

Annual Report and Accounts of the  
Legal Services Ombudsman for England and Wales  
2006-2007

DELIVERING EXCELLENCE



LEGAL SERVICES  
OMBUDSMAN

Annual Report and Accounts of the Legal Services Ombudsman for England and Wales 2006/2007.

Laid before Parliament by the Lord High Chancellor pursuant to paragraph 5 (4) of Schedule 3 to the Courts and Legal Services Act 1990.

Ordered by the House of Commons to be printed 19 June 2007.

# REMIT AND POWERS OF THE LEGAL SERVICES OMBUDSMAN

The Legal Services Ombudsman is appointed by the Lord Chancellor and Secretary of State for Justice (formerly Secretary of State for Constitutional Affairs) in accordance with Section 21 of the Courts and Legal Services Act 1990. The Ombudsman cannot be a qualified lawyer and is completely independent of the legal profession. The Legal Services Ombudsman for England and Wales is Zahida Manzoor CBE.

The Ombudsman oversees the handling of complaints about solicitors, barristers, legal executives, licensed conveyancers, patent attorneys and trade mark attorneys by the six professional bodies responsible for setting and maintaining standards of conduct and service within the legal profession.

Complainants must first make their complaint to the relevant professional body: the Law Society, the General Council of the Bar, the Institute of Legal Executives, the Council for Licensed Conveyancers, the Chartered Institute of Patent Attorneys or the Institute of Trade Mark Attorneys. If complainants are not satisfied with the way the professional body has dealt with their complaint, they may refer the matter to the Legal Services Ombudsman. The Ombudsman's services are free of charge.

The Ombudsman has powers to recommend that the professional body reconsider the complaint. She may also recommend that the professional body and/or the lawyer complained about pay compensation for loss, distress or inconvenience.

**The Office of the Legal Services Ombudsman is at:**

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(Charged at local rates and available nationally)

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# FOREWORD

This year my Office has once again exceeded the target which is set by the Government by issuing 99.9% of its reports within six months. The average turnaround times for our investigations is 2.4 months driven by our own internal targets. Productivity is, of course, important but quality is too. For the second year running, over 98% of all draft reports achieved the standards set down in our internal Quality Assurance Framework. This has been achieved, in spite of the uncertain future of the Office, due to the professionalism of my staff. To maintain this efficient and effective service it is essential to introduce, as early as possible, transitional arrangements ahead of the introduction of the Office of Legal Complaints otherwise valued staff will be lost and standards may fall.

The Government's overall approach to legal reform has been laudable. I urge the Government to ensure that all new arrangements demonstrate how and why they will be an improvement on what exists now. As the Legal Services Bill currently stands I am not totally convinced that what is envisaged will bring greater improvements for the consumer. My forthcoming Special Report entitled "A Perspective on the Legal Reforms" will contain my views on the Legal Services Bill. I will continue to work closely with all stakeholders to ensure that the benefits offered by these reforms, both to the consumers of legal services and the legal professions are realised.

I am proud of the work my Office continues to do. I believe that we are a good value for money organisation with good turnaround times. By working with the legal professional bodies we continue to make a difference and improve our service to the consumer.

I take this opportunity to thank my staff for their continued hard work. We will ensure that by working together we remain committed to **"Delivering Excellence"** to all our stakeholders.



Zahida Manzoor CBE

**LEGAL SERVICES OMBUDSMAN  
FOR ENGLAND AND WALES**

“I WAS VERY PLEASED (WITH YOUR REPORT)....  
KEEP UP THE GOOD WORK!”

MISS R OF LONDON



# EXECUTIVE SUMMARY

# 1

The Legal Services Ombudsman is appointed by the Lord Chancellor and Secretary of State for Justice (formerly Secretary of State for Constitutional Affairs) to oversee the handling of complaints about solicitors, barristers, legal executives, licensed conveyancers, patent attorneys and trade mark attorneys by the six professional bodies responsible for setting and maintaining standards of conduct and services within the legal profession.

The Ombudsman cannot be a qualified lawyer and is completely independent of the legal profession. The Legal Services Ombudsman for England and Wales is Zahida Manzoor CBE.



## The Legal Services Bill

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The Ombudsman believes strongly that the Government's aims in the Legal Services Bill are laudable and is keen to ensure that these aims are not compromised by any weakening of the Bill and ensuring that the consumer really is at the heart of the reforms. The Lords have now made amendments, some of which begin to attack the very core of the principles set out in the Bill.

It has been estimated by PriceWaterhouseCoopers that between 80% and 90% of Law Society staff will transfer to the Office for Legal Complaints (OLC). This is of concern given the history of the Law Society's record of poor complaint handling; and despite the recent improvements shown by the Law Society's new Legal Complaints Service following the targets set by the Legal Services Complaints Commissioner.

Additionally there must be a question over the considerable start up costs for implementing this new regime and whether the Bill will deliver an improved and better service for users of legal services.

## Performance of the Office of the Legal Services Ombudsman

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OLSO has again exceeded its Government target of issuing 90% of reports within six months. This year 34.3% of reports were issued within 2 months, 97% were issued within 4 months and 99.9% within 6 months. For the second year running over 98% of all draft reports achieved the standards set down in OLSO's internal Quality Assurance Framework.

The average time for cases to be investigated and completed by OLSO has fallen from 3.2 months last year to 2.4 months this year. As at 31 March 2007 the average age of the live caseload (this includes cases waiting investigation or under investigation) was 27 days, down from 44 days last year.

OLSO began the reporting year with 251 cases from the previous year. During the year 1,783 new cases were accepted while 1,886 were closed. The result is that only 148 cases will be carried forward into the next financial year.

During 2006/2007 the Ombudsman exercised her powers in 585 cases making 454 recommendations to the legal professional bodies.

The Operating Cost Statement for year ended 31 March 2007 contained in the Annual Accounts reflects a slight decrease from 2005/2006 in the overall costs of running OLSO, mainly attributed to reductions in staff costs and the Department for Constitutional Affairs (DCA) overhead charges.

## *Review of complaints handling by the Professional Bodies*

### The Law Society

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From April 2006 to March 2007 89% of OLSO's workload was from complaints referred by consumers who were unhappy with the Law Society's investigation into their complaint.

This year the Ombudsman investigated 1,680 cases referred to her by complainants who were unhappy with how the Law Society handled their complaints. There has been a slight improvement in the percentage of investigations with which the Ombudsman was satisfied, up from 66.4% in 2005/2006 to 68% this year.

Adverse findings were recorded in 32% of reports, an improvement from 33.6% the year before. The Ombudsman found that although there had been a marked improvement in the Law Society's ability to look at all the evidence and reach a reasonable conclusion, there had been no improvement in its ability to consider all the issues and a decrease in its ability to give a reasonable and good explanation. Additionally, when compared to last year's performance, there has been a dramatic increase in avoidable delay; before, during or after the investigation has been commenced.

Between April 2006 and September 2006 109 cases were referred back to the Law Society to be reinvestigated. This meant at the end of March 2007 there would have been at least 6 months to investigate them. However 20% of these have still to be investigated. Last year the Ombudsman urged the Law Society to place greater emphasis on completing these investigations more quickly. The Ombudsman is disappointed to report that this situation has got worse, not better and again urges the Law Society to address this problem urgently.

The Ombudsman is able to recommend that the Law Society pay compensation to consumers let down by their own internal service. This was done in 224 cases last year, totalling £94,014 with an average award of £409.

The Ombudsman was surprised when the Law Society admitted in the summer of 2006 that they did not read the Ombudsman's reports, unless it drew attention to a failing, and that there was no mechanism to feedback the Ombudsman's findings to its caseworkers. Although, the Ombudsman has been assured that all reports are now read and that a feedback mechanism exists.

Overall the Ombudsman found that the Law Society's performance to be well short of where a modern, customer-focussed organisation should be.

### **The General Council of the Bar (the Bar Council)**

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During 2006/2007 the Ombudsman investigated 166 cases referred to her by complainants who were dissatisfied with the Bar Council's handling of their complaint. This compares to 183 last year. The Ombudsman was satisfied in 84% of these cases, down from 88% the year before.

Adverse findings were recorded in 27 of the 166 cases. The Ombudsman highlights that these adverse findings have predominantly focussed on where the Bar Council have made unreasonable decisions or given poor explanations to the complainant (nine cases) or where they overlooked information and have not considered all the issues (five cases) rather than for poor service.

Between April 2006 and September 2006 16 cases were referred back to the Bar Council to be reinvestigated. This meant at the end of March 2007 there would have been at least 6 months to complete them. Three of these have still to be completed and the Ombudsman asks the Bar Council to place greater emphasis on completing these investigations more quickly.

The Ombudsman welcomes the work of the Bar Standards Commissioner and looks forward to receiving the findings of his strategic review.

### **The Council for Licensed Conveyancers (CLC)**

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The Ombudsman reports that the CLC's turnaround times improved during the year, 31% of complaints were resolved within three months and 71% were completed within six months.

During the period April 2006 to March 2007, the Ombudsman investigated 19 cases referred to her by complainants who were unhappy with the CLC's handling of their complaint. This compares to 18 complaints last year. The Ombudsman was satisfied with the handling of 37% of these cases, up from 22% the year before. Adverse findings were therefore recorded in 12 of the 19 investigations undertaken. Of the 12 recommendations the Ombudsman made, 9 related to poor decisions. Generally, the Ombudsman found this to be the case for two reasons: not considering issues which they should have considered and not providing a sufficient explanation as to how they arrived at their decision.

The CLC has informed the Ombudsman that it has already taken action to address the issues identified in the Ombudsman's reports. For example, the CLC is now performing quality audits of files during the investigative process and providing extra training sessions for caseworkers. The Ombudsman looks forward to reporting on an improved performance next year.

### **Other professional bodies**

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OLSO did not receive any cases relating to the handling of complaints by the Institute of Legal Executives (ILEX), the Chartered Institute of Patent Attorneys (CIPA) or the Institute of Trade Mark Attorneys (ITMA).

“I AM EXTREMELY GRATEFUL FOR (OLSO’S)  
INTEREST IN MY CASE AND MY FAITH IN THE LEGAL  
PROFESSION HAS BEEN RESTORED SOMEWHAT”.

MISS A OF LONDON



THE FUTURE  
OF LEGAL  
COMPLAINTS  
HANDLING IN  
ENGLAND AND  
WALES

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For some years I have voiced my concerns regarding the dual role of the professional bodies in both representing and regulating their members. Indeed, in my 2002/2003 Annual Report I highlighted that there was no consistency of standards across all of the legal professions and that the largest professional body (the Law Society), was failing to handle complaints about its members effectively.

Following publication of that Annual Report, I welcomed the Government's announcement of a review of the way in which legal services were being delivered and regulated and complaints handled. The review was headed by Sir David Clementi and I was pleased to see that his proposed reforms took into account many of my expressed concerns. In response to Sir David's review the Government published a White Paper in October 2005, "The Future of Legal Services: Putting the Consumer First". The White Paper proposed a number of radical reforms amongst which were the creation of a new overarching regulator (the Legal Services Board), an independent complaints-handling organisation (the Office for Legal Complaints) and new ways of delivering legal services brought about by Alternative Business Structures.

The slow reaction of the professional bodies to issues such as the collapse of The Accident Group and the miners' compensation cases indicated the need to address the regulation of lawyers in the public interest and to clearly separate their regulatory and representative roles. However, the single biggest problem that crystallised the need for the reform was the handling of complaints about lawyers and most specifically about solicitors.

In my 2005/2006 Annual Report entitled "Striving for Excellence" I said that a centre of excellence in complaints handling would restore consumer confidence and stop any perceived public concern about lawyers investigating complaints about other lawyers.

I believe that the Government's aims in the Legal Services Bill are laudable and is keen to ensure that these aims are not compromised by any weakening of the Bill and ensuring that the consumer really is at the heart of the reforms.

I am concerned that the reforms deliver what they were truly intended for the consumer and the profession. The Lords have secured amendments, some of which begin to attack the very core of the principles set out in the

Bill. The Legal Services Board's (LSB) powers to act will be weaker than those that were originally proposed. The burden of proof that the Approved Regulators have acted or not acted as they should have are now to be set against regulatory objectives taken as a whole, not individually. The LSB will not have the power to audit or investigate in the event of failure by either of the Approved Regulators or the Office of Legal Complaints (OLC). The power to audit or investigate is vital to pinpoint the root of problems before the sanction powers are invoked.

I am also concerned about the wording used to describe the OLC's jurisdiction over complaints. Clause 122 of the Legal Services Bill provides that a complaint will only be within the OLC's jurisdiction if it is "a complaint which relates to an act or omission of a (respondent)". I have compared this with my powers as Legal Services Ombudsman under Section 22 of the Courts and Legal Services Act 1990 where the Ombudsman can "investigate any allegation which is properly made (about)....the manner in which a complaint... has been dealt with by a professional body".

The legal professional bodies, in investigating how lawyers have handled complaints, are not currently bound by "acts or omissions" as a criteria. It seems to me that what is proposed in the Legal Services Bill is a narrowing of the scope of what currently exists. "Acts or omissions" would seem to strictly relate to judging failures against the letter of the law rather than allowing the OLC's ombudsmen to determine what was reasonable action at the time. Future consumers could be disadvantaged by this.

Questions are being raised about what will be gained for the consumer given that the set up cost of the new regime may be in excess of £32m. With regards to the OLC, the Lords have made amendments, which will effectively see the delegation of complaints to frontline regulators, such as the Bar Standards Board. If the amendments are agreed it effectively means that the legal professional bodies will be able to handle complaints. Given that complaints handling can continue largely unchanged, if the Lords amendments are accepted, the Government should consider whether the OLC will be a viable, cost-effective option for dealing with legal complaints. Under the Bill the independent scrutiny by the Legal Services Complaints Commissioner and the impartial review by the Legal Services Ombudsman will be abolished. The legitimacy and public credibility of the OLC could be further damaged

by the implications of decisions which have been made about the application of the Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE) and location.

It has been announced that the OLC will be situated in the West Midlands, only a short distance from the present complaint-handling body of the Law Society. This decision coupled with TUPE, for all staff currently employed in the complaints-handling bodies, led PriceWaterhouseCoopers, in an independent report, to estimate that between 80% and 90% of Law Society staff will transfer to the new OLC. As a consequence, overwhelmingly, the new OLC organisation will be made up of current Law Society staff. This is of concern given the history of the Law Society's poor complaints-handling record although there has been some improvement since the establishment of the Office of the Legal Services Complaints Commissioner (OLSCC).

The Office of the Legal Services Complaints Commissioner has shown that bringing about improvement in the Law Society's complaints-handling arm has needed strong powers (including the ability to levy a penalty if needed) in order to do so. In 2006 the Law Society's complaints arm was fined £250,000 by me as Legal Services Complaints Commissioner for failing to provide an adequate plan to improve its complaints handling. The Law Society subsequently submitted a new plan incorporating my targets as Commissioner, and as a gesture of goodwill I reduced the penalty to £220,000.

I am concerned that these issues, along with others may have a detrimental impact upon the legitimacy and public credibility of the reforms and that the opportunity to establish a strong Legal Services Board and an effective complaint-handling body which will meet the needs of the consumers may be lost. I will give my perspective on the Legal Services Bill in my forthcoming Special Report entitled "A Perspective on the Legal Reforms". In light of what is being proposed, there is too much at risk to sweep away the Office of the Legal Services Ombudsman and the Office of the Legal Services Complaints Commissioner. They should as a minimum be retained until there is an effective and efficient LSB and OLC or an Independent Reviewer is introduced. An Independent Reviewer would be a significant step towards ensuring that consumer confidence in the impartial elements of the current system are retained and will enhance the reputation of legal services in England and Wales. Consumers (including vulnerable users of legal services)

should have the option of access to an impartial service without being immediately re-directed to the courts, which are themselves facing pressures of work.

In my joint capacity as Legal Services Ombudsman and Legal Services Complaints Commissioner I will continue to work closely with all stakeholders to ensure that real and tangible benefits both to consumers of legal services and the legal professions are realised.

“I HAVE BEEN IMPRESSED WITH (YOUR) SERVICE”.

MS G OF NEWCASTLE UPON TYNE



OFFICE OF THE  
LEGAL SERVICES  
OMBUDSMAN  
(OLSO)  
MANAGEMENT  
COMMENTARY

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## Strategic Direction

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This report relates to the financial year commencing 1 April 2006 and ending on 31 March 2007. From 9 May 2007 the Ministry of Justice (MoJ) took over the responsibilities from the Department for Constitutional Affairs, the National Offender Management Service and the Office for Criminal Justice Reform.

In assuming that the Legal Services Bill receives Royal Assent in July 2007, with the establishment of the new Office for Legal Complaints (OLC) within the following two to three years; I am looking to ensure that my Office continues to provide a high level of service to consumers during the transition. This will present us with a number of challenges including the continued motivation of staff, but it is imperative that the quality of complaints handling together with support services is maintained; and that systems continue to be operated properly and until the OLC is fully up and running.

Throughout the year my Senior Management Team (SMT) kept under regular review my Office's strategic objectives to ensure that they remained relevant within the constantly changing legal environment. The three objectives reflect the high level activities we engaged in to achieve our remit, and support the Department for Constitutional Affairs (DCA) in its Public Service Agreement Target 5, "to achieve earlier and more proportionate resolution of legal problems and disputes", and Strategic Objectives 2-4:

Objective 2) to ensure the public, especially the socially excluded and vulnerable, have access to excellent services, which enable them to exercise their rights in law and understand, exercise and fulfil their responsibilities.

Objective 3) to enable the development of democratic institutions of Government that command public confidence.

Objective 4) to create a modern, efficient and effective department that has the capacity and capability to deliver excellent public services.

## Our Strategic Objectives

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My Office's objectives are intended to cover the period 2006/2009 but will continue to be reviewed in the light of changing circumstances.

### Objective 1

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We will investigate complaints about the professional bodies effectively and efficiently ensuring impartial investigation and redress where appropriate; maintaining the confidence of all parties in our independence and impartiality.

### Objective 2

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We will promote the application of best practice in complaint handling by the legal professional bodies, with a view to raising standards of services for consumers; and working closely with the Office of the Legal Services Complaints Commissioner in relation to the Law Society.

### Objective 3

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We will be actively involved in shaping the future of the regulation of legal services in England and Wales, ensuring that the consumer's interest is at the heart of any new regulatory framework.

The strategic objectives are closely aligned with our more detailed Operating Plan, which is primarily an internal document that outlines how my Office will deliver the strategy at an operational level.

Each strategic objective is subjected to a risk analysis and monitored in our Risk Register.

All risks were managed successfully.

## Business Planning

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The Office's annual business cycle ensures that all staff have an input into the formulation and review of objectives, targets and achievements. This includes monthly Senior Management feedback sessions, quarterly business meetings with all staff, bi-monthly casework surgeries, communications group meetings and regular individual appraisals.

Performance is managed on a system of planning, acting, monitoring and analysing in relation to: speed of service, customer satisfaction, quality assurance and value for money.

Targets are set and achievements recorded on an ongoing basis via the Operating Plan; results being made available to stakeholders by the publishing of my Annual Reports.

A continuous programme of customer satisfaction surveys is undertaken using both in-house staff and independent external consultants with findings reported in my Annual Reports.

A comprehensive budgeting system is operated with an annual budget agreed and reviewed regularly by DCA. We monitor and analyse staff resources and associated costs of carrying out our functions so that any appropriate action can be taken to ensure value for money.

A system of risk management is maintained; identifying, evaluating and controlling risks, and recording the process in the Risk Register, which is shared with DCA on a regular basis. Alongside my review of the strategic objectives, I carried out a review of the Risk Register to consider and make the changes needed to align it with the revised strategy.

## Financial Statement

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OLSO operates as an Associated Office of DCA with funding being allocated on an annual basis by the Director General, Legal and Judicial Services Group.

OLSO's total expenditure in 2006/2007 remained similar to 2005/2006 at £1.9m. This included a £0.280m departmental overhead charge; a slight decrease from last year due to the HQ departmental budget remaining flat and there being greater efficiencies employed throughout the Department. Accommodation costs increased slightly in 2006/2007 in respect of charges for redecoration, required under the terms of the lease of Sunlight House, and minor alterations to the Office, which I referred to in my 2005/2006 Annual Report.

Staff and other direct costs remained stable.

During the year requirements arose to replace an unserviceable telephone system and to update our franking machine. These are reflected in the higher than usual cost additions to the tangible fixed assets included in the Annual Accounts.

Details regarding the treatment of pension liabilities are set out in Note 2 of the Notes to the Accounts in the Annual Accounts.

The accounts are prepared on a going concern basis as DCA settles all of OLSO's financial transactions with funds voted by Parliament. The 2006 Queen's Speech introduced the Legal Services Bill into the 2006/2007 Parliamentary session. If the Legal Services Bill receives Royal Assent it will fundamentally change the way that legal services will be regulated in England and Wales, including the formation of the Office for Legal Complaints, and the consequent closure of OLSO. However it is not anticipated that OLSO will close before 2010/2011 and so there is no immediate threat to its existence. A strategy for the Office in the transitional period will be agreed with DCA.

As far as I am aware, there is no relevant audit information of which the entity's auditors are unaware; and the Accounting Officer and I have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information; and to establish that the entity's auditors are aware of that information.

## Payments to Suppliers

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DCA is committed to the prompt payment of suppliers. Payments are normally made as specified in the contract. If there is no contractual provision or other understanding, they are paid within 30 days of the receipt of the goods or services, or on presentation of a valid invoice or other similar demand, whichever is the later. The most recent prompt payment survey, for the financial year 2006/2007, showed that for DCA, 93.7% of invoices were paid on time on the basis of the date of receipt by Liberata, the payment processing agency used by the DCA. Separate statistics are not available for OLSO.

## Human Resources

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OLSO contributes to DCA's overall success in meeting Investors in People standards (IiP). DCA's IiP recognition will be reviewed in September 2007.

During the year, OLSO has embraced DCA's revised policies covering all aspects of human resources. In particular, work and training is ongoing on the implementation of pay, grading and performance management changes, which are critical to the delivery of DCA's strategic objectives.

Appropriate training and development are fundamental in supporting our business objectives and contributing to the realisation of each individual's potential within the Office. They will continue to be high profile, ensuring that staff appraisals, objective setting, benchmarking and development plans are in place for all staff.

An operational training and development plan based on personal development plans is produced each year and includes, where relevant, job shadowing, secondments and rotation schemes to provide new opportunities for staff.

Our internally developed Casework Manual and Training Manual are continually updated. These are supported by quarterly casework surgery sessions to update staff on casework and legal knowledge.

In addition to specific development of their individual skills, staff have also attended diversity refresher courses and received health and safety awareness and workstation assessment training.

The Communication Group which was established to discuss any areas of common interest continues to be held successfully and enables staff representatives to

raise issues with members of the Senior Management Team in a small discussion group.

One of my major challenges for next year will be in retaining my skilled staff in light of the continued uncertainty for the future. I believe that it will be essential to introduce, as early as possible, transitional arrangements ahead of the introduction of the OLC. This would assist in maintaining the efficient and effective service that OLSO provides to its stakeholders. In addition, it would help to retain OLSO staff and enable them to properly plan for their future.

## Staffing Levels

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At the end of 2006/2007, staffing levels stood at 27 posts (24.5 full time equivalents).

## Self-employed Caseworkers

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I have also utilised the services of a panel of part-time self-employed caseworkers to assist during the peaks in casework. The performance and productivity of these caseworkers are monitored on the same basis as in-house case workers. I intend to maintain a strong panel of self-employed caseworkers into 2007/2008, who will be available to support the business and maintain standards should the impact of the likely Office closure result in permanent staff finding more secure postings elsewhere.

## Recruitment

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In common with DCA, OLSO is an equal opportunities employer and follows the Civil Service Code of Practice on the Employment of People with Disabilities. Policies are in place to guard against discrimination, and to ensure that there are no unfair or illegal barriers to employment or advancement.

## Diversity

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OLSO serves a diverse society. That is a society made up of men and women; of young people and older people; of straight and gay people; of people with and without caring responsibilities; and of people with many other differences. We recognise, respect and value diversity and strive in all we do to serve the interests of people from all sections of society.

We will also strive to become an organisation that reflects more fully the diversity of the society we serve and truly values the contributions which employees, from all sections of society, make to our work. All staff have objectives in their personal development plans which contribute to the needs of diversity. Our literature and website are continually reviewed to improve accessibility, clarity and understanding. For example our leaflets have been produced in large print and translated into languages other than English. A hearing loop is also available for personal callers.

### **Health and Safety**

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My Office is committed to ensuring the health and safety and welfare of its staff, customers, visitors and contractors and all others who may be affected by its activities. I recognise that effective health and safety management provides a significant contribution to business performance.

Staff are given appropriate information, instruction and training to enable them to carry out their duties, without risk of injury or damage and to ensure that they are aware of their responsibilities and are capable of carrying them out.

My Office has appointed co-ordinators to carry out specific risk assessments and general workplace inspections; and suitably qualified fire wardens and first aiders.

During the year independent audits have been carried out on our overall accommodation and our processes, together with an audit specifically focused on manual handling. No significant issues of concern were identified.

### **Sustainable Development**

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DCA's policy on sustainable development extends to all staff and activities including OLSO, and aims to follow the principles set out in the DEFRA "Framework Document for Sustainable Development on the Government's Estate".

Although a minor occupier in leased accommodation, OLSO is committed to promoting and maximising its achievements within its operations.

All cardboard, newspapers and printer cartridges are recycled; and used lamps and fire alarm batteries are disposed of via a specialist process.

### **Security of Casework Management Database (Respond)**

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DCA audited the security controls and procedures during 2005/2006 and confirmed that they satisfactorily addressed the agreed risks to the Respond system. Interim accreditation was granted by DCA IT Security Branch on 25 April 2006. The residual risks identified at the time have been mitigated by countermeasures resulting in the achievement of full accreditation on 21 December 2006.

### **Consumer Service Standards**

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OLSO will continue to pursue the efficient and effective handling of enquiries and new applications. It has a set of internal service standards that define the speed and nature of the service that consumers should receive. These include:

- answering correspondence within ten working days;
- answering telephone calls within 15 seconds; and
- advising consumers of the likely length of time before their complaint will be investigated.

### **Stakeholder Management**

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Throughout the year I have communicated and/or met with all of OLSO's diverse stakeholders ensuring that information of common interest has been properly exchanged to influence debate and change with the aim of bringing about improvements.

Considerable time has been spent on the Legal Services Bill. This work will continue next year through the implementation stage, and I am looking forward to continuing the strong working relationship with the professional bodies, legal practitioners, consumer groups, members of the Houses of Parliament, the Select Committee, DCA officials and private sector organisations.

## Surveys

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OLSO is a third tier complaints-handling body, and, as such, it does not routinely investigate the original complaint made by a consumer. Its primary purpose is to review the handling of the complaint by the professional body involved, to ensure that the complaint has been dealt with in a reasonable and fair way and to a reasonable standard.

OLSO has two key methods of collecting data on customer feedback, which are essential for measuring performance, namely:

- External

Independent research is commissioned every three years to update the findings of the previous survey and to make recommendations for further change. The last report was produced in 2004. Depending on the impact of legal reforms and the future direction of the Office it is my intention to commission a further report during 2008/2009.

- Internal

OLSO issues an internal questionnaire to a random sample of people who have raised a complaint with the Office. These give me a snapshot of how people feel about their dealings with my Office.

## Monitoring Surveys

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I am committed to providing a service to all parts of our diverse society, and, to monitor this, my Office sends out monitoring forms with every application. The monitoring form is also available to applicants who make an application via our website. During the year, my Office received 906 responses to the monitoring questionnaire at a response rate of 53.8%. This breaks down as follows:

White:	81.2%
Mixed Ethnic Group:	2%
Asian or Asian British:	6.7%
Black or Black British:	6.1%
Chinese or Chinese British:	1%
Any other Ethnic Group:	3%

The questions asked on the survey have allowed us to monitor which regions our consumers come from. Our research this year revealed that the area of Eastern England was under-represented in applications to the Office relative to the rest of England and Wales. As a result, we have taken steps to raise awareness of our services in this area through proactive liaison with the central and local libraries and the citizens advice bureaux.

## Internal Complaints

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We continue to operate an internal complaints procedure for customers to use should they be dissatisfied with our service.

My Corporate Services Manager investigates any complaint about the quality of service provided by my Office. During 2006/2007 a total of 17 complaints were dealt with under these procedures of which:

3 complaints were upheld and apologies given for:

- temporary misplacement of files in transit between OLSO and the Law Society;
- a misunderstanding regarding a consumer's wish to proceed with an investigation;
- failing to return 2 telephone calls and issuing correspondence containing an incorrect reference and a spelling error.

9 complaints were not found to have any evidence to support the allegations and were therefore not upheld.

5 complaints did not relate to the service provided by OLSO staff but to my decision on the case and, as such, could not be upheld.

## Communications Strategy

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OLSO's Communications Strategy comprises a high level framework supplemented by a lower level activity schedule, which is updated in respect of each year as part of the overall Communications Strategy. Our approach reflects our respect for diversity, the need to tailor information appropriately and to use suitable communication channels.

In particular we have:

- launched a new website. Redevelopment has improved the layout, usability, visual appeal and clarity; and enabled better accessibility for all users. A frequently

asked questions and answers list has also been published;

- launched a web browser based Casework Discussion Forum to enable an enhanced sharing of knowledge by all our caseworkers and managers, and to aid the use of individual's unique skills and experience;
- reviewed and updated our external literature and standard letters to improve clarity and consumer understanding.

### Compliance with the Freedom of Information Act 2000 and Data Protection Act 1998

During 2006/2007 we received 10 requests for information under the Freedom of Information Act. All were dealt with in accordance with the Act and to timescale. Our Publication Scheme is available on our website and in hard copy, ensuring that a significant amount of information is readily available to the consumer.

During 2006/2007 we dealt with 10 'Subject Access' requests under the Data Protection Act which were met within the required timescales.

### Casework Developments

My Investigating Officers continue to be kept fully informed about the prevailing issues in the legal sector. Regular internal casework surgeries are attended by all investigating staff. All the major legal publications are scrutinised on a weekly basis and relevant material is circulated. Our internal Casework Manual and Training Manual are reviewed and updated to ensure that caseworkers keep up to date and adopt a consistent approach when undertaking investigations.

A secure intranet (the Casework Discussion Forum) was introduced in August 2006. This is essentially an electronic notice-board where both my internal staff and self-employed caseworkers can post questions and observations which have often been about novel issues that have arisen throughout the year. The introduction of this system has proved to be popular, has been well used and is an additional effective means of communication.

### Quality Assurance Framework (QAF)

The quality of the final outcome is vital if my Office is to retain the confidence of all users. 98% of all draft reports achieved the standards set out in our Quality Assurance Framework, which demonstrates the focus on quality throughout my Office. As part of the process full file audits are undertaken on 10% of all reports by my Legal Adviser. Higher percentages are audited when new caseworkers are recruited to ensure casework consistency and quality. Any learning points identified are fed back appropriately in a constructive way as part of our commitment to the continuous improvement of our service.

### The Ombudsman's Investigations

Complaints about the legal professional bodies received from consumers by OLSO from April 2006 to March 2007 were: -

Professional Body	2006/2007	2005/2006
Law Society	89%	89.1%
Bar Council	8.8%	9.6%
Council for Licenced Conveyancers	1.0%	0.9%
Others	1.1%	0.4%

Cases referred to my Office by the Scottish Legal Services Ombudsman (SLSO), under a reciprocal arrangement laid down by the Courts and Legal Services Act 1990, represent the final small amount of OLSO's caseload. A new SLSO was appointed this year. 20 Scottish cases were referred to my Office which is more than double the number of cases referred to me in previous recent years. The reason for this increase was mainly due to conflicts of interests which arose as a result of the new SLSO's previous appointment.

I express my thanks to the Scottish Ombudsman and all of her staff for undertaking a small number of cases on my behalf.

I received one complaint this year from the Chartered Institute for Patent Attorneys (CIPA).

I received no complaints about the smaller legal professional bodies, that is, the Institute of Legal Executives (ILEX) or the Institute of Trade Mark Attorneys (ITMA).



## Enquiries to my Office

OLSO's Support Team have provided both telephone and written support to consumers making every attempt to assist consumers, whether they are in need of my services, or seeking general assistance. The number of such enquiries this year has again increased in volume with incoming telephone calls increasing by 16%. This may be an indication of consumers' preference to discuss their complaints about the professional bodies with my staff initially before submitting a written complaint.

	2006/07	2005/06	2004/05
Incoming Calls	12152	10506	9090
Written Enquiries	2354	2591	2955

My staff take calls from consumers on a wide variety of issues many of which are totally unrelated to the work of my Office. We always endeavour to provide advice and guidance in redirecting these calls, which are often more appropriate to the providers of legal services, other Ombudsman Schemes, Government Departments and Local Authorities. Staff have recently received awareness training on the work of the Citizens Advice Bureau to assist with the referral of these calls. Some of our telephone callers are disadvantaged and need additional time and assistance before their queries can be properly dealt with. Staff receive appropriate training, for example, on stress management in order to improve the skill base in fielding the more difficult enquiries.

## Casework Performance

OLSO began the reporting year with 251 cases from the previous year. During this year my Office accepted 1,783 new cases - and closed 1,886. This means only 148 cases are to be carried forward into the next financial year. Whilst the number of cases accepted for investigation has increased, I am pleased to report that the number of cases carried forward to 2007/2008 has reduced by over 100.

## Casework performance

	2006/07	2005/06	2004/05
Cases Brought Forward	251	496	206
Cases Accepted	1783	1664	1736
Reports Issued	1886	1909	1453
Cases Carried Forward	148	251	489

In 2007/2008 OLSO expects to receive between 1800 and 2000 new cases from complainants. I also anticipate that the number of enquiries, including general enquiries will continue to rise. I am committed and determined to maintain my Office's excellent standards. However, I recognise that unless transitional arrangements are put into place at an early stage to give my staff a focus to properly plan for their futures then I may lose a number of valued staff and standards may consequentially fall.

## Office of the Legal Services Ombudsman (OLSO) Turnaround Times

OLSO has a target with the DCA of completing 90% of investigations within six months of receipt of the professional body's file. I am very pleased to report that for the fourth year running this target has been exceeded, with 99.9% of my reports issued within that time period.

In order to maintain the focus on delivering an efficient service to consumers, OLSO has been working towards internal targets for cases to be completed within; 0-2 months, 40%; 3-4 months, 95%; 5-6 months, 100%. The 0-2 month performance of 34.3% was a substantial improvement on last year (11%). My Office will however strive to meet this 40% target next year.

### Turnaround times

Reports Issued	2006-2007		2005/ 2006	2004/ 2005
	1879		1909	1453
% within 2 months	645	34.3%	11%	13%
% within 4 months	1179	97.0%	96%	71%
% within 6 months	55	99.9%	97%	99%
Average turnaround (in months)	2.4		3.2	3.5

There were also 2 cases which took 6.6 and 6.2 months to complete. The average time for all cases to be investigated and completed by OLSO for this year is 2.4 months, compared to 3.2 months last year. This is the best performance in the past five years.

I can also confirm that as at 2 April 2007 the average age of my live caseload (that includes cases awaiting investigation or under investigation) was 27 days, down from 44 days last year.

### My Findings

During 2006/2007, I exercised my powers in 585 cases making 454 recommendations to the legal professional bodies. My recommendations can be a combination of reconsiderations, compensation and formal criticisms. Below I have provided an explanation for each of these decisions and what they mean.

### Reconsideration

If the legal professional body has not adequately investigated the complaint, I can recommend that they reinvestigate either the whole or parts of the complaint. My report clearly indicates the areas that the professional body should reconsider and the reasons why.

### Compensation

I can recommend that either the professional body and/or the legal practitioner involved pay compensation to the complainant for delay, loss, distress or inconvenience.

### Formal Criticisms

I can record a formal criticism against a legal professional body. These occur where I have identified some failing in the investigation and either a reconsideration or compensation would not be appropriate, in the circumstances.

### Judicial Review and Other Legal Challenges

The one outstanding application for Judicial Review referred to in my 2005/2006 Annual Report was unsuccessful.

There have been 9 applications to the courts to challenge my decisions this year. 6 have been unsuccessful and 3 remaining cases are awaiting decisions.

I continue to recognise the right of consumers to challenge my decisions in the courts. Where, for example, a consumer makes an application for Judicial Review, and the High Court refuses the application on written submissions, I will not normally seek an order for costs if the application is unsuccessful. However, I have a duty to protect taxpayers' money, and therefore, if a written application is renewed by way of an application for an oral hearing and if that application is refused, I will seek an order for costs from the court to be made against the applicant. I have successfully obtained orders for costs this year in a number of cases.

### Extract of a High Court judgement February 2007:

"The grounds (for Judicial Review in this case) are misconceived. The Ombudsman's decision is not arguably flawed on public law grounds".



“I AM OBLIGED TO (THE OMBUDSMAN) FOR A CAREFUL APPRAISAL OF MY COMPLAINT AND THE LAW SOCIETY FILES AND AN ENCOURAGING OUTCOME”.

MRS G OF SOUTHPORT



THE LAW  
SOCIETY

4

At the beginning of 2006, the Law Society formally split into three bodies. The Law Society is the representative arm of the solicitors' profession; the Legal Complaints Service deals with complaints about poor service, and the Solicitors' Regulation Authority deals with the regulation of solicitors and complaints about misconduct.

As Ombudsman, my remit is to investigate individual complaints from consumers who are unhappy with the service which they have received from the Law Society or its members. Each one of my investigations produces a report, a copy of which is sent to the Law Society and clearly identifies any areas of concern that I may have with regard to that individual investigation.

I am pleased to report that relations between OLSO and the Law Society continue to be collaborative. I appreciate the work which the Law Society has begun on the Miners' cases which were the subject of my Special Report published in April 2006.

## Background

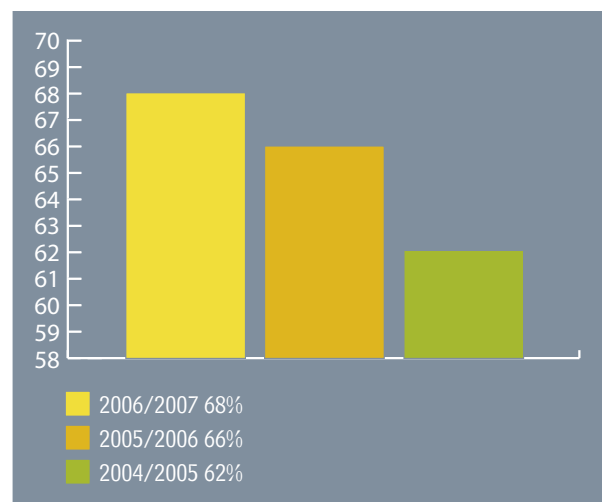
From April 2006 to March 2007, 89% of applications to my Office were from consumers who were unhappy with the Law Society's investigation into their complaints. This is the same percentage as last year.

My primary role is to investigate and review the way that the Law Society has dealt with a complaint about one of its members. To decide whether the Law Society has reached reasonable conclusions based on the evidence available; that the decision was communicated effectively and that the investigation was conducted in a fair and efficient manner.

For many years the Law Society has failed to provide an effective and efficient service for consumers. Over the past 4 years, I have personally reviewed 6,154 complaints dealt with by the Law Society; a large number by any measure. I have in my previous four Annual Reports and an interim report in 2004, provided my views, findings and recommendations to the Law Society on ways to improve their complaint-handling processes. Furthermore, each of my investigations ends in a written report, a copy of which is sent to the Law Society. I was, therefore, surprised when the Law Society admitted in the summer of 2006 that they did not read these reports unless their attention was drawn to a failing. Furthermore, the Law Society had no mechanism in place to feed back my findings

to the caseworker who had taken the original decision complained of. The Law Society, by doing this, was missing a valuable opportunity to improve and learn from the investigation undertaken by my Office. However, I have been assured by the Law Society that all of my reports are now read and that proper feedback mechanisms have been put into place for their caseworkers.

## Satisfaction rating of OLSO investigations into the Law Society



## Referrals to my Office from Consumers unhappy with the Law Society's Investigation

This year, my Office issued 1,680 reports to consumers who were unhappy with how the Law Society handled their complaints. This was a decrease of 21 on last year's figure (1,701).

There has been a slight improvement in the percentage of investigations with which I was satisfied: up from 66.4% in 2005/2006 to 68% in 2006/2007. The trend over the course of the past four years reflects an increase of 1% from 2002/2003. However, during the year, I recorded adverse findings in 537 of the 1,680 reports that I issued (32%). Last year, I recorded adverse findings in 492 of the 1,701 reports that I issued (29%). The increase in the percentage of reports where I am recording adverse findings indicates to me that the Law Society's overall performance is still well short of where a modern consumer focussed organisation ought to be.

Once again, my recommendations highlight instances of basic errors, poor decisions, poor service, poor administration and other failings on the part of the Law Society.

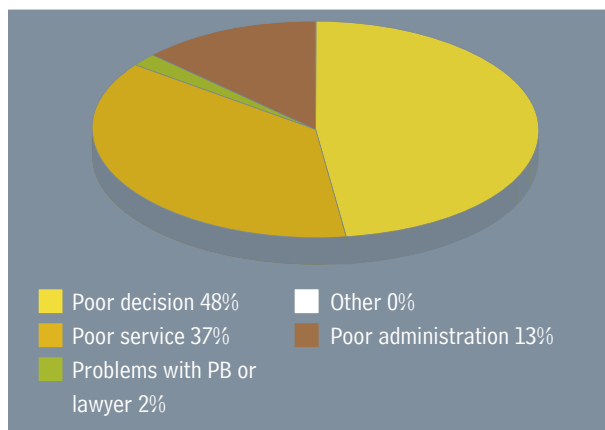
## Poor Decisions

As a complaint-handling body, it is the Law Society's duty to investigate complaints against solicitors, collate the evidence available and then to make and communicate their decisions effectively.

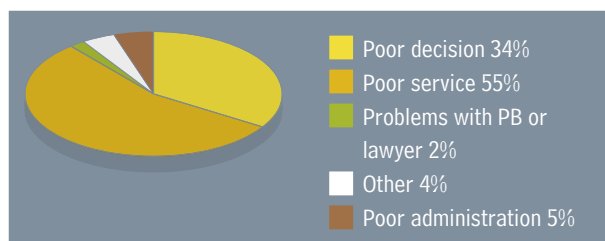
This year, in 95 cases, I found that the Law Society's investigation did not consider all the issues that the consumer brought to their attention (94 cases in 2005/2006).

In 70 cases, the decision was unreasonable or a poor explanation was given to the complainant (58 in 2005/2006). In 27 cases, the Law Society's investigation either overlooked evidence in their possession, or did not reach a reasonable conclusion, or failed to communicate the decision to the consumer appropriately (82 cases in 2005/2006).

### Reasons for OLSO recommendations against the Law Society 2006/2007



### 2005/2006



## Poor Service

Consumers want and deserve a high level of service from service providers. This is true in the complaint-handling arena.

Consumers want their complaints dealt with impartially, quickly, effectively and to be satisfied that their concerns were taken seriously, even if they do not get their chosen outcome.

I look at service delivery with two standards in mind:

- Effectiveness

This is the very least an organisation should achieve. That service is delivered to published standards that can be seen as reasonable in the eyes of the general public.

- Striving for Excellence

This is where an organisation continually strives for improved standards, over and above its published standards and does not accept less than best.

Of the cases referred to OLSO by consumers the data shows that consumers continue to suffer significant periods of avoidable delay, either before, during or after the Law Society has commenced the investigation. The chart below shows the number of cases where the avoidable delay by the Law Society was in excess of six months.

### Periods of Delay in Law Society cases reviewed by OLSO:

Period	Number of cases 2006/2007	Number of cases 2005/2006
7-12 months	83	38
12-18 months	31	16
18-24 months	13	4
Over 24 months	20	4

When compared to last year's performance, of the cases referred to me, there has been a disappointing increase in delay. The comparison illustrates that more consumers are waiting longer periods to have their complaints resolved. I hope that the Law Society will continue to make determined efforts to improve its performance in this area.

## Reconsiderations

Early redress is a key measure of performance for any consumer focussed complaint-handling organisation. In my previous Annual Reports I raised concerns about the length of time it had taken the Law Society to complete a re-investigation following referral back from my Office. It is disappointing to report that the Law Society does not appear to have given sufficient priority to the need to complete these reconsiderations quickly.

Between April 2006 and September 2006, I referred 109 cases back to the Law Society to be re-investigated. This meant that at the end of March 2007, they would have had at least six months to complete the re-investigation. However, 22 (20%) of these have still to be completed. Of the cases completed, the Law Society took an average of four months to complete them.

### Cases returned to the Law Society

	Law Society	
	2006/2007	2005/2006
Inconvenience only	118	214
Distress & inconvenience	105	114
Distress only	1	1
Loss only	0	1
Loss, distress & inconvenience	0	0
Loss & inconvenience	0	0
Grand total	224	330

As I have done in previous years, I would ask the Law Society to place greater emphasis on completing their investigations quickly.

In many cases, the consumer has already had to wait an extensive period since the commencement of the Law Society's investigation.

During this year, I have conducted 117 second investigations from the Law Society (81 cases in 2005/2006). In 32% of cases (35% in 2005/2006), I was not satisfied with the further investigation undertaken by the Law Society. In 16 cases, I had to send the case back to the Law Society for them to complete a third investigation (10 cases in 2005/2006). Last year, I said that this performance was unacceptable. The situation has deteriorated this year. I therefore ask the Law Society to address this problem urgently.

## Compensatory Awards

I am able to recommend that the Law Society pay compensation to consumers let down by their internal service. I did this in 224 cases last year, awarding compensation totalling £94,014. The average award was £409.

I asked the Law Society to re-consider a number of cases and some successful outcomes were achieved. 12 cases resulted in the solicitor either reducing his/her bill, or paying compensation (paying between £125 and £16,000).

## Quality of the Law Society's Casework

In my last two Annual Reports, I commented on the poor basic quality standards I saw when reviewing the Law Society's files. This year, the Law Society improved its complaint handling and in 68% of the cases I reviewed, I was satisfied with their investigation (66% last year). The Law Society has continued to improve control of their files. Files are being kept in better chronological order and attendance and telephone notes are of better clarity and fullness.

## The Miners' Cases

In April 2006, I published a Special Report in respect of the Law Society's failure to properly investigate miners' complaints about their solicitors. The solicitors had made claims for Vibration White Finger and/or Obstructive Pulmonary Disease on behalf of the miners, from a government funded compensation scheme.

I was concerned that some solicitors may have breached their code of conduct in the way that they managed these cases, and whether the solicitors had acted in the best interests of their clients. I also questioned why some miners had been asked by their solicitors to make payments to claims' handling agents, when the government would have covered all such costs.

I was concerned to find that, in some cases, the Law Society's investigation had been inadequate. Amongst other things, I was not satisfied with their decisions that the service provided by the solicitors had been satisfactory or that they had properly investigated all the conduct issues which I believe were raised by the complainants. I returned the cases to the Law Society and asked them to reinvestigate. I also recommended that they reinvestigate all those cases which had been settled

on the basis of an offer of compensation suggested by the firms in question. In my view, those offers had been accepted by the Law Society without what I considered to be proper consideration of whether the amount offered was appropriate in the circumstances.

The Law Society has informed me that their reinvestigations of the miners' cases are continuing and that some solicitors have already been reprimanded.

I am aware that there are a number of cases waiting to go to the Solicitors Disciplinary Tribunal (SDT), over which I have no jurisdiction. I am concerned at the length of time that it is taking for cases to be referred to the SDT particularly as it will then take more time for the SDT to conclude these cases. I am very conscious that many of the miners are elderly and in poor health. I will continue to press the Law Society for a speedy conclusion to any ongoing reinvestigations; for greater disclosure with regard to conduct issues; and for a review of all those cases closed upon payment of an amount suggested by the solicitors in question and accepted by the Law Society without thorough investigation.

### **Negligence Cases**

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The new OLC will deal with negligence cases. The Law Society has not, in the past, (other than in very rare straightforward cases) dealt with such cases. The Law Society has, in my view, been all too ready to direct consumers making complaints of negligence to the courts, even where they have jurisdiction to deal with such cases. The changes proposed by the Legal Services Bill will not be implemented for some years. I have therefore written to the Law Society proposing that they should be more willing to handle negligence cases and I have invited them to meet with me in order to discuss how this initiative can be taken forward. In my next Annual Report, I will be reporting on the outcome of this initiative.

“X IS EXTREMELY GRATEFUL TO (THE OMBUDSMAN) FOR (HER) THOUGHTFUL AND WELL REASONED SYNOPSIS. I CONVEY X’S HEARTFELT THANKS TO (THE OMBUDSMAN) AND THE MEMBERS OF (HER) STAFF FOR THEIR DILIGENCE IN CONDUCTING SUCH A THOROUGH REVIEW WHICH DOUBTLESS REQUIRED A GREAT DEAL OF TIME EFFORT AND PATIENCE”.

MR T OF DEVON

### CASE STUDIES:

#### Not dealing with negligence...

Mr & Mrs H complained to the Law Society about a firm of solicitors who dealt with a conveyancing matter for them in 1995. They said that, when they came to sell their property on in 2004, they were made aware that there was a problem with the tenure. Mr & Mrs H believed that the solicitors should have identified the problem in 1995, and that they were entitled to compensation from the firm.

The Law Society dismissed the complaint stating that it raised complex issues of professional negligence, with which it was not appropriate for them to become involved.

The Ombudsman was dissatisfied with the Law Society's decision for two reasons:

1. that the Law Society had failed to make any assessment of the issues being raised by the complainants prior to their decision to close the file and had simply dismissed the matter out of hand, stating that it should be dealt with via the courts.
2. that the Law Society had informed the complainants that they do not have the power to award compensation. The Ombudsman said that this was simply not true and that the Law Society should have explained that there are some situations in which they can award compensation, and some in which they cannot. The Ombudsman noted that this was indeed a case in which, the Law Society would, potentially, have been able to make a compensatory award against the solicitors, if a finding was made against them.

The Ombudsman recommended that the Law Society should reconsider the complaint and that they should use whatever powers were at their disposal to assist the complainants. The Ombudsman went on to say that, if the Law Society remained of the view that the issues raised were complex, and that they should be addressed by the courts, this should be properly explained to the complainants. Finally, the Ombudsman was formally critical of the Law Society for providing the complainants with inaccurate and misleading information with regard to the powers they have at their disposal.

#### An 'appalling catalogue of maladministration'...

Dr. Y and her husband instructed their solicitor, Mr. F, to contest a Will. At trial in 1986 they lost their case. They instructed Mr. F to lodge an appeal. Mr. F missed the deadline, lodging it one day too late.

Dr. Y complained to the Law Society in March 2001. Her complaint was not properly addressed until four years later. In June 2006 the Law Society eventually completed their investigation, finding that Mr. F had provided an inadequate service by not entering the appeal on time, and directed Mr. F to pay compensation of £1,500. The Law Society offered Dr. Y £300 in compensation for their own delay in dealing with the complaint.

The Ombudsman found a total of three years and one month of Law Society delay. She found that the distress and inconvenience that the delay caused to Dr. Y was aggravated by several factors. First, the Law Society had sent two letters to the wrong address, causing Dr. Y concerns that someone else possessed confidential information about her. Second, the Law Society had failed to keep Dr. Y informed for two stretches of six months. Third, Dr. Y had made numerous telephone calls, and sent many letters and emails to try to find out what was happening, which was particularly onerous for her as she was living in the Netherlands. Fourth, in January 2004 the case was transferred as a matter of urgency to a new caseworker, but it took that caseworker one month to review the case and a further six weeks to contact Dr. Y. Fifth, a caseworker promised in March 2004 to contact Dr. Y about compensation for the delay but then never did so. Sixth, a wholly inadequate offer of compensation for delay was made. Seventh, Dr. Y had to deal with four different caseworkers. Eighth, the third caseworker recognised the extensive delay by the first and second caseworkers and had promised a 'prompt' review; however, he left three weeks later to take annual leave without having told Dr. Y and without having done anything at all on the file. Dr. Y telephoned from Holland to find out what was happening with the 'prompt review' and was told that the caseworker had gone on his summer holidays...

The Ombudsman described this as 'a lengthy and appalling catalogue of maladministration' by the Law Society. She did not consider that the offer of £300 came anywhere near a proper level of compensation. She recommended compensation by the Law Society in the sum of £2,250.



### **A practice to deceive?**

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As one of two co-executors of her late partner's estate, Miss A became involved in a legal dispute with the other. It was suggested that X & Co should deal independently with probate and the file was forwarded to them. However, Miss A never consented to their involvement. When the dispute was resolved, her solicitors, Z & Co, requested a copy of the file from X & Co. They complained to the Law Society when the file was not received but it transpired that the only obstacle was the question of X & Co's copying charges. The caseworker negotiated an agreement as to the level of those charges and closed the file on 30 June 2006.

On 1 and 15 August 2006 Miss A wrote to the Law Society asking what had happened about the complaint. She telephoned them on 11 September, when another caseworker explained why the file had been closed and also promised to write to her. On 18 September Miss A called again to ask about the promised letter, which the caseworker then sent on 21 September.

On receipt of Miss A's further representations, the Law Society assured her on 29 September that the caseworker would respond in full in due course. Another reminder from Miss A on 29 October finally produced a reply from the caseworker on 27 November, when she promised that she would make enquiries for Miss A in order to ascertain whether or not X & Co had been paid their copying charges. No such enquiries were made.

On 28 November 2006 the Ombudsman requested the Law Society's file. In her response dated 12 December, the caseworker claimed that 'We are currently in the process of responding to a recent letter' from Miss A and that the file was needed for that purpose. This was not true but led to an extension of time being granted for the delivery of the file to the Ombudsman.

On 22 December 2006 the caseworker wrote to Miss A, reminding her that she could not pursue the complaint about X & Co and stating that she was now preparing the file for despatch to the Ombudsman. This communication added nothing to what the caseworker had previously said and was certainly not a response to any new letter from Miss A. On 4 January 2007 Miss A wrote to the caseworker, asking that the file be sent to the Ombudsman without further waste of her time. It was finally released on 15 January.

The Ombudsman concluded that the Law Society should

pay compensation of £500 to Miss A in respect of their delays (including that resulting from misleading information given to her Office) and of the unfulfilled promise to Miss A. The Law Society subsequently queried that decision. They claimed that on 12 December 2006 (when the caseworker told the Ombudsman that she was responding to a recent letter from Miss A), they were indeed replying to a letter from her dated 27 November (and that their reply was dated 22 December). This false claim only increased the Ombudsman's concern about the lack of honesty displayed by the Law Society in this case.

### **The decision must be logical.....**

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86-year-old Mrs W had instructed solicitors, C, to deal with the estate of her husband. C recommended that Mrs W should seek financial advice from T. C arranged for Mrs W to meet with T and, although she was informed there was no connection between the two, she subsequently discovered that 5 of the partners of C were also directors of T.

Despite Mrs W's age and infirmity, details of which she had supplied, it took the Law Society 10 months to inform her that she had provided insufficient evidence to allow them to commence an investigation. The Ombudsman awarded Mrs W compensation in the sum of £350 to take account of the distress and inconvenience caused by the unnecessary delay in the investigation.

The Ombudsman agreed that the Law Society could not investigate the actions of T, who were financial advisors. However, she considered the Law Society's reasons for rejecting the complaint about C to be illogical. In the usual course of events a complainant must submit evidence to support a complaint of professional misconduct. Mrs W's complaint was that she was not provided with information. The Ombudsman was at a loss to understand how a complainant could ever provide evidence that they did not receive information. In this instance it was a requirement of the rules of professional conduct that the information was given to the client verbally and in writing. It therefore seemed reasonable to ask C to demonstrate that the relevant information had been given.

The Law Society also suggested that Mrs W should have been aware of the connection between C and T because T's letterhead included a list of directors. The Ombudsman did not agree that such a notification would



comply with the conduct rules and so she asked the Law Society to review the issue of whether Mrs W received a sufficient explanation as to the connection between C and T, in accordance with the rules of professional conduct.

The professional body are still reconsidering this case.

### **Acknowledging criticisms.....**

Mr X instructed a firm of solicitors in relation to his divorce and ancillary relief proceedings. In December 2005, he raised a complaint about the firm with the Law Society. In January 2006 the Law Society instructed Y, a firm of solicitors, to investigate on their behalf. Y informed Mr X that they had identified one issue of inadequate professional service on behalf of the solicitors and that the firm had offered him £250 to conciliate his complaint. Mr X rejected the solicitors' offer. In April, Y passed Mr X's complaint back to the Law Society for further investigation.

The Law Society informed Mr X that they were closing their investigation because no inadequate professional service had been identified in Mr X's case. The Ombudsman stated that this 'was simply not the case'. The Ombudsman pointed out that Y had identified one aspect of inadequate professional service on behalf of the firm, and that it was to compensate for this inadequacy in their service that the solicitors had offered Mr X £250.

The Ombudsman was satisfied that Y had conducted a thorough investigation into Mr X's complaints. She was of the opinion that, once Y had sent the file back to the Law Society, they failed to address the issue of inadequate professional service, that had been identified by Y. Consequently, the Ombudsman recommended that Mr X's complaint be sent back to the Law Society for them to investigate this issue further.

The Law Society agreed with the Ombudsman's report 'in its entirety', including her criticisms of the Law Society. Once the Law Society had reopened Mr X's file, they paid Mr X the sum of £650 in compensation for failing to address his complaints adequately in the first instance, and for their poor service that the Ombudsman had identified.

### **A Miner's Tale.....**

Mr M contracted a serious lung disease whilst working in the mining industry and had to retire on health grounds. He sought compensation under the provisions

of a Claims Handling Agreement (CHA) negotiated by the Department of Trade and Industry and which set out claims procedures for miners seeking compensation for lung diseases or hand injuries sustained at work. In Mr M's case the process involved V Limited, a firm established by a miners' union and owned by them, as a claims processor.

After Mr M received compensation his constituency MP complained on his behalf to the Law Society. The MP said that the solicitors who had acted as Mr M's claim-handling agent had charged a fee (on behalf of V Limited) on successful completion of his claim. The MP alleged that the solicitors had been negligent by not advising Mr M that, under the CHA, the government would pay for the costs of his claim, if successful.

The Law Society told Mr M that the firm was willing to conciliate his complaint by making a payment to him of £125. Mr M accepted the offer and the Law Society closed their file. The MP then contacted the Ombudsman. He was particularly unhappy with the Law Society's failure to find out, before closing their file, what fee the solicitors had actually deducted from Mr M's award.

The Ombudsman concluded that the Law Society had failed to investigate the MP's concerns and had disregarded Mr M's personal circumstances in favour of a formulaic approach to complaints involving deductions from miners' compensation awards (of which there are many). She was concerned too that the Law Society had failed to explore the solicitors' relationship with V Limited which, in her view, raised issues about the solicitors' professional conduct. The Ombudsman therefore recommended that the Law Society reconsider. The upshot was that the solicitors agreed to refund to Mr M the fee that they had deducted, of £176.25, and to pay him a further sum of £125, on top of the £125 already paid. The Ombudsman is still waiting to hear what the Law Society proposes to do about the professional conduct issues she had identified as arising in Mr M's case.

This case is typical of the complaints so far investigated by the Ombudsman involving miners' cases. In general she has concluded in these cases that the Law Society has failed to take account of the individual circumstances of the case, failed to adopt a neutral stance when seeking to conciliate the complaint, and failed to consider issues involving the professional conduct of solicitors involved.

### **Two and a half years too late.....**

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Ms M was involved in a claim for damages as a result of injuries that she had received as a result of a road traffic accident that occurred in January 1991. In 1993 X, a firm of solicitors, were instructed to act on her behalf. X dealt with the matter between 1993 to 1996. The case was settled out of court and Ms M was awarded £50,000 in damages. She was not happy with the way X had dealt with her claim in that they had unrealistically raised her expectations as to the amount that she might receive in damages. She was also of the view that a few days before the case had been due to be heard, a representative from X had pressured her into agreeing to settle her claim. X retained the file on the basis that they could do that until such time as their lien as to costs had been discharged. Ms M took legal action to recover her file but she lost her case. In 1999 Ms M also sought the advice of another solicitor as to the merits of a claim for negligence against X. Ms M said that she first complained to the Law Society around October 1996 and that in 1997 they told her that they could not consider her complaint at that stage as legal proceedings were ongoing. Towards the end of October 2003 Ms M, through her daughter, made further representations to the Law Society as to why they should investigate her complaint. The Law Society noted that their file had been destroyed and that in any case the complaint was probably out of time. However, it took 31 months for the Law Society to complete their enquiries and to confirm to Ms M that they could not investigate her complaint as it was outside the time limit of six months in which a complaint should be raised with the Law Society. The Law Society apologised for their poor handling of the case and offered Ms M a payment of £1,250 as compensation. The Ombudsman considered that the avoidable delay amounted to 31 months and that the Law Society should have been able to deal with Ms M's daughter's representations by 22 November 2003 at the latest. Instead it was not until 22 June 2006 that Ms M's case was closed and that she was informed of the reason for that. The Ombudsman recommended that the Law Society offer Ms M a payment of £1,800 for the inconvenience caused to her as a result of their failings.

### **Failing to act.....**

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Mr and Mrs C took out an endowment mortgage in 1991, following the advice of their solicitor. They subsequently realised that the policy was unlikely to meet its target

upon maturity and they complained to the Law Society that the firm had failed to advise them properly. The Law Society told them that they would not pursue their complaint as the firm no longer had a file (it had been destroyed as the matter was so old).

Mr and Mrs C wrote back to the Law Society, enclosing a copy of a letter which the firm had sent to them in 1991. This stated: 'Your new policy will on maturity provide the necessary funds to redeem your mortgage.' However, the Law Society simply placed the letter on file and did not even acknowledge that they had received it. Mr and Mrs C referred the matter to the Ombudsman, who recommended that the Law Society reconsider the complaint in light of the evidence contained in the firm's letter.

The Law Society re-investigated, and the firm agreed to conciliate the complaint. They gave Mr and Mrs C almost £5,000, which was how much they had lost to date in taking out an endowment mortgage rather than an interest-only mortgage.

### **Important questions of credibility.....**

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For over 30 years Mrs W had been the full time carer for her brother, J, who had severe physical disabilities and problems communicating. SK solicitors were instructed to challenge the local authority on questions about J's care. However, when Mrs W tried to complain to SK about their service, they said that neither she nor J were the solicitors' client as that role had recently passed to the Official Solicitor. The Law Society accepted SK's response.

The Ombudsman could not see why SK and the Law Society should not deal with complaints from Mrs W for the period prior to the appointment of the Official Solicitor and recommended that the Law Society reconsider the case. At this second attempt, the Law Society conceded that J had been SK's client and, therefore, had had standing to make a complaint. However, by this time J had passed away and the Law Society refused to take any action.

The Ombudsman took a different view. She considered that the case raised important questions about the credibility of the legal complaints service and, therefore, was of public interest. J had been an extremely vulnerable member of the community whose legitimate complaints had not been investigated over a number of years and for different but apparently spurious reasons.

The Ombudsman recommended that the Law Society reconsider the case for a second time so that, finally, an investigation of the service complaints could take place.

The Law Society has carried out their further reconsideration. However, Mrs W has referred the case back to the Ombudsman again.

### **An unreasonable investigation...**

Mr & Mrs M took out an endowment mortgage in 1991 and had been advised by a firm of solicitors that it would cover the price of the house. In November 2003 they were informed that there would be a shortfall in the final settlement. In January 2005, the Law Society informed Mr & Mrs M that they were closing their investigation because the firm of solicitors were unable to locate their file.

The Ombudsman described the Law Society's decision as unreasonable as there was no evidence on their file that the firm of solicitors were unable to locate their file. She also noted an avoidable delay during the Law Society's investigation of eight months. The Ombudsman therefore recommended that the Law Society pay to Mr & Mrs M £800 compensation for the delay. In addition, she recommended that the Law Society reconsider their decision to close the file. Following the Law Society's subsequent investigation, the firm found their file and offered to pay over £3,500 in compensation. In addition, as the Law Society had again failed to progress their second investigation in a timely manner they offered Mr & Mrs M an additional £300.

### **No Legal Aid...but a full refund...**

Mr S hired a firm of solicitors to take forward a litigation case on his behalf. Although he was eligible for Legal Aid, the firm did not advise him that they did not deal with Legal Aid work but they then completed some work on his behalf. They charged over £650 for that work. The Law Society carried out an investigation and they awarded Mr S a refund of £250. The Ombudsman was of the view that as the firm had failed to provide adequate costs information she recommended that the Law Society reconsider their decision. Following the recommendation the Law Society carried out a further investigation and negotiated a full refund for Mr S.

### **Losing correspondence.....**

L & A were instructed by Mr M to act on his behalf in a series of claims against insurance companies. One such claim was successful and led to a substantial payment to Mr M, of which L & A were left holding some £23,000 in a deposit account.

In relation to a "second phase" claim, Mr M specifically had instructed L & A that they were not to exceed a costs limit of £10,000 without his prior authority. Nevertheless, L & A ran up costs in excess of £19,000, all of it drawn down from the £23,000 the firm held on Mr M's behalf.

Mr M complained to the Law Society. In response to the Law Society's enquiries, L & A said that they had sent Mr M interim costs invoices from which it should have been evident to him that the costs limit of £10,000 had been, or would be, exceeded. They also said that, at the time the costs reached the figure of just over £19,000, Mr M had written to them not to query the quantum of costs, but simply to confirm that 'there is no more money beyond that on deposit with you or for VAT or for Counsel or for anyone else'. The Law Society took the view that Mr M's 'lack of complaint or calling a halt' meant that he 'knew and approved the exceeding of the £10,000'.

The Ombudsman rejected the Law Society's analysis of the complaint, which she said appeared to rely on a presumption that certain action, or inaction, on the part of a client could amount to tacit acceptance of breach by solicitors of a previously imposed costs limit. She drew the Law Society's attention to the provisions of Chapter 13 (Client Care), which is set out at pages 265-275 of The Guide to the Professional Conduct of Solicitors (8th Edition), which provided, among other things, that a costs limit cannot be exceeded without the authority of the client. The Ombudsman pointed out the relevant rules and principles of conduct set out in the Chapter, which she noted reflected the contents of the Solicitors' Costs Information and Client Care Code 1999.

In the circumstances, the Ombudsman directed the Law Society to reconsider Mr M's complaint. She also recommended that they pay Mr M £650 as compensation for inconvenience resulting both from their delays and from their loss of correspondence.

The Law Society has paid the recommended compensation to Mr M.

### **The need for objectivity...**

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Following the sudden death of her husband, Mrs A instructed a firm of solicitors to administer the Estate. When the work was completed, Mrs A was shocked at the size of the firm's bill. She learned that, on top of the charges for the work the firm had done, the firm had also charged her a percentage of the value of the Estate. This was despite a verbal assurance from the firm at their first meeting that they would only charge for the work done. The amount was just over £1,000 and represented a third of the firm's bill.

During the course of the Law Society's investigation, they interviewed the solicitor, who denied that he had said that his firm would not charge a percentage of the Estate. However, the Law Society's note of the interview stated that the solicitor '... does recall saying that his firm would not charge a straight percentage value of the gross estate as a trust company would do ...'. Despite this apparent admission by the solicitor, the Law Society decided not to pursue the complaint because Mrs A had signed a client care letter which stated that the firm would in fact charge a percentage of the Estate.

The Ombudsman was not satisfied that the Law Society's decision was reasonable. She noted that, at the time when she had signed the client care letter, Mrs A was in a great deal of distress, her husband having died less than 3 weeks previously. The explanation of the firm's charges was far from clear, and Mrs A could not be expected to take it in. The Ombudsman also took the view that the solicitor's apparent admission that his firm would charge a percentage of the Estate supported Mrs A's version of events. She recommended that the Law Society reconsider the matter, with a view to directing the firm to reimburse Mrs A the percentage charge.

At the outset of the Law Society's second investigation, the caseworker telephoned the solicitor and told him that she 'did not agree' with the Ombudsman's report. She did not recommend that they compensate Mrs A. The caseworker decided that she could not determine precisely what was said at Mrs A's initial meeting with the solicitor, and concluded that the firm's service had been adequate.

Mrs A, by now very upset, referred the matter back to the Ombudsman. The Ombudsman was critical of the Law Society's caseworker for telling Mrs A and the solicitor that she did not agree with the Ombudsman's report.

The Ombudsman took the view that the caseworker's investigation had lacked objectivity. She was not satisfied that the Law Society's conclusion was reasonable, and she recommended that they give Mrs A £1,250 to compensate her for the distress and inconvenience she had been caused.

### **Poor handling...**

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Mrs B instructed solicitors to act for her when she purchased her former husband's share of the marital home. She noted that there was a mistake in the firm's bill. When she complained to the firm, they said there was no mistake. She complained to the Law Society, but the caseworker could not see a problem with the bill. She referred the matter to the Ombudsman.

The Ombudsman noted that there was an inconsistency in the bill, and she recommended that the Law Society reconsider the complaint. However, the caseworker to whom the case was allocated could not see a problem with the bill. In desperation, Mrs B instructed a firm of solicitors to help her. This firm was able to identify precisely what was wrong with the bill. The Law Society sent Mrs B's former solicitors a copy of their calculations, and they finally saw the light. They agreed to refund Mrs B the amount she had been overcharged. However, they were not prepared to compensate Mrs B for the cost of instructing new solicitors, or for the distress and inconvenience she had been caused as a result of the firm's mistake. The caseworker told Mrs B that he could do no more for her, and closed the file.

Mrs B referred the matter back to the Ombudsman, for the second time. The Ombudsman noted that Mrs B had been forced to instruct solicitors only because the Law Society's caseworker was unable to see what was wrong with the bill. It was only as a result of the new firm's intervention that the former firm finally realised their mistake. The Ombudsman recommended that the Law Society direct the old firm to pay Mrs M's costs. She also recommended that the Law Society pay Mrs M compensation for the distress and inconvenience she had experienced as a consequence of the Law Society's poor handling of the matter. The Law Society's Adjudication Panel directed the firm to pay Mrs M £1,000 compensation, and to pay 50% of her new solicitors' costs. The Law Society paid the other half.

“I APPRECIATE GREATLY THAT YOU HAVE GIVEN  
OUR COMPLAINT SERIOUS CONSIDERATION AND  
HAVE CLEARLY UNDERSTOOD ALL ITS MYRIAD  
LITTLE WRINKLES...”

MR W OF BRISTOL



THE GENERAL  
COUNCIL OF  
THE BAR (THE  
BAR COUNCIL)

5



My remit with the Bar Council extends to providing recommendations to assist them to deliver improving service to consumers. On a regular basis I meet with the Bar Council, to discuss their performance in relation to the service they and their members provide and also to discuss the outcomes of my investigations. I am also asked by the Bar Council for my views on their initiatives to improve their service to consumers.

I am pleased to report that the Bar Council has continued to work collaboratively with my Office. I look forward to conducting an agreed review of the complaints-handling processes in 2008.

### Changes at the Bar Council

At the beginning of 2006 the Bar Council split into 2 bodies, the Bar Council and the Bar Standards Board. The Bar Standards Board, which oversees the regulation of Barristers, was established in January 2006 to run the regulatory work of the Bar Council.

The Bar Standards Board has started to look at the main regulatory issues facing the profession and ensuring that its high standards are not only maintained but improved upon.

In mid-2006, the Bar Standards Board appointed a new Complaints Commissioner who is undertaking a review of how the Bar Standards Board handles complaints. I would like to thank the previous Commissioner, Michael Scott, for supporting the work of my Office.

The new Bar Standards Commissioner, Robert Behrens, has undertaken a strategic review of complaints and disciplinary processes within his office, which included postal surveys to 1000 barristers, complainants, lay representatives and stakeholders. I look forward to receiving the results of this survey, which will be covered in my next Annual Report.

### Complaint-Handling Performance

Last year I asked the Bar Standards Board to focus on the turnaround time of its cases, paying particular attention to those cases taking over 12 months to close. Whilst there has been an improvement in the closure of cases closed within 6 months there is no improvement in the percentages of cases closed within 12 months.

The total number of complaints received by the Bar Standards Board from consumers from April 2006 to

March 2007 was 800. This compares to 560 received last year. The Bar Standards Board closed 748 cases making their live caseload increase by 52 to 222.

### Turnaround Times

Turnaround times for investigations carried out by the Bar Standards Board and subsequently referred to OLSO by consumers are indicated in the table below. Despite there being an increase from 2005/2006 in the number of cases taking over 7 months to investigate, the Bar Standards Board continue to deliver good turnaround times with only 6 cases taking over 7 months to investigate during 2006/2007.

### Periods of delay for Bar Council cases reviewed by OLSO

Period	Number of cases 2006/2007	Number of cases 2005/2006
7-12 months	3	0
12-18 months	2	0
18-24 months	1	0
Over 24 months	0	0

For all cases investigated by the Bar Standards Board during 2006/2007, there has been an improvement from last year in their average turnaround times for closing cases in 4-6 months and 7-12 months. However, for the cases closed within 0-3 months there has been a decrease.

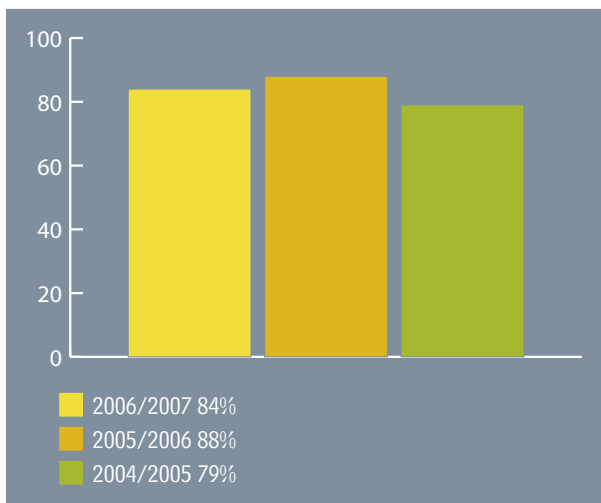
### Referrals to my Office

During 2006/2007 my Office issued 166 reports to complainants who were dissatisfied with the Bar Standards Board's handling of their complaint. This compares to 183 from last year.

It is of course the number of complaints with which I am dissatisfied that is important rather than the total number of complaints made to my Office. I can report that I have seen a decrease in the percentage of the Bar Standards Board's investigations with which I was satisfied from 88% last year to 84%, this year. Although this is a slight decrease in performance it should not detract from the Bar Standards Board's overall strong performance in this area.

During the year, I recorded adverse findings against the Bar Standards Board in 27 of the 166 cases I investigated.

### Satisfaction rating of OLSO investigations into the Bar Council



### Poor Decisions

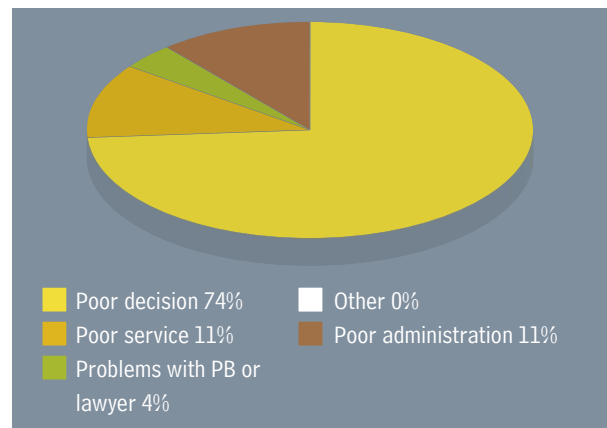
In the majority of cases the Bar Standards Board has demonstrated a good standard of complaint investigation. In cases where I have been dissatisfied with the Bar Standards Board's investigations, my adverse findings have mainly focussed on situations where they have made unreasonable decisions or given poor explanations to the complainant (9 cases) or where they have overlooked information and have not considered all the issues (5 cases).

### Poor Service

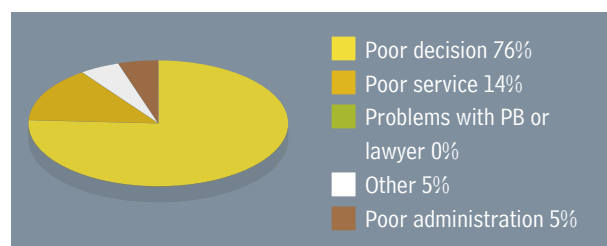
In the majority of cases, when looking at the service delivered to complainants, the Bar Standards Board has continued to perform well. This year, I have only issued 3 adverse findings of poor service, 1 for delay during the investigation and 2 for not keeping the complainant informed or providing an inadequate reply.

Whilst the Bar Standard's Board satisfaction rating has declined from 88% last year to 84% this year I have only had to recommend compensation payments in 3 cases for inadequate service.

### Reasons for OLSO recommendations against the Bar Council 2006/2007



### 2005/2006



### Reconsiderations

Between April 2006 and September 2006 I referred 16 cases back to the Bar Standards Board to be re-investigated. (This means they will have had at least 6 months to complete their re-investigation, by 31 March 2007). 3 of these cases have still to be completed. The average time to complete the re-investigation was just over 3 months.

Again I would ask the Bar Standards Board to pay more attention to completing these investigations more quickly. This would reduce any further delay in their investigation.

Following the Bar Standards Board's re-investigation, if a consumer remains dissatisfied with the outcome, the consumer can refer the case back to my Office. If the request is within my terms of reference, I can undertake a second investigation, looking at the areas I asked the Bar Standards Board to re-investigate.

During this year I have conducted 12 second investigations from the Bar Standards Board. In two thirds of these cases I have been satisfied with the way



they have conducted the investigation. However, in 1 case I was formally critical of their handling and in the remaining 3 cases I made a further recommendation against the Bar Standards Board.

### **Compensation**

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The Bar Standards Board has for some time been reviewing its compensation limits with a view to raising its current £5,000 limit to match that of the Law Society at £15,000. I am disappointed that there has not been more progress on this initiative and I hope that the Bar Standards Board will reach a decision as soon as possible.

### **Complaints Committee**

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New members of the Bar Standard Board's Complaints Committee have been selected and appointed in accordance with Nolan principles. I was pleased to hear that the Bar Standards Board has undertaken a rolling programme of training both for new and existing members of the Committee.

### **Improvements to the Complaints System**

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The Bar Standards Board have updated and improved their guidance notes and complaint application form which appear on its website ([www.barstandardsboard.org.uk](http://www.barstandardsboard.org.uk)). Accessibility has been improved so that in appropriate cases complainants with disabilities can make complaints other than in writing, for example by telephone interviews or by transcript. The Bar Standards Board is introducing improvements to their IT systems which will enable them to analyse information and trends about complaints in more depth. I welcome these developments. I encouraged the Bar Standards Board to use the findings of their analyses to make further improvements to their processes. This should lead to greater accessibility for consumers and place more emphasis on improvements and auditing at Chambers' level.

### **Direct Access**

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This new access route has not increased the number of complaints received. The take up rate continues to be very low. The Bar Standards Board has received only 15 complaints and no consumer has referred their complaint to my Office.

## Chambers' Internal Complaint Handling

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The Bar Standards Board has now introduced reviewed guidelines for an effective Chambers' complaint-handling process. These will assist with the monitoring of Chambers and assist in ensuring compliance. The Bar Standards Board agreed to a pilot project, due to be implemented in January 2008 to monitor compliance with rules soon due to be approved. I very much welcome the introduction of this initiative and will be commenting more on this initiative in my next Annual Report. However, it is imperative that all Chambers implement the new rules and ensure more effective arrangements are in place so that complaints are resolved effectively and speedily without the consumer having to refer their complaint to the Bar Standards Board.

I am aware that the Bar Standards Commissioner is also reviewing his own processes to ensure a more rigorous analysis of complaints referred to him so that there can be an early assessment about what is the substance of the complaint and what investigation will be undertaken to address them. These kind of initiatives, if implemented, can only further improve complaints handling by the Bar Standards Board and improve the experience for the consumer.

### CASE STUDY

#### A manifestly unfair appeal...

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Mrs. X was divorced from her husband in 1986 when their son was aged six. Mr. X was ordered to pay maintenance for his son but instead he disappeared, leaving Mrs. X to pay for the family and home. Sixteen years later Mr. X reappeared and tried to claim half of the current value of the family home!

Mrs. X was advised and later represented at court by a barrister, Miss D. Miss D had failed to notice a flaw in the legal documents. On the day of the hearing, Mr. X's barrister pointed out the flaw and the application had suddenly to proceed under an Act less favourable to Mrs. X. Mrs. X was distraught when she was ordered to pay £18,000 to her former husband.

The Bar Council's Adjudication Panel found that Miss D had provided an inadequate service and ordered her to pay compensation to Mrs. X. Miss D appealed. The appeal was held in London in February 2006. Miss D attended, together with a QC to represent her. Mrs. X

did not go because she lived in Cardiff, had no car and could not easily afford the train fare. She asked the Bar Council if they would reimburse her train fares but was told that they would not. The appeal proceeded without Mrs. X and Miss D was successful, leaving Mrs. X without compensation.

The Ombudsman found that Appeal Rule 21 (b), which states that a barrister may attend or be represented, was breached because Miss D attended and had a QC to represent her. The Ombudsman stated that it was 'manifestly unfair' that the appeal should have proceeded with the barrister both present and represented, whilst the lay complainant was neither present nor represented.

The Ombudsman found bias because Miss D. was given two months notice that she could speak at the appeal, whereas Mrs. X. was only given one week's notice. Nor was Mrs. X. given any opportunity to present character references, unlike the barrister.

The Ombudsman considered it unacceptable that the Chairman 'invited' Mrs. X to attend but that, knowing she couldn't afford it, the Bar Council did not offer to consider reimbursement. The Ombudsman stated that natural justice required that the appeal be held reasonably near where the parties lived or, if it had to be remote, that neither party be barred by reason of cost from attending.

The Ombudsman recommended in August 2006 that the Bar Council reconsider Mrs. X's complaint. This is still being reconsidered by the Bar Council.

“I AM PLEASSED THAT SOMEONE HAS FINALLY  
UNDERSTOOD THIS CASE...”

MR M OF INVERNESS



THE COUNCIL  
FOR LICENSED  
CONVEYANCERS

6

The total number of complaints from consumers which were received by the Council for Licensed Conveyancers (CLC) from January 2006 to December 2006 was 228. This compares to 190 received the year before. The CLC closed 184 cases resulting in their live caseload increasing by 44.

### Casework Performance

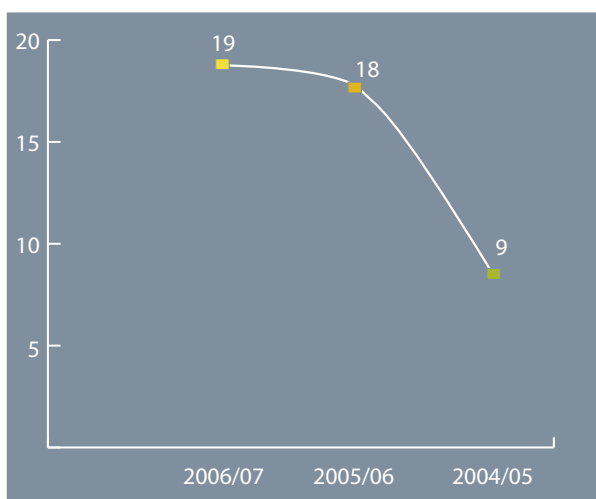
I am pleased to report that the CLC's turnaround times improved during the year (last year they had worsened). 31% of complaints were resolved within three months, restoring their performance to the 2004 level. 71% were completed within 6 months, a 21% increase over the 2005 performance and an increase of 8% over 2004's performance. The percentage of cases closed within twelve months improved by 6%. Cases exceeding 12 months related to matters which were initially referred to insurers.

Period	2006	2005	2004
3 months	31%	24%	31%
6 months	71%	50%	63%
12 months	95%	89%	85%

### Referrals To My Office

During the period April 2006 to March 2007, my Office issued 19 reports to complainants who were unhappy with the CLC's handling of their complaint. This compares to 18 complaints last year and 9 the previous year.

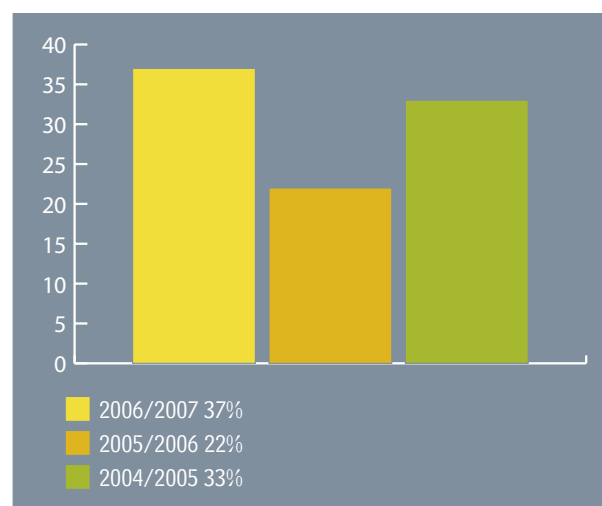
#### Cases referred to OLSO from the CLC



In last year's Annual Report, I mentioned that the CLC had recruited a new casework team and I mentioned that training issues might have adversely affected its level of performance.

This year, the percentage of investigations with which I am satisfied has risen from 22% to 37%, the highest percentage for three years.

#### Satisfaction rating of OLSO investigations into the CLC



Whilst this increase is welcome, however, it still means that I did not consider the CLC's handling of complaints to be adequate in 63% of those cases I reviewed.

During this year, I recorded adverse findings in 12 of the 19 investigations I undertook. The CLC must seek to make further improvements to its complaints handling.

### Poor Decisions

Of the 12 recommendations I made this year, 9 related to poor decisions.

Generally, I found the CLC's decisions to be poor for two reasons: for not considering issues which they should have considered; and, for not providing a sufficient explanation as to how they arrived at their decision.

Where I made recommendations in my reports I highlighted inadequacies in the CLC's procedures that I considered were contributing to these poor decisions.

The main aspects of the CLC's procedures that I expressed concern with in my reports were:

- The way in which complaints about licensed conveyancers are progressed by CLC caseworkers.

Caseworkers should be encouraged to be pro-active in their investigation of complaints, to identify all of the potential issues, to request further evidence where necessary, and to form an opinion on the merits of a complaint before they send their report to the Investigating Committee. This would prevent the risk of issues not being addressed or considered by the Committee.

- The report prepared for consideration by the Investigating Committee.

The report should contain a summary of the material facts and key issues for the Committee to determine. Currently, the report does not make any recommendation to the Committee, I believe it would benefit the Committee if the report set out the caseworker's own conclusions on the complaint and the reasons behind these.

- The Investigating Committee's decision.

The Committee's final determination should clearly explain how and why they have reached their decision on a complaint in a way that is easily understandable to both parties. I believe that a more detailed explanation of the factors considered and of the reasons behind the decisions reached by the Committee at their meetings would reduce the number of referrals to my Office.

If the CLC were to implement these suggestions, I would expect to see a reduction in the percentage of recommendations and adverse findings made next year due to poor decisions in comparison with this year.

### Reconsiderations

If a consumer is still dissatisfied with the outcome following a re-investigation by the CLC, the consumer can refer their case back to my Office. If the request is within my terms of reference, I undertake a second investigation looking at the areas that I previously asked the CLC to re-investigate.

During this year, I have conducted 3 second investigations from the CLC. I was only satisfied in 2 of these cases. In the other, I issued a further recommendation for the CLC to reconsider for a third time.

### CASE STUDY

#### Delay and naïve decision making...

In May 2004, Mrs B entered into an agreement to buy an apartment "off plan" and paid a deposit of £1,000 to L, a licensed conveyancer, acting on behalf of the developer. By early 2005, it had become clear that the apartments were not going to be built and Mrs B asked for the return of her £1,000. However, she found L difficult to contact and was eventually told that her deposit had been transferred to a third party, a firm of solicitors acting for the new owners of the land on which it had been planned to build the apartments.

The CLC accepted L's view that Mrs B had never been their client and, therefore, they said they had no power to investigate any complaint about inadequate professional service. The CLC also said that there was no misconduct by L because they had accounted for the deposit when they explained to Mrs B that it had been transferred to a firm of solicitors.

The Ombudsman said that the CLC's investigation had been characterised by delay and unhelpful and naïve decision-making. The CLC had apparently told Mrs B in a preliminary decision that they held L liable for the deposit but reversed that standpoint in their final decision without any explanation. Also, the CLC had been aware for nearly 12 months prior to making their final decision that Mrs B had not been L's client but delayed advising her of their view. Further the CLC's suggestion that Mrs B contact the firm of solicitors holding the deposit had been unhelpful and naïve. Mrs B had followed that advice but the solicitors had refused to accept liability or to have any dealings with her on the grounds that she had never been their client and had no contractual relationship with them. The Ombudsman's decision was that, as the CLC's involvement had been of no practical help to Mrs B, had simply delayed matters and had led her no nearer to a resolution of her complaint, they should pay her compensation of £600 for the distress and inconvenience caused.

The question of Mrs B's £1,000 deposit was referred to L's indemnity insurers as the firm had ceased practising.

“I APPRECIATE THE AMOUNT OF YOUR TIME AND  
WORK IN EXAMINING...MY COMPLAINT...”

DR O OF LEEDS





THE OTHER  
PROFESSIONAL  
BODIES

7

### ***Institute of Legal Executives (ILEX)***

My remit only covers the 20 Legal Executive Advocate members of ILEX, compared to the full membership of 23,765.

#### **Casework Performance**

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During 2006, the ILEX Investigating Committee considered 30 cases. There were a further 6 cases which were not referred to the Committee or had not reached a stage where they could be referred.

#### **Turnaround times**

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7% of cases referred to the Committee were completed within three months, 43% within six months, 83% within 9 months, 97% within twelve months, and with the remaining 3% taking over twelve months to complete.

#### **Referrals to my Office**

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No cases were received relating to the handling of complaints by ILEX.

### ***Chartered Institute of Patent Attorneys (CIPA)***

My remit only covers the 68 holders of Litigator Certificates, compared to a full membership of 1,644.

#### **Casework Performance**

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During 2006, CIPA only received 8 letters of complaint, none of them being from Patent Agent litigators. After investigation within the Secretariat, involving where necessary contacts with the complainant and the member complained of, 5 of the cases were dealt with without the need to refer the matter to a Disciplinary Board. In 3 of these 5 cases the complainant was advised that there was no misconduct on the part of the member. The other 2 cases were resolved by conciliation between the parties.

3 cases were submitted to the Disciplinary Board for consideration as to whether there had been breaches of the Rules of Professional Conduct. 2 of these cases were still under consideration at the end of 2006. One of these was completed in 2006, the Board deciding that the complaint had been filed out of time and there were no extenuating circumstances for allowing the complaint to proceed. This case took six months from referral to the Disciplinary Board.

At the beginning of 2006 there were 2 cases before Disciplinary Boards and 1 case before the Appeal Panel. Both of the cases before the Disciplinary Boards were closed in 2006. These took 17 and 22 months from the reference to the Board to the issuing of the Board's decision. The practitioner then appealed one of these cases and the appeal process is still under way. The case before the Appeal Panel was closed in 2006; the appeal process having taken 7 months.

At the end of 2006 there were 2 cases before Disciplinary Boards and 1 case before the Appeal Board.

#### **Referrals to my Office**

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This year, 1 case was received relating to the handling of complaints by CIPA. After investigation by my Office this resulted in no further recommendation being made.

***Institute of Trade Mark Attorneys (ITMA)*****Casework Performance**

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During the year and due to the nature of the Institute, no complaints were referred to ITMA.

**Referrals to my Office**

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No cases were received relating to the handling of complaints by ITMA.

“MY PROFOUND GRATITUDE TO YOU FOR  
RECOGNISING... THE FOCAL POINT IN THIS LONG  
DRAWN OUT CASE.”

MS W OF WALES



# FACTS AND FIGURES

# 8

**Office of the Legal Services Ombudsman (OLSO) enquiries and caseload statistics**

Table 1

	2006/2007	2005/2006	2004/2005
Cases brought forward from last year	251	489	206
Cases accepted	1783	1664	1736
Reports issued	1886	1909	1453
Cases carried forward to next year	148	251	489
Incoming calls to the office	12152	10506	9090
New enquiries	2354	2591	2955
Applications not going forward to a formal investigation	742	927	1006

**Breakdown of cases rejected by OLSO**

Table 2

Signposted to other organisations	229
Form not returned by consumers	144
Submitted out of time	100
Outside Ombudsman's remit	81
Other grounds (inc. lawyer disputes, withdrawn applications etc.)	69
No response from consumer - no further action required	61
Legal Professional Body still investigating	58
<b>Grand total</b>	<b>742</b>

**OLSO turnaround times**

Table 3

	2006/2007		2005/2006	2004/2005
Reports Issued	1879		1909	1453
% within 2 months	645	34.3%	11%	13%
% within 4 months	1179	97.0%	96%	71%
% within 6 months	55	99.9%	97%	99%
<b>Average turnaround (in months)</b>	<b>2.4</b>		<b>3.2</b>	<b>3.5</b>

There were also 2 cases which took 6.6 and 6.2 months to complete.

There have also been 5 reports which were investigated by the Scottish Legal Ombudsman on our behalf. These reports have been omitted from the figures above and the total number of reports issued to date is 1886.

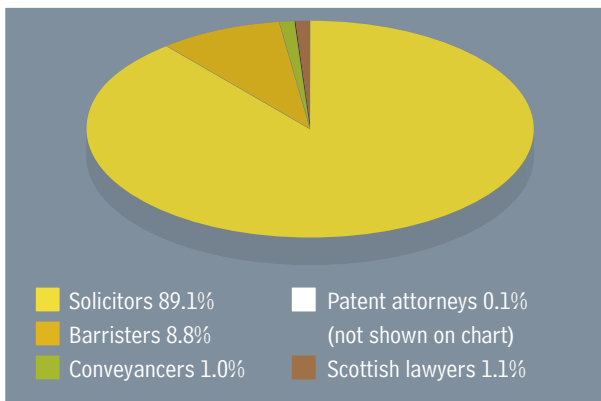
It is worth noting the vast improvement in the average turnaround time which was at 5.6 months for the year 2002/2003.

### Number of completed OLSO investigations by type of lawyer

Table 4

	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
Solicitors	1680	1701	1265	1508	1940
Barristers	166	183	174	205	224
Conveyancers	19	18	9	9	13
Patent Attorneys	1	0	0	0	0
Scottish Lawyers	20	7	5	9	0
<b>Grand total</b>	<b>1886</b>	<b>1909</b>	<b>1453</b>	<b>1731</b>	<b>2177</b>

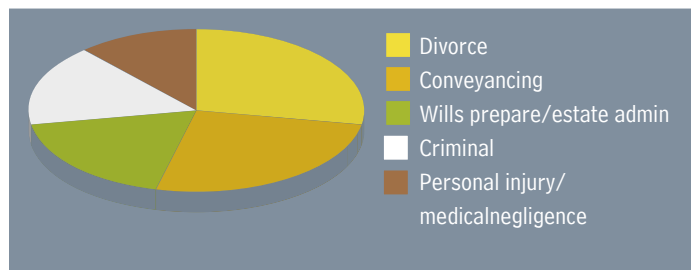
### Number of completed OLSO investigations 2006/2007 by type of lawyer



### OLSO investigations by type of legal transaction - top 5

Table 5

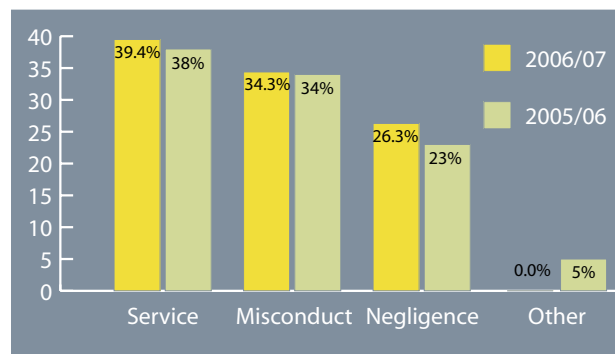
Type of legal transaction	2006/2007	
Divorce / family	311	16%
Conveyancing	290	15%
Wills prepare / estate admin	205	11%
Criminal	180	10%
Personal injury / medical negligence	128	7%



### OLSO investigations by reasons for complaint against the lawyer

Table 6

	2006/2007		2005/2006
Service	743	39.4%	38%
Misconduct	647	34.3%	34%
Negligence	496	26.3%	23%
Other	0	0.0%	5%
<b>Grand total</b>	<b>1886</b>	<b>100%</b>	<b>100%</b>

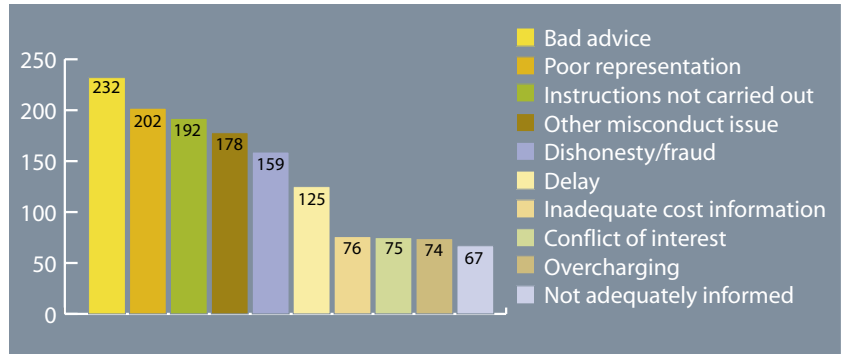




**Top 10 reasons for complaint against the lawyer**

Table 7

Reason	Number
Bad advice	232
Poor representation	202
Instructions not carried out	192
Other misconduct issue	178
Dishonesty / fraud	159
Delay	125
Inadequate cost information	76
Conflict of interest	75
Overcharging	74
Not adequately informed	67

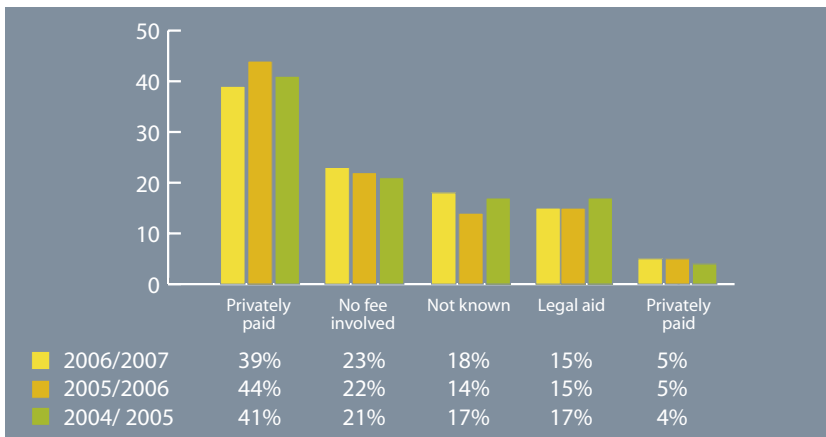


**Source of funding of cases investigated by OLSO**

Table 8

Method of funding	2006/2007		2005/2006	2004/2005
Privately paid	740	39%	44%	41%
No fee involved	436	23%	22%	21%
Not known	332	18%	14%	17%
Legal Aid	275	15%	15%	17%
Other	103	5%	5%	4%
<b>Grand total</b>	<b>1886</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Source of funding of cases investigated by OLSO**

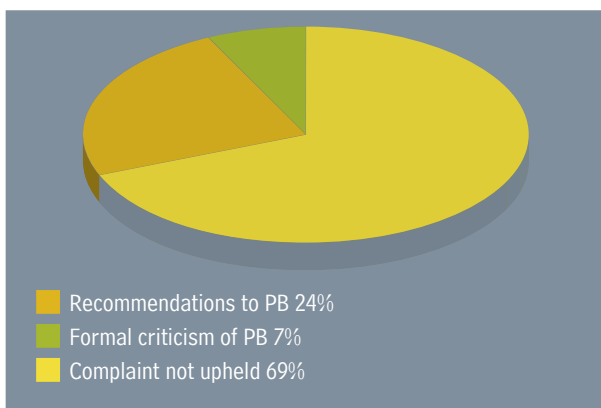


### Outcome of investigations undertaken by OLSO

Table 9

Legal Professional Body (PB)	Recommendation to PB	Formal criticism of PB	Complaint not upheld	Total
Law Society	419	118	1143	1680
GCB	19	8	139	166
CLC	11	1	7	19
CIPA	0	0	1	1
SLS	5	4	11	20
<b>Grand total</b>	<b>454</b>	<b>131</b>	<b>1301</b>	<b>1886</b>

### Outcome of OLSO investigations 2006



### Analysis of OLSO recommendations

Table 10

	Law Society		GCB		CLC		SLS	
	2006/2007	2005/2006	2006/2007	2005/2006	2006/2007	2005/2006	2006/2007	2005/2006
Criticism	118	79	8	3	1	2	4	0
Lawyer to pay compensation	1	1	0	0	0	0	0	0
Legal PB to pay compensation	176	253	3	1	2	6	3	1
Legal PB to reconsider & pay compensation	52	73	0	1	1	4	0	0
Legal PB to reconsider	189	164	16	17	8	2	2	1
Legal PB to enforce powers and pay compensation	0	1	0	0	0	0	0	0
Legal PB & lawyer to pay compensation	1	0	0	0	0	0	0	0
<b>Total</b>	<b>537</b>	<b>571</b>	<b>27</b>	<b>22</b>	<b>12</b>	<b>14</b>	<b>9</b>	<b>2</b>

### Amounts of compensation recommended by OLSO against the Legal Professional Bodies

Table 11

	Average award		
	2006/2007	2005/2006	2004/2005
Law Society	£409	£435	£408
GCB	£183	£175	£385
CLC	£400	£325	£0
SLS	£483	£300	£0

### OLSO reasons for recommendations against the Legal Professional Bodies

Table 12

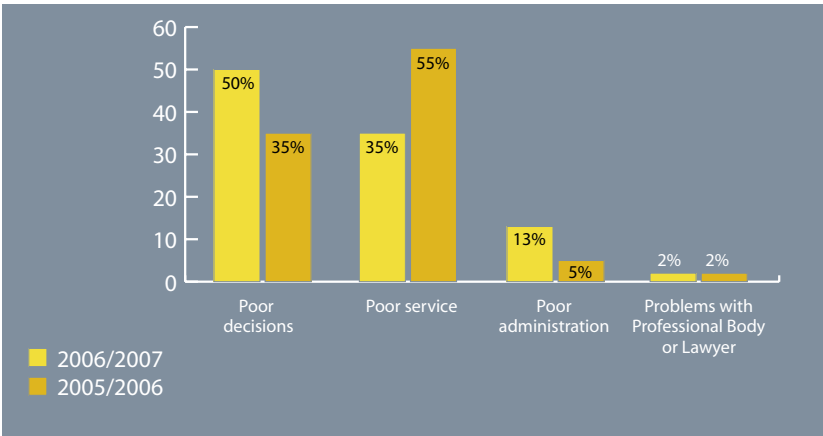
	2006/2007	2005/2006
Poor decisions	50%	35%
Poor service	35%	55%
Poor administration	13%	5%
Problems with Legal Professional Body or lawyer	2%	2%
Other	0%	3%
<b>Grand total</b>	<b>100%</b>	<b>100%</b>

### Breakdown showing the top 10 reasons why OLSO made recommendations against the Legal Professional Bodies

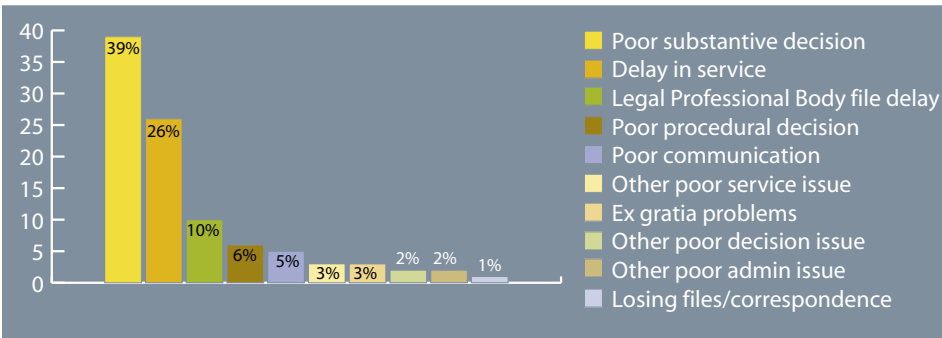
Table 13

	2006/2007	2005/2006
Poor substantive decision	39%	28%
Delay in service	26%	48%
Legal Professional Body file delay	10%	1%
Poor procedural decision	6%	2%
Poor communication	5%	5%
Other poor service issue	3%	6%
Ex gratia problems	3%	2%
Other poor decision issue	2%	0.2%
Other poor admin issues	2%	0.5%
Losing files/ correspondence	1%	0.2%

**Reasons for recommendations against the Legal Professional Bodies 2006/2007**



**Breakdown of recommendations against the Legal Professional Bodies 2006/2007 - top 10**





# OLSO STAFF



## **Legal Adviser and Acting Operations Manager**

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Rob Bartram

## **Corporate Services Manager**

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Kath Welton

## **Casework Manager**

---

Ruth Garnett

## **Investigating Officers**

---

Deborah Alty

Naheed Anwar

Liz Armstrong

Bob Gillies

Paul Hancock

Paula McEwan

Sarah Morris

Javaid Ramzan

Joanne Rice

Eve Ritchie

## **Corporate Services Team**

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Sarah Collins

Nia Davies

Linda Griffiths

Sandra Holland

Linda Hough

Steve Ireland

Angela McDonald

Lee Rowley

Lesley Slattery

James Whitmore

“I DO APPRECIATE THE TIME AND UNDERSTANDING WHICH YOU, THE INVESTIGATING OFFICER AND YOUR SUPPORT TEAM HAVE GIVEN ME. I AM VERY GRATEFUL”.

MR S OF COLCHESTER



ANNUAL  
ACCOUNTS

10

## Remuneration Report

### Auditable Sections

In accordance with the requirements of Schedule 7A of the Companies Act 1985 (as amended), only certain sections of the Remuneration Report have been subject to full external audit. These comprise the paragraphs on salary and pension entitlements.

### Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

No senior civil servants are employed by OLSO. The Legal Services Ombudsman (the Ombudsman), though not a civil servant, receives salary increases annually in line with the average award to Senior Civil Service (SCS) employees.

As an independent Office Holder, the Ombudsman is not subject to performance pay arrangements, although she discusses her annual appraisal with the Permanent Secretary of the Ministry of Justice.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

### Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

The Ombudsman is a statutory appointee. She holds the position, concurrently with that of the Legal Services Complaints Commissioner, for a period of 3 years from appointment which currently expires on 2 March 2009. Both posts will be renewable on this date for further 3-year terms at the mutual discretion of the office holder and the Secretary of State.

Her contract does give the Secretary of State discretion to make a compensatory payment in the event of early termination 'should he consider there are special circumstances which make it right that the Office Holder should receive compensation'.

### Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ombudsman.

#### Remuneration

	2006-07 '000	2005-06 '000
Members		
Zahida Manzoor	110-115	105-110

#### Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; ex-gratia payments; and any other allowance to the extent that it is subject to UK taxation..

## Pension Benefits

Name	Accrued pension at age 60 as at 31/03/07	Real increase in pension at age 60	CETV at 31/03/07	CETV at 31/03/06	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Zahida Manzoor	5-10	0-2.5	108	80	22

The figures shown on the pension benefit relates to her role as both the Ombudsman and Commissioner, as it has not been possible to separate her pension entitlements. Zahida Manzoor is a member of the PCS Premium / C1 Plus part of the Principal Civil Service Pension Scheme (PCSPS).

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found in the resource accounts of the Cabinet Office: Civil Superannuation at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## Cash Equivalent Transfer Values

Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Zahida Manzoor CBE  
 Legal Services Ombudsman for England and Wales  
 Date: 7 June 2007

## Annual Accounts

Year Ended 31 March 2007

### STATEMENT OF ACCOUNTING OFFICER'S AND OMBUDSMAN'S RESPONSIBILITIES

HM Treasury has appointed the Permanent Secretary of the Department for Constitutional Affairs (DCA) as Principal Accounting Officer. The Principal Accounting Officer's responsibilities are defined in an HM Treasury Memorandum and include responsibility for preparing the accounts of the Department and for transmitting them to the Comptroller and Auditor General.

The responsibilities of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable. Keeping proper records and for safeguarding the Department's assets, as set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Government Accounting.

The Secretary of State and Lord Chancellor has appointed the Legal Services Ombudsman for England and Wales (the Ombudsman). The Ombudsman oversees the handling of complaints about solicitors, barristers, legal executives, licensed conveyancers, patent attorneys and trade mark attorneys by the six professional bodies responsible for setting and maintaining standards of conduct and service within the legal profession.

Under the Courts & Legal Services Act 1990 the Secretary of State and Lord Chancellor has directed the Ombudsman to produce accounts for the financial year ending 31 March 2007.

These accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of OLSO, the expenditure outturn and cashflow for the financial year.

In preparing the accounts, the Ombudsman is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- (a) observe the Accounts Direction issued by the DCA, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- (b) make judgements and estimates on a reasonable basis;
- (c) state whether applicable accounting standards, as set out in the Government Financial Reporting Manual (FReM) have been followed and disclose and explain any material departures in the accounts; and
- (d) prepare the accounts on a going concern basis, unless it is inappropriate to presume that OLSO will continue in operation.

### STATEMENT ON INTERNAL CONTROL

#### 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Constitutional Affairs (DCA) and the Office of the Legal Services Ombudsman's (OLSO) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible,

in accordance with the responsibilities assigned to me in Government Accounting.

As Accounting Officer, I agree with Ministers the departmental plans and allocation of resources to the department's business areas. OLSO operates as a business entity of the Department. I delegate financial authority, with internal control and risk management responsibilities, to the Ombudsman via the Director General, Legal and Judicial Services Group, in line with the requirements detailed in the Memorandum of Understanding between the department and OLSO.

A system of internal control operates in departmental headquarters. This includes the monitoring of OLSO's performance and compliance with the Memorandum of Understanding through the Director General, Legal and Judicial Services Group. To the extent that the document delegates control to the Ombudsman, I place reliance upon the Statements of Internal Control submitted by the Ombudsman to the Director General, Legal and Judicial Services Group.

#### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the OLSO for the year ended 31 March 2007, and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

#### 3. Capacity to handle risk

As Accounting Officer I acknowledge my overall responsibility for the effective management of risk throughout the Department.

The Department's Risk Management Policy and Framework document was published in June 2002 and is available to all staff on the Department's Intranet.

This sets out the Department's attitude to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk.

Risk management is incorporated into OLSO's day-to-day activities and forward planning. Risk assessments are carried out by the Senior Management Team in relation to the delivery of business objectives; and a risk register is maintained and reviewed as part of day-to-day management and the business planning and performance reporting process. Significant risks to and arising from the work of OLSO are reported to the Director General, Legal and Judicial Services Group on a quarterly basis. Where necessary, such risks and the actions to mitigate are escalated and incorporated into DCA's

Corporate Risk Register for consideration by the Department's Management Board (DMB).

#### 4. The risk and control framework

The key elements of OLSO's risk management strategy for identifying, evaluating and controlling risk are as follows:

- OLSO system (based on DCA policy and framework) of analysis and reporting that identifies risk to objectives, risk impact and likelihood, current and planned mitigating action, risk status, risk judgement or appetite and individual risk owners, which forms the basis of the Risk Register and is escalated quarterly to the Legal and Judicial Services Group;
- OLSO Senior Management Team meetings with risk management on the standard agenda, and evidenced by minutes of meetings, planning workshops for all staff to assist with the identification and evaluation of risks to objectives;
- OLSO Risk Register covering all activity and reviewed by the OLSO Senior Management Team. Legal and Judicial Services Group then review the register, escalating any significant risks for inclusion in the Department's Corporate Risk Register;
- Quarterly certification by the Operations Manager, (as Budget Holder), to the Director General, Legal and Judicial Services Group of risk management in OLSO;
- Corporate Services Manager as OLSO risk co-ordinator in the Senior Management Team;
- Risk identification, evaluation and management as an integral part of the Office's planning process for delivery of its objectives.

Other key elements in OLSO's control system are regular management information, financial regulation, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- Business Planning, which is discussed and reviewed by the Director General, Legal and Judicial Services Group;
- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the DMB;
- Regular reviews by the DMB of periodic and annual financial reports, which are prepared to indicate financial performance against the forecasts;
- Target setting to measure financial and other performance;
- A formal system of financial compliance controls; consisting of risk assessments, core control checks with an audit trail of evidence, and a review and reporting mechanism to provide assurances from the Operations Manager, (as Budget Holder), on a quarterly basis, that internal financial controls are in place and operating effectively;
- A published Departmental fraud policy, with effective capability to investigate incidents of fraud, including a cadre of trained staff;
- A Departmental "whistle-blowing" policy for confidential

reporting of staff concerns;

- A Business Continuity Plan for OLSO, which continues to be refined to ensure that key activity, can continue effectively following a disruption;
- Compliance with ISO17799, the International Standard for Information Security Management, to assist with achievement of the standard across the DCA.

In addition to the developments in risk management, the Department continues to take steps to improve its corporate governance arrangements.

During 2006-07, OLSO revised and published its Strategic Objectives to cover the period 2006-09. The more detailed Operating Plan and Risk Register were reviewed and aligned with the new Objectives. They will continue to be reviewed to ensure that they remain relevant within a legal and judicial environment that is constantly changing.

In-year spending by OLSO was restricted to the limit as allocated by the DCA Director General Legal and Judicial Services Group.

#### 5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. My review is also informed by the work of the Ombudsman and her Senior Management Team.

Comprehensive assurance statements on internal controls are made on a quarterly basis by OLSO's Budget Holder to the Senior Budget Holder in the Department's Legal and Judicial Services Group. The Budget Holder is required to have complied with the provisions of Government Accounting, the Department's Finance Manual and Risk Management Policy and Framework. The key elements of the system of internal control are set out in section 4 above. They are reviewed for effectiveness and any improvements required, and a report made to the Senior Budget Holder.

For 2006-07 the OLSO Budget Holder reported that no significant weaknesses were identified with regard to internal controls; reviews of business objectives and performance, the authorisation and recording of transactions, management of the delegated budget and safeguarding of departmental assets. No breaches of financial authority or incidents of fraud were reported.

In addition, the following bodies also inform my review:

- **Ministerial Executive Board (MEB)** and **Departmental Management Board (DMB)** – These Boards approved the Department's Framework and Policy Document and have been involved in the development and monitoring of the Corporate Risk Register.

- **Corporate Audit Committee** – The DCA's Audit Committee is a continuing source of advice and assurance on the effectiveness of the risk management process. The Committee meets a minimum of four times each year and has a non-executive Chairman, who is a member of the MEB and reports directly to the Accounting Officer twice a year. The Committee advises on the Internal Audit work programme and considers key recommendations from Internal Audit Reports and reports made by the National Audit Office.
- **Risk Co-ordinators** - A network of Risk Co-ordinators has been established within the Department's headquarters, Agencies and NDPBs, to co-ordinate the reporting and management of risk and control issues within business areas and for the Department in reporting to the DMB and the Audit Committee.
- **Internal Audit** – The Department has an Internal Audit Division that operates to the Government Internal Audit Standards. It submits regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's internal controls together with recommendations for improvement.

I can confirm that no significant control issues as defined by HM Treasury guidance have been highlighted.

This statement applies to the Office of the Legal Services Ombudsman. The Statement on Internal Control for the Department for Constitutional Affairs as a whole will be available from the Stationery Office when the Department's 2006-07 Accounts are published later this year.

Alex Allan

Zahida Manzoor CBE

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Accounting Officer

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Legal Services Ombudsman  
for England and Wales

Date: 5 June 2007

Date: 7 June 2007



## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

I certify that I have audited the financial statements of the Office of the Legal Services Ombudsman for the year ended 31 March 2007 under the Courts and Legal Services Act 1990. These comprise the Expenditure Account, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer, Ombudsman and Auditor**

The Accounting Officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with Schedule 3 of the Courts and Legal Services Act 1990 and directions made there-under by the Secretary of State and Lord Chancellor with the approval of the Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's and Ombudsman's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Courts and Legal Services Act 1990 and directions made there under by the Secretary of State and Lord Chancellor with the approval of the Treasury. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Foreword and Sections 1 & 3, is consistent with the financial statements. I also report whether, in all material respects, the expenditure has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities that govern them.

In addition, I report to you if the Office of the Legal Services Ombudsman has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Office of the Legal Service Ombudsman's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Office of the Legal Services Ombudsman's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer and Ombudsman in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Office of the Legal Services Ombudsman's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### **Opinions**

#### **Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Courts and Legal Services Act 1990 and directions made there-under by the Secretary of State and Lord Chancellor with the approval of the Treasury, of the state of the Office of the Legal Service Ombudsman's affairs as at 31 March 2007 and of its expenditure and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Courts and Legal Services Act 1990 and directions made there under by the Secretary of State and Lord Chancellor with the approval of the Treasury; and
- information given within the Annual Report, which comprises the Foreword and Sections 1 & 3, is consistent with the financial statements.

#### **Audit Opinion on Regularity**

In my opinion, in all material respects the expenditure has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities that govern them.

#### **Report**

I have no observations to make on these financial statements.

Paul Keane, Director,  
Parliament and Justice For the Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road, Victoria, London, SW1W 9SP  
8 June 2007

**Operating Cost Statement****Year Ended 31 March 2007**

		2006-07		2005-06
	Notes	£		£
Staff costs	2	1,122,009		1,137,870
Other direct costs	3	208,592		221,066
Accommodation costs	4	276,500		221,890
Departmental overhead charge		280,092		318,342
Other non cash costs	5	21,611		23,755
<b>TOTAL</b>		<b>1,908,804</b>		<b>1,922,923</b>

All expenditure is derived from continuing operational activities.

There are no other gains/losses for the year.

The notes on pages 73 to 78 form part of these accounts



**Balance Sheet****As At 31 March 2007**

	Notes		2006-07		2005-06
		£	£	£	£
<b>Fixed Assets</b>					
Tangible fixed assets	6		58,487		43,910
<b>Current Assets</b>					
Debtors	7	59,710		48,695	
Cash in hand		<u>150</u>		<u>150</u>	
		59,860		48,845	
<b>Current Liabilities</b>					
Creditors	8	<u>(61,404)</u>		<u>(53,105)</u>	
<b>Net Current Assets/(Liabilities)</b>			(1,544)		(4,260)
<b>Total Assets less Current Liabilities</b>			<u>56,943</u>		<u>39,650</u>
<b>Taxpayers' Equity</b>					
General Fund	9		56,943		39,650
			<u>56,943</u>		<u>39,650</u>

The notes on pages 73 to 78 form part of these accounts

Alex Allan

Zahida Manzoor CBE

.....  
Accounting Officer.....  
Legal Services Ombudsman for England and Wales

Date: 5 June 2007

Date: 7 June 2007

**Cash Flow Statement****Year Ended 31 March 2007**

	Notes	2006-07	2005-06
		£	£
Net cash outflow from operating activities	10	(1,613,801)	(1,610,354)
Capital expenditure		(20,514)	(5,857)
Finance from Department for Constitutional Affairs		1,634,315	1,616,211
<b>Increase in cash</b>		<b>0</b>	<b>0</b>

The notes on pages 73 to 78 form part of these accounts

## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES

#### Basis of accounting.

These accounts for the Office of the Legal Services Ombudsman (OLSO) have been prepared in accordance with the Financial Reporting Manual (FRM) issued by HM Treasury with the exception that historical cost accounting has been used in place of modified historic cost accounting because of the immaterial difference between the two for OLSO. The accounting policies used to prepare these statements are consistent with those used to prepare accounts for the Department for Constitutional Affairs (DCA). The Departmental accounts give greater detail on accounting policies.

#### Going concern.

The accounts are prepared on a going concern basis as DCA settles all of OLSO's financial transactions with funds voted by Parliament.

The 2006 Queen's Speech introduced the Legal Services Reform Bill into the 2006-07 session. If the Bill receives Royal Assent it will fundamentally change the way that legal services will be regulated in England and Wales including the formation of the Office for Legal Complaints, and consequent closure of OLSO. However it is not anticipated that OLSO will close before 2010-11 and so there is no immediate threat to its existence.

#### Income.

OLSO does not recover its costs through charging fees, but under S23 of the Courts and Legal Services Act 1990, can recover reasonable expenditure on publicising the failure of a lawyer or professional body to comply with a recommendation. However OLSO does not generate income in the normal course of its business activities.

#### Staff costs.

Staff costs are made up of:

- Salary and associated costs (including pension obligations) of staff employed at OLSO.
- Fees paid to self-employed locally recruited investigating officers on short-term contracts.
- Amounts paid to agencies with respect to temporary staff.

#### Other direct costs.

Direct costs, other than staff costs, where the expenditure is authorised by OLSO.

#### Accommodation costs.

These are costs directly attributable to OLSO where the expenditure is authorised by DCA. These are rental and other costs associated with the Manchester office building.

#### Departmental overhead charge.

These are the support services provided to OLSO by DCA. Departmental costs are apportioned on a systematic basis to all the Department's Associated Offices, including OLSO. Departmental costs do not include OLSO's share of the costs under contracts that have been awarded by the Department under the Government's Private Finance Initiative (PFI) for the provision of accounting and IT services. The PFI contract is managed centrally by DCA and is included in the DCA's resource accounts.

#### Other non-cash costs.

Non-cash costs are included to show the full cost of operating OLSO. The audit fee is an amount agreed with the National Audit Office. The cost of capital charge reflects the cost of capital utilised by OLSO and is calculated at the Government's standard rate of 3.5% of average net assets less liabilities over the year.

The amounts on the expenditure statement are net of recoverable VAT but include irrecoverable VAT. Recoverable VAT is received centrally by DCA from HM Revenue and Customs and any amount receivable is not shown as a debtor on the OLSO balance sheet.

DCA holds the operating lease on the property used by OLSO and also has legal ownership of the non-leased tangible fixed assets used by that Office.

#### Fixed assets.

Tangible assets primarily comprise IT equipment and furniture. IT equipment costing more than £1,000 is capitalised and then depreciated on a straight line basis over 5 years. All furniture is pooled and capitalised, then depreciated on a straight line basis over 20 years.

#### Pensions.

Past and present employees of OLSO are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependant's benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts, calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

## 2. STAFF COSTS

				2006-07	2005-06
	Employees	Self-employed case workers	Agency staff	Total	Total
	£	£	£	£	£
Wages, salaries and fees	672,863	237,825	26,617	937,305	961,822
Social security costs	58,568	2,480	-	61,048	63,297
Other pension costs	123,656	-	-	123,656	112,751
	<b>855,087</b>	<b>240,305</b>	<b>26,617</b>	<b>1,122,009</b>	<b>1,137,870</b>

The PCSPS is an unfunded multi-employer defined benefit scheme but OLSO is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2006-07, contributions of £123,656 (2005-06 £112,751) were paid to the PCSPS on behalf of employees at rates determined by the Government Actuary, reviewed every four years following a full scheme valuation. These rates were in the range 17.1% to 25.5% (2005-06 16.2% to 24.6%) of pensionable pay, based on salary bands. From 2007-08, the salary bands will be revised but the rates will remain the same.

All OLSO's staff are employees of DCA and further details of their pension scheme are given in the DCA resource accounts.

The average full time equivalent number of personnel during the year was 22.95 employees and 5.8 self-employed (2005-06 29.7 in total).

Staff costs include the Ombudsman's salary and associated pension contributions made on her behalf. Zahida Manzoor CBE held the post during 2006-07. Please refer to Remuneration Report for further details.

## 3. OTHER DIRECT COSTS

	2006-07	2005-06
	£	£
Rentals under operating leases - hire of plant and machinery	1,872	1,872
Travel and subsistence	13,247	23,039
External consultancy	65,461	79,461
Office supplies	20,900	18,458
Printing and reprographics	13,210	9,216
Distribution and postage	31,540	32,556
Telecommunications	13,220	10,235
Other	49,142	46,229
<b>Total</b>	<b>208,592</b>	<b>221,066</b>

## 4. ACCOMMODATION COSTS

	2006-07	2005-06
	£	£
Rent and service charge	172,782	158,178
Rates	46,217	45,848
Other property costs	57,501	17,864
<b>Total</b>	<b>276,500</b>	<b>221,890</b>

## 5. OTHER NON CASH COSTS

	2006-07	2005-06
	£	£
Depreciation	6,500	10,632
Cost of capital	1,690	1,000
External audit fee	10,000	9,500
Loss on disposal	3,421	2,623
<b>Total</b>	<b>21,611</b>	<b>23,755</b>

The auditors received no remuneration for any non-audit work.

## 6. TANGIBLE FIXED ASSETS

	Furniture	Computer and Other Equipment	Total
	£	£	£
<b>Cost or valuation</b>			
At 1 April 2006	69,257	27,641	96,898
Additions	1,991	22,507	24,498
Disposals	(4,561)	(17,956)	(22,517)
At 31 March 2007	<u>66,687</u>	<u>32,192</u>	<u>98,879</u>
<b>Depreciation</b>			
At 1 April 2006	27,152	25,836	52,988
Charge for the year	3,334	3,166	6,500
Released on disposals	(1,140)	(17,956)	(19,096)
At 31 March 2007	<u>29,346</u>	<u>11,046</u>	<u>40,392</u>
<b>Net book value</b>			
<b>At 31 March 2007</b>	<b><u>37,341</u></b>	<b><u>21,146</u></b>	<b><u>58,487</u></b>
At 31 March 2006	<u>42,105</u>	<u>1,805</u>	<u>43,910</u>

## 7. TRADE DEBTORS

### 7(a) Analysis by type

	2006-07	2005-06
	£	£
Centrally authorised rent and service charge prepayments	40,233	43,134
Other prepayments	13,323	1,061
Debtors	6,154	4,500
	<b>59,710</b>	<b>48,695</b>

### 7(b) Intra-Government Balances

	2006-07	2005-06
	£	£
Balances with other central government bodies	-	-
Balances with bodies outside central government	59,710	48,695
	<b>59,710</b>	<b>48,695</b>

## 8. CREDITORS

### 8(a) Analysis by type

	2006-07	2005-06
	£	£
Accruals	61,404	53,105
	<b>61,404</b>	<b>53,105</b>

£3,594 of the Accruals balance related to capital expenditure

### 8(b) Intra-Government Balances

	2006-07	2005-06
	£	£
Balances with other central government bodies	13,072	-
Balances with bodies outside central government	48,332	53,105
	<b>61,404</b>	<b>53,105</b>

## 9. RECONCILIATION OF EXPENDITURE TO CHANGES IN THE GENERAL FUND

	2006-07	2005-06
	£	£
Total expenditure for year	(1,908,804)	(1,922,923)
Financing from DCA	1,634,315	1,616,211
DCA Departmental overhead charge	280,092	318,342
Cost of capital	1,690	1,000
Auditors remuneration	10,000	9,500
Net increase in General Fund	17,293	22,130
General Fund at start of year	39,650	17,520
General Fund at end of year	<b>56,943</b>	<b>39,650</b>

## 10. RECONCILIATION OF OPERATING EXPENDITURE TO OPERATING CASH-FLOW

		2006-07	2005-06
	Note	£	£
Total expenditure for year		(1,908,804)	(1,922,923)
DCA departmental overhead charge		280,092	318,342
Other non cash costs	5	21,611	23,755
(Increase)/Decrease in debtors		(11,015)	4,333
Increase/(Decrease) in creditors		4,315	(33,861)
Net cash outflow from operating activities		<b>(1,613,801)</b>	<b>(1,610,354)</b>

## 11. OBLIGATIONS UNDER LEASES

At 31 March 2007 DCA was committed to making the following payments during the year in respect of operating leases on assets used by OLSO expiring:

	2006-07		2005-06	
	Land & Buildings	Other	Land & Buildings	Other
	£	£	£	£
Within one year	-	-	-	1,972
Two to five years	164,888	1,872	-	1,872
After five years	-	-	138,142	-
	<b>164,888</b>	<b>1,872</b>	<b>138,142</b>	<b>3,844</b>

## **12. RELATED PARTIES**

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DCA is a related party with which OLSO had various material transactions during the year. OLSO staff have not entered into any material transactions with OLSO or with DCA.

Zahida Manzoor, the Legal Service Ombudsman, also holds the role of the Legal Services Complaints Commissioner. There have not been any material transactions between the two offices.

## **13. CAPITAL COMMITMENTS**

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There are no capital commitments.

## **14. CONTINGENT LIABILITIES**

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There are no contingent liabilities.

## **15. POST BALANCE SHEET EVENTS**

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On 9 May 2007, a new Ministry of Justice was established. The new Ministry performs the functions and activities of the Department for Constitutional Affairs. In addition, the National Offender Management Service, including the Prison and Probation Services has transferred from the Home Office. The new Ministry also has lead responsibility for criminal law and sentencing policy. The Ministry of Justice will be responsible for policy on the overall criminal, civil, family and administrative justice system, including sentencing policy, as well as the courts, tribunals, legal aid and constitutional reform.

OLSO is an Associated Office of the Ministry of Justice. No change to the working arrangements with OLSO, nor any financial effect, is envisaged.

In accordance with the requirements of FRS 21, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date the accounts are laid before Parliament. These accounts will be laid before Parliament on 19th June 2007.

## **16. LIQUIDITY RISK**

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OLSO has no borrowings, and its net resource requirements are met from resources voted annually by Parliament to DCA. DCA then settles all OLSO's financial transactions. OLSO is not therefore exposed to significant liquidity risk.

Also, OLSO has no deposits other than petty cash, since cash at bank is held in DCA's bank accounts and not included in these accounts. All material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.





“YOUR RESPONSE TO MY COMPLAINT... HAS  
RESTORED MY FAITH IN THE SYSTEM”.

DR C OF THE NETHERLANDS



# GLOSSARY

## Glossary of terms

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**Approved Regulators** - Bodies which will be approved by the proposed Legal Services Board to regulate the supply of legal services.

**Bill** - Legal Services Bill.

**Caseload** - How many cases were accepted, reports issued and cases carried forward to the next year.

**Compensation** - The Legal Services Ombudsman recommends that either the professional body and/or the legal practitioner involved pay compensation to the consumer for delay, loss, distress or inconvenience.

**Complaint not upheld** - The Legal Services Ombudsman considered that the professional bodies response and their handling of the complaint was satisfactory and that their decision to close their file was justified.

**DCA** - Department for Constitutional Affairs.

**DEFRA** - Department for Environment Food and Rural Affairs.

**Enquiries** - Incoming calls and written enquiries (applications and letters).

**Formal criticism** - A formal criticism recorded against a legal professional body where the Legal Services Ombudsman has identified some failing in the investigation and either a reconsideration or compensation would not be appropriate, in the circumstances.

**Judicial Review** - A procedure by which High Court judges scrutinise public bodies and public law functions.

**Legal Complaints Service** - (formerly known as the Consumer Complaints Service) currently responsible for dealing with complaints about solicitors.

**LSB** - Legal Services Board – under the Government's legal reforms it is proposed that this board will become responsible for the oversight of all the legal front-line regulators.

**MoJ** - Ministry of Justice formed 9 May 2007 formerly known as the Department for Constitutional Affairs.

**NDPB** - Non-Departmental Public Body.

**Office of the Legal Services Complaints Commissioner** - works with consumers to improve how the Law Society handles complaints about solicitors in England and Wales.

**OLC** - Office for Legal Complaints - under the Government's legal reforms it is proposed that this office will become responsible for handling complaints about legal practitioners and will be independent of the legal professional bodies.

**OLSO** - Office of the Legal Services Ombudsman.

**Ombudsmen** - are an independent and impartial means of resolving certain disputes outside the courts. They cover various public and private bodies and look into matters after a complaint has been made to the relevant body.

**Professional Bodies** - The Law Society, the Bar Council, the Council of Licensed Conveyancers, the Institute of Legal Executives, the Chartered Institutes of Patent Attorneys and the Institute of Trade Mark Attorneys.

**Recommendations** - Complaint not upheld, reconsideration, compensation and formal consideration.

**Reconsideration** - If the legal professional body has not adequately investigated the complaint, the Legal Services Ombudsman recommends that they re-investigate either the whole or parts of the complaint.

**SLSO** - Scottish Legal Services Ombudsman.

**Turnaround time** - How long it took from receipt of the professional body's file for the Legal Services Ombudsman to issue her report to the consumer.

**TUPE** - Transfer of Undertakings (Protection of Employment) Regulations 1981.



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ISBN 978-0-10-294532-4



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