

## **Consultation: on the proposed rules setting out the information we require our regulated firms to publish to deliver transparency information for consumers in the legal services market**

1. CILEx Regulation is the independent regulator for Chartered Legal Executives, other grades of CILEx membership, CILEx Practitioners and firms. We take a risk based and outcomes focused approach to regulation, by working constructively with our regulated community to ensure that they deliver the best outcomes for clients. We have set clear principles within our Code of Conduct and inform the public of the standards they can expect. We believe this provides a balanced approach.
2. This consultation sets out CILEx Regulation's Transparency Rules that will underpin its approach to implementing the Competition and Markets Authority (CMA) recommendations to legal regulators in their report published in December 2016.
3. We welcome responses from our regulated firms and other stakeholders including members of our regulated community, consumers of legal services, consumer organisations and other interested parties.
4. This consultation will run for 6 weeks, from 22 June 2018, closing at 5pm on 3 August 2018.

## Background: why are we proposing these rules?

5. The CMA report was published on 15 December 2016 and concluded that the legal services market is not working well for individual consumers and small businesses. Consumers find it hard to make informed choices about legal services providers because of lack of transparency about price, service and quality.
6. They recommended a number of measures for legal services regulators to take, including regulatory changes, and with these rules we propose to address the following recommendations:
  - a) ensure that providers disclose price, service, redress and regulatory status; b) support improvement in the quality, utility and prominence of this information on providers' websites;
  - c) publish guidance or introduce regulatory requirements to improve information provided to a consumer when they engage a legal services provider.
7. We will continue to work with the other regulators on how we can implement the other recommendations, in particular, joint regulator work on developing the [Legal Choices](#) website.
8. It has not been necessary to change our Code of Conduct (the Code) because Principle 4 of the Code requires our regulated community to comply with their legal and regulatory obligations. We will be able to enforce against the Transparency Rules, should we need to, under Paragraph 4 of the Code. We propose to introduce discrete CILEx Regulation Transparency Rules (the Transparency Rules) to provide greater clarity to CILEx Authorised Entities.

## Our proposals

9. The Transparency Rules set out the information CILEx Authorised Entities (regulated firms) will be asked to publish on their website, or if they do not have a website, to make available on request. They will be required to publish information on:
  - o price,
  - o service,
  - o redress, and
  - o regulatory status.

10. Firms will be required to publish transparency information if they provide legal services in the areas of law covered by the initial roll out of our Transparency Rules (see below). We will extend the Transparency Rules to other areas of law over time.
11. We require initially firms providing residential conveyancing (including freehold and leasehold, mortgaging and re-mortgaging) and probate to publish the transparency information. Other regulators will be requiring transparency information in these areas of law. This consistency of approach will provide clarity to consumers using firms across the regulatory community.
12. Subject to receiving approval from the Legal Services Board, our intention is to implement the Transparency Rules, with supporting guidance, by January 2019. We will then monitor compliance with our firms, providing additional support and guidance as necessary with the aim that the benefits for consumers, sought by the CMA, are achieved.
13. We anticipate carrying out our first review of compliance by our firms within 6 months from implementation. Subject to this exercise, we will then consider the timescale for extending the Transparency Rules to further areas of law.

## **Benefits of providing transparency information for firms and consumers**

14. We know that our firms take pride in delivering excellent legal work and client service. So, it makes sense for them to tell consumers about what they offer. We believe the transparency requirements will help them focus on providing the information needed and valued by consumers when they are considering which legal firm to use. This will help them promote their firm and attract consumers.
15. Providing price information makes sense. Consumers assume that legal services are beyond their financial means. Providing a clear price indication will give consumers confidence to approach a firm and/or save up to pay for the legal services they need.
16. Service information is essential. Where consumers can see what is offered for a price, they can make informed decisions based on the aspects of service and price are important to them. Consumers value knowing who will be doing their work, so providing these details will enable a consumer to differentiate the services a firm provides.
17. Consumers assume all legal service providers are regulated but that is not the case. Firms can distinguish themselves as regulated, and emphasise the benefits of professional standards, consumer protections offered by PII and possible access to the CILEx Compensation arrangements. Consumers will take reassurance from this and we

believe these protections are important in guiding them in choices about the type of firm they wish to use.

18. An effective complaints procedure is part of good consumer service and consumers are used to the availability of redress schemes. Explaining that a firm has a complaints procedure in place, offers reassurance to consumers when choosing a firm and demonstrates commitment to excellent consumer service provision. The availability of the Legal Ombudsman can also be a differentiator. Providing complaints procedure details on a firm's website, allows consumers easy access to this important information.
19. The transparency rules will come into force from January 2019. We know that consumers engage with clear, easily understood information that they can find quickly, with minimum effort. Well-presented information can be perceived by consumers as an indication of a firm's quality so it makes sense for firms to start preparing their website straight away.

## The CILEX Regulation Transparency Rules

20. The proposed Transparency Rules are attached to this consultation [here](#). We suggest these are read alongside the supporting guidance that can be found [here](#).

### PRICE information

21. Under Principle 5.7 of the Code of Conduct our regulated firms are currently required to provide information to a client on the likely or anticipated cost of services.
22. With this section of the rules, we propose to extend this requirement so that total price information is now made available to consumers on the firm's website or made available on request if it does not have a website.
23. The information that a firm must provide is set out in paragraph 2 of the rules.

***Q1. Do you foresee any issues with the interpretation of the rules in relation to provision of Price information?***

***Yes/No? Please provide comment.***

***Q2. Do you foresee any issues with the implementation of the rules in relation to provision of Price information?***

***Yes/No? Please provide comment.***

## **SERVICE information**

24. Under Principle 5.7 of the Code of Conduct our regulated firms are currently required to provide information to a client on the extent of the services, outcome and timescale for the advice and services to be provided.
25. With this section of the rules, we propose to extend this requirement so that service information is now made available to consumers on the firm's website or made available on request if it does not have a website.
26. The information that a firm must provide is set out in paragraph 3 of the rules.

***Q3. Do you foresee any issues with the interpretation of the rules in relation to provision of Service information?***

***Yes/No? Please provide comment.***

***Q4. Do you foresee any issues with the implementation of the rules in relation to provision of Service Information?***

***Yes/No? Please provide comment.***

## **COMPLAINTS AND REDRESS information**

27. Under Principle 5.9 of the Code of Conduct our regulated firms are currently required to provide information to a client as to their complaints procedure including the right of the client to refer a complaint to the Legal Ombudsman or CILEx Regulation where appropriate.
28. With this section of the rules, we propose to extend this requirement so that complaints and redress information is now made available to consumers on the firm's website or made available on request if it does not have a website.
29. The information that a firm must provide is set out in paragraph 4 of the rules.

***Q5. Do you foresee any issues with the interpretation of the rules in relation to provision of Complaints and Redress information?***

***Yes/No? Please provide comment.***

***Q6. Do you foresee any issues with the implementation of the rules in relation to provision of Complaints and Redress information?***

***Yes/No? Please provide comment.***



## REGULATORY information

30. Under Principle 2 of the Code of Conduct our regulated firms are currently required to provide information to a client of their professional status and that they are authorised to practise and/or are regulated by CILEx Regulation. Where the firm is regulated by CILEx Regulation their business communications must confirm that.
31. With this section of these rules, we propose to extend this requirement so that regulatory information is now made available to consumers on the firm's website or made available on request if it does not have a website.
32. The information that a firm must provide is set out in paragraph 5 to 8 of the rules.

***Q7. Do you foresee any issues with the interpretation of the rules in relation to provision of Regulatory information?***

***Yes/No? Please provide comment.***

***Q8. Do you foresee any issues with the implementation of the rules in relation to provision of Regulatory Information?***

***Yes/No? Please provide comment.***

## Transparency Guidance

33. We have drafted guidance to support our firms in how they may consider implementing the requirements set out in the proposed Transparency Rules. Whilst we will continue to develop this guidance ahead of implementation of the rules, it is provided now so firms may understand how they will be supported. This guidance does not form part of the regulatory arrangements.

***Q9. Do you have any comments on the transparency guidance provided to support firms in implementing the Transparency Rules?***

## **Consultation questions**

The questions are listed below. Please provide your responses on the response form provided and provide reasons for your answers.

Q1. Do you foresee any issues with the interpretation of the rules in relation to provision of Price information?

Yes/No?

Q2. Do you foresee any issues with the implementation of the rules in relation to provision of Price information?

Yes/No?

Q3. Do you foresee any issues with the interpretation of the rules in relation to provision of Service information?

Yes/No?

Q4. Do you foresee any issues with the implementation of the rules in relation to provision of Service Information?

Yes/No?

Q5. Do you foresee any issues with the interpretation of the rules in relation to provision of Complaints and Redress information?

Yes/No?

Q6. Do you foresee any issues with the implementation of the rules in relation to provision of Complaints and Redress information?

Yes/No?

Q7. Do you foresee any issues with the interpretation of the rules in relation to provision of Regulatory information?

Yes/No?

Q8. Do you foresee any issues with the implementation of the rules in relation to provision of Regulatory Information?

Yes/No?

Q9. Do you have any comments on the transparency guidance provided to support firms in implementing the Transparency Rules?

## **How to respond**

A response form has been provided for completion. Please send the response form to CILEx Regulation by one of the following methods:

- By responding online at the following link [here](#).
- By email to [consultations@cilexregulation.org.uk](mailto:consultations@cilexregulation.org.uk). Please mark your reply for the attention of David Pope, Entity Authorisation and Client Protection Manager.
- By post to CILEx Regulation Ltd, College House, Kempston, Bedford MK42 7AB.
- By DX to CILEx Regulation, DX 124780 Kempston 2.

## **Submission deadline**

Please respond by 5pm on 3 August 2018.