

News release

Warning to law firms working on financial compensation claims

03 May 2024

Law firms working on financial product mis-selling compensation claims have been warned about their potential approaches and the need to uphold their professional obligations.

We are particularly concerned about potential issues regarding firms getting proper instructions from clients and supervising staff in relation to financial services claims when part of high-volume/bulk claim processes involving multiple clients. Publication of the warning notice, and wider guidance for those working in the mass claims sector, follows discussions with the Financial Conduct Authority (FCA) and the Financial Ombudsman Scheme (FOS).

In particular there is concern that the sector may be facing a new surge in such complaints in light of reports of [car finance being arranged at higher rates of interest than were needed](https://www.theguardian.com/business/2024/mar/14/car-finance-mis-selling-unlikely-to-reach-ppi-scandal-levels-says-uk-watchdog) [<https://www.theguardian.com/business/2024/mar/14/car-finance-mis-selling-unlikely-to-reach-ppi-scandal-levels-says-uk-watchdog>]. This has heightened existing concerns about certain improper practices already being experienced by some members of the public in the mass claims sector. For example:

- firms starting to act, and generate costs, before gaining a client's consent
- poor due diligence during client onboarding leading to low quality and/or inaccurate claims being progressed
- failures to act promptly or adequately in response to client instructions.

The newly published guidance covers all of these issues, as well as wider areas such as working with third parties, levels of charges, and specific issues including the need to explain to clients the nature of after-the-event insurance used in no win, no fee cases. The new materials also draw together previous guidance and warnings on areas including claims for mis-sold payment protection insurance, holiday sickness and personal injury.

Paul Philip, SRA Chief Executive said: 'As demonstrated by the various warning notices we have issued in past years, how mass claims are handled is a topic which regularly causes us, and other others such as the FCA concern.

'Whichever mass claims area they are working in, solicitors' obligations are very clear. We expect the profession to treat clients as individuals, not just a number within a group. This means, for example, communicating with them clearly, giving them a proper assessment of their specific case and related decisions to be made, and asking them for consent before taking any actions in their name. Basically, making sure they adhere to their overall obligation to act in their clients' interests at all times.'

[Read the guidance on claims management activity](https://consultations.sra.org.uk/solicitors/guidance/claims-management-activity/)

[<https://consultations.sra.org.uk/solicitors/guidance/claims-management-activity/>].

[Read the high volume financial service claims warning notice](https://consultations.sra.org.uk/solicitors/guidance/high-volume-financial-service-claims/)

[<https://consultations.sra.org.uk/solicitors/guidance/high-volume-financial-service-claims/>].