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The logo for the Legal Services Consumer Panel is located in the top right corner. It consists of a blue circular shape on the left and a blue rectangular shape on the right. The text "LEGAL SERVICES CONSUMER PANEL" is written in white, uppercase letters within the blue shapes. "LEGAL" and "SERVICES" are stacked vertically in the circle, while "CONSUMER" and "PANEL" are stacked vertically in the rectangle.

LEGAL
SERVICES
CONSUMER
PANEL

17 October 2012

Dear Ian

Consultations surrounding IPS' proposed applications for reserved legal activity rights:

- **Proposal to seek practice rights and qualification arrangements for rights**
- **Professional indemnity insurance and client protection arrangements**
- **Proposals to revise the code of conduct**
- **Complaints and disciplinary arrangements**

The Panel welcomes the opportunity to comment on the above consultations, which foreshadow your forthcoming licensing authority application. As you are aware, the Panel is a mandatory consultee once the application is formally submitted, but we hope it is helpful to make some brief remarks on these consultations.

IPS has considered various options for client protection, including an Escrow, a compensation fund and an insurance policy. However, assessment of the advantages and disadvantages of these options seems to have been carried out from the perspective of providers not consumers. For example, the fact that entities would face an added layer of control on the transfer of funds from an Escrow is listed as a disadvantage yet the Panel considers this would be a positive advantage for consumers. The Panel believes the option of an Escrow rather than an insurance policy may be optimal for consumers.

We note that the Escrow costs are estimated at £12 per transaction and that these charges could be unsustainable. However, it is difficult to make a definitive comparison on this as there is no other information on the likely costs of each option. Furthermore, we note the costs of the preferred option (insurance policy) have not yet been worked out which somewhat undermines the argument put forward for favouring this alternative.

Under the proposals to revise the Code of Conduct, the Panel notes the distinction IPS has drawn between 'clients' and 'consumers'. We support IPS' recognition of the fact that some consumers may seek legal services but have difficulty in accessing them due to particular vulnerabilities. However, we believe IPS should rely on the definition of consumer in the Legal Services Act 2007. This definition is broad and includes those who use, have used, or are contemplating using, legal services.

The Panel also notes IPS' definition of vulnerability. This should be expanded to take into consideration the British Standard on inclusive service provision (BS 18477), which recognises that vulnerability can be dynamic, changing with time or circumstances, and that consumers may be placed in a position of disadvantage during certain transactions depending on their individual situation. The Panel has previously sent a copy of the standard to IPS.

Finally, we appreciate that the current consultations address only certain elements of your proposed regulatory approach. In the full application, we hope you will set out in overall terms the intended benefits for consumers of the licensing authority proposals, particularly for lay clients, SMEs and small charities. These are the types of consumer that the Panel primarily represents, recognising that larger clients are better able to individually and collectively represent their own interests. This is necessary not only to assess the potential benefits for consumers, but also to help identify the risks and whether the proposed measures will mitigate these.

We hope these brief comments are helpful and look forward to commenting on your formal application in due course.

Yours sincerely



Elisabeth Davies
Chair