if you have a higher proportion of referrals to the Legal Ombudsman than that.

### Payment of the levy

You are currently paying your Practice Fee by Direct Debit in 12 monthly instalments. We have assumed that you will want to pay your OLC levy in the same way and have prepared a payment schedule which is attached. This charge will be added to your monthly direct debit starting in April 2023.

Should you prefer to pay the full amount by BACS please email [finance@clc-uk.org](mailto:finance@clc-uk.org) before 5 April 2023.



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Should the practice cease trading or exit CLC regulation (voluntarily surrender its licence) before the levy is settled in full any remaining balances will be collected by the CLC at the next collection following notification by the practice. Additionally, the fee payable for 2023/24 billing year will be payable if the practice closes after 1 April 2023 (this will be calculated using the estimates provided by the Legal Ombudsman).

If you have any queries in respect of this notification, please contact us on 0203 859 0904 or [finance@clc-uk.org](mailto:finance@clc-uk.org).

Yours sincerely

**Finance Team**  
**Council for Licensed Conveyancers**

**Annex A**

**Payment Schedule for 2023/2024**

<b>Payment Date</b>	<b>OLC Levy</b>
<b>Total Fees Payable</b>	<b>£ [total]</b>
1. 15/04/2023	£ [monthly]
2. 13/05/2023	£ [monthly]
3. 17/06/2023	£ [monthly]
4. 15/07/2023	£ [monthly]
5. 19/08/2023	£ [monthly]
6. 16/09/2023	£ [monthly]
7. 14/10/2023	£ [monthly]
8. 18/11/2023	£ [monthly]
9. 16/12/2023	£ [monthly]
10. 13/01/2024	£ [monthly]
11. 17/02/2024	£ [monthly]
12. 17/03/2024	£ [monthly]