



CILEX Regulation Limited (CRL) Submission of Evidence: The Relationship between Regulators and Economic Growth House of Lords Industry and Regulators Committee

Date: 14.01.2026

CILEX Regulation (CRL) welcomes the House of Lords Industry and Regulators Committee's inquiry. CRL is a legal regulator providing independent regulation for 7,600 chartered legal executives (CLE), around 9,000 paralegals, CILEX Practitioners and firms. CRL supports growth by encouraging more people, especially from disadvantaged backgrounds into the profession, by supporting more people to set up firms, and by adopting a risk-based approach. To do more we need to tackle the costs associated with practice, and to revisit the complex structure of the Legal Services Act 2007 (LSA).

The Role of CRL in Supporting Economic Growth

While CRL does not have an economic or competition mandate, we actively seek to support growth in the legal services sector by promoting diversity, improving access, supporting innovation and reducing barriers to growth.

- **Supporting diversity:** Entry into legal careers is still seen as costly, rigid, and exclusionary. Failing to realise and tap into the talent of individuals wanting to enter the profession, facing barriers in accessing traditional routes into the profession, clearly inhibits long-term growth. CRL supports growth by encouraging more people, especially from disadvantaged backgrounds into the legal profession. The CILEX community is already generally more diverse than other parts of the legal services market. For example, three quarters of Chartered Legal Executives are women, 6% attended a fee-paying school compared to 21% of solicitors, and far fewer come from a professional socio-economic background compared with solicitors¹.

We want to continue to make it easier for people from all backgrounds to enter and progress in the profession without compromising the high standards we set. We intend to ensure pathways to a legal career are open, accessible and fit for purpose. In particular, we aim to make it simpler for CILEX professionals to seek practice rights available to them and consider whether further pathways should be developed to support career development and progression and the needs of the evolving legal sector.

- **Improving Access to Legal Services:** Many consumers and small businesses are unable to access legal services which could help them because of cost, a lack of information or other systemic barriers. These barriers can be particularly acute for those who may be at a disadvantage. We aim to ensure that all consumers, regardless of background or circumstance, can access the legal services they need by understanding these barriers through research and ensuring consumers have access to information.

¹ For more information, see: [CRL 2025 Diversity Report V2 final.pub](https://www.cilex.org.uk/-/media/assets/cilex-regulation/cilex-regulation-ltd/crl/2025-diversity-report-v2-final.pub)

- **Supporting Innovation:** We are supportive of the implementation of LawTech and AI in the provision of legal services. In 2024, we hosted a webinar on AI risks and opportunities. The recording has received 20K views. This informed the CILEX community about the use and implications of AI. We also engage with other regulators through LawTech UK and the LSB's Tech and Innovation Forum. We have a waiver policy which sets out a limited set of circumstances under which we are able to waive specific rules and regulations which may be barriers to innovative practices.
- **Reducing barriers to growth:** We aim to support more of those we regulate to set up their own companies by ensuring barriers to market entry are proportionate and the requisite and appropriate support is available. The view from practitioners setting up their own firms is that there can be a lot of red tape making the set up and initial operation complicated and time consuming. CRL has put forward proposals, referred to as “Law Firm in a Box”, to encourage new entrants to set up a regulated firm in a simple and compliant manner. The proposals are intended to provide a package of products and services to encourage new entrants into the market, particularly in areas of the community that have limited access to legal services, reflecting the diversity of the CILEX membership. Research conducted by CRL in 2023 showed that 90% of those considering setting up a firm welcomed the idea of Law firm in a box.

Legislative and regulatory impediments

CRL’s view is that the current legal framework, as set out in the Legal Services Act 2007, needs to be updated to support growth, ensure consumer confidence and reflect the significant changes in the legal services market over the last 25 years. The regulatory system no longer serves consumers or the market as effectively as it could.

Consumers are more diverse and demanding and yet regulation (of what and by whom) is complex from a consumer perspective. On the other hand, the regulatory environment must be sufficiently agile and proportionate to support innovation in the legal sector, particularly where new models arise and can demonstrably benefit consumers without increasing risk. Rules should be flexible enough to allow regulators to assess the risk of innovative solutions, whilst not posing additional barriers to implementation. This should be done by adopting a more risk-based approach to regulation and reducing or removing complexity:

- **Adopting a risk-based approach to regulation.** The LSA’s regulatory approach defines reserved activities, regardless of risk posed. This list is static and fails to account for how law is practised in 2026. CRL believes that this rigid list system should be replaced with a risk-based regulatory model that allows regulators to adjust practice rights dynamically based on an objective assessment of market need and consumer risk. In 2024, CRL published research into the unreserved legal market (i.e. those not identified as reserved activities under the Legal Services Act 2007)². Such services can be provided by unregulated persons and the potential safeguarding risks that this presents to consumers. Examples of unregulated legal services include areas of critical concern to consumers such as will writing and estate administration.
- **Removing Complexity:** The LSA 2007 introduced a complex regulatory landscape that can act as a barrier to growth. With multiple regulators and professional bodies (which

² The research is available here: [CRL publish new IRN research on unregulated legal providers - CILEX Regulation](#)

are the approved regulators in law), all with differing frameworks and guidance, this may act as a deterrent for both legal service providers and potential external investors entering the sector if there is not a co-ordinated approach to certain aspects of regulation. For example, legal tech firms or start-ups may be disincentivised from entering the legal market due to uncertainty about regulatory compliance across various practice areas. Greater cross-regulator co-ordination and clearer innovation pathways would help foster a more open, investment-friendly environment by providing clarity on how technology can be adopted.

The regulatory system also includes an oversight regulator, adding to complexity, burden and duplication. While necessary, the current LSA framework often slows down reform and leads to "double-regulation" where the oversight body becomes involved in the minutiae of frontline rules. Reform the LSA to ensure the oversight regulator focuses on high-level outcomes (including, for example, growth) and systemic risk, rather than administrative processes.

In relation to complexity, we welcome the move to coordinate Anti-money Laundering Regulation under the FCA provided the model remains proportionate, risk based and coherent with the Legal Services Act framework and the new economic crime objective in the Economic Crime and Corporate Transparency Act. However, we note that the current cost of AML supervision on CRL regulated firms is small. Whereas the reforms are designed to simplify the regulatory landscape, there is a real risk that both the cost and burden is likely to significantly increase under the FCA.

Cost

There has been an increase in regulatory burden and cost over recent years driven by the requirements and expectations placed on regulators by the oversight regulator. This inevitably trickles down to providers and impacts on their ability to invest and grow. And while CRL has continues to keep our costs down in the face of such increasing demands, additional regulatory fees (outside of our control) continue to increase. Our own analysis shows a cumulative increase of nearly 50% in the LSB and OLC levies. Ultimately, the cost of regulation will be felt by the market and consumers.