

News release

Further reduction in Compensation Fund contributions

08 June 2020

Contributions from the profession to the Compensation Fund for the next practising year are set to fall once more, the Solicitors Regulation Authority (SRA) has decided.

The individual contribution for 2020/21 will be £50 (reduced from £60), while the firm contribution will be £950 (down £200 from £1,150). These figures are subject to final SRA Board and Legal Services Board approval.

The Compensation Fund makes discretionary payments to those that have lost money in certain circumstances, when a solicitor misappropriates or fails to account for money when providing legal services. It is a key part of the regulatory framework and helps to maintain trust and confidence in regulated law firms.

The SRA does not want to impose unnecessary costs on those it regulates, but it is important that the fund has sufficient reserves to meet anticipated claims. The level of contributions takes account of past and prospective claim levels and any trends.

The contribution levels were increased in 2018/19 due to the risk of high value claims linked to solicitors involvement in dubious investment schemes, and have been reduced in the last two years.

Paul Philip, SRA Chief Executive said: "The Compensation Fund provides an essential safety net for those who need it, helping to maintain trust in the profession.

"We have to make sure there are enough funds to cover current and potential claims. The previous rises in contributions reflected forecasts of potentially significant increases in claims on the fund, in particular from solicitor involvement in dubious investment schemes.

"With fewer than expected claims in recent years, I am pleased that we continue to bring contribution levels down."

The SRA is consulting on the principles it uses to set the annual Compensation Fund contributions, as part of [Business Plan and Budget consultation](https://qltt.sra.org.uk/sra/consultations/consultation-listing/business-plan-2020-21/1) [\[https://qltt.sra.org.uk/sra/consultations/consultation-listing/business-plan-2020-21/1\]](https://qltt.sra.org.uk/sra/consultations/consultation-listing/business-plan-2020-21/1).

Compensation Fund contributions are collected in October as part of the annual renewals process.

