Draft strategic plan 2018-21

December 2017

Our strategic objectives for 2018-21

In all of our work we seek to promote the eight regulatory objectives set out in the Legal Services Act 2007. Our strategy is about setting out our priorities over the next three years. Our strategic objectives for 2018-21 will be:

1. **Promoting the public interest through ensuring independent, effective and proportionate regulation**

2. **Making it easier for all consumers to access the services they need and get redress**

3. **Increasing innovation, growth and the diversity of services and providers**

We recognise that this is a period of uncertainty and we will remain agile, monitoring changes in our operating environment, reviewing our objectives and, if necessary, adapting our approach.

Our vision

Legal services that everyone can access and trust

We deliver this by:

- Supporting the rule of law and the effective administration of justice – promoting the public interest.
- Acting as an agent of change in the sector – enabling innovation and pursuing greater transparency and data collection to build a sound evidence base for progress.
- Holding the legal services regulators and the Office for Legal Complaints to account – protecting consumers from harm and making sure redress is available if things go wrong.

Our strategy sets out how we will approach achieving this vision over the next three years, taking into account the trends and drivers for change that we envisage impacting on the market during this period.

Our role and powers

The Legal Services Board is an independent arms length body of the Ministry of Justice. The Legal Services Act 2007 outlines our role and our responsibilities. These include:

- regulation of approved regulators
- oversight of the Solicitors Disciplinary Tribunal (including responsibility for approving its budget and changes to its rules)
- oversight of the Office for Legal Complaints (which is responsible for administering the Legal Ombudsman scheme)
- making recommendations to amend the list of reserved legal activities
- setting up voluntary arrangements to improve standards (if required)
- setting up and maintaining a Consumer Panel and considering any representations or advice received from the Panel.

In undertaking these roles, we work in partnership with other organisations to maximise our impact.

The regulatory objectives

In all of our work, we must seek to promote eight regulatory objectives set out in the Act. These are:

(a) protecting and promoting the public interest

(b) supporting the constitutional principle of the rule of law

(c) improving access to justice

(d) protecting and promoting the interests of consumers

(e) promoting competition in the provision of services

(f) encouraging an independent, strong, diverse and effective legal profession

(g) increasing public understanding of the citizen's legal rights and duties

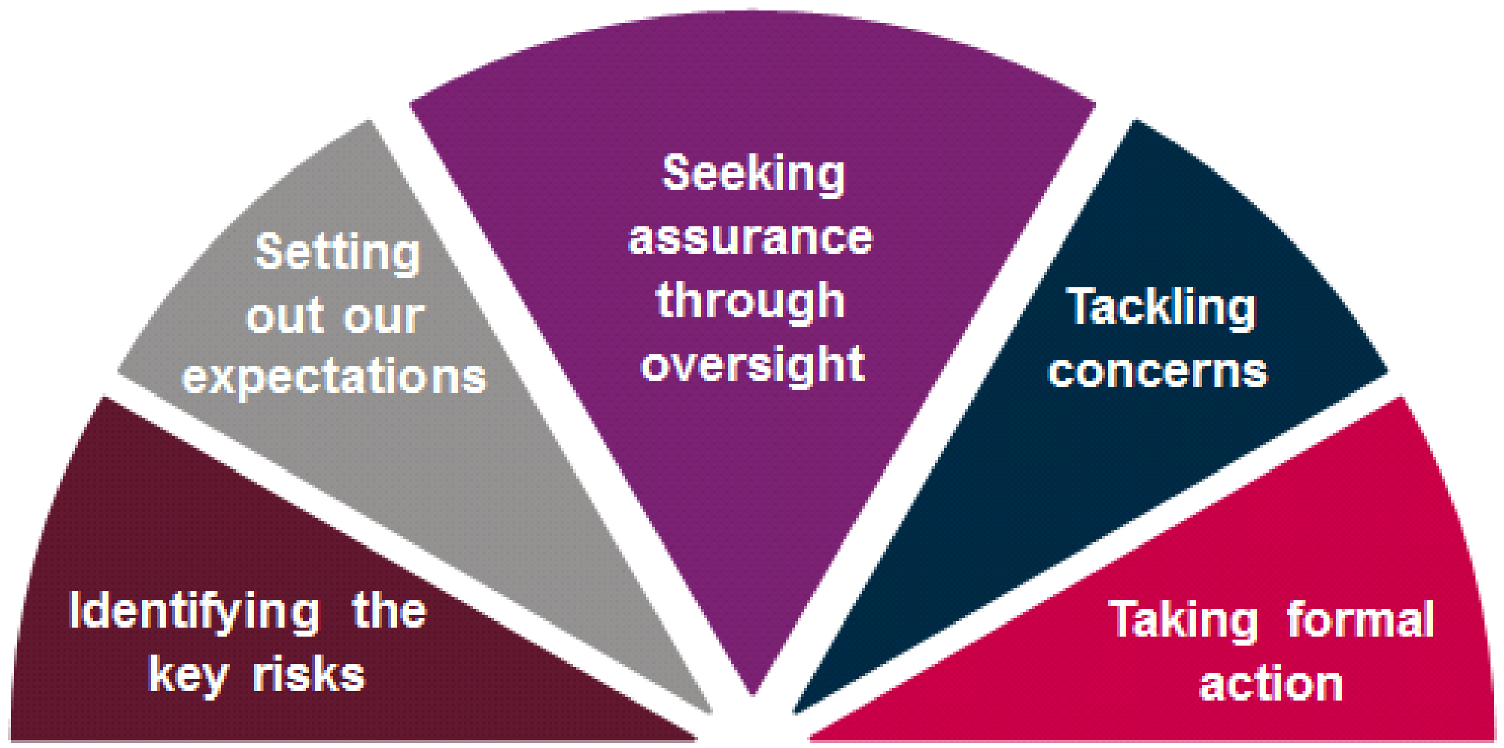
(h) promoting and maintaining adherence to the professional principles.

We have published a document which explains how we interpret these objectives as we undertake our role.

Our regulatory approach

In line with better regulation principles, we expect to be transparent, consistent and predictable in what we do and have published our regulatory approach to support this.

Our approach is summarised in the diagram below:

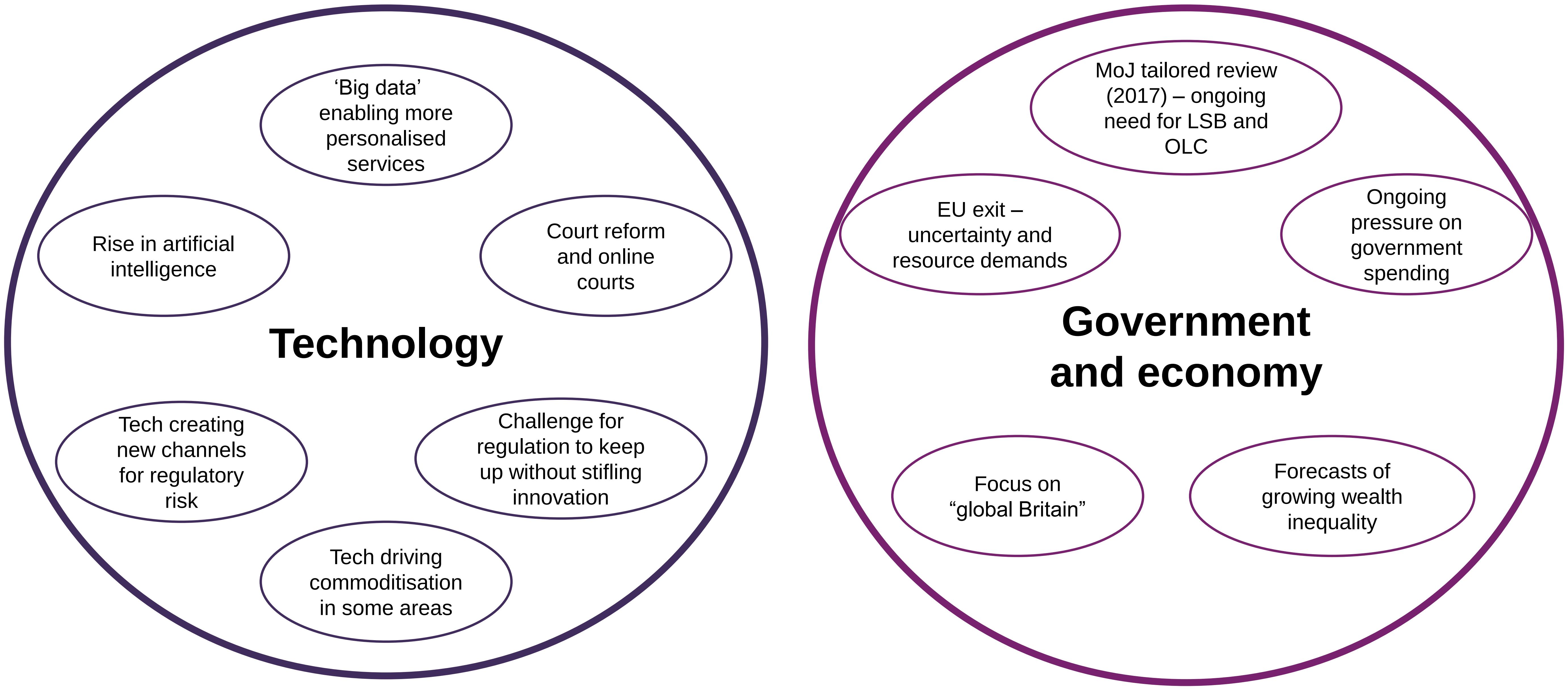


We have also published worked examples of our approach in action.

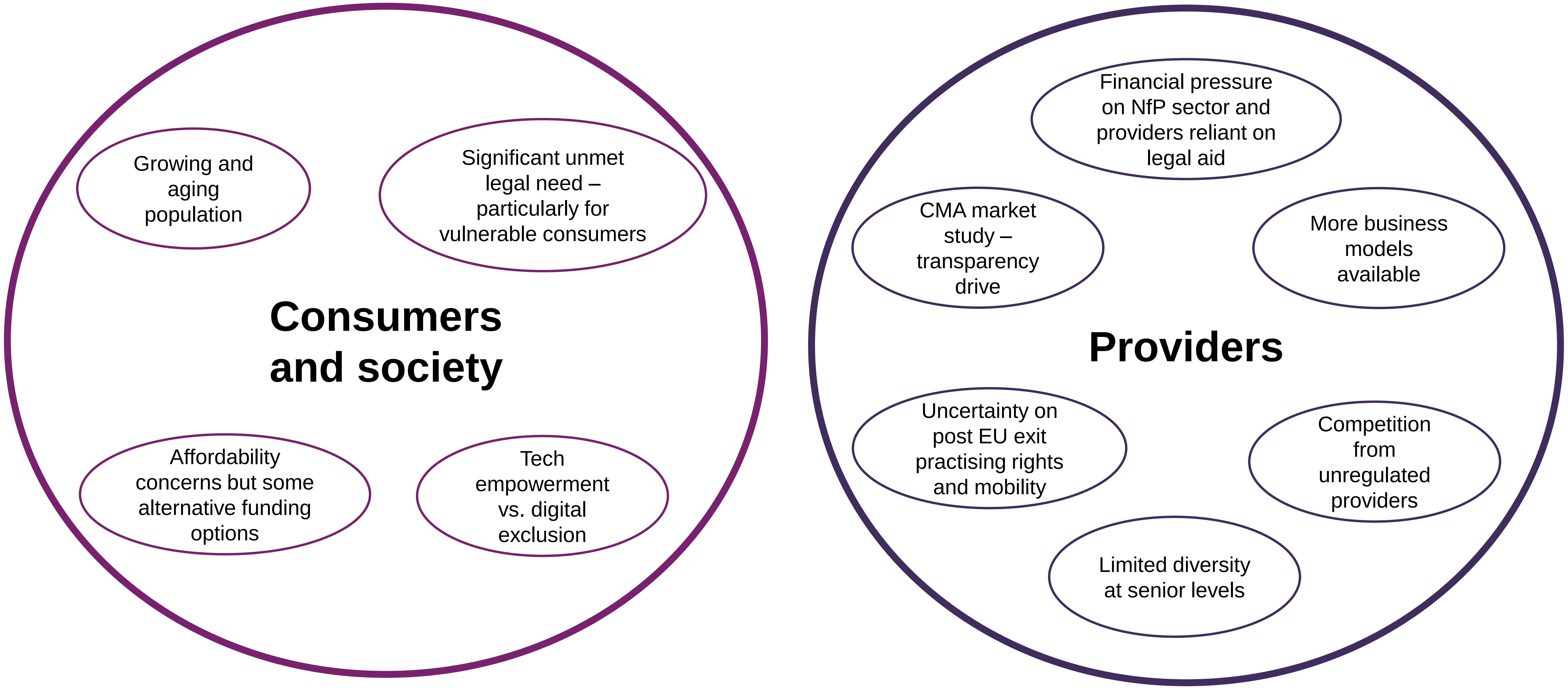
We acknowledge that one size does not fit all and will apply our approach as appropriate to each regulator, recognising the particular challenges that they face.

Trends and drivers for change in the sector

We have developed our strategy through consultation, including 26 meetings with regulators, representative bodies, academics, providers and other stakeholders. Through this process we have identified a number of trends impacting on the sector.



Trends and drivers for change in the sector



The above trends have informed our objectives for 2018-21. However, this is a period of uncertainty and we will remain agile, through monitoring changes in our operating environment, reviewing our objectives and adapting our approach, if necessary, to best promote the regulatory objectives and achieve our vision.

Our strategic objectives for 2018-21

Our strategic objectives for 2018-21 will be:

1. **Promoting the public interest through ensuring independent, effective and proportionate regulation**

2. **Making it easier for all consumers to access the services they need and get redress**

3. **Increasing innovation, growth and the diversity of services and providers**

These objectives provide for a focus on three areas; regulators' performance, consumers' access to services and a healthy supply side of the market. In practice, there is significant overlap. For example, our work under objectives 1 and 3 should contribute to making it easier for consumers to access the services that they need. Similarly, growth of the sector and improved access for consumers will promote the public interest.

1

Promoting the public interest through ensuring independent, effective and proportionate regulation

The current position

- *"The lack of full independence between regulators and their representative bodies might make it more difficult for the regulators to carry out their statutory duties."* (Competition and Markets Authority (CMA) Market Study, 2016)

- In May 2016, we found that regulators' performance was *"satisfactory"* or *"good"* in **20 out of 40** standards

- *"Our overall conclusion is that the likely cumulative market impact of all changes to regulation [2010-2015] is by and large procompetitive and that these changes can be expected to have acted as drivers for procompetitive changes in the legal services market and relevant segments of that market."* (Economic analysis of LSB rule changes by Oxecon consulting, 2016)

- UK law ranked **10th** in the world in terms of the effectiveness of the rule of law (World Justice Project, 2016). This is up from 12th in 2015.
- LSB currently costs an average of **£18.33** per authorised person (2017/18)

1 Promoting the public interest through ensuring independent, effective and proportionate regulation

What we will do

<u>Overseeing performance</u>

- Use our regulatory performance assessment process to identify and address poor performance by regulators
- Ensure that regulators who meet required performance standards are learning and adapting their approach to face future challenges
- Monitor compliance with our Internal Governance Rules and address any independence issues that arise
- Ensure that regulation remains proportionate and does not impose unnecessary burdens (for example, when considering rule change applications)

<u>Acting as an agent for change</u>

- Work in partnership with other bodies to share and act on research findings, learning and best practice
- Advocate for reform in line with our 2016 vision for legislative reform.

Internally, we will seek further efficiencies in how we operate, to reduce our overall costs to the sector.

1

Promoting the public interest through ensuring independent, effective and proportionate regulation

Indicators of success

- All regulators are assessed as meeting the required level of performance against all performance standards
- Independence of regulation is assured, with fewer independence-related disagreements between regulators and representative bodies
- Instances of poor performance remedied swiftly
- Burden and cost of regulation on providers, including from the LSB, remains proportionate and does not increase
- International standing of legal system in England and Wales is maintained

2

Making it easier for all consumers to access the services they need and get redress

The current position

- Our jointly commissioned 2016 Individual Legal Needs survey found that:
  - **13%** of consumers who experienced a legal issue “did nothing”
  - **46%** handled the matter alone or with the help of friends
  - **78%** of consumers who got legal advice were satisfied with the service
  - Of those consumers who were not satisfied, **42%** took no action
- Our 2015 survey of small business consumers found that **more than half** tried to resolve legal problems by themselves, rather than seek advice (unchanged from 2013)
- **17%** of firms display prices on their website (LSB Prices Research 2016)
- **27%** of consumers shop around for legal services (Legal Services Consumer Panel Tracker Survey 2017)
- *“Overall, we have found that the legal services sector is not working well for individual consumers and small businesses…consumers find it hard to make informed choices because there is very little transparency about price, service and quality” (CMA Market Study, 2016)*

2 Making it easier for all consumers to access the services they need and get redress

What we will do

Overseeing performance

- Make sure the regulators give adequate consideration to the recommendations from the CMA's market study and implement appropriate changes
- Hold the Office for Legal Complaints to account for their administration of the Legal Ombudsman
- Monitor the effectiveness of our guidance on providers notifying lay clients of their right to complain

Acting as an agent for change

- Gather and share market intelligence, to provide an evidence base to inform policy development by regulators and other stakeholders
- Targeted project work to examine specific issues identified by our market intelligence and identifying measures to improve access
- Work in partnership with other bodies to share and act on research findings, learning and best practice

2

Making it easier for all consumers to access the services they need and get redress

Indicators of success

- Recommendations from CMA’s market study are properly considered by regulators and appropriate measures are implemented
- Consumers find it easier to access information on price, terms of service, quality and regulation
- Greater availability of digital comparison tools covering legal services
- Fewer consumers, particularly vulnerable consumers, “do nothing” when they have a legal problem
- More consumers shop around
- Consumers’ satisfaction with legal services is maintained
- Fewer ‘silent sufferers’ (dissatisfied consumers who take no action)
- Legal Ombudsman consistently meets key performance indicators set by the Office for Legal Complaints

3

Increasing innovation, growth and the diversity of services and providers

The current position

- Overall cash turnover of the legal sector was **£32.2bn** for 2016/17. This is up from £26.4bn for 2011/12
- In March 2017 there were **892** active licences for alternative business structures, regulated by four licensing authorities
- Our 2015 Innovation Research found that:
  - **1 in 4** legal services firms introduced a new or improved service, over a three year period. Alternative business structures were more innovative than solicitors' firms
  - More barristers and solicitors see regulation as a driver of innovation than see it as a barrier, but unregulated providers are more innovative than regulated firms
- Diversity of the profession is slowly improving – entry level diversity is broadly comparable to the population but diversity at senior levels is not

3

Increasing innovation, growth and the diversity of services and providers

What we will do

Overseeing performance

- Make sure the regulators give adequate consideration to the recommendations from the CMA's market study and implement appropriate changes
- Monitor the market for disproportionate regulatory barriers to innovation and seek their removal
- Ensure regulators are taking appropriate steps to encourage a diverse profession

Acting as an agent for change

- Monitor the impact of regulation on innovation and encourage innovation through gathering and sharing evidence, stimulating debate and sharing examples of good practice
- Targeted project work to investigate specific issues identified by our market intelligence and identify measures to stimulate competition
- Work in partnership with other bodies and act as an ambassador for England and Wales legal services, with national and international stakeholders.

3 Increasing innovation, growth and the diversity of services and providers

Indicators of success

- Legal sector as a whole continues to grow
- Growth in new delivery models and services
- Increase in levels of service innovation
- Spread of prices for same service narrows (indicator of improving competition)
- International standing of legal system in England and Wales is maintained
- Increasing diversity of profession

LSB's Equality Objectives

Objective 1: We will ensure that in all of our work, we identify, collect and use all relevant evidence relating to equality and diversity to inform the development, and evaluation, of our policy, processes, practices and research.

Objective 2: Through our regulatory oversight role, we will encourage and support the regulators, the Legal Services Consumer Panel and the Office for Legal Complaints to continue to promote equality and diversity, including developing a strong understanding of the diverse needs of the consumers of legal services.

Objective 3: We will collaborate and engage with others to encourage a diverse workforce across the regulated sector, encouraging the sharing of good practice, data collection and other relevant activities.

Objective 4: We will ensure that we continue to hold ourselves to account for our understanding, achievements and plans to encourage diversity across all aspects of our work including internally as regards our own workforce, employment and procurement practices, and through our regulatory activity.

Assessing our impact - market intelligence

Evidence is at the heart of everything that we do. We gather and analyse evidence to assess progress against our objectives. We share it to stimulate change.

Our focus is on ‘market intelligence’, which incorporates the various quantitative and qualitative ways in which we gather information about the legal services market.

Our approach to market intelligence includes:

- Continuing to commission our landmark quantitative surveys on a periodic basis, complemented by external qualitative research and in-house desk research
- Seeking opportunities to work in partnership with regulatory and non-regulatory organisations, in legal services and related sectors
- Maximising the potential of existing research, including revisiting datasets from previous surveys and publishing findings in visually impactful ways
- Continuing to publish the raw data from our quantitative surveys so that it can be mined and re-used by regulators, academia, industry and others
- Building towards the next edition of our triennial market evaluation, due in 2019.