SRA UPDATE

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After a flurry of activity by the SRA in recent weeks, Regulation Report summarises the important developments.

BANK TELEPHONE SCAMS

The SRA has issued yet another warning to firms not to disclose bank security information following reports of more firms being targeted by telephone con artists.

In a recent case, when a firm had problems accessing their online banking system over two days, fraudsters managed to hack into the firm's telephone system so that attempts to contact the bank for verification were thwarted. Over £2m was stolen from the firm's client account.

Firms must warn their staff particularly in their finance team to be vigilant even if it causes a delay in transmitting client money. These frauds are highly sophisticated and the risks to firms cannot be underestimated.

RISK OUTLOOK SPRING UPDATE 2015

In a similar vein, the SRA has updated its Risk Outlook and reminded firms of the perils of money laundering and the use of client account as a banking facility. There is also a warning about the record number of bogus firms as well as the continuing threat from cybercrime. Alongside the update, the SRA has also published a report on balancing duties in litigation.

CHANGES TO CONSUMER CREDIT

In what will be a considerable relief to firms, discussions between the SRA, HM Treasury and the Financial Conduct Authority have resulted in changes to consumer credit regulation that will reduce the regulatory burden. The SRA is to be congratulated on its success here but it is a pity this could not have been achieved at an earlier stage before firms had expended time and money on internal re-organisation and independent legal advice.

Debt collecting will now be excluded from regulation under the Financial Services and Markets Act 2000 where those activities are undertaken by solicitors in the course of providing advocacy services or litigation services. The definition of these services would include pre-issue work.

There has also been an increase in the number of repayments before an agreement with a client becomes classified as a regulated credit agreement and therefore subject to regulation. The number has increased from four to twelve.

The FCA has agreed an extension to the transitional arrangements to 31 October 2015 so further changes are likely to be announced later in the year.

OFFERING INDUCEMENTS

The SRA has updated its guidance on offering inducements in order to reflect the government ban on their use to attract clients in personal injury cases.

The Criminal Justice and Courts Act 2015 introduced the ban, which came into effect on 13 April, in response to concerns that permitting inducements for handling personal injury cases was fuelling a *"compensation culture"*.

A ban had already been implemented by the Claims Management Regulator in April 2013.

The SRA's guidance on offering inducements was originally published in June 2013 following a review by Lord Young in 2012. The review set out what solicitors could or could not do when offering inducements, and reminded them of their obligations in the Code of Conduct around publicity.

The new ban is limited to personal injury claims only. The SRA guidance also covers other areas where inducements to make a claim or seek legal services are not prohibited. Those wishing to view the updated guidance can do so at www.sra.org.uk/inducements/

NEW EDITION OF SRA HANDBOOK

And finally, Version 13 of the SRA Handbook was published on 1 April.

The main changes are:

• The new training arrangements and the competence statement. Solicitors may change voluntarily from the CPD arrangements to *"continuing competence"* from 1 April and the SRA has published a toolkit to help with the process. It can be accessed at www.sra.org.uk/toolkit. From 1 November 2015 all solicitors must adopt this new approach.

• A new outcome which requires firms to assess and purchase an appropriate level of professional indemnity insurance. This appears in Chapter 7 as Outcome 7.13 and requires that *"you assess and purchase the level of professional indemnity insurance cover that is appropriate for your current and past practice, taking into account potential levels of claim by your clients and others and any alternative arrangements you or your client may make".* (The Legal Services Board rejected a request by the SRA to reduce the minimum level of cover to £500,000). The current mandatory level of cover of £2m (£3m for incorporated practices) remains the same.

• Removal of transitional provisions relating to sole practitioners, ahead of changes to be made in November 2015 whereby sole practitioners will no longer require an annual endorsement on their practising certificate. This will be replaced with an authorisation that does not need to be renewed annually. ■

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