

# Compensation Arrangements **Annual Report 2019**



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

## Changes to the administration of the compensation arrangements

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During 2019 CILEx was designated as an ABS licensing authority under the Legal Services Act 2007. This meant that CILEx Regulation could authorise and regulate firms with non-lawyers in their ownership and management. These are known as alternative business structures (ABSs).

The CILEx Regulation Compensation Arrangements scheme was extended to cover licensed bodies (ABS) and the rules were approved by the Legal Services Board on 13 August 2019.

## Management of the compensation arrangements

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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 did not meet in 2019, being provided with a written for an update on the progress that CILEx Regulation was making in other areas that may impact on its authorised firms.

## Contributions and discretionary grants

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During 2019, 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 2019, there were no claims made on the Compensation Arrangements.

## Conclusion

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We expect the management of the CILEx Regulation Compensation Arrangements to be unchanged in 2020.