



Informing Progress - Shaping the Future

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Legal Services Regulation

The regulation of legal services remains under close scrutiny, with various policy reforms now being proposed across areas that directly affect day-to-day legal practice. This update summarises the latest developments and identifies key areas where further reform may follow:

SRA Consultation on the Draft Business Plan and Funding Requirement for 2026/27

This closed consultation proposed an increase in the Practising Certificate fee of 29%, as well as operational and strategic risk changes. The SRA plans to concentrate on the following 'big' issues:

1. Strengthen protections for client money and explore ways of reducing future consumer harm.
2. Boost consumer protection in high-volume consumer claims.
3. Enhance confidence in the Solicitors Qualification Exam (SQE).
4. Enable and encourage responsible innovation and growth in legal services by enhancing the support provided to law firms.

Whilst many of the proposals are laudable, some of the SRA's objectives are far from new ones. There is broad concern that the solicitors' profession should be made to pay for small pockets of careless or fraudulent conduct and for persistent regulatory failure. Recently, FOIL had the opportunity to discuss aspects of the SRA's approach to engagement with stakeholders at a cross-industry meeting with Sarah Rapson (SRA's Chief Executive.) The SRA were urged to consider having regular engagement with professional membership bodies, like FOIL going forwards.

Anti-Money Laundering and Corporate Terrorist Financing Supervision Reform

The Government had previously committed to transferring supervisory responsibility for money laundering and corporate terrorist financing to the Financial Conduct Authority (FCA). The Government has now published its [response](#) to an earlier Treasury consultation. It is positive that there is now a commitment to avoid unnecessary regulatory duplication, especially through appropriate information sharing between regulators, but the detail has still been left to the FCA to negotiate with individual front-line professional regulators. The FCA will use a new fit and proper test for law firms and their managers. Further guidance will be issued to address legal professional privilege concerns in relation to the FCA supervisory role in due course. Also details of the FCA fee structure will be subject to a further consultation.

SRA Guidance on Effective Supervision

The SRA has issued their long-awaited [guidance](#) on effective supervision following the Court of Appeal judgment in *Mazur*. The new case studies offer a helpful steer for firms and supervisors, but firms will still need to revisit their evidence base to demonstrate clear and effective delegation/supervision of litigated cases handled by unauthorised persons.

SRA Consultation on client money in legal services

The SRA is bolstering the arrangements for the filing of accountancy reports by regulated firms holding client money. They will mandate a separation of key roles in higher-risk firms: the SRA will require that individuals in firms above specified thresholds cannot also hold certain compliance roles, to help assure internal checks and challenge around decision making within firms. There are some partial exemptions for sole owner manager firms.

What regulatory reforms are on the horizon?

1. SRA Consultation on proposals to strengthen continuing competence requirements

The SRA are proposing [changes](#) to the training and competence requirements. In summary, they are looking to make the following changes:

- Require all solicitors to record their learning and development needs and confirm how they identified and addressed these needs and require solicitors to sign a declaration to this effect.
- Require all solicitors to participate annually in discussions where they will work through ethical dilemmas and scenarios with other solicitors. This appears to be a direct response to the recent LSB policy statement on ethical duties.
- Require some or all solicitors to complete specific learning and development in the future where concerns over competence emerge.

The consultation closes on 15 July 2026. The second element is the most contentious part, and the concerns concentrate on the scope and resourcing of any future ethics training.

2. Legal Ombudsman Consultation on changes to scheme rules, case fees, and publication of ombudsman decisions

The [key proposal](#) is to introduce revised case fee arrangements, aimed at limiting the number of complaints to the Legal Ombudsman, encouraging early dispute resolution and specifically targeting legal providers generating the greatest demand for complaint resolution services. The consultation closes on 2 September 2026

3. SRA Consultation on client money in legal services (notifying the SRA of changes to help identify and act on risks)

The SRA are [proposing](#) the advanced notification of specific prescribed events which would include contemplated mergers and acquisitions. The consultation closes on 17 August 2026.

4. Background Reviews

In the background, we have several ongoing policy reviews. The Ministry of Justice is still reviewing their plans for an Interest on Lawyers' Client Accounts Scheme and undertaking a Public Bodies Review on the Legal Services Board. The Civil Justice Council has an ongoing review of the Solicitors Act 1974, and the Legal Services Board (LSB) has made a commitment to review the reserved activities in the Legal Services Act 2007. Of course, there is also the small matter of ongoing enforcement action being taken by the LSB against the SRA.

FOIL will continue to contribute to the growing regulatory discourse. As always, it would be helpful to have members' input. If you have any views or feedback on any of these policy areas, please email jeffrey.wale@foil.org.uk. Many thanks.

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