



CILEx Regulation Limited Response to the Legal Services Board Consultation on the Draft Business Plan and Budget 2026/27

Executive summary

CILEx Regulation (CRL) welcomes the opportunity to respond to the Legal Services Board's consultation on its draft Business Plan for 2026/27. We broadly support the LSB's proposed policy priorities and recognise the importance of its role in providing effective, proportionate oversight at a time of significant change in the legal services sector. We consider this has the potential to strengthen consumer protection while reducing unnecessary regulatory burden on regulators that are performing effectively.

We support the LSB's focus on professional ethics, the rule of law, encouraging a diverse legal profession and strengthening consumer protection, and welcome the emphasis on horizon scanning and strategic capability. We also consider it important that LSB-led initiatives are designed and implemented in a way that does not disproportionately impact smaller regulators, and that the costs and benefits of new requirements are clearly articulated so that regulatory effort remains proportionate across the system.

We welcome the LSB's commitment to organisational efficiency and value for money, including the proposed reduction in its budget for 2026/27, which we consider reasonable in principle. Looking ahead, we see a strategic opportunity for the LSB to play a more explicit leadership role in preparing the regulatory system for future reform, including further consideration of the continued fitness for purpose of the Legal Services Act 2007 and the appropriate regulatory treatment of the unregulated sector, particularly in light of evolving market risks.

Consultation Question 1:

Objective 1 sets out our plans to ensure an effective, proportionate and targeted oversight approach. Do you have any comments to make on these proposals?

CRL supports the LSB's intention to implement a more risk-based, proportionate and targeted approach to oversight, and recognise the importance of focusing regulatory attention where risks to consumers and the public interest are greatest. The current system and approach can be burdensome and mechanistic, drawing resources away from delivering in the interests of stakeholders. A differentiated approach has the

potential to reduce unnecessary regulatory burden on regulators that are performing effectively, while enabling the LSB to concentrate its resources on areas where improvement is needed. We also welcome the increased emphasis on horizon scanning and intelligence-led oversight, which should strengthen the system's ability to anticipate emerging risks in a rapidly changing legal services market.

As the revised approach is introduced, it will be important for the LSB to be clear about how it assesses regulator performance and what factors lead it to increase the level of oversight or move towards enforcement action. Regulators need to understand what standards they are being judged against and how different types of evidence are weighed. Being open about these processes will help build confidence in the oversight framework and support more constructive, practical engagement between the LSB and regulators. Continued dialogue with regulators on the operation of the revised oversight approach will be essential to ensuring it works effectively in practice.

We think the LSB can, however, go further. A revised approach to oversight presents an opportunity for the LSB to further develop its role as a system leader and enabler of regulatory best practice. While the draft business plan refers to proportionate and targeted oversight, there is limited reference to how the LSB might more actively support mutual learning across regulators, facilitate the sharing of effective regulatory approaches, or encourage consistent approaches where challenges are common. We consider that a greater emphasis on the LSB's convening and enabling role would help move the system beyond a compliance-led model towards one that supports continuous improvement, innovation and regulatory maturity across the sector as a whole.

Consultation Question 2:

Objective 2 sets out our proposed policy priorities for 2026/27. Do you have any comments to make on these?

CRL broadly agrees with the proposed policy priorities for 2026/27 and consider them to be well aligned with the principal challenges currently facing the legal services sector. The focus on professional ethics and the rule of law is timely and necessary, particularly in light of recent high-profile failures that have undermined public confidence. We welcome the LSB's intention to work closely with regulators to embed the forthcoming statement of policy on professional ethics and to support a shared understanding of ethical expectations across the sector.

We also support the continued emphasis on encouraging a diverse legal profession and recognise that progress in this area requires sustained, long-term effort. The proposed approach appropriately acknowledges that cultural change cannot be achieved through isolated interventions and that regulators must be supported to drive meaningful outcomes within their respective regulatory frameworks. The focus on consumer

protection is similarly welcome, particularly in relation to mass claims activity, litigation funding and the growth of unregulated and technology-enabled services, all of which present complex and evolving risks for consumers.

While we welcome the emphasis on consumer protection and the identification of specific risk areas, there appears to be a limited focus on how regulation can actively make legal services easier for consumers to access and navigate, regardless of background, capability or vulnerability. We recognise that improving access to justice is complex and extends beyond the remit of any single body. However, we consider there may be scope for the LSB to place greater emphasis on the consumer experience of the regulatory system as a whole, including how regulatory arrangements, information requirements and redress mechanisms operate in practice for consumers seeking help.

Additionally, we have concerns about the expectations being placed on regulators (and, ultimately, the regulated). As a relatively small regulator, CRL has limited resources, which are already stretched. Adding expectations may require us to increase headcount and this cost will be passed on to the regulated community at a time when regulators are being asked to prioritise growth and the profession is expressing concern.

Consultation Question 3a:

Objective 3 sets out our plan to improve our capability to respond strategically to the needs of the sector, informed by horizon-scanning and research. Do you have any comment to make on our proposals?

CRL supports the LSB's proposals to strengthen its strategic capability through enhanced horizon scanning, a robust research programme and the development of a three-year plan. Greater clarity about medium-term priorities should assist both the LSB and regulators in planning and allocating resources effectively. The value of this work will depend on how effectively insights from horizon scanning and research are translated into practical regulatory intelligence and how far they inform decision-making in a timely manner.

We would welcome continued engagement with regulators in the development, interpretation and application of horizon-scanning outputs, particularly where these may influence regulatory expectations or oversight activity. Collaborative working in this area has the potential to improve system-wide understanding of emerging risks and opportunities and to support more preventative approaches to regulation.

Consultation Question 3b:

Do you have any comments (based on the evidence) on the State of Legal Services report about the areas where the sector has made progress and the areas where further work is required?

We agree with the State of Legal Services report's assessment that, while the sector has made progress in certain areas, significant challenges remain. The report usefully highlights the increasing complexity of the legal services market and the risks associated with large-scale business models, litigation funding and technology-enabled service delivery. It also underscores the importance of maintaining public confidence in the regulatory system at a time of rapid change.

From a regulatory perspective, the report appropriately focuses attention on systemic and cross-cutting issues rather than isolated failures. We consider this to be a helpful foundation for future policy and oversight work and would encourage continued emphasis on understanding how risks manifest across the system as a whole, including at the boundaries between regulated and unregulated activity.

Consultation Question 3c:

Do you have any comments on priorities and challenges that the LSB should focus on in its three-year plan?

CRL considers that the development of a three-year plan presents an important opportunity for the LSB to take a more explicit leadership role in preparing the regulatory system for potential future reform. While the draft business plan makes limited reference to the ongoing evaluation of the Internal Governance Rules, there is little consideration of whether the broader regulatory framework established by the Legal Services Act 2007 remains well suited to the current and emerging market context. Given the scale of change in legal services since 2007, including market consolidation, new business models and rapid technological development, we consider that the LSB could add value by leading structured analysis, evidence-gathering and sector dialogue to inform any future consideration of legislative reform.

In particular, we consider it timely to look more closely at the balance between activities that are authorised and those that fall outside the regulated sector. Work undertaken by CRL through its Unregulated Sector Roundtable in spring 2025 indicated strong support for moving towards a system that is more explicitly based on risk rather than historic regulatory boundaries. Developments such as the Mazur judgment further underline the need to ensure that the legal and regulatory framework keeps pace with market developments and continues to provide appropriate protections for consumers, regardless of where legal services are delivered.

Consultation Question 4:

Objective 4 sets out our plans to maintain and improve our organisational excellence and efficiency. Do you have any comments to make on our proposals?

CRL supports the LSB's commitment to organisational excellence, efficiency and value for money. The intention to make more strategic use of technology, including AI, within

internal operations has the potential to improve productivity and resilience, provided that it is implemented in a responsible and transparent manner. We welcome the focus on improved prioritisation, capacity planning and workload management, particularly in light of the increasing demands placed on the LSB's oversight and policy functions.

Consultation Question 5:

Do you agree with our proposed budget for 2026/27?

CRL notes the proposed reduction in the LSB's budget for 2026/27 and recognise the steps taken to control costs and improve efficiency. This is particularly welcome given regulatory levies have been increasing in recent years across the board. Subject to the effective delivery of the proposed programme of work, we consider the budget to be reasonable in principle.

Consultation Question 6:

Do you have any comments regarding equality impacts which, in your view, may arise from our proposed business plan for 2026/27?

CRL agrees with the LSB's assessment that the proposed business plan is likely to have a positive overall impact on equality, particularly through its focus on encouraging a diverse legal profession, strengthening professional ethics and enhancing consumer protection. We encourage the LSB to continue to consider equality impacts across all areas of its work, including oversight and enforcement activity, and to engage with regulators and stakeholders to understand how equality considerations affect consumers and practitioners in practice, especially those who may be vulnerable or face barriers to access to justice.

In that context, we also consider that access to legal services should be treated as a core equality consideration in its own right. Barriers relating to complexity, digital exclusion, cost and confidence can disproportionately affect individuals from disadvantaged or marginalised backgrounds. We would therefore encourage the LSB to consider more explicitly how its work programme can support regulators in reducing friction for consumers when accessing legal services and redress, alongside its important work on professional diversity and ethical standards.