



Professional Indemnity Insurance

The UK Solicitors Regulation
Authority Handbook 2019 -
Are you ready?

April 2019 will see the implementation of a new, streamlined and simplified Handbook¹ for the legal profession.

The SRA Handbook sets out the standards and requirements that the legal profession is expected to achieve and observe, for the benefit of both your clients and public interest.

The changes were split across four consultations:



Why the need for change?

It was felt that the Handbook needed to be more user-friendly and brought up to date with the challenges the legal profession faces today. The legal services market has changed and so has the way clients access legal services. The changes to the Handbook are aimed at increasing access for the public by removing restrictions on where solicitors can work, whilst sharpening the focus on professional standards.

What are the key changes?

The new SRA Principles:

The new Handbook sees the current ten SRA Principles reduced to seven, with the removal of:

- **Principle 5** provide a proper standard of service to your clients
- **Principle 7** comply with your legal and regulatory obligations and deal with your regulators and ombudsman in an open, timely and co-operative manner
- **Principle 8** run your business or carry out your role in the business effectively and in accordance with proper governance and sound financial and risk management principles, and
- **Principle 10** protect client money and assets (these are already covered by existing Principles or rules).

These SRA Principles will be covered under the new Codes of Conduct and the need to act with honesty and integrity, which are fundamental to acting as a solicitor, will be stand alone SRA Principles.

The new Code of Conduct

The new Handbook will consist of two separate Codes of Conduct:-

- **The Code of Conduct for Solicitors:** this Code will deal with the standards of professionalism expected from solicitors, Registered European Lawyers and Registered Foreign Lawyers;
- **The Code of Conduct for Firms:** this Code sets out the standards and business controls expected from law firms and will be applicable to COLPs and COFAs.

Solicitors who are owners and managers will be bound by both Codes.

1. SRA Solicitors Regulation Authority Handbook retrieved from <https://www.sra.org.uk/handbook/>

These new Codes will replace the numerous current Outcomes and Indicative Behaviours with one set of requirements and will replace the following sections of the SRA Handbook:-

- You and your client
- You and your business
- You and your regulator
- You and others
- Applications, waivers and interpretations

The aim of the new Codes is to move away from prescriptive rules and the unnecessary red tape and allow flexibility in applying and maintaining the core standards.

However, there is a risk that the move from the comfort of prescriptive rules to the new streamlined flexible Codes of Conduct may cause misinterpretation or ambiguity in the application of the new Codes.

Not only has there been changes to the SRA Handbook the SRA Accounts Rules 2011 have also been reviewed and revised.

Account Rules

You can expect to see a simplified and shorter Accounts Rules book. The key requirements will remain in relation to the rules about holding and dealing with client money, operating a client account and paying interest.

The most noticeable and bold addition to the Accounts Rules is the ability to use a third party managed account as an alternative to a client account. The SRA have provided guidance on the use of third party managed accounts and what they expect from the profession in respect of the same.

New sections and Practice Framework Rules

The new Handbook will see the introduction of the SRA Application Notice Review and Appeals Rules. This will be a combination of general provisions relating to applications to and notices from the SRA categorised clearly into one designated section.

As a result of the Competition and Markets Authority's Report in December 2016 which highlighted the concern about the lack of transparency for consumers of legal services, the profession will see the introduction of the SRA Transparency Rules. These Rules require regulated law firms to publish price and service information on their websites including their complaints procedures. These Rules came into effect on 6 December 2018.

As part of the SRA Transparency Rules, you will also see the introduction of the new SRA digital badge which can be downloaded from the SRA website from 6 December 2018. From Spring 2019 all regulated firms must display the SRA digital badge on their website which confirms that the law firm is regulated by the SRA and the protection that brings.

The new Handbook has embraced the changes in legal services by introducing a new rule allowing self-employed solicitors the ability to practice as 'freelance' on the same model as a barrister, and operate without being authorised as a sole practitioner. In addition, a new policy statement for multi-disciplinary practices is reflected in the new Handbook.

The new Handbook will also see a new enforcement strategy from the SRA. The new Regulatory and Disciplinary Procedure Rules will be less prescriptive in relation to misconduct and will focus on the impact of the conduct as opposed to the conduct itself as before.

2. SRA Ethics Guidance on Third-party-managed accounts retrieved from SRA website here [https://www.sra.org.uk/solicitors/guidance/ethics-guidance/Third-party-managed-accounts-\(TPMA\).page](https://www.sra.org.uk/solicitors/guidance/ethics-guidance/Third-party-managed-accounts-(TPMA).page)

3. Competition and Markets Authority Report dated 15 December 2016 retrieved from Government website here <https://assets.publishing.service.gov.uk/media/5887374d40f0b6593700001a/legal-services-market-study-final-report.pdf>

4. For more information on the SRA Transparency Rules information can be retrieved from SRA website here www.sra.org.uk/transparency

5. Revised SRA MDP Policy statement retrieved from SRA website here <https://www.sra.org.uk/sra/consultations/lttf-phase-two-handbook-reform.page>

What can you do to prepare?

- Review the changes in the new Handbook and consider what impact that will have on you and your firm
- Consider what training needs to be provided to all staff
- How will the changes impact on your firm's risk and compliance strategy and operations
- Review your office manual and respective policies and procedures as these will need to be amended to reflect the changes, and remember, all changes must be communicated to everyone within the firm

The list is not exhaustive and law firm managers will need to assess the impact of the changes across all areas of their business.

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