



# **Client money in legal services – safeguarding consumers and providing redress: Delivering and paying for a sustainable compensation fund**

**Summary of responses and feedback to our consultation questions on the apportionment of contributions to our compensation fund**

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May 2025

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## Background

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Our consultation '[Client money in legal services – safeguarding consumers and providing redress: Delivering and paying for a sustainable compensation fund](#)' launched on 14 November 2024 and ran until 21 February 2025.

The consultation invited views from our stakeholders on:

- the apportionment of compensation fund contributions between individuals and firms
- the possibility of setting differential contribution levels for different firms
- moving away from the current arrangements that allow us to impose a cap of £5m for connected claims
- the idea of amending the compensation fund rules to explicitly exclude specific types of claims.

This report summarises and analyses the responses we had to the specific questions on the apportionment of compensation fund contributions. Currently contributions are set as a flat fee:

- 50 per cent of contributions comes from individual solicitors who hold a practising certificate
- 50 per cent comes from firms that hold client money.

We asked for views on reapportioning contributions and moving to a position where 70 per cent of contributions would come from individual solicitors and 30 per cent from firms. After analysing consultation responses, we have made the decision to keep the apportionment at 50/50 for 2025/26. We explain more about this decision below.

This decision on apportionment is reflected in our [draft Business Plan and budget for 2025-26](#), which is open for consultation until 19 June 2025

We will be publishing responses and analysis to the rest of the client money in legal services consultation later in 2025.

## Who did we hear from

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We received a total of 79 responses to our questions on the apportionment of compensation fund contributions, from:

- 19 individual solicitors or other legal professionals
- 35 law firms or other legal services providers
- The Law Society
- Birmingham Law Society (member of Joint V law societies)
- Bristol Law Society (member of Joint V law societies)
- Chester & North Wales Law Society
- City of London Law Society
- Cardiff & District Law Society
- Devon & Somerset Law Society
- Dorset Law Society
- Hampshire Law Society
- Leeds Law Society (member of Joint V law societies)
- Liverpool Law Society (member of Joint V law societies)
- London Law Society
- Manchester Law Society (member of Joint V law societies)
- Surrey Law Society
- Two groups of law societies (Joint V Law Societies and Counties Societies Group)
- The Association of Consumer Support Organisations
- The Association of Lifetime Lawyers
- The Association of Personal Injury Lawyers
- Forum of Insurance Lawyers
- International Underwriting Association
- LawNet
- The Legal Services Consumer Panel
- The Sole Practitioners Group
- One accountancy firm.

We also engaged directly and heard from stakeholders through other engagement activities. This included:

- meeting with members of the profession and consumer representative groups
- holding consultation events
- polling members of the public and legal services professionals through our social media channels
- broadcasting an [on-demand, interactive webinar](#).

In this report we summarise some of the main areas of feedback we received through our consultation process.

## Summary

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Consultation respondents commented on our proposal to change the apportionment of compensation fund contributions from 50/50 (individuals/firms) to 70/30 (individuals/firms).

We received 84 responses to the consultation on delivering and paying for a sustainable compensation fund. This included 19 individuals, 15 law societies, and eight representative bodies. We heard from 20 large firms (1,000-101 ranked by turnover), seven very large firms (top 100 turnover), only two small firms (with four or fewer partners and with a turnover of less than £400k) and eight medium firms (firms of all other sizes). In addition to formal responses, we gained insights from engagement events, individual meetings with key stakeholders and social media polling.

We heard continued support for the existence of the fund and the important role it plays to protect consumers and drive confidence and trust in legal services.

Consultation responses and stakeholder engagement showed limited support for our proposal to move to 70/30 apportionment. Some suggested that the consultation didn't clearly show the benefits of changing the current approach and required further analysis. For example, some felt we did not highlight that many firms cover the costs of contributions for the solicitors they employ. Whilst some respondents acknowledged the potential benefits for smaller firms, there were concerns expressed about the potential adverse impact of the proposal on large firms that pay for the solicitors that they employ.

Some consultation respondents were concerned about an adverse impact on individuals who meet the costs of their contributions themselves, who may be more likely to work in-house or in less well-paid practice areas.

Some respondents considered that we should not move from a 50/50 apportionment for contributions separately. Or ahead of the broader questions around differential contributions that we explored in the consultation. There were suggestions that we look at the potential advantages, disadvantages and impacts of differential contribution models before making changes to the apportionment of fund contributions. This was especially in terms of fairness and sustainability of the fund first. Some respondents also felt that some of the suggestions for differentiating contributions would be fairer, for example, based on potential risk to the fund.

We think there is further work to do to consider both the concerns raised through the consultation. And how changing the way we set compensation fund contributions aligns with the longer-term actions we may take following the wider client money consultation. Therefore, we have decided to maintain the compensation fund contribution apportionment at 50 per cent (individuals) and 50 per cent (firms) for this year (2025/26). As continue to explore options for the future, we think it sensible to avoid making changes to contribution arrangements at this time.

In the remainder of this document, we summarise feedback received for each consultation question on the apportionment of compensation fund contributions. And confirm our response to the feedback.

## Comments and feedback for question one

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Our first question was:

**‘Do you agree that changing the apportionment of compensation fund contributions to 70 per cent individuals and 30 per cent firms is an appropriate and proportionate approach to setting contribution levels for 2025/26? Please give reasons for your answer.’**

We set out our rationale for the proposed reapportionment, highlighting that since the 50/50 split was set in 2010, the number of individual solicitors has increased significantly. This is while the number of firms has decreased. This means there are fewer firms paying for their 50 per cent ‘share’ of contributions now than in 2010, increasing the burden on those that remain.

We noted this could be disproportionately impacting small firms, and particularly those firms operating in less profitable areas of practice. This is because the current flat fee structure means all firms pay the same amount regardless of size or profitability.

We proposed increasing the size of the compensation fund in our [application to the Legal Services Board](#) (LSB) last year. And said we would consider how the model for determining contributions might evolve to reduce adverse impacts of the increase for these groups. We said we would consider alternatives to the current 50/50 apportionment.

We therefore invited views on a proposal to change the apportionment of fund contributions to a 70/30 (individual/firm) split for 2025/26 in our consultation. We considered this reapportionment to be proportionate and to best adjust for the changing composition of the profession since 2010.

In our equality impact assessment, we considered that reapportionment. This showed we would see a higher contribution for individual solicitors than under the current 50/50 approach and would distribute the additional costs across many solicitors. This would mean the burden of supporting the fund would be spread more evenly across the regulated community. However, we noted that solicitors working in-house and those on lower salaries, who would face increased levels of contributions. They may also be less likely to have their contribution paid by their employer.

We considered that firms who pay contributions on behalf of solicitors would see an increase in this aspect of their contribution costs. However, this would be offsetting by the reduction in the firm share of contributions from 50 per cent to 30 per cent. We acknowledged the reduction in the level of firm contributions would benefit smaller firms and those operating in less profitable areas of work. These are the firms who, as we noted earlier, could be disproportionately impacted by increases in contribution levels.

Of the 73 responses to this question, 47 disagreed, 11 agreed, eight neither agreed nor disagreed and seven offered no view. Those who disagreed consisted of 17 firms (the majority were large firms), 11 law societies, one representative body and 15 individuals. Eight firms (including two small firms), two law societies and one individual agreed with the proposal.

A minority of respondents did support our proposal, agreeing that it was appropriate given the increase in the number of solicitors and the decrease in the number of firms over time.

Some also highlighted the impact of the increase in compensation fund contributions for 2024/25 on smaller firms.

Manchester Law Society said that ‘...given the changes in the constitution of the profession...since the 50/50 split was imposed in 2010, it is right to review the respective contributions of individual solicitors and firms’. It added that as many of its members have the cost of individual contributions covered by their firms and considered that ‘...in many respects, the percentage apportionment makes little difference as firms will pay the combined amount in any event’. It noted potential benefits for firms that do not cover this cost for the solicitors they employed, which it considered are usually smaller firms.

The Joint V law societies stated that its members support a model ‘...where a greater proportion of the compensation fund is funded on a “per lawyer” rather than “per firm” basis’.

Around half of those who disagreed did not see the rationale for change and some expressed concerns about a disproportionate impact on larger firms. This included Surrey Law Society.

There was some concern voiced that we had not expressly taken account of the position of firms that cover the cost of contributions for the solicitors they employ. This concern was voiced by Birmingham Law Society and the City of London Law Society.

Liverpool Law Society stated that its members thought the proposed change ‘...would make little difference to many small firms but the mid-size firms and above would suffer disproportionately where they support their staff and pay the fees’. It added concerns that reappportionment may ‘impact substantially the ability of firms to invest in training, recruitment, and staff wellbeing options’.

Around a third of those who disagreed considered the greater burden should fall on firms, not individuals, given their ability to pay and their calls on the fund.

Devon & Somerset Law Society considered that, while the proposed reappportionment would increase the burden on individual solicitors, ‘the recent adverse impact on the compensation fund has been caused by the failure of large firms that have been poorly managed’ and argued that ‘since the impact on the Fund has been caused by the failure of a small number of firms, then firms should bear the additional cost’. It added that increasing the burden on individuals seemed unfair and suggested retaining the current apportionment.

The Law Society (TLS) stated that it did not think we had made the case for the proposed reappportionment, and considered that:

‘While the changes proposed in the consultation document would alleviate some of the pressure on smaller firms, it would do so at the expense of larger firms, many of which have risk management procedures in place that make it highly unlikely that they would ever give rise to a claim from the compensation fund... Our preference would be to maintain the current arrangements, imperfect as they may be, until the SRA has taken the time to consider different options and investigate whether they are likely to be better (in terms of sustainability and fairness) than the current formula.’

Cheshire & North Wales Law Society endorsed the points made by Devon & Somerset Law Society and TLS.

Surrey Law Society also did not consider the case for reappportionment had been made and stated, ‘We have not seen any supporting evidence of a change to current arrangements

would represent an improvement for the profession (sic)'. It expressed a preference to retain the current approach.

The Joint V Law societies were concerned that '...firms might seek to pass on the cost of individual contributions to employees, in circumstances where they currently mostly pay those contributions at firm level'.

The Legal Services Consumer Panel (LSCP) did not consider we have given them enough information for them to offer a view:

'The panel prefers to remain neutral on the apportionment of contributions as the arguments made are not compelling enough for us to make an informed decision, nor has the SRA evidenced how this apportionment will categorically help with the sustainability of the fund.'

Our social media poll asked members of the public for their views on whether changing the apportionment of the 2025/26 fund contributions to 70/30 is appropriate and proportionate. We received 217 votes as follows: Strongly agree (23 per cent); Somewhat agree (23 per cent); Disagree (21 per cent); Strongly disagree (33 per cent).

At an event with sole practitioners, most of those who responded to our poll (5) agreed or strongly agreed that the proposed change is appropriate and proportionate. While one respondent slightly disagreed and three neither agreed nor disagreed. During the discussion, a sole practitioner explained that they were in favour of the proposed change given it would reduce the contribution paid by sole practitioner firms.

The Sole Practitioners Group's view was that 'The proposal is better than the existing policy' but considered that there should be three categories for contributions from individuals, small firms and large firms, 'being determined by a mix of monies held in the client account annually and annual turnover'.

Several respondents suggested we look at differential contribution models first before making changes to the apportionment of contributions to the fund. This included Dorset Law Society.

## Our response

We will keep the apportionment of compensation fund contributions at 50 per cent from individual solicitors and 50 per cent from firms that hold client money for 2025/26.

We think there is further work to be done to consider the concerns raised through the consultation And how changing the way we set compensation fund contributions aligns with the longer-term actions we may take following the wider client money consultation.

Our proposal to change the apportionment of contributions to 70 per cent (individuals) and 30 per cent (firms) received only limited support from respondents to our consultation. Concerns were raised over the rationale, overall impacts and proposed sequencing of the change. We have also observed that there would be positive and negative impacts on different groups.

We do not consider that there is a clear rationale for changing the apportionment ahead of the broader changes being considered ie potentially moving away from the flat fee model. We will publish consultation findings on this point later in the year.

We have identified potential benefits for smaller firms by changing the apportionment of contributions to 70/30. And who would feel the greatest impact from the flat fee share of firm contributions. However, we also identified potential adverse impacts on large firms and solicitors who pay their own compensation fund contributions.

Under a flat fee approach, small firms and those working in less profitable areas of practice can be impacted more by increases to the level of firm contributions. Our data indicates that in smaller firms, and firms doing mainly criminal law, there is an overrepresentation of certain groups. This includes older solicitors, disabled solicitors, men, Black, Asian and minority ethnic solicitors. As well as those from Hindu, Jewish, Muslim and Sikh faith groups, and people from lower or intermediate socio-economic backgrounds. It is not clear that a change in apportionment would significantly address disproportionate impacts on these groups.

We know that many firms pay the compensation fund contributions on behalf of the solicitors they employ. Therefore a change in the individual contribution rate has the potential to dampen any positive impacts from a reduction in the firm-based contribution from a 70/30 split. And to have negative impacts on firms that employ a significant number of solicitors.

Furthermore, about a quarter of solicitors pay their own contributions. Moving to a 70/30 apportionment would have adverse impacts for this group of solicitors. Respondents to our consultation specifically mentioned the potential impact on in-house solicitors who are less likely to have their contributions paid by their employer. We know that women are overrepresented in the in-house solicitor community. Similarly, solicitors who may have lower incomes and not have their contribution paid by an employer. For example, those working part-time or intermittently during the year, such as those on maternity leave may also be exposed to an additional impact.

As the contribution amount for both individuals and firms has reduced this year, there is less urgency to make a quick change to apportionment arrangements. We now have an opportunity to explore more fundamental changes to the way we set compensation fund contributions.

## Comments and feedback on question two

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Our second question was:

**‘Are there any other important apportionment issues you think we have not considered here? If so, please explain what they are.’**

This question received 40 responses. Though the issues raised by respondents were wide ranging, a quarter of responses mentioned the importance of fairness to our considerations. Some respondents echoed points that were also raised in response to question one, such as:

- the potential adverse impacts on individuals who pay their own contributions
- the importance of taking account of the position of firms that pay the contributions on behalf of their solicitors.

Other specific considerations raised included:

- concerns that increasing costs of contributions to the fund may be passed on to clients – which may adversely impact the affordability and accessibility of legal services
- views that larger firms present a greater risk to the fund and that smaller firms should pay less
- concerns about unfair adverse impacts on in-house solicitors, junior solicitors, sole practitioners and firms doing legal aid work
- views that we should prevent drains on the fund through improved monitoring of firm compliance and earlier interventions
- calls for us to take account of ability to pay when determining how contributions to the fund should be set
- concerns about the flat fee approach for contributions, regardless of firm size or turnover, and suggestions for approaches to differential contributions.

Liverpool Law Society said that its members were concerned about a ‘detrimental’ impact to in-house solicitors ‘...who will be required to contribute an equivalent amount to their private practice counterparts but in circumstances where it is known that their activities do not result in claims against the fund’. It added that members felt this may adversely impact ‘...the number of inhouse roles, with entities opting for non-qualified staff or changing current policies to require the individual solicitor to personally meet the cost’.

One respondent suggested exempting in-house solicitors from paying contributions to the fund given that they pose a minimal risk that would lead to claims.

Regarding the flat fee approach, the Association of Lifetime Lawyers said that its members, of various sized firms, ‘...agree that it is inequitable to charge a single rate of contribution per firm which would result in a sole practitioner paying the same as a large practice’. It supported an approach of differential contributions from firms based on turnover.

There were some calls for more oversight and transparency of fund expenditure. Bristol Law Society considered there should be ‘...more transparency around payments that are made and how the fund’s rules are being interpreted/applied (or not as the case may be)’.

Manchester Law Society stated that the fund ‘...is being used not just to compensate clients but also to cover SRA intervention costs’, without, in its view ‘...sufficient oversight or

transparency. The profession receives little accountability on how the funds for interventions are allocated and spent and the extent to which the SRA seeks to and succeeds in recovery from the intervened firms and/or its partners’.

One respondent stated that any firms that are limited liability companies should be obliged to notify their clients that they are not fully protected if funds are lost.

Some respondents emphasised the importance of the fund in their answers to either questions one or two.

Birmingham Law Society stated that ‘The fund provides a safety net for clients and reassurance that client monies are protected when clients instruct a law firm. The fund exists to safeguard consumer confidence in the delivery of legal services by law firms’.

## Our response

Where respondents raised similar points to those covered in question one, we have responded to these above.

We note the calls from some respondents for greater SRA oversight of and intervention into firms to prevent drains on the fund. We launched the client money in legal services consultation as part of our ongoing review of consumer protection arrangements in the legal sector. Safeguarding consumer’s money must be a priority. Our further work following this consultation will consider how and when law firms handle client money, and how this money is protected.

Last year, we also published warning notices to firms including [what to do when money is missing from the client account](#). We also conducted a review and implemented improvements regarding our internal processes for how we handle investigations and interventions. We are improving how we use data about law firms and complaints to spot patterns, including by increasing investment in technology and resource in this area.

Regarding calls for more oversight and transparency of fund expenditure, we publish an [annual report and financial statements on the fund](#), which includes:

- information on how we set contributions
- our governance processes
- how the fund operates
- a financial review (contributions, investments, grants paid and grant recoveries, Statutory Trust Accounts, administrative costs, results for the year)
- a review of fund viability
- an independent auditor’s report to the SRA’s Board.

In terms of taking account of ability to pay, when determining how contributions should be set, it explains the principles the SRA Board follows when setting the contributions levels for, and management of, the fund. The report also includes the principle to collect contributions to the fund in a way that is manageable for those we regulate.

We invited views on possible approaches to collecting differential contributions from firms in subsequent questions of the consultation. We explained that this approach may be fairer and make contributions more manageable for firms of different sizes. For the longer term, we are exploring further the advantages and impacts of moving to a model of differential

contributions, taking into consideration feedback we received through the consultation and engagement events.

We will publish responses to the questions on differential contributions along with the all the remaining responses to the wider client money in legal services consultation later this year.

# Comments and feedback on our assessment of equality, diversity and inclusion considerations in our impact assessment

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Our final question was:

**'In the context of this consultation, do you agree with our assessment of equality, diversity and inclusion considerations in our impact assessment? If not, what else do you think we should consider?'**

This question related to the [draft initial equality impact assessment](#) (EIA) we produced for the wider 'Client money in legal services: safeguarding consumers and providing redress' consultation. Below we highlight responses relevant to the apportionment of contributions to the compensation fund.

As set out above, we identified groups who may be impacted by the proposed reapportionment in the consultation. These are firms who pay the contributions on behalf of their solicitors, and individual solicitors who pay their own contributions.

Overall, there was little engagement with this specific consultation question. Most of the responses we did receive either agreed with our analysis in the initial equality impact assessment or offered no comment.

TLS agreed with the impacts identified in our draft equality impact assessment which we published with our consultation.

Two respondents emphasised the need to consider equality regarding any impacts to sole practitioners.

One respondent considered we should conduct a more detail assessment of the potential impact on firms and the communities they assist before making any changes.

Some respondents referred to their concerns about impacts in their responses to questions one and two, which we have responded to above.

## Our response

Our response to the comments and feedback we received for question one above sets out the impacts we have identified for firms and individual solicitors.

We are conscious that the client money in legal services consultation invited feedback on a number of topics and proposals. We will continue to assess specific and cumulative impacts of any future potential changes resulting from this wider consultation.

We will also publish an updated EIA along with our analysis of responses to the client money consultation later this year.