

# Compensation Arrangements Report 2018





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## Introduction



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The primary aim of the CILEx Regulation Compensation Arrangements is to recompense clients of a firm providing legal services authorised and regulated by CILEx Regulation ('a CILEx Authorised Entity') who have incurred a loss due to the dishonest misappropriation or dishonest failure to account of that authorised entity, its owners, managers or employees.

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Payments under the scheme are funded primarily by the underwriters of insurance maintained by CILEx Regulation in order to fund claims (although there is provision for a small fund to be maintained).

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All grants under the CILEx Regulation Compensation Arrangements are discretionary and can only be made within the limits of the scheme.

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## Changes to the administration of the Compensation Fund

During 2017 CILEx Regulation made changes to the compensation arrangements, which were approved by the Legal Services Board on 18 August 2017. The decision was made to review the underlying administration arrangements to ensure these were appropriate in managing an insurance backed scheme.

The CILEx Compensation Fund Limited company was an independent company and was established to administer the compensation fund when the compensation scheme was put in place in 2015. CILEx Regulation received advice that having a separate company was unnecessarily complicated and costly, as a separate statutory trust account could be used to administer the fund directly through CILEx Regulation.

The CILEx Regulation Board, who are the Trustees of the Fund, agreed to this proposal and arrangements were made to close The CILEx Compensation Fund Limited and transfer the administration to CILEx Regulation. The company was dissolved at Companies House on 6 November 2018.

A revised scheme of delegation of the administration of the compensation arrangements had been approved by the CILEx Regulation Board on 21 February 2018. The Trustees of the Fund retain responsibility under these new arrangements.

An updated claims process, redrafted technical guidance and a consumer-friendly set of guidance to supplement the technical guidance were all added to the CILEx Regulation website during 2018.



## Management of the Compensation Arrangements

The Compensation Fund is held, managed, administered and distributed by CILEx Regulation.

The CILEx Regulation Board, as Trustees of the Fund, delegates the power to make final grants for the purposes of the CILEx Regulation Compensation Arrangements Rules to CILEx Regulation staff, officer holders or other appointed individuals, including adjudicators, as set out in the scheme of delegation.

The adjudicators met once in 2018 for an update on the changes to the Compensation Arrangements and progress that CILEx Regulation was making in other areas that may impact on its authorised firms.

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## Contributions and discretionary grants

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During 2018, each Authorised Entity made contributions to the Fund at the prescribed rate. These contributions were utilised towards payment of the premium for the insurance policy which underpins the Compensation Arrangements.

During 2018, there were no claims made on the Compensation Arrangements.

## Looking ahead

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- ✦ We expect the management of the CILEx Regulation Compensation Arrangements to be unchanged in 2019.
- ✦ Once CILEx formally becomes a licensing authority in 2019 or early 2020, the CILEx Regulation Compensation Arrangements will extend to cover licensed bodies.