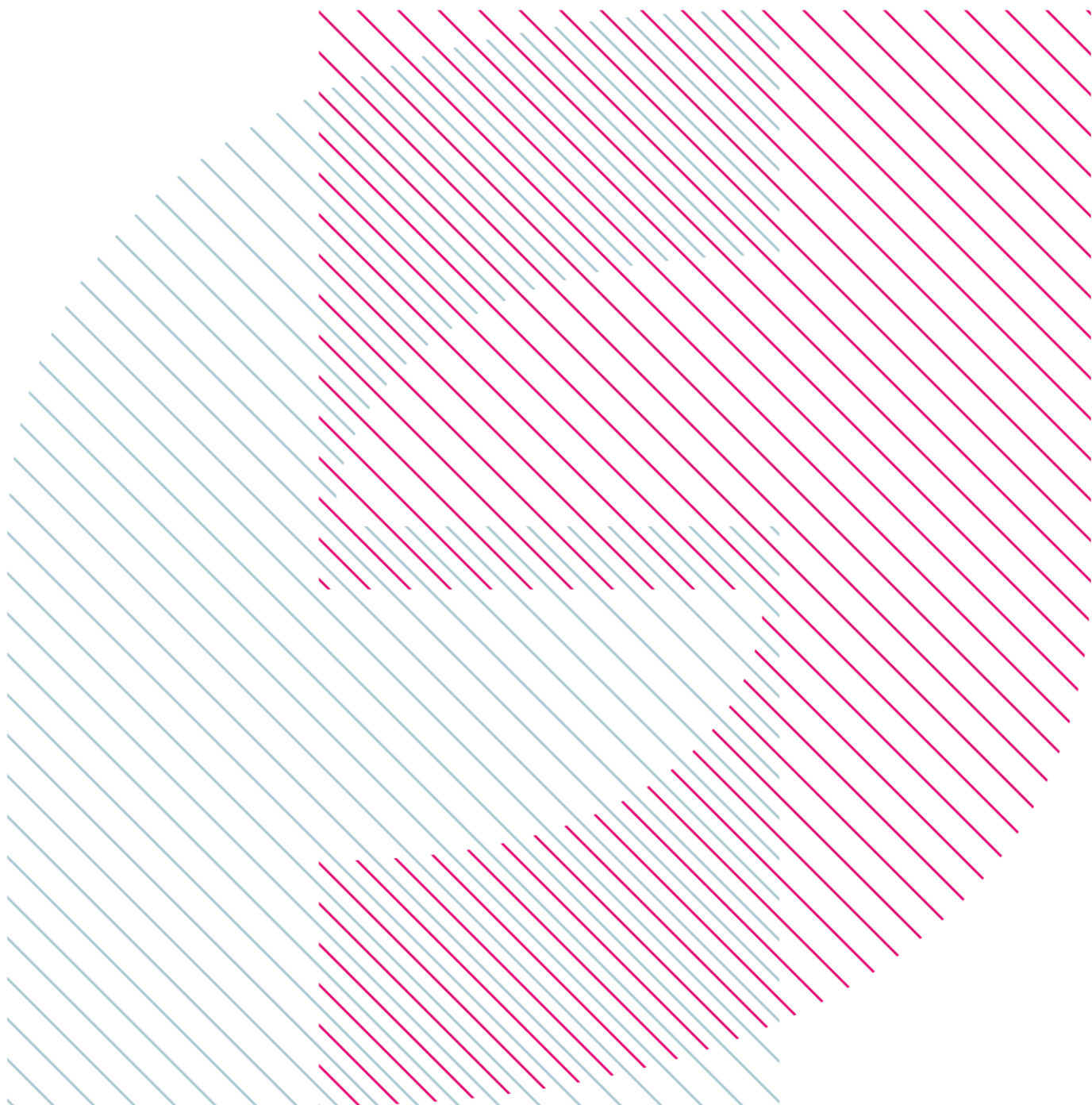


LEGAL
OMBUDSMAN

Consultation:

2015-2017

*Draft Strategy and
budget*



Foreword from our Chair

The Legal Ombudsman has made significant progress since it was created just over four years ago. The scheme, which is administered by the Office of Legal Complaints under the Legal Services Act 2007, was created by Parliament as the independent, impartial, ‘single point of entry’ Ombudsman scheme for complaints from consumers of regulated legal services.

We are now a very much established part of the legal services landscape. In each of the years since opening our doors for business in October 2010 we have received around 70,000 contacts and handled around 8,000 investigations. Almost 80 percent of legal services users have heard of us and we continue to achieve high approval ratings from those who use our services. We have also been successful in achieving stretching targets for the quality and timeliness of our work whilst reducing our costs.

This has given us a solid foundation on which to build.

We are currently working to begin accepting complaints about accountants registered with the Institute of Chartered Accountants in England and Wales (ICAEW) relating to probate and in relation to claims management companies.

These are welcome extensions to our remit. But we recognise that if the Ombudsman scheme is to remain fit-for-purpose we need to continue to adapt and innovate in a dynamic and often complex market place.

Many consumers when making a decision on purchasing a legal service will not think about where the boundaries lie between regulated and unregulated entities and who an “authorised person” is. But they will expect to be able to seek redress for poor service.

We believe that all consumers of legal services – whether regulated or unregulated – should be able to access the ombudsman scheme and service providers should be able to operate on a level playing field.

However, at present we do not have the powers to achieve this vision, which would require not only changes in the law and regulation, but would also require us to offer an ombudsman model with a more flexible range of solutions.

We are also conscious of our role in helping to improve complaint handling across the legal services sector by ensuring that lessons are learned from the cases we handle and of our duty to contribute to the wider regulatory objectives of the Legal Services Act.

This is what our draft strategy seeks to deliver.

We welcome your views.

Steve Green
Chair of the
Office of Legal Complaints

Context

1. We published our strategy for 2014-2017 in January 2014 following consultation with and feedback from our stakeholders.
2. Having reviewed the external context and our progress over the past year we believe that, despite the need to continue to further improve our efficiency, the overall shape and direction of the strategy we set out last year remains broadly fit for purpose. We do however, believe that it is sensible to take the opportunity to reframe years two and three of our strategy in the light of what we have learned from year one.
3. We continue to operate in an environment where legal services are being delivered through alternative business structures, internet-based services and complex delivery structures which may or may not be owned by lawyers, be staffed by lawyers or fall within the remit of the legal profession's regulators.
4. This makes sharing of information and learning from complaints increasingly vital – and increasingly challenging. It also leaves consumers in a situation where they may be making choices about buying services with little or no awareness or understanding of the protections available, or not available, to them.
5. The Government's decision earlier this year to implement the EU Alternative Dispute Resolution (ADR) Directive through a residual body from July 2015 has the potential to add further complication to the redress landscape and result in even greater consumer confusion.
6. We are examining a range of options for how we might improve access to the Ombudsman scheme and reduce consumer confusion.
7. We believe that one way that we can increase access for consumers of non-regulated legal services - within the framework of the Legal Services Act 2007 - is by establishing a voluntary scheme that providers of unregulated legal services can choose to join.
8. We expect that the coming year will be the first full year of our new jurisdiction over claims management companies and accountants in England and Wales. We will continue to focus on successfully

bedding in these important changes to our remit whilst continuing to improve the effectiveness and efficiency of our core jurisdiction and exploring ways to improve access to our services for users and providers of legal services.

9. The debate about the future shape of regulation across the legal services sector continues and will no doubt come into sharper focus in the run-up to the General Election and beyond. It is important that the shape of consumer redress is considered as part of this debate, as well as the effect on competition in the legal services sector.
10. We remain committed to playing our part in the debate and in ensuring that we have the credibility, capacity and agility to adapt to further change.

Question 1: Do you agree with our overall analysis of the broader context for our strategy? Are there other issues that you think we should take into account?

What we are planning to do

Our purpose

We exist to improve today's services and tomorrow's industry reputation by resolving disputes impartially, promoting service excellence and being a champion of best practice for the benefit of consumers, providers and in the interests of business and society.

We seek a fair resolution in every individual case by acting impartially, cutting through complexity and analysing the facts to resolve disputes. In doing so we endeavour to provide timely, evidence-based information to ensure complainants and providers accept and understand our final decision, even if they do not agree with it.

Getting these basics right enables us to do more. What we learn from each individual case enables us to generate thought leadership, to work with a broad range of stakeholders and to champion best practice and improve standards across the sector.

1. In order to successfully deliver our purpose we need to ensure that we remain fit-for-purpose, agile and efficient and remain mindful of our broader duty to contribute to the regulatory objectives of the Legal Services Act.
2. There are a number of things we plan to do to make this happen over the coming year:

- Improve our analytical capabilities to improve standards internally and drive learning and improved complaint handling across the legal and claims management sectors and better inform consumers of these services
- Ensure we deliver successfully the first full year of our new remit to resolve complaints about claims management companies (CMCs) and accountants registered for probate by ICAEW
- Continue to find new and better ways of doing things, including potentially establishing a voluntary scheme for unregulated service providers
- Continue to work openly and constructively with regulators, professional bodies, consumer groups and Government and fully engage in the ongoing debate on the future shape of redress, consumer protection and regulation of legal services

Section 1(1) of the Legal Services Act 2007 refers to eight regulatory objectives:

- Protecting and promoting the public interest
- Supporting the constitutional principle of the rule of law
- Improving public access to justice
- Protecting and promoting the interests of consumers
- Promoting competition in the provision of services
- Encouraging an independent, strong, diverse and effective legal profession
- Increasing public understanding of the citizen's legal rights and duties
- Promoting and maintaining adherence to the professional principles

Question 2: Do you agree that we have identified the right priorities to focus on over the coming year? Are there other priorities that we should consider?

Our goals

1. As part of the work we carried out last year to develop our strategy we identified four key goals. These were developed from discussions internally and with our stakeholders.
2. We believe that these goals continue to reflect our broader purpose and operational priorities and do not propose to make any changes to them for the coming year.
3. This means that we propose that our continuing priorities should be:
 - **To continue to improve our efficiency**
 - **To implement agreed changes to our jurisdiction**
 - **To help create an improved legal complaints handling system**
 - **To disseminate what we have learned more widely**
4. To help make our goals more meaningful we have set out in the following section:
 - What each goal means in practical terms
 - Our long-term view of what they are intended to deliver
 - Examples of the actions we plan to take to make this happen over the coming year

Question 3: Do you agree that we should retain our existing four goals?

Question 4: Have we clearly identified what each of our goals mean? Are we focusing on the right things to deliver them?

Goal 1: to continue to improve our efficiency

This means:

- Looking for opportunities to build further on our strong track record for improving our efficiency and reducing costs
- Demonstrating improvement internally and externally and being held accountable by setting and publishing stretching annual KPIs
- Engaging our people so that they can all play their part in developing and improving our systems and processes
- Expanding our partnerships and insight to grow our understanding of best practice, challenge our thinking, learn about the latest innovations and benchmark our performance

With a view to:

- Being a high-performing organisation where everyone sees it as part of their role to deliver year-on-year improvement and find ways of doing things better
- Understanding, meeting and striving to exceed the expectations of our diverse customers and stakeholders
- Being efficient and mitigating our costs to the profession without compromising quality and acting as a model for other sectors
- Using the quality and efficiency of our services as a platform to develop additional services through a potential voluntary scheme and continuing to contribute to the debate on the need for a comprehensive ADR system

We will do this by, for example:

- Ensuring delivery of the full business benefits of our ongoing Transformation Programme. By the time this strategy comes into effect, we expect that this programme will already have delivered our new online complaints portal, our new customer relationship management system and our move to new accommodation
- Continuing to review and refine our processes to reduce the time and delays in resolving cases as well as to continue to identify ways of improving quality and customer satisfaction

- Continuing to attract a diverse workforce and increase staff engagement and motivation
- Reviewing and improving the way that we measure and monitor our performance so that these better support our goals of improving legal complaints handling and replicating what we have learned more widely, and given the need to separate CMCs from our core jurisdiction and as we diversify the range of services we offer

Goal 2: to implement changes to our jurisdiction

This means:

- Ensuring effective delivery of agreed changes to our jurisdiction, working with key partners as appropriate
- Working to identify areas of consumer detriment where the extension of our jurisdiction could provide an effective remedy
- Ensuring that changes to our jurisdiction have no negative impact on our core jurisdiction and that costs are apportioned and accounted for appropriately

With a view to:

- Using the successful delivery of changes to our jurisdiction as a platform to provide more consumers and providers with access to high quality, informal and speedy redress
- Working with providers in those markets to help them understand the role of the Ombudsman, to improve first tier complaint handling and prevent complaints from arising in the first place
- Achieving greater economies of scale so that unit costs across all areas of work can be reduced

We will do this by, for example:

- Ensuring we deliver a stable and effective first full year of our new CMC regime ensuring that we scale our operations in the light of actual case volumes, communicate effectively with companies and customers and liaise with the regulator

- Ensuring we provide a stable and effective first full year of our new regime for accountants including reviewing our policy on the definition of legal services
- Continuing to work with Government and other stakeholders with the long term objective of providing all consumers of legal services with access to appropriate redress

Goal 3: to help to create an improved legal complaints handling system

This means:

- Exploring different avenues for effective dispute resolution
- Driving up efficiencies and reducing costs
- Contributing to the regulatory objectives of the Legal Services Act

With a view to:

- Providing a range of relevant, tailored and appropriate services within the scope of the current ombudsman scheme and identifying opportunities to build on this to reflect the changing nature of the market place
- Building consumer confidence in how the legal sector handles complaints and provides redress
- Ensuring greater coherence across the wider system so that providers and consumers operate on a level playing field

We will do this by, for example:

- Conducting research so that decisions on developments to our service are evidence-based and focused on what providers and consumers want
- Developing a diverse, non-discriminatory and innovative service offering, including options for effective earlier intervention (eg mediation, arbitration and first-tier complaint support)
- Exploring the establishment of a voluntary scheme that enables unregulated providers to give their customers access to redress and dispute resolution services

Goal 4: to disseminate what we have learned more widely

This means:

- Feeding back insights and learning from our work to the profession, consumers and policy makers
- Engaging appropriately with stakeholders around the best ways of delivering redress, empowering consumers and supporting the delivery of quality services
- Contributing to the implementation of new policies on redress provision and standing ready to undertake any new activities as appropriate

With a view to:

- Creating an environment where there is a coherent, appropriate and efficient system of consumer redress
- Ensuring that the lessons learned from resolving individual disputes are used to drive systemic improvement

We will do this by, for example:

- Building our analysis and insight capabilities and capacity to ensure that we maximise the depth and quality of insight we generate from the understanding of our own cases and externally available knowledge and data
- Expanding the range and depth of the learning we feed back to the sector to help raise standards, promote equality and build their capacity to deal with complaints effectively
- Developing a programme to better inform consumers so that they can make informed choices and know what to expect if they have a complaint

Our Budget and targets for 2015-16

Background

Reducing our costs

1. We have consistently worked to reduce our total cost.
2. During 2013-14 we undertook a review of the organisation's cost base and adjusted this to reflect the goal of improving our efficiency and performance over the life of this strategy. This resulted in substantial cost reductions and a significantly reduced budget for 2014-15.
3. Our focus on continuous improvement has continued to deliver further savings despite lower than expected case volumes. We plan to continue this into 2015-16.

	2012-13 actual	2013-14 actual	2014-15 budget	2014-15 forecast	2015-16 budget
Expenditure	£16.7m	£15.8m	£13.9m	£13.2m	£11.5m
Case volume	7,360	8,055	8,000	7,660	7,500
Unit cost	£2,168	£1,938	£1,934	£1,743	£1,535

[Note: costs in this table relate to our core jurisdiction only]

High level budget for 2015-16

4. This is the budget for both our existing work for legal complaints and the planned budget for the new claims management jurisdiction. These budgets and expenditure will be ring-fenced as each is paid for separately by the legal profession and claims management regulator respectively.
5. In setting this high-level budget for our work we have set a goal that we believe is achievable, based on the structural changes that we have made throughout 2013 and 2014 and our plans to deliver further improvements during 2015. Our proposed budget for 2015-16 reflects our desire to continue to improve the efficiency of our work while ensuring that we continue to deliver a high quality, customer focused service.

	Indirect costs	Legal Complaints	Claims Mgt Complaints
	£'m	£'m	£'m
Levy income		10.10	1.89
Case Fee income		1.40	0.85
Total Income		11.50	2.74
Direct Costs			
Staffing		6.20	1.70
Other services		0.52	0.19
Unrecoverable case fees		0.15	0.13
Total Direct Costs		6.77	2.02
Indirect costs			
Staffing	2.78		
Travel & Subsistence	0.07		
Fees and research	0.33		
IT and telecoms	0.87		
Premises and facilities	0.81		
Other	0.10		
Contingency	0.15		
Depreciation	0.37		
Total indirect cost apportionment		4.63	0.85
Total expenditure		11.50	2.87
Capital expenditure	0.75		
Planned cases resolved		7,500	3,000

Risks and assumptions

Key Assumptions

6. The key assumptions we have made in setting the high level budget include:

- New activities or jurisdictions will be funded separately. Funding will be accounted for within a separate budget. Any additional jurisdictions will have the costs of LeO's existing infrastructure fairly and transparently apportioned to that budget. Economies of

scale will reduce the cost to the existing stakeholders for the running our core scheme.

- Activity for our core legal jurisdiction is likely to reduce. We anticipate that the impact of legal aid reforms will continue to place downward pressure on the number of complaints that we receive. We are already experiencing this reduction in activity and expect this to continue throughout 2015-16.
- Pay increases will be in line with ongoing government pay guidelines limiting increases to 1%.
- Core “demand” for our legal jurisdiction will decline to between 7400 and 7500 cases in 2015/16. CMC “demand” will be for around 3,000 cases per annum.
- CMC related work will be financially ring-fenced from legal complaints and shared costs will be apportioned across these two budgets in line with the impact of this additional area of work on our overall service.
- Our capital expenditure budget provides for IT infrastructure & application development (principally the refresh of our IT infrastructure).

Key Risks

7. The risks to the business plan remain similar to those outlined in previous years, including, for example, variation from anticipated contact and case volumes, lower than planned investigator efficiency, unplanned staff turnover levels, and unanticipated judicial review costs.
8. The specific risks identified for the coming period are:
 - managing the extension of our jurisdiction to CMCs, particularly in light of the relative lack of information about the nature of demand, and dealing with the resultant financial and operational consequences;
 - migrating and upgrading our core IT platform and systems to a new hosted infrastructure

Question 5: Do you agree that the assumptions and risks we have taken into account in setting our proposed budget are sensible and appropriate?

Key performance indicators and associated targets

9. We believe that it is important in terms of transparency and accountability to continue to report our performance against a consistent set of KPIs so that trends in our performance over time can be clearly understood both internally and externally.
10. However, we also recognise the importance of ensuring that our KPIs and other measures remain fully aligned with our broader purpose and developing priorities.
11. To this end we propose to:
 - report against the same set of KPI measures for 2015-16 as we used for the first year of our strategy in 2014-15 and in the previous year
 - develop a framework for an expanded set of KPIs and performance measures for the coming and future years targeted at specific areas for improvement

Key Performance Indicators for 2015-16

Timeliness

12. We aim to resolve complaints quickly and with minimal formality.
13. We have four timeliness measures. These are designed to help us to focus on continuous improvement. We believe that our existing targets are sufficiently stretching and propose to keep these for the coming year.

	2013-14		2014-15		2015-16
	Target	Actual	Target	Actual (half year)	Target
Cases resolved within eight weeks (56 days)	-	[38%]	40%	35%	40%
Cases resolved within three months (90 days)	60%	68%	70%	69%	70%
Cases resolved within nine months (180 days)	90%	95%	95%	94%	95%
Cases resolved within one year (365 days)	100%	100%	100%	100%	100%

Cost

14. We have two measures – the first of which is unit cost (defined as the cost of delivering the ombudsman scheme divided by the number of cases resolved) and the second being staying within our budgeted expenditure.
15. Both of these measures are critically dependent on the levels of demand we experience.
16. For the coming year we need to set out cost targets both for our core jurisdiction and our work on CMCs as these are funded separately.
17. Our proposed unit cost targets for 2015-16 are:
- £1,535 for our core jurisdiction (based on a proposed budget of £11.5 million and resolving 7,500 cases)
 - £960 for claims management (based on a proposed budget of £2.8 million and resolving 3,000 cases)
18. The lower cost for claims management reflects the fact that we expect these cases to be less complex and require less work to resolve.

Quality

19. We propose to continue to focus on the satisfaction of our customers (professionals and consumers) as measured by an independent customer satisfaction survey.

Reputation

20. We propose to continue with our existing measures:

- Advocacy: % respondents who would speak highly of the Legal Ombudsman without being asked/if asked
- Stakeholder satisfaction: % of stakeholders satisfied with overall levels of engagement

Impact

21. We propose to continue with our two current measures:

- % of stakeholders who have confidence in our delivery against our mission
- % of users of legal services in the last two years who had heard of the Legal Ombudsman

Question 6: Do you agree that the KPI's we are proposing for 2015-16 are the right ones?

Performance framework for future years

22. We are keen to develop a set of measures that are better aligned with our broader purpose and developing business priorities with a view to moving to these from Q3 2015-16 onwards.

23. We believe that whilst useful, our current KPIs are overly focused on measuring outputs and processes rather than outcomes and as such do not fully reflect the wider impact we are seeking to make through all of our strategic goals.

24. To this end we have developed the following framework to help guide our thinking:

Why we exist:

We believe in a just society and fair service for all.
 We exist to improve today's services and tomorrow's industry reputation by resolving disputes impartially, promoting service excellence and being a champion of best practice for the benefit of consumers, providers and in the best interests of business and society

What we do:

Our investigators seek a fair resolution in every case, acting impartially, cutting through complexity and analysing the facts to resolve disputes. Throughout the complaints process we understand that behind each case is a person trying to resolve an issue. That's why we provide timely, evidence-based information to ensure complainants and providers accept and understand our final decision, even if they do not agree with it

How we make a difference:

Getting the basics right enables us to do more.
 The knowledge and experience we gain from each individual case gives us the strength to generate thought leadership, to work with a broad range of stakeholders, to champion best practice and improve standards across the industry

- Our strategic goals:**
- To continue to improve our efficiency
 - To implement changes to our jurisdiction

- Our strategic goals:**
- To help create an improved legal complaints system
 - To replicate what we have learned more widely

Process ←————→ **Outcome**

Our KPIs:

Cost Timeliness Quality Customer satisfaction Impact

25. We would welcome views on this framework and how we might best measure the outcomes we are seeking to deliver and our broader impact.

Further Information

Other key documents include our Annual Report, Management Statement and Financial Memorandum and our governance framework.

To view these documents or for further information visit:

www.legalombudsman.org.uk

How to respond

We welcome comments on all aspects of this draft strategy including those questions we have specifically highlighted. If possible, please send your responses electronically. Hard copy responses by post are also welcome.

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