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Annex 1: summaries of workshop discussion on 28 October and 10 and 11 November 2025

28 October

Chief Executive's Report

- 1 The Board received a final report from the CEO before he left the organisation. It provided his outgoing thoughts and some updates on the organisation's work in progress, relationships with key external stakeholders and wider thoughts on the future of the organisation.
- 2 This included the continued increase in the volume of cases, and that further work on efficiency and continuous improvement was needed despite improvements in timeliness and quality of casework that had been achieved. Board members reported seeing similar increase in other organisations and the likely reasons for this including increased use of technology.
- 3 We also recorded our great thanks to Paul Philip for his commitment as CEO over the past 12 years or so, noting some of the major achievements during that time including the increase in our independence from the Law Society through our establishment as a separate company, the introduction of the SQE and the culture that he had introduced into the organisation. The Board wished Paul a happy retirement.

Client money in legal services: November consultation

- 4 The Board considered an update on our proposed next steps for the client money in legal services consultation including the policy proposals which we intended to take forward for further consultation in November 2025.
- 5 The Board agreed with recommendations on three policy areas which were contained in part 1 of the client money in legal services consultation:
 - (i) Advanced fees: the Board agreed that we maintain the current approach, which allows firms to exercise their professional judgement as to when and how they can request advanced fees.
 - (ii) Moving money from client account to office account: the Board agreed to the implementation of the changes proposed in December 2022 to Accounts rules 2.1(d), 4.3, 4.3(a) and 4.3(c) and the addition of rule 4.4.
 - (ii) Residual balances the Board agreed that we should strengthen our guidance to provide firms with examples of good practice to follow in returning client funds promptly and evidencing their efforts to do so. We do not intend at this stage to progress with any rule changes in relation to the management of residual balances.

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Accountants' Reports

- 6 This section proposed policy changes to support the delivery of the revised accountants' reports regime following the consultation on client money in legal services. The Board agreed to consult on
- requiring the submission of all accountants' reports, and agree to consult on the chosen option
 - requiring mandatory declarations on exemption status, and for non-exempt firms declarations from firms and instructed reporting accountants.
 - requiring reporting accountants to submit their reports directly to us.
 - making fixed financial penalties available for failures to obtain and submit accountants' reports and declarations within 6 months from the end of the accounting period.
 - recommending reporting accountants routinely seek bank confirmation letters to verify firms' lists of client accounts.
- 7 The Board also agreed not to proceed at this time with the proposal to require the periodic rotation of reporting accountants and the criteria for the exemptions from the requirement to obtain an accountant's report.

Improving our oversight of firms

- 8 The Board agreed that the consultation should say that we had considered what a rule on oversight of firms might look like but recognised that without the specifics to underpin it, it would not be helpful to ask for views on whether there should be such a rule at this stage. The Board agreed that we should return with specific policy options and proposals for consultation in 2026.

Strengthening compliance checks and balances within law firms

- 9 The Board agreed the proposals for consultation and specifically that:
- we should consult on a position that in firms that meet certain risks thresholds, any person that can unilaterally determine or direct significant management decisions in a firm will not be allowed to be the COLP or the COFA within that firm. This is subject to the partial exemption for sole/owner manager firms referenced below. However, the Board steered that we should adopt a principle-based approach to this requirement, rather than providing a firm definition of a unilateral decision maker, so that it is flexible enough to apply across different types of firm
 - a sole/owner manager firm which was only captured by the requirements because of the amount of client money held should only be required to have a separate COFA and not also a separate COLP

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- we should consult on a support package for compliance officers.
 - the Compliance officer thematic review should be published alongside the consultation.
- 10 The Board agreed to delegate final sign off of the consultation paper to the Board Chair.

10 and 11 November

Legal Services Board – current matters

- 11 The Board received an update on our progress in areas being monitored by the Legal Services Board (LSB).
- 12 These included the Pogust Goodhead case about which the Executive provided assurance about how the case was being managed including that there were daily discussions about the case at working level and regular discussions at Executive level.
- 13 We asked the Executive to continue to identify themes from high profile cases which might also apply to other firms and that we should be looking to address, such as after the event insurance. We should also gather evidence and ideas for rule changes that we might need in the future, to enable us to take the most appropriate action.
- 14 The Board was reminded that we had sent our first quarterly report on progress against the directions to the LSB at the end of August and had confirmed that we had successfully completed the steps which were due in the first reporting period and were on track for delivery of all other steps remaining in the implementation plan. We agreed that it would be appropriate to obtain assurance from a third party, perhaps our internal auditor. Such an assurance report would sit alongside the third quarter report to the LSB (due at the end of February 2026) when that was submitted to the Board.
- 15 We also discussed the challenges we had encountered in fulfilling the commitment we made when we introduced the SQE to publish data linking SQE candidates pass rates with training providers. We agreed that the position was problematic, but that progress had been made. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Enhancing understanding of professional conduct and ethics pre-qualification; – Strengthening our approach to Continuing Competence

- 16 We looked at proposals for requiring solicitors to participate in structured group discussions about ethical duties and dilemmas as part of annual continuing competence requirement and possibly also for aspiring solicitors before they are admitted. Board members agreed that we needed to take steps to strengthen our

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approach to continuing competence and asked the Executive to work towards publishing a green/discussion paper on what we might do on ethics/professional conduct for aspiring solicitors.

Options for reprioritisation

- 17 The Board considered a paper setting out where we were already prioritising work, and where there were further options for reprioritisation to ensure that the capacity was available to manage key strategic issues.



Birmingham Office Space

- 19 We had a brief discussion about the likely need for additional office space in Birmingham given the increase in staffing numbers, and asked the Executive to look at the possibilities and report back.

Deep dive into the increase in volume of cases

- 20 We had a more detailed look at the increase in the number of cases we were receiving and the possible reasons for that, as well as the work that we were doing, for managing the increase in terms of both timeliness and quality.
- 21 This led to a wider discussion about the sort of regulator we need to be, which would be one of the themes of discussion in our March strategy sessions.

Anti-Money Laundering (AML)

- 22 The Board received an update on the latest developments following the government's announcement that AML supervisory responsibilities for the legal sector would transfer from the SRA to the Financial Conduct Authority (FCA). The transfer of responsibilities to the FCA was likely to take some time, and there would be a significant challenge in trying to retain staff during the transition period. Concern had been expressed by the profession about this change which it saw as the introduction of dual regulation.
- 23 We also received an overview of recent changes to the AML regime and wider government initiatives, and reports on our performance as the current supervisory body for law firms. This included the report following the Office for Professional Body AML Supervision (OPBAS) full inspection in April–May 2025, marking the first comprehensive review against the OPBAS Sourcebook. We had received the highest rating (effective) against two work areas and the second highest (largely effective) against the remaining seven.

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- 24 The Board also noted the significant operational improvements that had been made over the last 18 months or so against the background of a sharp rise in the number of reports being received. The Board congratulated the team on the positive outcome from the OPBAS inspection and the operational improvements that had been achieved.