

News release

Compensation fund increases confirmed, while practising fees to remain unchanged

23 July 2024

Following consultation, we have confirmed that law firm and individual contributions toward the SRA Compensation Fund will need to increase for the first time in five years.

Individual contributions to the compensation fund for 2024/25 will be £90 (£30 last year) while firm contributions will be £2,220 (£660).

The fund has come under increasing pressure due to the SRA having to step-in and close down more firms to protect the public – known as interventions. This has led to a substantial rise in claims from consumers. This includes an expected £35m of claims following our [largest ever intervention last year into the law firm Axiom Ince](https://media.sra.org.uk/sra/news/press/2023-press-releases/axiom-ince-intervention-and-impacts/).
[\[https://media.sra.org.uk/sra/news/press/2023-press-releases/axiom-ince-intervention-and-impacts/\]](https://media.sra.org.uk/sra/news/press/2023-press-releases/axiom-ince-intervention-and-impacts/)

The rise in contributions will allow fund reserves to be rebuilt over the next two to three years.

Feedback on our [consultation on proposed rises](https://media.sra.org.uk/sra/news/press/2024-press-releases/business-plan-fees-consultation-2024/) [\[https://media.sra.org.uk/sra/news/press/2024-press-releases/business-plan-fees-consultation-2024/\]](https://media.sra.org.uk/sra/news/press/2024-press-releases/business-plan-fees-consultation-2024/) showed that both the public and profession acknowledge the important role the fund plays in providing a safety net for consumers and upholding trust and confidence in solicitors. The profession did, however, express concerns that we should do all it can to manage the impact on law firms.

The contribution levels have been set taking account of the [principles of the fund](https://media.sra.org.uk/mysra/fees/compensation-fund-contribution-level-principles/) [\[https://media.sra.org.uk/mysra/fees/compensation-fund-contribution-level-principles/\]](https://media.sra.org.uk/mysra/fees/compensation-fund-contribution-level-principles/), in particular the overriding principle of maintaining its viability, while ensuring contributions are as manageable as possible for firms and solicitors.

We have taken steps to limit the increases in the coming year, including extending the period over which it will rebuild the fund's reserves, and the negotiation of a banking facility, which can be used in the event of further large interventions. Without these measures, contributions would need to have risen by almost twice the amount of the increase.

Paul Philip, Chief Executive of the SRA, said: 'The fund plays a critical role in protecting the public and maintaining trust in the profession. We have steadily reduced contributions to the fund over the

last five years, but this increase is needed due to the unprecedented level of recent claims on the back of large interventions.

'It's vital that there is enough money in the fund to continue to provide a safety net for consumers, but we recognise the profession's concerns about a large increase. So we have done all we can to keep that rise down next year.'

In October firms and individuals are required to pay their compensation fund contributions as part of their annual practising certificate and firm authorisation renewals. We have confirmed that both the SRA element (£162), and total individual practising fees for 2024/25 will remain at the same level as last year – meaning a total individual fee of £307. Firm fees will also be set in line with last year, meaning any increase would only follow from an increase in a firm's turnover.

As part of our ongoing review of consumer protection arrangements, we are continuing to consider how the compensation fund should operate in the future. We have received feedback that it should consider changes to how it apportions fund contributions. We will consider this as part of its [ongoing consumer protection review](https://media.sra.org.uk/home/hot-topics/consumer-protection-review/) [https://media.sra.org.uk/home/hot-topics/consumer-protection-review/], and consult on any proposed changes.

Final confirmation of the compensation fund contribution and renewal fees are subject to approval by the Legal Services Board.