# **CLC Managers and Owners Conference**

Our risk management partners, Financial Eye, attended the recent Licensed Conveyancers conference in London. We thought you would be interested to read Financial Eye's review of the topics discussed at the meeting.

# Key areas of discussion

- A review of 2016 activities
- Plans for 2017
- The role of the Regulatory Supervision Manager
- Fraud and Cybercrime
- Accounts Code Changes
- Professional Indemnity Insurance
- Changes to CPD
- Price and quality transparency



#### Review of 2016

- Introduction of a new logo and shield. Have you signed up?
- 70 on-site visits with regard to monitoring, inspection and enforcement.
- Closer working with supervisors and achieving deadlines.
- Annual regulatory return, together with the report and accounts very important for CLC monitoring.
- Addressed the importance of early notification of problems.
- Disciplinary findings published on the website.
- Working with Financial Institutions. Where is the risk? What are the problems and appropriate actions?
- The move to the Participating Insurers Agreement received positive feedback, but still important to attract new entrants to the market.
- Significant reductions in CLC cost base achieved resulting in a 20% reduction in fees which the CLC want to be sustainable.
- CLC outsourced education to professional third party providers.

#### Plans for 2017

- Review of regulatory arrangements risk-based, proportionate, using intelligence and market insight.
- Focus on the consumer based Competition and Markets Authority (CMA) report to improve transparency (price, quality of service) and independence.
- Discuss improvements to the conveyancing process with the Government, the CA and others in the property sector.
- Maintain the regime of 70 on-site monitoring and inspection visits.
- Increased compliance support.
- Tackling fraud and cybercrime.

# The role of the Regulatory Supervision Manager

- 240 practices between two managers.
- Interaction either directly, or via a risk management firm such as Financial Eye.
- Co-operation, co-operation.



The conference highlighted that 213 days was the average length of time for cyber gestation and detection, and introduced basic measures of mitigation and prevention with, for example, the Take Five website.

Take Five is a national campaign that offers straightforward and impartial advice to help everyone protect themselves from preventable financial fraud. This includes email deception and telephone based scams as well as online fraud. Visit their website https://takefive-stopfraud.org.uk

Financial Eye strongly recommends firms to LawGuard - a product specifically to provide the legal profession with a managed cyber security solution that incorporates and enhances the Government backed Cyber Essentials scheme. The implementation of LawGuard will enable law firms to demonstrate to clients, insurers and stakeholders that they are committed to taking cyber security seriously.

For further information and to complete a free cyber risk assessment visit: http://financialeye.net/our-services/lawguard

# **Accounts Code Changes**

Basic principle of the code is to keep Client money separate and safe. Objectives of the code are consumer protection, flexibility, clarity and a reduction of the regulatory burden. Misuse of client money can be mitigated through proper handling, recording, reconciliation, independent review (the Accountants / Auditors Report or working with a risk management firm such as Financial Eye) and monitoring by the regulator.

Key changes proposed to the Accounts Code:

- 1. Simplify the Accounts Code:
  - Appoint a Manager responsible for accounting compliance, which would appear to be an extension to the role of the HOFA.
  - Remove duplication.
  - Remove prescriptive requirements.
  - Too specific towards conveyancing (not probate).

#### 2. Accountants Report

- Reduce prescriptive requirements.
- Increase reliance on the accountants' judgement.
- Is it appropriately focussed?
- Assessment of business viability?

# 3. Aged balances

- Practices to self-certify balances up to £50 before write-off.
- Over £50 to be paid to CLC.

Consultation on these proposed changes to the Accounts Code will be open until April 2017. The CLC would like to have the changes implemented no later than January 2018.

# **Professional Indemnity Insurance**

The CLC has been working with both Howdens and Willis to obtain feedback on the new arrangements for PII which came into effect 1st July 2016 - the annual PII renewal date for CLC regulated firms. The key points:

- Firms need to complete the proposal form accurately, and completely, otherwise insurers will not provide a quote.
- Firms should begin the process early to give them an opportunity to test the market fully.
- Firms should look beyond just price and carefully consider working with a broker who will offer risk management support and advice, and who will deal with the management of claims.

Financial Eye are the Risk Management partner of Hera Indemnity, an independent and specialist broker who have developed a strong reputation as specialists in indemnity insurance. Please visit for more information: <a href="http://www.heraindemnity.co.uk">http://www.heraindemnity.co.uk</a>

# **Changes to CPD**

It appears that the main problem with CPD reporting is that it is a tick-box exercise and not geared to individual needs. It is therefore proposed that CPD reporting is revised as follows:

- No fixed hours requirement.
- Identify own needs, but CLC will guide on certain topics which will be compulsory (AML, cyber).
- Evaluate your own CPD programme.
- CLC to monitor and sample CPD records.

There has been an on-going consultation on this that will conclude in March 2017. It is proposed to implement the changes in June 2018.

# Price and quality transparency

The CLC are investigating the views of its membership on transparency. Focus in this area has been driven by consumer expectation, by the Legal Services Consumer Panel (part of LSB) and by the CMA. The CLC is looking at ways to improve price transparency, which could include:

- Mandatory for firms to publish price information the SRA are already contemplating a similar proposal.
- Require firms to use an accredited quote generator and an accredited comparison website.
- CLC will provide both a quote generator and a comparison website.

# Conclusion

The conference day concluded with a debate where there was genuine concern that price comparison will just drive down the market price and is not the best way to select a service rather than a product. A question was also raised concerning Panel Managers who charge fees in the middle - how does this sit with price transparency?

It was felt that a straightforward price transparency is not enough for consumers to make an informed choice. Perhaps firms should be more 'open' with regard to quality? For example:

- Complaints data only 38 recorded in the last 12 months.
- Publish first tier complaints data.
- Legal Ombudsman
- Disciplinary information on the "find a solicitor" page.
- Consumer feedback only 2/3 of firms manage client satisfaction surveys.

There was also doubts about how CLC comparison sites would work vs SRA firms.

If you have a question with regard to one or more of the above subjects, please do not hesitate to get in touch with either of the following Directors of Financial Eye:

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