

## CHAIRMAN'S FORWORDE

We saw continued progress for CILEx Regulation in 2019 as well as several changes. Helen Whiteman, Chief Executive left at the end of August 2019 after four years in the role. Helen made a significant contribution during her time as Chief Executive. I would like to express my thanks for her support to both the board and staff. Two board members also came to the end of their term, David Gilbertson, and Harvey Sandercock. In their place we welcomed 2 new board members, one lay member and one professional member, Alice Belcher and Nick Hanning, respectively.

At the beginning of 2019, the Legal Services Board (LSB) published its first assessment of legal regulators' performance against revised regulatory performance framework. CILEx Regulation fully met all but one of the required outcomes. A positive outcome that recognised the Board and staff had worked hard to ensure that we were able to continue to deliver effective regulation to individuals as well as legal businesses.

In 2019, we started the journey towards complete regulator independence from CILEx as the membership body. CILEx Regulation and CILEx's Boards agreed the ambition of regulator independence, whilst ensuring the regulator remained financially sustainable and cost-effective on the journey towards full independence and thereafter. The Legal Services Board published its updated Internal Governance Rules, which come into force on 24 July 2020. We started to make changes with CILEx and put in place procedures and processes to ensure we could demonstrate compliance, with the rules, by the deadline. This included all CILEx Regulation staff transferring from CILEx to become CILEx Regulation employees. We continue to believe that independent regulation is important in delivering confidence to consumers as well as society as a whole.

As our work encompasses the education, qualification, and continuing competence of the people we regulate we must ensure the standards are fit for purpose. In 2019 we consulted on proposed changes to redevelop the education standards in order to create simplified pathways to authorisation, as well as to introducing a number of new competencies including those focusing on emerging legal technologies and emotional competence. We continue to work towards a finalised set of education standards and ensure they are relevant to the needs of Chartered Legal Executives.

We were really pleased to extend our services and receive our designation order which enables us to authorise and regulate firms with non-lawyers in their ownership and management, known as Alternative Business Structures (ABSs), which complements the steady growth we have seen in our wider law firm regulation. As well as offering consumers more choice, setting up as an ABS can offer new and existing firms more flexibility. These law firms offer the flexibility to involve people who bring additional experience and skills, while firms in other sectors can set up a standalone legal business where legal services complement their core offering.

We have also been maintaining our commitment to technological innovation in particular how technology may improve access to justice and importantly to ensure consumers continue to be protected through effective regulation. We look forward to engaging further in 2020 with the LSB, other regulators and stakeholders in the legal sector.

At the end of 2019, as we have done in previous years, we published an annual statement of what it costs us to regulate. This is so that we can be transparent for the benefit of legal

services providers and firms, who fund these costs by paying regulatory and other fees, and so that we can be transparent for the benefit of consumers and the public.

Sam Younger  
CILEx Regulation

## **WHO WE ARE**

We are the independent regulator of the Chartered Institute of Legal Executives – the professional association that represents chartered legal executives, paralegals and other legal practitioners.

CILEx Regulation offers a forward-thinking, constructive approach to regulation. We regulate members of CILEx, law firms, and the legal professionals we have authorised with practice rights in specialist areas of law.

We are responsible for regulatory matters affecting all those in our regulated community. In addition, we oversee the education, qualification and practice standards of CILEx members. We are the External Quality Assurer (EQA) for the Chartered Legal Executive Apprenticeship authorized by the Institute for Apprenticeships authorised us to provide external quality assurance for the Chartered Legal Executive Apprenticeship and CILEx delegates to us the regulatory aspects of its role as a Money Laundering Supervisory Authority. Reports on these functions are appended to this report.

In 2018 our Board reviewed its three-year strategic plan and amended the reduced the five strategic aims to three after a review of the three-year strategy. This report sets out our progress against these revised aims.

### **Progress against Strategic Objectives**

#### **1. Protecting consumers and improving consumer experience by:**

##### **a. Ensuring that the legal service providers we regulate are clear and honest in the way that they work with clients**

In 2019 we brought our transparency rules into force and ensured those firms affected were meeting expectations in the information they provide on their websites to consumers. We commenced work on the next areas of law that these rules would be extended to in 2020.

We continued our work with other anti-money laundering supervisors in raising standards and sharing best practice in combating criminal activity. We made good progress against the action plan agreed with OPBAS (the Office for Professional Body Anti-Money Laundering Supervision).

We have seen more work this year connected to financial services markets as we continue to review the scope of our supervisory activities. This has included areas such as claims management activity and the setting of future fee caps, and provision of ancillary insurance by our firms. The decision was made to progress an application in 2020 to become a Designated Professional Body.

We continue to maintain close supervision with both our existing firms and new applicants through a programme of regular contact and visits, as well as regular review of both consumer facing material and those policies that underpin their management of risk.

Work has continued on our risk matrices to enable these to be integrated into the new CRM system in 2020.

#### **b. Understanding consumer needs and focusing our decision-making on the consumer**

We have increased our knowledge about consumer requirements, and views through attending events and desk-top learning from published consumer research. We have fed this into the development of our work and the use of a Consumer Impact Assessment which we have embedded to assess our policy decision-making.

Our transparency rules came into effect in January and we supported our firms in their publishing of information to help consumers make choices about legal services.

We improved our understanding of lawtech and quality indicators at roundtables provided by the Legal Services Consumer Panel.

We strengthened our Board's consumer focus through a deep dive paper which stimulated discussion, built on existing awareness, and developed approaches to a broad range of consumer issues.

We embarked on commissioning external research with the aim of gaining qualitative insight into consumer behaviour in choosing and using, and satisfaction with, legal services. This will build into our ongoing work following the Competition and Markets Authority report. The results of the research should be available in 2020.

#### **c. Creating a corporate website which helps consumers to access justice**

We launched our new website in early 2019 which includes the digital software, Browsealoud, to make the content more accessible with reading and translation support. The site provides a dedicated consumer section with information including help with choosing and using a legal professional, understanding our regulated community and making complaints. Consumers can find and check our regulated individuals and firms through professional registers accessible from the home page.

In 2019 we also produced our first ever Publication Scheme setting out the information that we commit to publish on our website.

#### **d. Working with other regulators to build the Legal Choices website**

We have continued our work with the other legal regulators to fund and support the development of Legal Choices. The site now hosts all the legal regulators registers in one place. We have continued work to develop tools and content to support consumers with their legal problems.

## **2. Strengthening diversity within the legal profession and accessibility to legal services by:**

### **a. Identifying ways to enhance a diverse workforce whilst achieving high standards**

CILEx Regulation assesses applications for authorisation as Chartered Legal Executives, CILEx Practitioners and CILEx Authorised Entities. Each of these processes sets standards which ensure that only those competent to practice are authorised in order to protect the public interest and consumers. At the same time CILEx Regulation has created assessment mechanisms which provide a flexible approach to enable those who aspire to practise in law an accessible route to authorisation, thereby contributing to the diversity of the profession. We keep these processes under constant review and where there is evidence of potential barriers to authorisation, these are investigated and addressed. In 2019, this work has included working with other stakeholders to begin to break down unnecessary barriers (e.g. access to lender panels), ensuring that CILEx Authorised Entities will have the same access to provide ancillary insurance, through the application to the HM Treasury for designation as a Designated Professional Body (DPB) and investigating a perceived differential outcome for BAME applicants seeking approval for the work experience as qualifying employment.

### **b. Identifying opportunities to support and increase diversity within the legal profession**

In 2019, we consulted on revised education standards which will enable applicants seeking authorisation as a Chartered Legal Executive to also (where competent and appropriate) gain at the same time the right to practice independently in their specialist area of practice and to set up their own law firm. Owing to the flexibility and accessibility of the CILEx route, it is anticipated that this will further enhance the diversity of the legal profession as a whole, which is in the public interest and of benefit to the consumer.

In 2019, we proposed and set up a joint Equality, Diversity and Inclusion working group with CILEx to help align diversity approaches to maximise the impact the respective organisations could have on diversity. The initial work of the Group has focused on addressing barriers to social mobility for the regulated community and potential regulated members, with female equality of opportunity the next focus for the working group.

### **c. Delivering ABS licensing to the market**

We received our designation as an alternative business structure (ABS) Licensing Authority on 1 April 2019 and with interim arrangements for appeals agreed by the Legal Services Board in June 2019, we were able to offer firms the opportunity to work as an ABS from September 2019. We expect the final Parliamentary Order to complete this work in April 2020.

### **d. Providing supportive, safe, and proportionate regulation**

In addition to the high standards applied to those seeking authorisation with CILEx Regulation, we supervise the regulated community through a combination of continuing professional development and enforcement. In the 2018 Annual Report, we noted that the development of a practitioner risk matrix, which would enable us to adopt a tailored, risk-based approach to the supervision of individuals was complete and would be implemented during 2019. The matrix

has been expanded to include risk assessment of the CILEx membership in relation to the Money Laundering Regulations and these are expected to be fully implemented in 2020. The additional intelligence gained through the operationalisation of these matrices will enable CILEx Regulation to better target its supervisory activities.

### **3. Promoting high standards by:**

#### **a. Reviewing legal education standards**

Following on from the work we embarked upon in 2018 to update and future-proof our education standards, we launched two consultations on the proposals.

The central changes to the education standards include the inclusion of contextualised legal technology and emotional competence and the right for Chartered Legal Executives to become authorised to practise independently in their area of specialism at the point of initial authorisation. We are also working on a conversion programme of training and assessment to enable existing Fellows to be able to attain individual Practice Rights as an alternative to the work-based learning scheme presently in operation.

We will be submitting our applications to the Legal Services Board for rule change approval to incorporate these changes in 2020.

#### **b. Supporting new technologies for legal services**

In September 2019, we provided some dedicated resource to this important area of activity and began to review the ways in which CILEx Regulation, as a legal regulator, could support forward thinking legal services providers in the delivery of legal services using technology, whilst continuing to ensure the protection of the public interest and the consumer. In 2019, this has included a review of the potential use of sandboxes, the types of innovation taking place in the delivery of legal services and we began to consider potential options for change to support these initiatives.

In addition, CILEx Regulation is part of the advisory board relating to mid-sized law and accountancy firms as part of the 'NextGen PSF', a project established under the Government's Industrial Strategy Challenge Fund and the 'grand challenge' relating to AI. The project itself seeks to examine the added value that mid-sized accounting and law firms can gain from leveraging the potential for AI technologies.

#### **c. Using a risk-based approach to investigation to ensure regulator resources are used most effectively to uphold standards**

Following healthy deliberations, the Board endorsed the benefits of moving to a risk-based approach for investigation. Some other legal service regulators have already adopted a risk-based enforcement approach and have fed back positively on its benefits.

A risk-based enforcement approach aligns with the risk-based approach of the education and supervision services of CILEx Regulation.

The next steps in moving to a risk-based approach are consulting regulated members on the proposed changes followed by seeking approval from the LSB to the necessary changes to the Enforcement Rules.

#### **d. Dealing with conduct complaints and enforcement fairly and promptly**

In 2019 new key performance indicators were identified for enforcement relating to timeliness, which will start to be reported against in 2020. It was agreed to introduce an enforcement user feedback survey, which will start in 2020, to provide a further mechanism for feedback and accountability, in addition to the existing measures such as existing KPIs, the service complaints process and the enforcement annual report.

No appeals were upheld by the independent appeals panel during 2019 and nor were any service complaints upheld, indicating fair processes.

The customer service standards and corporate values also were reviewed and significantly updated in 2019.

There was significant work in 2019 to improve meaningful, accurate and comprehensive data capture and analysis to enable early identification of any learning or issues. This included work on a new CRM system.

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