

Sent by email only to info@ipreg.org.uk



9 October 2019

Dear Sir/Madam

Consultation: run-off cover

The Legal Services Consumer Panel (Panel) welcomes the opportunity to respond to IPReg's consultation on rule changes to its Professional Indemnity Insurance (PII) arrangements.

The Legal Services Act 2007 requires Approved Regulators to have appropriate insurance and compensation arrangements. Such financial protections are designed to protect consumers from identifiable financial loss due to dishonesty, fraud, negligence or failure to account. These arrangements also benefit the profession, covering lawyers for civil liabilities and helping to maintain public confidence.

It is important for the Panel to reiterate that our starting point when considering insurance is to guarantee that there is adequate consumer protection fit for the purpose intended; to safeguard consumers from financial loss due to dishonesty, fraud, negligence and failure to account. As such, we are supportive of IPReg's proposals outlined in the consultation document.

Reflections on the questions posed:

Question 1: What are your views on including in the Rules of Conduct an explicit requirement to take out run-off cover in the event that a practice closes without all its liabilities concerning PII being acquired by another provider regulated by a legal services regulator?

The Panel believes that consumer protection would be strengthened if the requirement to have run-off cover is explicit in IPReg's rules. We also agree that this would be proportionate to the risk of financial detriment to consumers. Run-off cover is designed to protect consumers against past issues that come to light after a firm has closed. It is unsatisfactory that the requirement to take out this insurance is not explicitly stated at present, particularly as IPReg has noted that some attorneys do not take out this cover. We therefore consider IPReg's proposal to be a positive advancement in this regard.

Question 2: What are your views on introducing a requirement to provide this sort of information about PII to clients? Do you think that the information should be provided in the client care letter, website or on demand (or a combination of these)?

The Panel agrees that it would be helpful to consumers to have an explanation of the protection that a regulated firm or attorney's PII provides. We agree with the analysis in the consultation document that the client care letter may not be a good place to have the information. As noted in the consultation document, consumers rarely engage with the letter. We agree that it may be more appropriate to have the information in a prominent section of the website and on demand for those who do not have a website.

Question 3: What are your views on introducing an explicit requirement to provide information about PII to IPReg on request?

The Panel believes information requests about PII arrangements are a key regulatory obligation on providers and indeed on the regulator to gather. As such, we agree that the requirement to provide this information on request should be on the face of the rules.

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

Yours sincerely,



Sarah Chambers

Chair

Legal Services Consumer Panel