

Key messages emerging from analysis of Part 1 and 2 of 2024 Annual Regulatory Return (ARR)

Introduction

1. The purpose of the ARR is to gather information about CLC licensed practices. The data and information received covers the period 1 January 2024 to 31 December 2024 and is used to set priorities for the CLC's regulatory, policy and licensing work, and to inform our monitoring activities.
2. To give practices greater flexibility in answering, for the 2024 ARR we split the questions into two parts, Part 1 included general questions about the practice, type and volume of work, future plans, and requisitions and stops, and Part 2 included questions regarding the practice's anti-money laundering (AML) procedures and compliance with various AML regulations and other requirements.
3. We are pleased to report that there was a 100% response rate with total of 201 licensed practices responding to both Part 1 and Part 2.

Key Messages from Part 1

About practices

4. 63% of Part 1 responses were submitted by the practice director, indicating strong engagement with the regulator at senior level in practices.
5. Only 5% of practices indicated that they are or are potentially applying to become 'de-regulated' (i.e. stop being regulated by the CLC) in the current licensing year suggesting satisfaction with CLC regulation and confidence in the market.
6. 194 practices offer conveyancing services, 36 offer probate, 65 offer administration of oaths, 41 offer will-writing, and 40 offer Lasting Powers of Attorney.

Nature and Volume of work for the period 1 January 2024 to 31 December 2024 (the period)

7. The five practices reporting the highest number of transactions between them undertook 69,000 residential freehold purchase and sale transactions in the period (note however that the data is incomplete as some practices did not have the data to report and 'transaction' was not defined, so there is variability in what practices considered to be a transaction).
8. Not all practices record this data, but of those reporting data, the five practices with the highest numbers undertook 17,000 leasehold sale and purchase transactions in the period.
9. Only 32% of practices reported doing any commercial sale and purchase transactions and the five practices reporting the highest number of transactions undertook between them around 928 transactions.
10. Less than 32% of practices reported any commercial lease transactions and those that did, reported lower numbers than for commercial sale and purchase transactions. The five practices reporting the highest number undertook between them around 429 transactions.
11. 46 practices received almost 7000 will writing instructions between them, including Lasting Powers of Attorney.

12. 54 practices reported receiving instructions in relation to 'other pre-death services' such as estate planning which included unspecified trust work in a small number of practices.
13. 41 practices reported receiving probate instructions with the five practices reporting the highest number of instructions receiving between them an estimated 900 instructions.
14. Reflecting what we know about the sector's appetite for Building Safety work, most practices, 65%, had not undertaken any work any Building Safety Act (BSA) work or related work.
15. The most cited reason for not undertaking this work was insurance i.e. not being insured to do this work, difficulty in obtaining PII if doing or proposing to do BSA work, and concerns about the potential impact on premiums.
16. Other reasons cited for not undertaking BSA work include risk; the general sentiment being that the level of risk is beyond the practice's risk appetite and that pricing to reflect the risk would make practices uncompetitive. Others referred to the legislation, a lack of training on the legislation and thus lawyers not being confident doing this work, as well as the complexity and lack of clarity in the legislation.
17. Only one practice that had undertaken any BSA work in the period or before then reported one potential PII claim but indicated that it had been resolved i.e. it did not result in a claim.

Insurance

18. In addition to PII cover, 90% of practices buy further insurance cover.

% of practices that purchase further cover:

49% cyber cover

43% public liability

41% office and contents cover

38% employers liability

19. The fact that less than 50% of the sector have cyber-cover is a concern, especially given that we know from other research that there is more that the regulated community could be doing to mitigate cyber risks, especially through engagement with, for example, the Cyber Essentials scheme.

Staffing

20. 201 practices employ between them just under 6,000 staff with the biggest staff compliment in a practice being almost 450, demonstrating the contribution that CLC practices make to the employment market.
21. At the point of reporting, among 201 CLC practices there were a total of:
 - 530 CLC lawyers
 - 51 CLC technicians
 - 418 SRA lawyers
 - 166 CILEX registered practitioners, fellows or paralegals
 - 52 professionals registered with other regulators or professional bodies (e.g. CIMA, AAT)
22. Demonstrating confidence in the market and good employment opportunities for those currently in training or considering entering training, 44% of practices plan to grow staffing a little or significantly in 2025, and of those that have plans to increase their staff compliment, 88% of practices plan to recruit qualified staff in 2025.

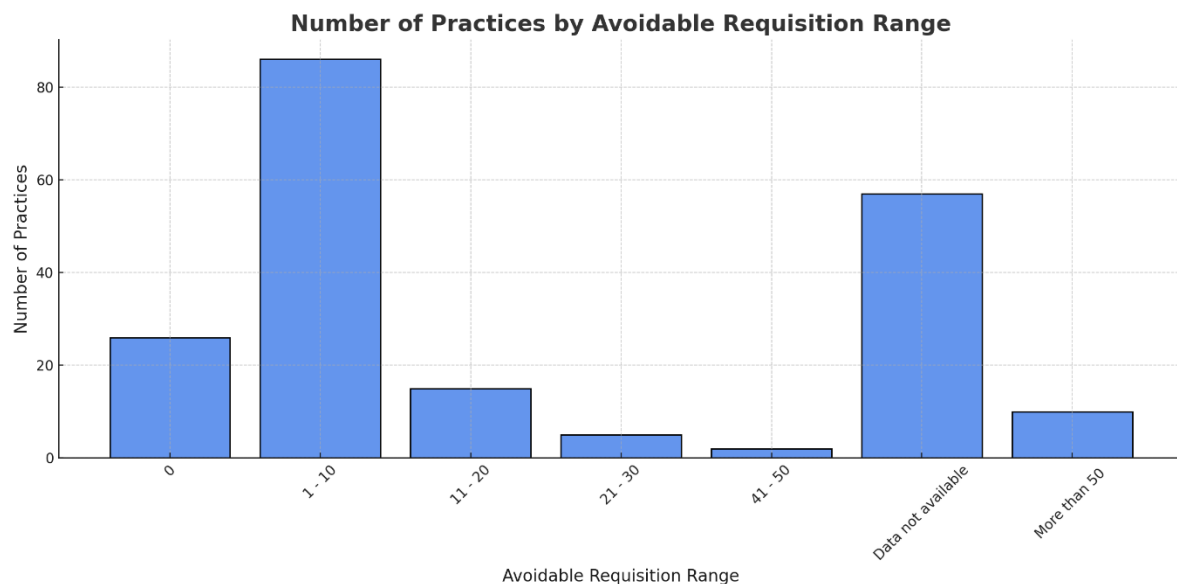
Completion and registration (post-completion) work

23. From a consumer and lender perspective, post-completion (processes and tasks that take place after a property sale has been finalised, including updating the Land Registry with new ownership information and ensuring all legal and tax requirements are met) is the single most important part of a conveyancing transaction because it secures their title or interest in the property. Errors and omissions in applications

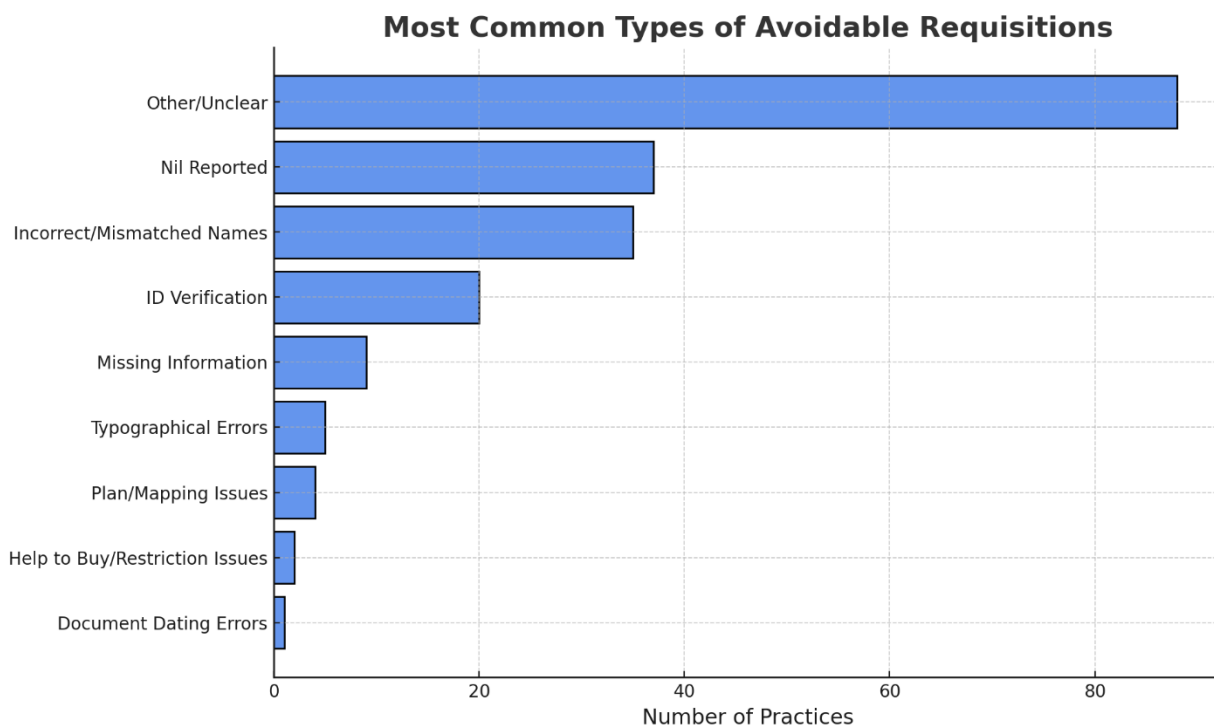
for registration result in HMLR raising ‘requisitions’ i.e. queries which practices are required to address before the title can be registered correctly.

24. This the first time the ARR has included questions on requisition rates and the use of policies and checklists and not ever practice was able to report data. This limits the value of the data and conclusions that can be drawn from it, we have nevertheless analysed the data available.

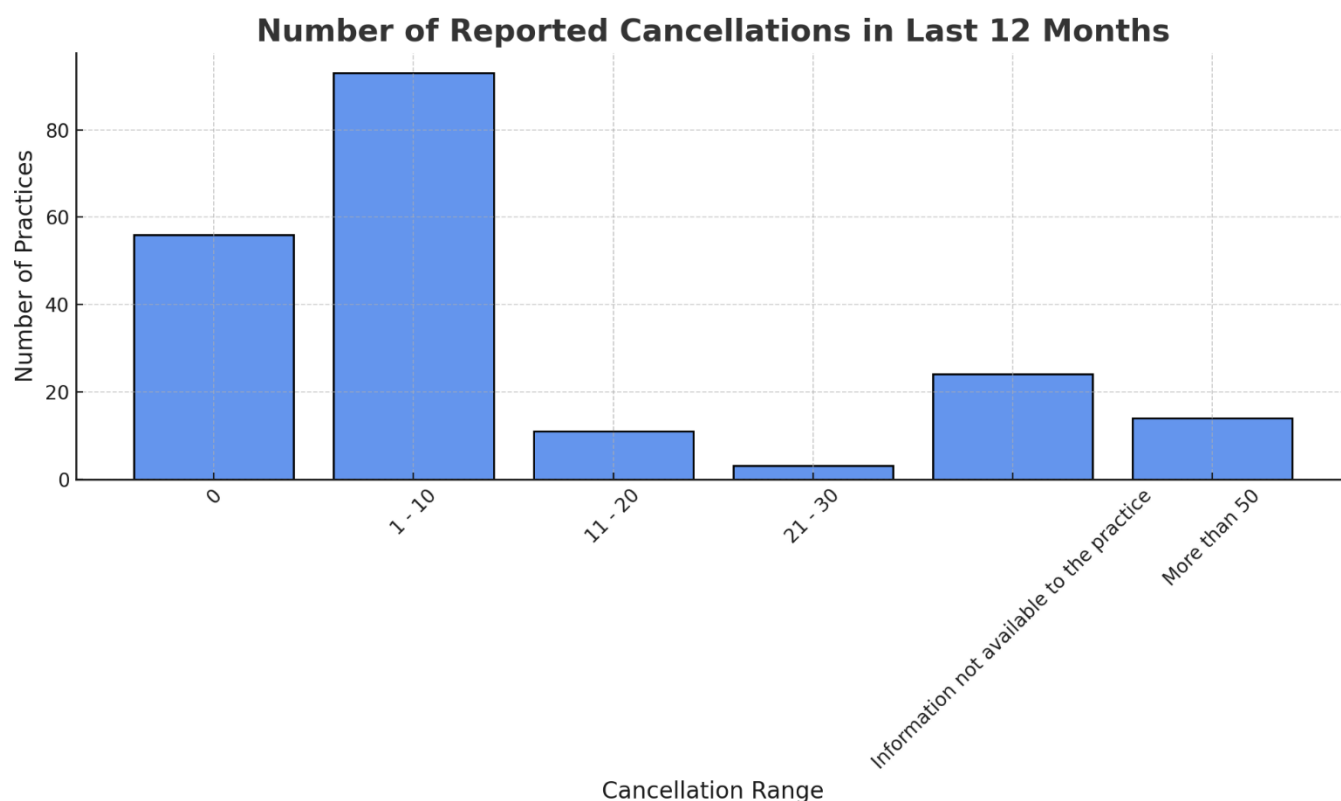
Reported number of avoidable requisitions



The most reported avoidable requisitions



Number of cancelled applications in the last 12 months



25. In 38% of practices fee earners deal with post-completion, 47% of practices have a dedicated team or individual that is responsible for completion and registration, and the remaining 15% use a combination of fee-earners and support staff, with only one respondent using an outsourced service for post-completion, something the CLC does not endorse or support.
26. Practices with a dedicated post-completion team or individual (who is not the fee earner) have the highest average rate of requisitions with a higher variability in the rate of requisitions reported, whereas the lowest average and smallest variability was seen amongst those practices where the fee earner handles post-completion themselves.
27. It is tempting to draw from this is that it is preferable for fee earners to deal with post-completion, however this is perhaps an overly simplistic conclusion to draw because it does not account for the role that case complexity, workload, team dynamics and the use of policies and checklists might play. Therefore, whilst post-completion remains the responsibility of the fee earner and serious or persistent failings may result in disciplinary action, we recognise that exactly how post-completion is dealt with from practice to practice will vary.
28. 88% of practices reported that staff dealing with registration and post-completion work receive regular training or updates, however this leaves 12% of practices that either offer only infrequent training or no training at all, something we expect practices to address going forward.

Correlations between the use of a policy or checklist and the rate of avoidable requisitions

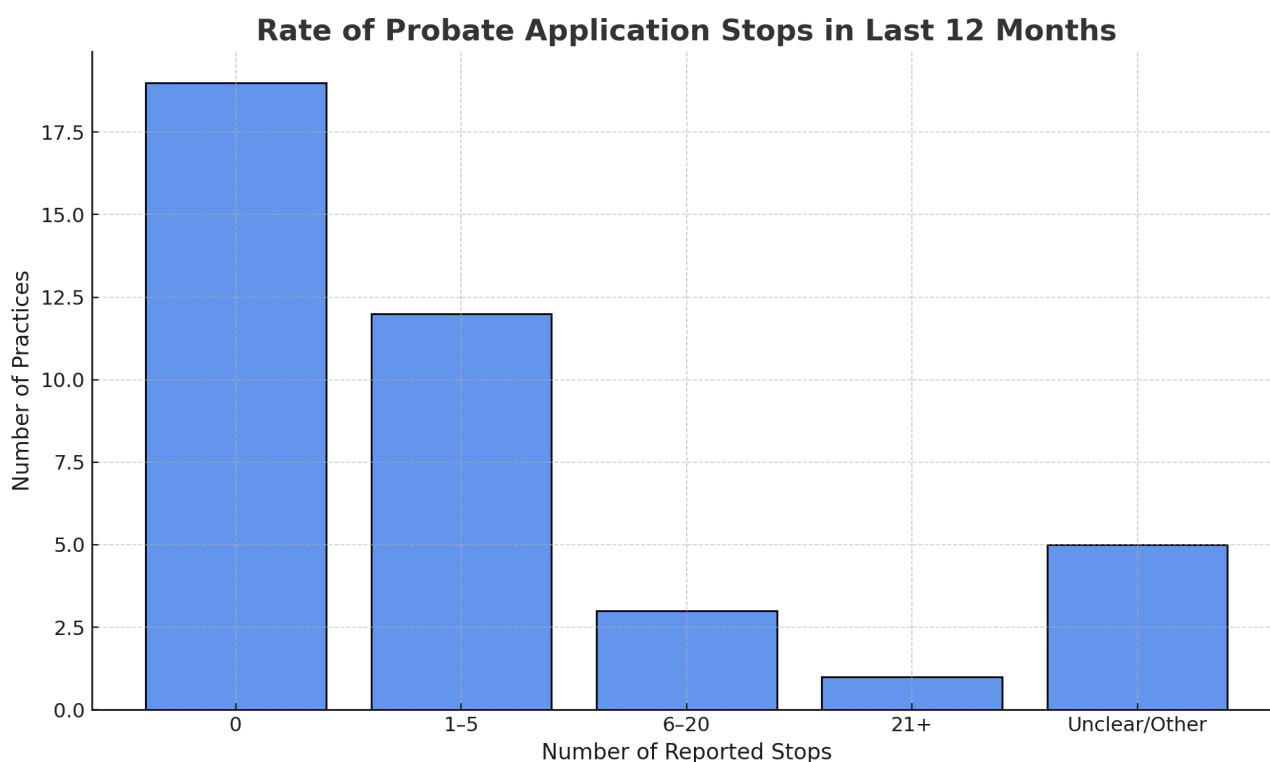
29. 61% of practices have a post-completion policy, 39% do not. Having a policy is not necessarily associated with fewer avoidable requisitions however, this correlation does not necessarily mean that having a policy is ineffective. It is likely that factors including the possibility that practices facing greater challenges with avoidable requisitions may be more likely to have a policy for instance, or larger practices being more likely to handle more transactions, increasing the chance of errors and therefore avoidable requisitions, even if the practice has a policy or uses checklists.
30. Another potential factor is the complexity of cases; practices that deal with more complex matters may be more likely to have avoidable requisitions and regardless of whether they have a policy. Those practices that do not have a policy may therefore be motivated to introduce one. Similarly, practices with

higher numbers of avoidable requisitions may be prompted to implement a policy to help reduce the number rather than the other way around i.e. experiencing an increase in the number of requisitions following the introduction of a policy.

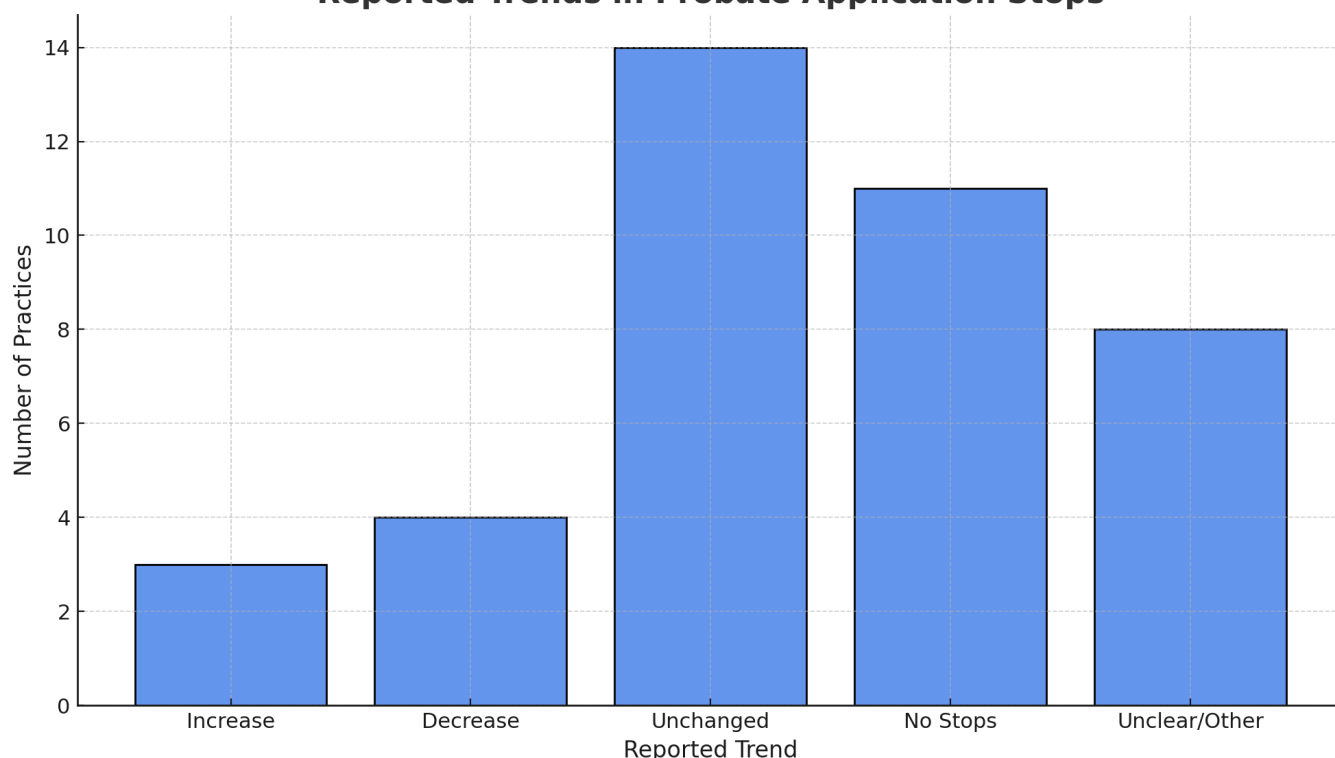
31. Only 45% of practices use a specific checklist for first registrations, 55% do not. Although not statistically significant, analysis of the data shows that using a checklist for first registrations might reduce requisitions (practices using a checklist had a lower average of avoidable requisitions).

The probate picture and rate of stops

32. Of the 202 respondents, 40 of those (20%) are licensed to do probate work. The rate of Stops and whether practices have seen an increase or decrease in Stops in the last 12 months is shown in the charts below, however not all practices have accurate data, and some reported not having any data at all. Therefore, whilst we have a broad sense of the rate of Stops amongst CLC practices, this is not wholly representative.



Reported Trends in Probate Application Stops



Key Messages from Part 2 (anti-money laundering)

33. In the reporting period, a significant number of CLC practices requested guidance on the use of cryptocurrency.
34. 20 practices said they would accept cryptocurrency that has been converted to Pound Sterling.
35. The CLC received anti-money laundering intelligence from a few practices including one notable piece of intelligence about money laundering rings operating in Liverpool and Manchester.
36. 28 practices have made Defence Against Money Laundering Reports to the National Crime Agency (NCA) in the last 12 months, and 21 practices made Intelligence only Suspicious Activity Reports to the NCA in the last 12 months.
37. 26 practices have declined work due to concerns about a potential client or existing client being on the sanctions list within the last 12 months.
38. 38 practices have acted for Politically Exposed Persons in the last 12 months.
39. 10 practices have acted for clients established in High Risk Third Countries in the last 12 months.
40. Some trends noted from internal suspicion reports: Hawala banking¹ is becoming more prevalent, clients utilising child savings accounts, funds originally derived from outside the United Kingdom and self-employed individuals whose tax returns do not match their actual income.
41. 126 practices have said that they undertake auction related work.

¹ The Financial Task Force website describes Hawala banking and other similar providers as services that arrange for transfer and receipt of funds or equivalent value and settle through trade, cash, and net settlement over a long period of time. What makes them distinct from other money transmitters is their use of non-bank settlement methods.

42. The CLC is conducting some follow-up work after the ARR to address any AML concerns we have identified.