

Compensation
Arrangements
Annual Report 2020

Introduction

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

During 2020 there were no changes to the CILEx Regulation Compensation Arrangements scheme.

CILEx Regulation consulted on a proposal to become the regulator of Association of Chartered Certified Accountants (ACCA) firms for the reserved activity of probate. As these ACCA firms currently provide access to compensation arrangements via their Professional Indemnity Insurance, this was the basis which CILEx Regulation is looking to adopt rather than bringing them within the scope of the Compensation Arrangements. This will be considered by the Legal Services Board during 2021.

Management of the Compensation Arrangements

The Compensation Fund is held, managed, administered and distributed by CILEx Regulation on behalf of the Chartered Institute of Legal Executives.

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 were not required to meet in 2020.

Contributions and discretionary grants

During 2020, each Authorised Entity made contributions to the Fund at the prescribed rate, which is approved annually by the Legal Services Board. These contributions were utilised towards payment of the premium for the insurance policy which underpins the Compensation Arrangements. Because of the impact of COVID, along with other regulators CILEx Regulation sought permission from the Legal Services Board for firms to be able to delay their contributions to later within the year. A number of firms took up this option, but all contributions were made by the end of 2020 as required.

Despite 2020 being a challenging year for many firms, there were no claims made on the Compensation Arrangements.

Conclusion

We expect the management of the CILEx Regulation Compensation Arrangements to be unchanged in 2021.