



Sent by email only to jointhediscussion@sra.org.uk

17 September 2026

Protecting consumers when solicitors and law firms use and/or arrange third-party litigation funding for consumer claims

The Legal Services Consumer Panel welcomes this consultation as a necessary step. The Panel has previously engaged with the SRA's work on high-volume consumer claims, including its 2025 discussion paper on how the market can work better for consumers, and has consistently supported stronger regulatory oversight of third-party litigation funding in this sector, in so far as it does not unduly curtail access to justice.

The case for action is not theoretical. The collapse of SSB Group Limited, which entered administration in January 2024 owing more than £200 million, mostly arising from litigation funding loans taken out to fund cavity wall insulation claims, left thousands of former clients facing legal costs bills despite the 'no win, no fee' assurances they had been given¹. The Legal Services Board's independent review found that the SRA did not act effectively or efficiently on more than 100 reports it received about SSB's conduct and financial management between 2019 and 2024, and that this failure meant consumers, the public interest and professional standards were not adequately protected². The Panel considers SSB to be precisely the kind of harm these proposals are designed to prevent, and it should weigh heavily in favour of the SRA proceeding with clear, prescriptive requirements rather than guidance alone.

The Panel also notes the wider policy context. The Civil Justice Council's Final Report on litigation funding, published in June 2025, recommended the introduction of statutory regulation of third-party litigation funding, including that portfolio funding should be regulated by the Financial Conduct Authority³. On 17 December 2025, the Government confirmed it accepted the Council's two primary recommendations: i) to legislate so that

¹Legal Services Board, independent review of the SRA's regulation of SSB Group Limited (October 2025): <https://legalservicesboard.org.uk/news/lrb-to-act-after-ssb-review>

²Legal Services Board, independent review of the SRA's regulation of SSB Group Limited (October 2025): <https://legalservicesboard.org.uk/news/lrb-to-act-after-ssb-review>

³Civil Justice Council, Review of Litigation Funding, Final Report (2 June 2025): <https://www.judiciary.uk/wp-content/uploads/2025/06/CJC-Review-of-Litigation-Funding-Final-Report.pdf>

funding agreements are not treated as damages-based agreements; and ii) to introduce proportionate regulation of funding agreements but stated that legislation would follow only when parliamentary time allows, with no timetable given⁴. The Panel welcomes the Government's acceptance of the case for reform, but this leaves an open-ended gap during which consumers remain unprotected by any mandatory regulation of funders themselves. Against that backdrop, the Panel considers it essential that the SRA proceeds now with the strongest practicable version of the requirements it can impose on the solicitors and firms within its own regulatory remit, rather than waiting for statutory reform of funders that has no confirmed date.

Throughout this response, the Panel draws comparisons with the Financial Conduct Authority's regulation of claims management companies under the Claims Management: Conduct of Business sourcebook (CMCOB), a sector operating in a closely related part of the consumer claims market, which already imposes a best interest's duty, pre-contract information requirements and prudential safeguards of the kind proposed here.

Summary of the Panel's response

The Panel supports every proposal in this consultation and strongly encourages the SRA to swiftly proceed with implementation. In brief, across the seventeen questions the Panel:

- Question 1 (scope): agrees with the proposed definitions and exclusions, but recommends the SRA commit to reviewing scope on an ongoing, intelligence-led basis, with a backstop review at least every two years, given how quickly the HVCC sector moves into new claim types.
- Questions 2 to 4 (professional conduct requirements): strongly supports specifying independence, best interests, confidentiality and disclosure obligations, applied to all third-party funded matters regardless of client type, and suggests an additional obligation covering funder withdrawal mid claim.
- Questions 5 and 6 (client information document): strongly supports mandating a prescribed information document, points to the FCA's CMCOB regime as a working precedent, and recommends the document be user tested with consumers and given a firm length limit; and suggests additional content on worst case outcomes and group claim effects.
- Questions 7 and 8 (notification): supports notification without a minimum threshold, given the concentration risk the SSB collapse demonstrated, and encourages publishing aggregate data where possible.
- Questions 9 and 10 (risk assessment): strongly supports the requirement, given evidence of very limited due diligence across the sector, and recommends adding an assessment of firms' operational capacity to service client volumes.
- Questions 11 to 14 (orderly closure plan): supports the requirement without reservation as the proposal most directly justified by the SSB collapse, recommends the plan address continuity of legal representation specifically, and asks the SRA to publish data on how many firms the proposed thresholds would in practice capture.

⁴Ministry of Justice, written ministerial statement on the Civil Justice Council review of litigation funding (17 December 2025): <https://questions-statements.parliament.uk/written-statements/detail/2025-12-17/hlws1189>

- Questions 15 and 16 (regulatory and equality impact): considers the impact modest and proportionate given the small number of firms affected and the comparable FCA precedent and asks that the funding information document be tested specifically with consumers in vulnerable circumstances.
- Question 17 (other factors): encourages closer alignment with the Civil Justice Council's work and the SRA's parallel client money consultation.

The overarching theme of the Panel's response is that the SRA should not wait for the wider statutory reform of litigation funding the Government has accepted in principle, since that reform has no confirmed timetable and the harm from inaction, illustrated starkly by the collapse of SSB Group, is already evident.

Reflections on questions

Question 1

Do you have comments on our proposals about what should be included and excluded in defining third-party litigation funding, and consumer claims?

The Panel agrees with the proposed scope. Excluding regulated consumer credit agreements, ordinary commercial lending and owner-provided funding within an alternative business structure is sensible, since these are already subject to appropriate oversight elsewhere. The Panel also agrees that personal injury and clinical negligence claims can reasonably be excluded at this stage given the more mature costs and funding framework in those areas, and that collective actions in the Competition Appeal Tribunal can be excluded given the Tribunal's own supervisory powers over funding arrangements.

The Panel would, however, urge the SRA to keep this scope under active review rather than treating it as settled. The definition of 'consumer claims' is necessarily a snapshot of where harm is concentrated today, in sectors such as motor finance, data breach, diesel emissions, flight delay and housing disrepair⁵, but the HVCC sector has shown itself capable of moving quickly into new claim types as they emerge. The Panel would welcome a commitment from the SRA to review the scope of these requirements on an ongoing basis, informed by market intelligence and proactive monitoring for emerging claim types, with a backstop review at least every two years to guard against drift.

Question 2

Do you agree it is helpful to specify professional conduct requirements when solicitors use and arrange third party litigation funding for client matters?

Yes, strongly. The Panel agrees with the SRA's assessment that the risks arising from third-party litigation funding are at least equivalent to those arising from referral and introducer relationships, or from arranging insurance for clients⁶, both of which are already

⁵SRA, Protecting consumers when solicitors and law firms use and/or arrange third-party litigation funding for consumer claims, consultation paper (9 July to 17 September 2026):

<https://www.sra.org.uk/sra/consultations/consultation-listing/protecting-consumers-third-party-funding/>

⁶SRA, Protecting consumers when solicitors and law firms use and/or arrange third-party litigation funding for consumer claims, consultation paper (9 July to 17 September 2026):

addressed directly in the Standards and Regulations. It is not a coherent position for a comparably risky relationship, with a comparable potential for a funder to influence a solicitor's independence or a client's best interests, to remain unaddressed simply because litigation funding has grown up as a newer feature of the market.

The consequences of leaving this gap unaddressed are not abstract. Where a firm's independence from its funder is not clearly protected, a funder's commercial interest in recovering its investment can come into tension with a client's interest in the best available advice, including advice to settle, discontinue or transfer a claim. Specifying professional conduct requirements gives the SRA a clear basis for acting when this happens, rather than relying on it being captured indirectly through the general Principles.

Question 3

Do you agree with the areas of professional conduct we have suggested? Are there any further areas of professional conduct that should be included, or areas of risk it would be appropriate to address?

The Panel agrees with the four areas proposed: maintaining independence from the funder, acting in the client's best interests, only disclosing confidential information with informed consent, and confirming these three obligations in writing to both the client and the funder, together with separate written confirmation to the client, though not the funder, that the funder is not regulated by the SRA.

The Panel would suggest one further area for consideration. The consultation does not explicitly address what should happen where a funder seeks to withdraw funding, or threatens to do so, mid claim. Given the evidence set out later in this consultation of funders informing firms at short notice that they cannot meet a funding commitment, the Panel considers there is a case for a specific obligation on the solicitor to have a plan for advising the client of their options, including the option to continue without funding, transfer the claim, or discontinue, before agreeing to act in a funded matter in the first place. This would complement, rather than duplicate, the separate risk assessment and orderly closure proposals discussed below, since it is framed as a client facing professional obligation.

Question 4

Do you agree that these provisions should apply to all solicitors and law firms using and/or arranging third party litigation funding? If you would suggest restricting the scope, please explain why.

Yes. The Panel agrees that these core professional obligations, independence, best interests, confidentiality and disclosure, should apply wherever third-party litigation funding is used or arranged, not only in the consumer claims sector. These are basic protections for any client whose matter is funded by an independent third party, whether the client is a consumer, a small business or a commercial party, and the underlying risk to independence and to confidential information does not depend on who the client is. Restricting scope to consumer claims only would leave an unprincipled gap for exactly the

kind of client, a small business without in house legal expertise, who may be least able to assess a funder's influence for themselves.

Question 5

Do you agree with the proposal to mandate the provision of key information in relation to third-party litigation funding agreements? Are there alternatives you would recommend we consider?

Yes, the Panel strongly supports mandating this information. The SRA's own consumer research, drawing on 561 individuals who had appointed solicitors to represent them in a consumer claim, found that only 17 per cent recalled being told whether there was a cooling off period, and only 27 per cent recalled being told how much it would cost to pursue their claim⁷. The SRA's thematic review similarly found that only 12 of the 25 firms visited could show they had provided clients with all the fee information they were already required to give⁸. Voluntary compliance with existing information obligations has plainly not been sufficient, and a mandated, prescribed document is a proportionate response.

The Panel would also point to the Financial Conduct Authority's approach to claims management companies as a helpful precedent. CMCs have, since 2019, been required to give a potential customer a short summary document containing key information, including fees and an overview of services, before any contract is agreed, and to highlight free alternatives such as ombudsman schemes⁹. This is materially the same model the SRA is now proposing for litigation funding information, in a directly comparable part of the consumer claims market and demonstrates that this kind of mandated pre-contract document is a workable and already tested form of regulation. The Panel notes the FCA's ongoing market study into claims management services¹⁰, and does not suggest that the CMC regime is otherwise a model of good practice, only that this specific pre-contract disclosure mechanism is a workable precedent.

The Panel's principal recommendation is on implementation rather than principle. Given the SRA's own evidence that information is often presented in a way that is unclear or too lengthy for clients to engage with, the Panel would urge the SRA to user test the prescribed document with consumers, including consumers who have been through a third-party funded claim, before finalising its format, rather than relying solely on firms' and

⁷SRA, Protecting consumers when solicitors and law firms use and/or arrange third-party litigation funding for consumer claims, consultation paper (9 July to 17 September 2026):

<https://www.sra.org.uk/sra/consultations/consultation-listing/protecting-consumers-third-party-funding/>

⁸SRA guidance, No win, no fee and other fee arrangements in high-volume consumer claims:

<https://www.sra.org.uk/solicitors/guidance/no-win-no-fee-high-volume-consumer-claims/>

⁹Financial Conduct Authority, FCA Handbook, CMCOB (the requirement for a claims management company to provide a pre-contract summary document setting out fees and services before any agreement is signed, and to signpost free alternatives such as an ombudsman scheme):

<https://handbook.fca.org.uk/handbook/CMCOB/>

¹⁰Financial Conduct Authority, MS26/2: Claims management services, market study terms of reference (19 May 2026): <https://www.fca.org.uk/publications/market-studies/ms26-2-claims-management-services-market-study-terms-reference>

stakeholders' views of what constitutes plain language¹¹. The Panel would also recommend the document state a maximum length or a required summary section at the top, and that the SRA require clear signposting to the document and easy access to it at the point clients need it, since a prescriptive list of required content, without an equally firm steer on brevity and visibility, risks producing a document that is comprehensive but still not read.

Question 6

Is there any other information it would be helpful for law firms to provide where a client's claim is funded by a third-party?

The proposed list is comprehensive. The Panel would suggest the following additions.

- A single, clearly worded summary of the worst-case financial outcome for the client, in addition to the illustrated example of likely damages after deductions, so that clients who do not read the full document in detail still see the headline risk.
- Confirmation of who the client should contact, and how, if they lose confidence in their solicitor's independence from the funder during the life of the claim, distinct from the firm's standard complaints procedure.
- Where a claim is being run alongside many similar claims against the same defendant, a plain language explanation of how an individual client's claim may be affected by the progress or outcome of the wider group of claims.

Question 7

Do you agree with the proposal to require law firms to notify the SRA when using or arranging third-party funding for consumer claims?

Yes. Given that fewer than one per cent of regulated firms are likely to use or arrange this type of funding, yet those firms between them represent an estimated 10.8 million clients¹², the Panel agrees that a notification requirement, rather than a threshold-based exemption, is proportionate. A firm's individual exposure to a funder may look modest in isolation while still being part of a much larger pattern of risk across the sector, and the SSB case shows the cost of that pattern going unnoticed until a firm is already in serious financial distress¹³.

Question 8

What positive impacts would you anticipate from this change if implemented, and would you foresee any challenges for law firms in complying with this requirement?

¹¹National Literacy Trust research indicates that around 1 in 6 adults in England have literacy levels at or below those expected of an 11-year-old: <https://literacytrust.org.uk/parents-and-families/adult-literacy/>

¹²SRA, Protecting consumers when solicitors and law firms use and/or arrange third-party litigation funding for consumer claims, consultation paper (9 July to 17 September 2026): <https://www.sra.org.uk/sra/consultations/consultation-listing/protecting-consumers-third-party-funding/>

¹³Legal Services Board, independent review of the SRA's regulation of SSB Group Limited (October 2025): <https://legalservicesboard.org.uk/news/lwb-to-act-after-ssb-review>

The clearest positive impact is earlier visibility for the SRA of concentration risk, both within a single firm and across firms sharing the same funder, which the SSB case demonstrates can otherwise go unaddressed for years. The Panel would also encourage the SRA to consider what it can responsibly publish from this data in aggregate, for example the overall scale and growth of third-party funding in the sector, since this kind of market level transparency has value for consumers, researchers and policy makers beyond its use as a regulatory tool, provided this does not compromise the SRA's ability to protect commercially sensitive information about individual firms and funders.

The main challenge for firms is likely to be proportionate rather than significant: notification should be a light touch administrative step given firms already need to know this information to manage their own risk, and the Panel does not consider this a reason to introduce a minimum threshold that would reintroduce the visibility gap described above.

Question 9

Do you agree with the proposal to require firms to produce and retain a risk assessment when using third-party litigation funding for consumer claims?

Yes. The SRA's own thematic review found that of 18 firms using third-party litigation funding, only six had checked the funder's capital adequacy, two had researched the funder's funding history, five had carried out anti-money laundering or proceeds of crime checks, and four had carried out sanctions' checks¹⁴. This is a low level of basic due diligence for arrangements that can expose thousands of clients to risk, and it mirrors precisely the gap identified in the SSB review, where a 2023 forensic investigation found the firm owed £128 million to funders, some at very high interest rates, despite an earlier SRA assessment concluding the firm was financially stable¹⁵. A prescribed, retained risk assessment gives the SRA a proportionate way to check that this basic due diligence has actually happened, without requiring prior approval of every funding arrangement.

Question 10

Do you agree with the factors we have identified to be included within a third-party litigation funding risk assessment and if not, please explain your reasons? Are there any additional factors we should also include?

The Panel agrees with the factors proposed. It would suggest one addition: an assessment of the firm's capacity to service the volume of clients it expects to onboard under the funding arrangement, not only the financial risk of the funding itself. The consumer research referenced elsewhere in this consultation found that clients experienced delay and poor communication as significant problems, and the Panel's own concern is that funding arrangements which are financially sound can still drive firms to take on more clients than they can competently service, particularly where drawdown is linked to claim volume. A risk assessment that considers financial risk alone, without also considering operational capacity, may miss this driver of consumer harm.

¹⁴SRA, High-volume consumer claims thematic review (August 2025):

<https://www.sra.org.uk/sra/research-publications/high-volume-consumer-claims-thematic-review/>

¹⁵Legal Services Board, independent review of the SRA's regulation of SSB Group Limited (October 2025): <https://legalservicesboard.org.uk/news/lrb-to-act-after-ssb-review>

Question 11

Do you agree with the proposal to require firms to produce and retain an orderly closure plan when using third-party litigation funding for consumer claims?

Yes, without reservation. This is the single proposal in this consultation the Panel considers most directly justified by recent events. SSB Group's collapse left thousands of clients with little warning, facing uncertainty about their claims and, in many cases, personal liability for costs they had been told they would never have to pay¹⁶. A requirement that relevant firms plan in advance for an orderly closure, covering client communication, safeguarding client money, transfer of live files and financial liabilities, is a direct and proportionate response to a harm that has already materialised at scale, not a speculative or precautionary measure.

Question 12

Do you agree that the factors we have proposed are the most relevant to firms effecting an orderly closure?

Yes, the factors proposed (scenario planning, risk monitoring, and the detailed operational elements of an orderly closure) cover the ground the Panel would expect. The Panel would highlight communication with clients as the single most important element from a consumer perspective and would encourage the SRA's guidance to set a clear minimum standard for what client communication during a closure should look like, given the evidence that a disorderly closure leaves clients uncertain and without warning.

Question 13

Are there additional factors it would be useful for an orderly closure plan to include?

The Panel would suggest the plan should also address continuity of legal advice specifically, not only file transfer in an administrative sense. Clients mid claim, particularly those close to a limitation deadline or a court hearing, need practical continuity of representation, not simply confirmation that their file has been moved. The Panel would welcome the plan requiring firms to identify, in advance, how they would support clients to secure alternative representation without a gap that could jeopardise an ongoing claim.

Question 14

Are there additional factors it would be helpful for us to consider in relation to the threshold at which the requirement to document an orderly closure plan will apply?

The Panel understands the rationale for the proposed thresholds (500 or more claimants for non-recourse funding, or funding equivalent to 30 per cent or more of annual turnover for recourse funding, or funder security), but would ask the SRA to publish, alongside its consultation response, an estimate of how many firms currently using third-party litigation funding would in practice fall below both thresholds. Given that the SRA's declaration exercise and investigations identified 18 firms with litigation funding debt exceeding their

¹⁶Legal Services Board, independent review of the SRA's regulation of SSB Group Limited (October 2025): <https://legalservicesboard.org.uk/news/lrb-to-act-after-ssb-review>

last reported annual turnover¹⁷, a 30 per cent of turnover threshold may already capture most firms with recourse funding in place, but the Panel cannot assess this without seeing the SRA's own data. If a material number of firms with genuinely large numbers of funded clients would fall outside both thresholds, the Panel would recommend the SRA also consider an absolute minimum client number for recourse funded firms, similar to the 500-claimant threshold already proposed for non-recourse funding.

Question 15

Do you agree with the assumptions about and assessment of potential regulatory impacts?

The Panel considers the regulatory impact of these proposals to be modest and proportionate when weighed against the harm they address. These requirements apply to a very small proportion of the firms the SRA regulates, likely less than one per cent¹⁸, and the burden on those firms is largely one of documenting and retaining analysis that a well-run, financially sound firm should already be carrying out as part of ordinary risk management. Against this modest cost, the Panel would weigh the scale of harm evidenced by the SSB collapse, which left debts exceeding £200 million and thousands of clients facing unexpected costs¹⁹, and the LSB's finding that earlier, more effective regulatory engagement could have identified and addressed the underlying financial instability well before the firm's failure²⁰.

The Panel would also point to the comparator of claims management companies, which have operated under FCA prudential and conduct requirements, including comparable pre-contract information and best interests obligations, since 2019²¹, without this being regarded as disproportionate. The Panel does not consider that solicitors and firms using third-party litigation funding face materially different practical constraints in meeting a comparable standard of oversight.

Question 16

Do you agree with the assumptions about and assessment of potential equality, diversity and inclusion considerations in our initial impact assessment?

The Panel would ask the SRA to pay particular attention to consumers in vulnerable circumstances in finalising this assessment. The SRA's own consumer research found

¹⁷SRA, Protecting consumers when solicitors and law firms use and/or arrange third-party litigation funding for consumer claims, consultation paper (9 July to 17 September 2026): <https://www.sra.org.uk/sra/consultations/consultation-listing/protecting-consumers-third-party-funding/>

¹⁸SRA, Protecting consumers when solicitors and law firms use and/or arrange third-party litigation funding for consumer claims, consultation paper (9 July to 17 September 2026): <https://www.sra.org.uk/sra/consultations/consultation-listing/protecting-consumers-third-party-funding/>

¹⁹Legal Services Board, independent review of the SRA's regulation of SSB Group Limited (October 2025): <https://legalservicesboard.org.uk/news/lwb-to-act-after-ssb-review>

²⁰Legal Services Board, independent review of the SRA's regulation of SSB Group Limited (October 2025): <https://legalservicesboard.org.uk/news/lwb-to-act-after-ssb-review>

²¹Financial Conduct Authority, FCA Handbook, Claims Management: Conduct of Business sourcebook (CMCOB): <https://handbook.fca.org.uk/handbook/CMCOB/>

that clients in vulnerable circumstances were more likely to report a lack of clarity in the information they received and a lack of support from their solicitor²². Given that high-volume consumer claims work, by its nature, often involves consumers who are already dealing with a difficult personal or financial situation, whether from motor finance debt, housing disrepair or a data breach, the Panel would encourage the SRA to test the prescribed funding information document specifically with consumers who have characteristics of vulnerability, rather than relying on a general plain language standard alone.

Question 17

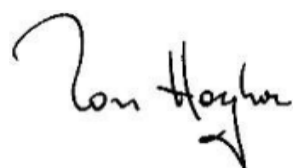
Are there any other factors or impacts on particular groups that we should consider or any other evidence sources that we should be considering?

The Panel would encourage the SRA to draw on the evidence gathered through the Civil Justice Council's review of litigation funding, given the overlap between the harms identified there and the harms this consultation addresses, and to continue its engagement with the Financial Conduct Authority given the FCA's existing experience regulating a closely comparable claims market through the CMCOB regime. The Panel would also welcome the SRA publishing, in its consultation response, an update on the outcome of its parallel consultation on notification of prescribed events for client money risk, given the two consultations are closely related and firms will need a coherent combined picture of their new notification obligations.

The Panel supports this package of proposals in full and encourages the SRA to proceed without waiting for the wider statutory reform of litigation funding that the Government has accepted in principle but not yet scheduled. The SSB case demonstrates the cost of delay.

The Panel would be glad to discuss any aspect of this response further. Should you have any questions pertaining to this consultation response, please contact Lola Bello, Head, Consumer Panel at lola.bello@legalservicesconsumerpanel.org.uk

Yours sincerely,



Tom Hayhoe
Chair, Legal Services Consumer Panel

²²SRA, Protecting consumers when solicitors and law firms use and/or arrange third-party litigation funding for consumer claims, consultation paper (9 July to 17 September 2026): <https://www.sra.org.uk/sra/consultations/consultation-listing/protecting-consumers-third-party-funding/>