

**Protecting the public: the SRA’s consumer protection review**

<b>Reason for paper</b>	To update the Board on our proposals for reviewing our regulatory approach and arrangements in light of the issues identified as a result of the changing profile of interventions and claims to the Compensation Fund.
<b>Decisions(s)</b>	The Board is asked to:  a) provide views on the draft public statement annexes 1 to 3  b) agree the timeline set out in the draft paper given the formulation of the short, medium and long term actions in annex 3.
<b>Previous Board and committee consideration</b>	The Board considered our proposal for reviewing our regulatory approach and arrangements in light of the issues identified as a result of the changing profile of interventions and claims to the Compensation Fund at its 12 December 2023 meeting.  The Board had previously received an update on Axiom Ince at its 12 September 2023 meeting and discussed it as part of a wider item on client protection in a Board workshop on 17 October 2023. There were also Board briefing sessions on 3 October and 14 November 2023.
<b>Next steps</b>	We aim to publish the public statement, having made any amendments proposed by the Board, to coincide with our post Board meeting media briefing at the beginning of February.

**If you have any questions about this paper please contact: Aileen Armstrong, Executive Director, Strategy, Innovation and External Affairs - [aileen.armstrong@sra.org.uk](mailto:aileen.armstrong@sra.org.uk)**

## **Consumer protection and the Compensation Fund**

### **Summary**

- 1 This paper summarises the content of the draft public statement about our proposed approach to carrying out a consumer protection review drawing on learnings from recent large interventions.

### **Background**

- 2 The Board discussed our proposed approach to the consumer protection review at its 12 December 2023 meeting. As a result of the discussion, the Board asked that we:
  - a. Produce a public document setting out the background to the review, its scope, our approach and the timeframe.
  - b. Within that document, we articulate that we will be looking at changes that we will make over the short, medium and long term.

### **Discussion**

- 3 Our proposed public document is attached at annex 1 for the Board to consider. The document sets out:
  - a. An explanation of why we are doing the review.
  - b. Our review aims – emphasising the need for consumer protections that are proportionate to and targeted at the risk we identify.
  - c. What the review will cover.
  - d. Our timeline.
  - e. Next steps and how stakeholders can get involved.
- 4 As the Board requested, within the timeline section we have drawn out that there are changes that we could make over the short, medium and long term. We emphasise that we have already acted and started to make appropriate improvements to our internal processes and develop some targeted proactive monitoring in light of the Axiom Ince intervention.
- 5 We set out that we will look to make other changes that we identify as being necessary through the review as quickly as possible, over the medium term. This might for example include new guidance to firms and to reporting accountants.
- 6 More fundamental and far reaching changes would be longer term. This will be where formal consultation is required, followed by rule changes, Legal Services Board approval and a period of transition to implement.

**Recommendations: the Board is asked to:**

- (a) provide views on the draft public statement at annexes 1 to 3**
- (b) agree the timeline set out in the draft paper given the formulation of the short, medium and long term actions in annex 3.**

### **Supporting information**

#### **Links to the Corporate Strategy and/or Business Plan and impact on strategic and mid-tier risks**

- 7 This is a fundamental review which will look at the operation of our regulatory arrangements to see how they can best uphold professional standards and protect consumers in a targeted and proportionate way (Strategic Objective One). A key aspect of the review will be around whether we can and should adopt a more pro-active and risk based approach (Strategic Objective Two). At the review's heart is how we manage and mitigate strategic risks.
- 8 This is new work relating to an emerging issue so is not featured in the Business Plan. We will need to review our Business Plan with a view to deprioritise other commitments in order to prioritise this review.

#### **How the issues support the regulatory objectives and best regulatory practice**

- 9 We will consider options for changes to our regulatory arrangements against the regulatory objectives. Our initial analysis is that the following regulatory arrangements are most relevant:
  - RO1 - Protecting and promoting the public interest
  - RO3 - Improving access to justice
  - RO4 - Protecting and promoting the interests of consumers
  - RO5 - Promoting competition in the provision of services
  - RO8 - Promoting and maintaining adherence (by authorised persons) to the professional principles
- 10 As set out in paragraph 19, consideration of how options support the better regulation principles will be key criteria.

#### **Public/Consumer impact**

- 11 The focus of this work programme is to optimise our consumer protection and redress provisions, learning from recent intervention events.

#### **What engagement approach has been used to inform the work and what further communication and engagement is needed?**

- 12 We have issued public statements about Axiom Ince, its impacts, our handling and that we will be starting the review covered by this paper. As set out in the public statement attached we are committed to wide engagement as part of the work programme to inform our future policy positions.

#### **What equality and diversity considerations relate to this issue?**

- 13 We are at the scoping stage. As set out in the work outline and timetable, consideration of equality and diversity impacts will inform our option development process.

**How the work will be evaluated**

- 14 We are at the scoping stage. We will develop an appropriate evaluation approach during the course of the work programme.

**Annexes**

- Annex 1**      **Draft public statement**  
**Annex 2**      **Consumer protection - areas to explore**  
**Annex 3**      **Initial timeline**

*NB: updated versions of the annexes to this paper will published as part of a public statement*