Equality Impact Assessment

Further consultation on client money in legal services: Protecting the client money that solicitors hold

June 2026

Contents

Introduction

This is the final equality impact assessment (EIA) of the changes we are proposing to:

- update arrangements for the accountants' reports regime
- strengthen the checks and balances provided by compliance officers.

We published our initial EIA alongside our public consultation on these proposals, which ran from December 2025 to February 2026. This final assessment draws on the evidence included in the draft EIA and the feedback we received through consultation and stakeholder engagement.

This EIA has been carried out to assess whether the final policy positions give rise to any potential equality impacts, and to make sure that we have had due regard to the public sector equality duty as required under the Equality Act 2010. It sets out the mitigations that we have been able to apply to address the potential impacts, our consideration as to whether we are justified in proceeding with our proposals and how we propose to monitor the proposed changes for any future impacts.

This assessment is structured by policy area, reflecting the risks and objectives addressed by each set of proposed changes. For each area, we describe the intended outcomes of the changes, assess potential impacts on individuals and groups, consider relevant consultation feedback, and explain how proportionality is reflected in the final policy design.

Cumulative and combined impacts across both policy areas are considered later in the document.

Assessment of proposed changes

Updating arrangements for the accountants' reports regime

Overview of the policy changes

The changes to the accountants' reports regime are intended to strengthen oversight of firms' handling of client money by improving the completeness, accuracy, and timeliness of the information we receive. In doing so, the proposals aim to support earlier identification of potential risks to client money.

The measures being taken forward focus on formalising and standardising existing procedural expectations, rather than introducing new substantive regulatory obligations. Under the current approach, firms are required to obtain an accountant's report where they hold client money. But only qualified reports must be submitted to us, and confirmation is not required from firms on whether they are exempt or that an unqualified report has been obtained. This has resulted in gaps in our visibility of compliance with our requirements.

The changes seek to address these gaps and provide greater assurance of firms' compliance with the accountants' reports regime by:

- requiring all firms that hold client money to submit an accountant's report for each accounting period unless exempt under the existing criteria
- introducing an annual declaration from firms confirming key information including exemption status, and
- extending the use of fixed financial penalties (FFPs) for clearly defined procedural non-compliance, such as late or non-submission.

Following consultation, we are not proceeding at this stage with a requirement for reporting accountants to submit their reports directly to us. The current approach will continue, under which either the firm or the reporting accountant may submit the accountant's report to us. We will likely return to this issue in the near future.

Taken together, the measures are designed to reinforce the integrity of the accountants' reports regime as a safeguard for client money, while maintaining a risk-based and proportionate regulatory approach.

Potential impacts

The measures being taken forward are procedural in nature and do not change the underlying obligation on firms to obtain an accountant's report, unless exempt, nor do they expand the categories of firms that fall within scope of the regime.

Potential impacts relate primarily to limited additional administrative steps associated with submitting unqualified reports and completing annual declarations, and exposure to FFPs where firms fail to meet clear procedural requirements. These impacts are expected to be minimal, as the proposals formalise and standardise existing expectations rather than introducing new requirements that affect how firms operate or deliver legal services.

Our assessment indicates that any equality impacts are likely to arise indirectly, primarily through firm size, with small firms and sole practitioners more exposed to procedural

requirements. These issues are considered further below in the context of consultation feedback and the final policy design.

Consultation feedback relevant to equality impacts

Respondents to the consultation and draft EIA expressed broad support for the measures intended to improve visibility, consistency, and timeliness within the accountants' reports regime.

Feedback relevant to equality impacts focused primarily on proportionality for small firms and sole practitioners. Respondents highlighted concerns about administrative capacity, the cumulative effect of regulatory change, and the importance of making sure that new procedural requirements are clear, straightforward, and flexible.

Some respondents noted that smaller firms are more likely to employ solicitors with certain protected characteristics or to serve specific communities. They emphasised that additional procedural burdens could therefore have wider effects if not implemented proportionately. These concerns were generally framed in the context of cumulative regulatory burden rather than identifying specific adverse equality impacts arising from the accountants' reports proposals in isolation.

Respondents emphasised the importance of clear expectations, straightforward processes, adequate time to comply and accessible guidance. No new evidence was provided through consultation that materially altered the initial assessment of equality impacts set out in the draft EIA.

Mitigation of potential impacts and policy design

The potential equality impacts of the changes to the accountants' reports regime are expected to be limited. This is because the measures focus on changes to information submission requirements rather than altering firms' underlying obligations or working practices. Firms that are not exempt are already required to obtain an accountant's report annually, and the proposals operate within that existing framework.

The changes require non-exempt firms to submit all reports to us and for all client money-holding firms to provide an annual declaration confirming key information including exemption status. This information should already be available to firms that hold client money in compliance with the Accounts Rules. The changes therefore involve a small amount of additional administrative activity on an annual basis without introducing new substantive requirements.

The proposed changes do not bring additional firms into scope of the accountants' reports regime, and the existing exemption criteria remain unchanged. Firms that hold small amounts of client money or only Legal Aid funds continue to fall outside the requirement to obtain an accountant's report. As a result, any impacts are confined to firms already within scope and relate to procedural compliance.

Consultation feedback indicated that small firms and sole practitioners may experience administrative changes more keenly, reflecting more limited administrative capacity in those firm types. For reference, our firm diversity data relating to small firms is set out at Appendix A. These views were considered carefully as part of our assessment of potential equality impacts.

Consultation respondents also raised broader concerns about the cumulative impact of regulatory change on smaller firms (considered further below). In this context, the limited and

procedural nature of the changes is relevant in assessing their overall impact. When viewed alongside firms' existing obligations, the proposals are not expected to add materially to the cumulative regulatory burden.

In addition, having considered the feedback received, we are not proceeding at this stage with a requirement for reporting accountants to submit reports directly to us as there are some issues to work through. Deferring this proposal reduces the number of process changes firms need to adapt to in the short term, helping to limit additional procedural burden while the revised reporting arrangements are embedded. However, we are likely to return to this policy option in the near future given its potential benefits.

The extension of FFPs supports the effective operation of the accountants' reports regime by providing a proportionate means of addressing procedural non-compliance, such as failure to submit reports or declarations by the required deadline. Accountants' reports are an important safeguard for client money, and the application of FFPs strengthens assurance that firms which should be obtaining reports are doing so.

Firms retain control over whether a penalty is incurred through timely compliance. We recognise that FFPs may have a greater relative impact on smaller firms. However, this risk is mitigated through the design of the regime, including clear guidance and opportunities for firms to remedy non-compliance and to make representations before any penalty is imposed. These features are intended to make sure that any impacts remain proportionate to the nature of the breach.

We will periodically review the operation of the FFP regime, including whether particular firm types are more likely to incur penalties or experience adverse impacts. And if any disproportionate effects are identified, we will try to understand why that might be the case and consider any potential mitigating action.

Implementation will be supported by clear guidance, accessible submission routes, and proportionate enforcement. These features are intended to facilitate timely compliance and reduce the risk of avoidable breaches.

Overall, having considered the available evidence and consultation feedback, we consider that the package of changes represents a proportionate means of strengthening oversight of firms' handling of client money. While also limiting the risk of unintended adverse equality impacts.

Conclusion on equality impacts

Having considered the available evidence and consultation feedback, we are satisfied that the final package of measures relating to the accountants' reports regime is unlikely to result in significant adverse equality impacts.

The changes clarify and formalise existing procedural requirements and introduce proportionate mechanisms to support compliance. Available evidence does not indicate that small firms or sole practitioners are likely to be disproportionately affected by the submission requirements or by the application of fixed financial penalties.

Overall, the measures support clearer expectations, more consistent procedural compliance and strengthened oversight of firms' arrangements for safeguarding client money. We will monitor implementation closely and remain alert to any evidence of unintended or disproportionate impacts.

Monitoring and review

We will monitor the impacts of the revised accountants' reports regime through:

- submission and processing data from the revised reporting arrangements
- information on the application of FFPs, including by firm size
- feedback and queries from firms and reporting accountants
- insights from internal investigations and enforcement activity
- issues raised by regulated firms, individuals, or representative bodies.

Monitoring will include consideration of whether any differential impacts emerge for firm types or groups. We will keep these changes under review during implementation and undertake a formal post-implementation review once the regime has been in operation for a sufficient period to allow meaningful assessment. This review would assess whether the changes are achieving their intended outcomes and whether any unintended equality impacts, including cumulative effects, have arisen and if so why that may be.

Strengthening checks and balances in compliance roles

Overview of the policy changes

We think structural safeguards on a risk basis are necessary and proportionate in larger firms and those holding significant amounts of client money. Under the SRA's Standards and Regulations, all authorised bodies must appoint a compliance officer for legal practice (COLP) and a compliance officer for finance and administration (COFA).

These compliance roles are central to making sure firms meet their regulatory obligations and maintain public trust in legal services. The COLP is responsible for overseeing the firm's compliance with all legal and regulatory obligations, excluding matters specified within the SRA Accounts Rules. They must take all reasonable steps to make sure that the firm, its owners, managers and all people involved with it comply with the regulatory arrangements and the terms and conditions of authorisation. They must record any potential breaches and promptly report any potential serious breaches to the SRA. The COFA has similar responsibilities, specifically relating to the SRA Accounts Rules.

Within firms that exceed the specified thresholds, any individual that can unilaterally determine or direct significant management decisions relating to the structure or running of that firm must not hold the roles of COLP or COFA. Firms below both thresholds are out of scope of our measures and so the requirement to separate roles applies only to firms which had:

- an annual turnover over £600,000 in the previous accounting period and/or
- a client money balance over £2,000,000 at any point in the previous accounting period.

The threshold relating to the client money balance has been changed as a result of our consultation. We initially proposed to set the threshold at £500,000, however following our consultation, we have sharpened our focus on the greatest areas of risk in the sector and have raised this to £2,000,000. As a consequence, we see a reduction in the number of small and sole owner-manager in scope of the new rule, serving to further mitigate against the potential equality impacts we – and consultation respondents – identified.

There is a limited exception for sole practitioners or firms with sole owner-managers, collectively referred to as 'sole owner-manager firms'. Separation of roles presents particular challenges for these firms as it may be difficult to identify suitable individuals within the firm who have sufficient seniority to meet our compliance officer criteria. Accordingly, in sole

owner-manager firms that exceed the client money threshold only, the owner-manager would not be eligible to hold the COFA role but could retain the COLP role.

It is important to address risks to consumers in a proportionate and targeted way. Holding significant amounts of client money presents significant risks in firms of all sizes. The requirement to separate the COFA role specifically targets risks around a lack of checks and balances relating to client money decision making. It is appropriate to apply this requirement to all firms above the revised client money threshold, which is significantly higher than the threshold consulted on.

Our consultation also set out our intention to conduct a wider, substantive review of the effectiveness of the role-holder accountability framework. Timescales are yet to be decided, but observations and/or findings from the changes set out above will inform this review.

Below, we have set out the feedback received through our consultation, identified the potential equality impact of our final policy proposals, the mitigations we have been able to put in place, and our plans for monitoring and evaluation.

Potential impacts

In the initial EIA published with our consultation, we identified that any potential equality impacts of these proposals are likely to arise indirectly, primarily affecting groups which are overrepresented in sole practices and small firms. The initial EIA was based on published data from 2023 about diversity in these firms. The 2025 firm diversity data is now available. It is broadly similar, but we have updated the overall breakdown of diversity with one to five partners which is set out in Appendix A.

Issues raised through consultation

Respondents to the consultation on the separation of compliance roles indicated that the draft EIA may have underestimated the potential impact on smaller firms. And the resulting indirect impact on the groups which are overrepresented in these firms. Concerns focused on the cumulative effect of regulatory change and the capacity of smaller firms to absorb additional requirements.

The consultation responses underlined the importance of proportionality, with a number questioning the effectiveness of our proposed thresholds in meaningfully identifying firms which present a heightened risk of failure and consumer harm. Many respondents felt that the proposed turnover and client money thresholds would capture a considerable number of small firms and sole owner-manager firms which, pose a lower risk of consumer harm. As a result, for these firms, the cost and disruption to their business model caused by the proposals would be disproportionate. Respondents felt that this would indirectly impact the groups which are overrepresented in these firms.

Several respondents also raised concerns about the potential impact on access to justice. They noted that smaller firms and sole practices often serve communities with higher levels of vulnerability or deprivation. They suggest that were these firms to face additional regulatory burdens or are required to restructure, there is a risk that some might:

- change the services they offer
- change locations they operate
- change pricing models

- even potentially close

and therefore, reduce access to legal services for these communities.

We were provided some information about the basis of these assumptions, namely that some small firms are operating with low profit margins. However, we did not receive data to substantiate this position.

There were also more general concerns about the risk that compliance could be weakened if new role-holders lack authority or firm-specific knowledge. For example, if small firms have to utilise a contractor. We also heard some for clearer guidance on how to identify individuals able to exercise unilateral decision-making authority and what constitutes a significant management position.

Further assessment of potential impacts

In our approach to this final impact assessment, we have carried out an analysis of the diversity characteristics of lawyers working within a more focused cohort of firms. This gives us a more accurate understanding of the firms likely to be affected the most by the proposals, based on the revised thresholds. It is based on our firm diversity data, and the data firms provided during the 2024/25 practising certificate renewals.

This cohort is made up of 431 sole owner-manager firms whose turnover exceeded the relevant thresholds and where the owner held compliance roles that would make the firm non-compliant under the new arrangements. Specifically, firms with turnover above £600,000 where the owner acted as COLP or COFA, and firms above the £2,000,000 client-money threshold where the owner acted as COFA.

The data indicates that some groups are overrepresented in this cohort of firms compared to their representation across all firms. This includes:

- men, who account for 60% of the affected cohort, compared with 45% of lawyers in all law firms

- Asian solicitors who account for 16% of the affected cohort compared with 12–13% among all lawyers

- 10% of non-compliant sole owner-managers are under 45, compared with 59% of all lawyers. By contrast, 24% are aged 45–54, 26% are 55–64, and a further 34% are over 65 (in contrast to four percent seen across all lawyers

- 13% identify as disabled, compared with six percent across all lawyers and five percent among partners or sole practitioners

- 51% come from professional parental occupations, slightly higher than the profession overall, while 12% come from lower socio-economic backgrounds and 14% declined to disclose

- 25% have childcare responsibilities for children under 18, compared with 35% in the wider profession, and other forms of caring follow similar patterns.

Some demographic groups are overrepresented in the cohort of 431 sole owner-manager firms that we identified would be affected. These groups are men, solicitors over 45, disabled solicitors, solicitors from an Asian background, all of whom are overrepresented in this cohort compared to the solicitors in all law firms.

The proposals will affect other firms where turnover and/or client balances are over the thresholds. Based on our data, around 1,600 firms fall within scope and so will be required to give due consideration to the new rules, though not all will need to make changes. We are unable to identify which firms within this wider cohort will need to make changes. This is because the proposals only limit the ability to hold compliance roles, for those individuals who can unilaterally determine or direct significant management decisions relating to the structure or running of that firm. We do not hold that information for law firms and each firm will have to determine how the new proposals apply to their arrangements.

The magnitude of the impact would depend on the specific characteristics of the firm. One that already has another suitable individual willing and able to take on the affected compliance role(s) or a suitable manager who could have a say in decision making, is likely to be least impacted.

They would face some additional cost in eg adjusting processes to reflect the change and providing any necessary training for the new role holder. Firms that do not have another suitable person that is willing and able to take on a role, or a manager to have a say in decision making, will face additional costs. In some cases, they may need to take on an additional employee, or consultant to fulfil the role. Therefore, the biggest impact is likely to be on sole owner-manager firms.

We were told that this could potentially lead to firms to reconsider the services they offer and/or areas they operate or withdraw from delivering legal services.

We have analysed the areas where the sole owner manager firms are based. This helps us assess the demographics of their likely client bases and the potential impact on supply of legal services. Where a firm withdraws their services, there may also be implications for access to justice, in those areas.

However, whether, and if so the reasons behind – fee raises, service withdrawal and/or firm closure are complex and multi-faceted, rarely the result of a single factor. We have not received strong evidence of precisely how firms will respond to these policy changes or that the changes will result in responses that will negatively impact on access to justice in practice.

Access to justice considerations

Using practising addresses for firms in the cohort likely to be affected the most, we mapped their locations to the most recent Census data, including the Rural–Urban Classification and the Output Area Classification (OAC). These classifications give insight into settlement size, sparsity, demographic structure, household composition, socio-economic conditions, and employment patterns for the areas concerned.

Most of the cohort are located in densely populated, highly urban, and socio-economically mixed environments. Over 82% operate in large urban settlements of 10,000 or more residents, and 83% fall within OAC groups such as:

- Cosmopolitans
- Urbanites
- Multicultural Metropolitans
- Ethnicity Central
- Constrained City Dwellers.

These areas are typically characterised by:

- high ethnic diversity
- younger and more transient populations
- significant numbers of renters and students
- varying levels of economic precarity.

This suggests that many of these firms serve clients who rely heavily on accessible, local legal services, limited mobility, digital exclusion, language barriers or limited familiarity with the UK legal system.

A small number (25) of the cohort operate in rural or sparse settings, where access to legal services is already constrained. It is important to note, that in such areas, even a single firm withdrawing practice in a legal practice area or a closure can contribute to or create localised ‘legal advice deserts’. This is due to limited alternative provision and poor transport links.

It should be noted that the analysis is based solely on each firm’s head office address. While many small and sole-practitioner firms are likely to operate from a single practising location, this is not universally the case, and any additional offices would not be captured in this dataset. Furthermore, our assessment considers only the general demographic and geographic characteristics of the surrounding area, rather than the firm’s exact position within it. As a result, we cannot comment on the availability or proximity of alternative providers that might absorb demand or provide continuity of service if affected firms reduce operations or exit the market.

Whilst this data flags that we should be mindful of the impact that potential firm closures could have on access to justice, the findings should be interpreted with care. We have not seen any analysis or evidence to support the suggestion that this proposed rule, either as a standalone or cumulative consideration, will impose disproportionate requirements on identified firms. Nor have we seen evidence that it would inevitably result in widespread service withdrawals and/or firm closures.

We do, however, acknowledge that were this to occur in certain area of law or geographies this could:

- reduce access to justice for vulnerable groups
- erode trusted local provision
- increase pressure on remaining legal and advice services.

Summary

In summary, the proposals could potentially affect those overrepresented in the cohort of sole owner-manager firms and the communities they serve. We do not have evidence that the changes will precipitate an increase in service disruption. However, we recognise that the proposed rule may put some additional pressure on these firms’ business/operating models. It is likely that firms will respond to the new rules in different ways according to their own arrangements, making use of the flexibilities and mitigation we set out below.

Our position remains that it is not tenable for the SRA to ‘do nothing’. Recent cases have highlighted a number of failures and instances of poor behaviour in firms. In some cases, weaknesses in governance, systems and controls have allowed this to go undetected and unreported. We have seen the significant cost when things go wrong and client money is stolen, lost or misused, the consequences for consumers can be serious and long-lasting. These cases can also undermine trust and confidence in legal services. And they can result in an increase in the costs of delivering services, through increases in insurance premiums, the cost of providing redress through the compensation fund, or wider regulatory costs.

Mitigation of potential impacts through policy design

We think structural safeguards on a risk basis are necessary and proportionate in larger firms and those holding significant amounts of client money. We have, however, listened carefully to the views of stakeholders. And taken into account the risk of unintended consequences for the groups which could potentially be adversely affected by the proposals and access to justice considerations. We have been able to apply a range of mitigations which will reduce the impacts of our proposals, including:

- applying the proposals on a risk basis with thresholds to target larger firms and those holding high values of client money
- raising the client money risk threshold having listened to views on consultation and also providing an exemption when the threshold is reached because of anomalous transactions
- providing appropriate exceptions for sole owner-manager firms
- providing transitional provisions – of potentially up to two years – for small and sole owner-manager firms to adapt to the proposals.

Our proposals are outcome-focused and provide flexibility for firms in how they meet the requirements of the new rules. This includes separating roles, revising firm governance and decision-making arrangements or looking at other measures to reduce risk such as using third-party managed accounts.

As referenced in the bullets above, on proportionality considerations, we have also proposed an exemption for some sole owner manager firms For sole owner manager firms with turnover above £600,000, we consider the risks significant enough to require full separation of both roles, consistent with our approach for other firms above this threshold and that this is proportionate in larger practices. However, for firms that exceed only the client money threshold, we propose that the owner may continue as the COLP while a separate COFA is required. This approach manages the risks associated with large client money balances while reflecting the practical realities of how these firms operate.

Our decision to revisit the client money threshold is a proportionate approach to the risk presented by smaller firms, recognising the greater practical difficulties they may face, and the important role they play in the sector. We initially identified that around 2,110 firms (including c730 sole owner-manager firms) would need to take action to comply with the new rule, assuming the client money threshold of £500,000. In raising the client money threshold to £2m the number of firms in scope reduces to 1,660 (of which 431 are sole owner-manager firms).

We acknowledge that the potential equality impact will remain, albeit for a smaller number of firms. We considered how we could mitigate the remaining impact and have been able to do this in a number of ways. This includes the exception for sole owner-managers in relation to the COLP role and providing flexibility about how to meet the new requirements. For example, firms can revising their governance and decision-making arrangements or look at alternative client money holding arrangements.

We will also be providing guidance and support for affected firms and a phased implementation window which will afford a longer transitional period to small firms required to make changes.

Monitoring and review

We will review the impact of the proposed alterations to make sure that they are operating as intended and are delivering their aims in a proportionate manner. Monitoring and evaluation activity will build on existing analytical processes. We will monitor the impact of the new arrangements through a combination of operational data, supervisory activity, enforcement insights and intelligence from investigations. This might include:

- authorisations – tracking changes to owner-manager and compliance role holders
- investigations – where firms under review are found in breach of the new requirements
- firm diversity – to monitor relevant equalities impacts, observing any change patterns in the demographic of compliance officers over time.

In relation to compliance officer changes, we will look to formally review the impact of changes after three years from the end of the transitional period. Monitoring and evaluation will include consideration of whether any differential impacts emerge for firm types or groups. We will keep these changes under review during implementation and undertake a formal post-implementation review once the regime has been in operation for a sufficient period to allow meaningful assessment. That review will assess whether the changes are achieving their intended outcomes and whether any unintended equality impacts, including cumulative effects, have arisen and if so, why that might be.

The evaluation of the impact of our proposals will inform the more substantive review of the effectiveness of the role-holder accountability framework which we proposed in the recent consultation. We will confirm the timescale for the review in due course.

Conclusion

We think structural safeguards on a risk basis are necessary and proportionate in larger firms and those holding significant amounts of client money. In the current framework, compliance officers are responsible for making sure all people involved with the firm, including owners and managers, comply with their obligations. They are responsible for reporting any potential serious breaches to us. There is a clear risk that this important in-built check and balance will be negated if an individual who unilaterally controls decision making in the firm, is also accountable for the systemic compliance of their own decision making.

Overall, we have considered if the proposed approach is justified and represents a proportionate way to achieve the protections that are needed for client money. In our view, it is proportionate to require firms which represent a higher risk – large firms and those holding over £2 million client money – to strengthen compliance arrangements. And that the flexibilities for firms and mitigations outlined largely address earlier proportionality and disruption concerns.

We will monitor the impact of our proposal on equalities considerations – as well as market stability – and consider changes as/when required.

Cumulative and combined impacts

While the final proposed changes are designed to address different regulatory concerns and risks, we recognise that some firms may experience cumulative effects when both sets of changes are considered together. This is most likely to arise for small firms and sole owner-manager firms, which may have more limited administrative capacity and governance structures that bring them within scope of both sets of measures.

As set out in the policy-specific sections, these firm types also have higher representation of individuals with certain protected characteristics, meaning that any cumulative effects could give rise to indirect equality impacts.

A firm may need to take additional administrative steps to comply with revised reporting requirements while also considering changes to compliance role arrangements if it exceeds the relevant thresholds. Consultation respondents highlighted concerns about the cumulative effect of regulatory change on small firms, particularly where multiple reforms are implemented within a relatively short period.

We have sought to address these risks through proportionate policy design and careful sequencing across both areas. The accountants' reports measures do not expand the population of firms required to obtain a report, as the existing exemption criteria are being retained, thereby limiting additional burdens. The compliance roles proposals apply only to firms exceeding defined risk-based thresholds and include differentiated approaches and exemptions for certain sole owner-manager firms. Both policy packages will be supported by guidance and clear communications through implementation of the changes

Taken together, we consider that the combined effect of the proposed changes is unlikely to result in disproportionate adverse equality impacts. Any potential cumulative effects are mitigated to some extent through the final policy design. We will nonetheless monitor and evaluate impacts including any evidence that particular firm types or groups experience unintended impacts arising from the interaction of the two sets of changes.

Conclusions

This EIA has considered the potential equality impacts of the final policy positions relating to the accountants' reports regime and the strengthening of checks and balances in compliance roles, in line with the public sector equality duty under the Equality Act 2010.

In relation to the accountants' reports regime, the final measures clarify and formalise existing procedural requirements and introduce proportionate mechanisms to support timely compliance. The assessment has not identified evidence of material adverse equality impacts. Any impacts are indirect, arising from firm size rather than protected characteristics, and are limited by existing exemptions and safeguards within the enforcement framework.

In relation to compliance roles, overall, we consider that the proposals are proportionate and targeted at risk, and that they:

- appropriately address the risk of consumer and other harm while recognising the circumstances of different firms
- provide flexibility about how requirements are met where possible
- are proportionate to the risks and the impact of not acting.

However, we recognise the potential for a more significant impact on sole owner-manager firms, which have an overrepresentation of individuals with protected characteristics. As such, we will take forward the mitigations set out in this EIA and make sure that we review the impact of the proposals. If evidence shows that the proposals are creating unintended or disproportionate effects, we will take appropriate action to understand the reasons for this and whether further mitigating action is needed.

While consultation feedback raised concerns about cumulative regulatory burden and capacity within small firms, the final policy designs incorporate measures to limit avoidable impacts.

Overall, we conclude that the proposals are:

- proportionate and justified
- pursue legitimate regulatory aims
- unlikely to result in unlawful discrimination.

And that we have taken steps to minimise material adverse equality impacts. We will regularly review impacts and undertake formal post-implementation reviews once the changes have been in operation for a sufficient period to allow meaningful assessment.

Appendix A – Firm diversity data

Our final EIA is informed by data that we collect from law firms, and which we publish in our law firm diversity data tool.

For this assessment we are defining smaller firms as those operating with between one and five partners. Our law firm diversity data illustrates the diversity profile of solicitors working in these firms:

- there are a higher proportion of men in law firms with one to five partners (45%) compared with their proportion in all firms (43%)
- there are a higher proportion of Asian solicitors in law firms with one to five partners (20%), compared with their proportion in all firms (12%)
- there are a higher proportion of Black solicitors in law firms with one to five partners (5%), compared with their proportion in all firms (3%)
- there are a higher proportion of solicitors aged 45 and over in law firms with one to five partners (52%), compared with their proportion in all firms (39%). This is true for all three of the older age categories: 45 to 54, 55 to 64 and 65+
- there are a higher proportion of disabled solicitors in law firms with one to five partners (10%), compared with their proportion in all firms (7%)
- there are a higher proportion of Muslim solicitors in law firms with one to five partners (12%), compared with their proportion in all firms (6%)
- there are a higher proportion of solicitors from lower socio-economic backgrounds in law firms with one to five partners (18%), compared with their proportion in all firms (15%)
- there are a higher proportion of solicitors from intermediate socio-economic backgrounds in law firms with one to five partners (13%), compared with their proportion in all firms (11%).