



21 June 2019

Dear Sir/Madam

### **The CLC's Accounting Rules**

The Legal Services Consumer Panel (Panel) welcomes the opportunity to respond to the Council for Licensed Conveyancers consultation on reviewing its Client Accounts Rules.

The Panel agrees with the CLC's overall objectives. We support a move towards principles based regulation because we recognise that overly prescriptive rules often lack the capability of being applied flexibly or of responding to change. Detailed rules may leave gaps, produce inconsistencies, lead to rigidity, and may be susceptible to creative compliance. A principles-based approach, on the other hand, is more likely to produce behaviour which fulfils the regulatory objectives and useful innovation. We believe that this set of proposals is likely to lead to accounting rules that are outcome focused, proportionate, clear and enforceable.

The Panel has considered all the proposals carefully, and we are satisfied that the CLC has struck the right balance between a principles based approach and the need to be prescriptive where necessary. The Panel supports all the proposals.

That said, the Panel believes that to be successful, these proposals must be accompanied by appropriate supervision, enforcement and accountability. This is particularly important because the CLC's consultation relates to client money, where misconduct poses high risk to the regulatory objectives.

### **Third Party Managed Accounts**

The Panel agrees with the CLC's proposal to allow firms to use alternatives to holding client money through the use of a Third Party Managed Account. However, we believe that TPMA should be accompanied by a set of mandatory criteria. These mandatory criteria are essential to ensuring that the proposal works in both the interest of consumers and providers. Our proposed criteria are:

- there is independence of the third party from the transacting party
- there is transparency of status and ownership of the third party
- that the third party is regulated by the Payment Services Regulator (under the umbrella of the Financial Conduct Authority)
- that there are clear mechanisms for dealing with disputes

- that there are clear provisions for termination of the arrangements

The Panel would also like to take the opportunity to note that Third Party Managed Accounts are likely to grow in the sector. Therefore, we would like to urge all the legal services regulators to consider a consistent strategy and guidance around their use.

I hope these comments are helpful. Please contact Lola Bello, Consumer Panel Manager, with any enquiries.

Yours sincerely,

A handwritten signature in cursive script that reads "S Chambers".

Sarah Chambers

Chair, Legal Services Consumer Panel