

A Strong Foundation for the Future

ANNUAL REPORT & ACCOUNTS

The Legal Services Ombudsman
for England and Wales 2009 | 2010



LEGAL SERVICES
OMBUDSMAN

The Legal Services Ombudsman for England and Wales

**Annual Report and Accounts for the year ended
31 March 2010**

A Strong Foundation for the Future

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Foreword



Zahida Manzoor CBE
The Legal Services Ombudsman
for England and Wales

“Many challenges lie ahead, not least the fact that it could take considerable time to agree and implement some of the solutions.”

2002/03 – Taking up the challenge

I am delighted to be presenting my Annual Report and Accounts to you at a time of optimism for legal services regulation and complaint handling.

The Legal Services Act 2007 created two new organisations; the Legal Services Board (LSB) and the Office for Legal Complaints (OLC). The Act requires the current legal professional bodies to separate their functions as both regulator and representative of their professions and will see the removal of complaint handling from them. The LSB has the oversight of the approved regulators who have responsibility for the regulation of the conduct of legal professionals. The LSB also has the responsibility for the new complaints-handling body; the OLC.

The LSB and the OLC were formally constituted on 1 January 2009 and 1 July respectively. The OLC Chair, Elizabeth France, was appointed with effect from 1 November 2008 and the Chief Ombudsman, Adam Sampson, formally took up position on 1 July 2009. The OLC is responsible for administering an independent ombudsman scheme which it has named the Legal Ombudsman (LeO). It is expected that LeO will take its first complaints from 6 October 2010. It is also expected that transitional arrangements put forward by the previous Government will allow the current complaint handlers 6 months to conclude their work in progress. The new Coalition Government which was formed following the 6 May General Election is currently scrutinising arrangements and reviewing the legal reforms.

Meanwhile, I welcome the MoJ's commitment to put in place arrangements which ensure that neither consumers nor lawyers suffer any detriment during the transition from the old to the new complaints-handling system. MoJ will also need to ensure that consumers are not passed from one office to another; and that there is no duplication of casework investigations. At a time of severe financial constraints MoJ will need to ensure that the new regulatory framework will not incur a higher cost than the existing system. This becomes particularly important as the current complaint-handling system is working significantly better than it did 6 years ago when the first consultations on legal reforms took place.

I am very pleased to report that significant in-roads have been made in all the professional bodies' complaint-handling processes enabling a speedier and more consistent approach to decision making.

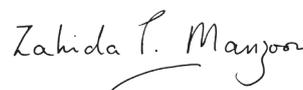
In particular, and as I stated in my final Annual Report as Legal Services Complaints Commissioner (LSCC) dated February 2010, Past/Present/Future, I hope that the levels of performance now being achieved by the Law Society's Legal Complaints Service (LCS); the largest complaint-handling body receiving approximately 13,000 complaints per year; will provide a solid foundation and baseline from which LeO will build. At the end of 2009 the LCS were concluding 86% of cases in 6 months and almost 100% within 12 months (with only exceptional cases going over the 12 month time frame). Any other performance outcome by LeO would negate the progress achieved over the past seven years and could undermine the value of the new Regulatory Framework.

Despite the uncertainty that has existed for several years regarding when LeO will become operational in Birmingham and the consequent effects on my Office in Manchester; I am very pleased to report that the service, quality and consistency of casework at my Office has not only been maintained, but the level of performance has improved year on year. This has been achieved with diminishing numbers of staff, and a year on year reduction in our budget. Our main efforts have been concentrated on our core activity of complaint investigation; and providing value for money for all our stakeholders. I am pleased to report that the turnaround times in my Office remain excellent with the average turnaround time for case investigation of 2.8 months.

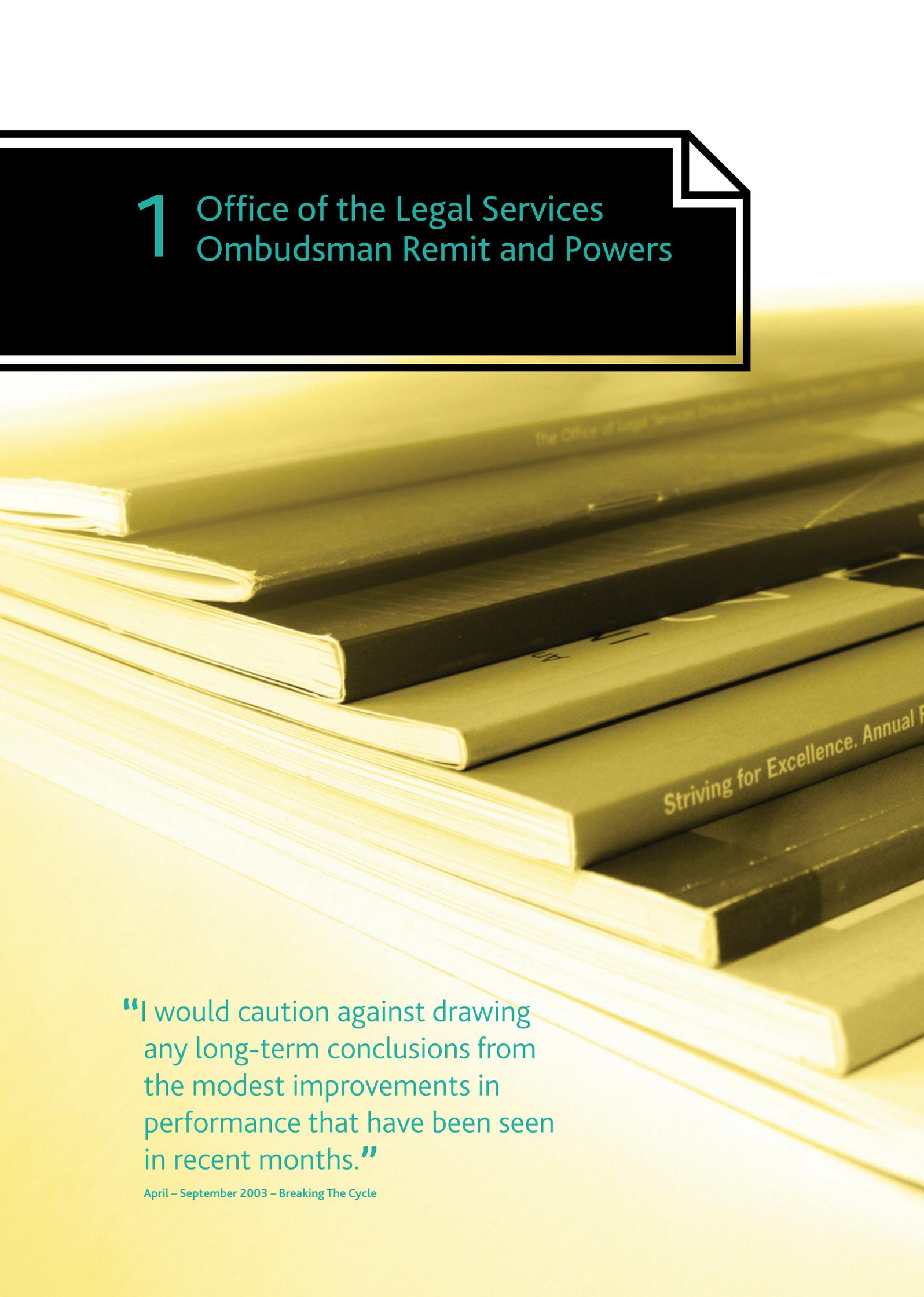
I would like to take this opportunity to thank all the organisations and individuals who have contributed to the successful achievements in bringing about the continued improvements in service delivery to users of legal services over the last seven years.

Above all I would like to make tribute to my staff for their dedication to the work of my Office, very often under difficult circumstances and particularly during a period of significant change.

There is a strong foundation to build on for the future.



Zahida Manzoor CBE
Legal Services Ombudsman for England and Wales
23 June 2010



1 Office of the Legal Services Ombudsman Remit and Powers

“I would caution against drawing any long-term conclusions from the modest improvements in performance that have been seen in recent months.”

April – September 2003 – Breaking The Cycle

The Lord Chancellor and Secretary of State for Justice appoints the Legal Services Ombudsman 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.

As Ombudsman, I oversee the handling of complaints about solicitors, barristers, legal executives, licensed conveyancers, patent attorneys, trade mark attorneys and law costs draftsmen by the seven professional bodies* responsible for setting and maintaining standards of conduct and service within the legal profession.

Consumers of legal services must first make their complaint to the relevant professional body the:

- Law Society (Legal Complaints Service and Solicitors Regulation Authority).
- General Council of the Bar (Bar Standards Board).
- Council for Licensed Conveyancers.
- ILEX Professional Standards Ltd (Institute of Legal Executives).
- Chartered Institute of Patent Attorneys.
- Institute of Trade Mark Attorneys.
- Association of Law Costs Draftsmen.

If consumers are not satisfied with the way the professional body has dealt with their complaint, they may refer the matter to me for investigation. An allegation is properly made if it is in writing and made by any person affected by what is alleged in relation to the complaint concerned or, in certain cases, by some representative. I can also investigate the matter to which the complaint relates i.e. conduct an original investigation.

I have the power to recommend that the professional body reconsider the complaint. I may also recommend that the professional body and / or the lawyer complained about pay compensation for loss, distress or inconvenience.

In conducting investigations I have the same powers as the High Court.

My Office is an Associated Office of the Ministry of Justice (MoJ) and supports it in its Departmental Strategic Objectives.

* From 1 January 2010 the provisions of the Legal Services Act 2007 changed the terminology of professional bodies to approved regulators.

2 The Lead up to the Legal Services Act 2007

"Disappointingly, the Legal Complaints - lags somewhat behind... although I do not welcome improvements in turnaround time service delivery."

"It would seem fair to assert that the past year has seen considerable progress in mobilising new initiatives to improve both the provision of legal services and the handling of complaints. However, there is still much more to be done."

When I took up my appointment as Ombudsman in March 2003, I came to the post in the full knowledge that there were likely to be major changes in the legal services landscape over the coming years, changes that would affect service delivery, competition, regulation and complaint handling. I was not going to be disappointed.

In June 2003 the Government announced that the Lord Chancellor's Department (LCD) would be replaced by the new Department for Constitutional Affairs (DCA); (subsequently replaced by the newly created Ministry of Justice (MoJ) in May 2007).

Lord Falconer was appointed as the new Secretary of State for Constitutional Affairs and Lord Chancellor. My Interim Report to him, April-September 2003, entitled *Breaking The Cycle* acted as the catalyst and brought into the fore the need for legal reform. Ministers had expressed concern about the handling of complaints by the Law Society; and had stated that "It was clear the consumer was being let down. Decisive and immediate action was needed. That is why we took the step of using the powers in the Access to Justice Act 1999 to appoint a Legal Services Complaints Commissioner".

The new Lord Chancellor also took the bold step of commissioning a wide-ranging and independent review of the regulatory framework for legal services in England and Wales; and followed the Office for Fair Trading's report 'Competition in Professions' in March 2001, indicating that the existing regulatory framework for legal services was anti-competitive and was working against the public interest.

Sir David Clementi was appointed to lead the review of the regulatory framework, and tasked to report his recommendation by December 2004.

On 26 September 2003, the Secretary of State and Lord Chancellor delivered a speech at the Law Society's Annual Conference in London during which he applauded the Law

Society for increasing the resources devoted to complaint handling. However, he concluded that in spite of the Law Society's best efforts, their complaint handling had not shown sufficient improvement. As such, he had taken the decision to activate the role of the Legal Services Complaints Commissioner (LSCC) to oversee their complaint-handling operation and assist them in making further improvements in the service given to consumers. I was given the additional role of Commissioner in February 2004.

On 9 March 2004 Sir David Clementi published his eagerly awaited consultation paper. This consultation paper proposed two polarised models for regulation and complaint handling. These models range from removing all regulatory functions from the professional bodies and placing these in the hands of a new unified regulator, to allowing the professional bodies to retain their regulatory responsibilities but with oversight from a new overarching regulator. At its heart, the debate revolved around establishing whether it was appropriate for the professional bodies to retain both representation and regulatory functions.

In June 2004 I responded to that consultation paper in which I endorsed the objectives and principles set out in the consultation paper and I emphasized four important dimensions that I felt should inform the debate:

- the importance of ensuring the continued independence of the legal profession;
- the need to address the loss of public trust and confidence in professional regulation, particularly in the area of complaint handling;
- the duty to deliver fair outcomes for all users of legal services, including lawyers, and
- the necessity of allocating appropriate weight to the perspective of the "high street client".

I commented on the various regulatory models proposed and how I felt the professional bodies should be regulated in terms of governance and accountability. In view of the poor performance

of the Law Society's complaint-handling processes and the lack of any significant improvements in this area for many years, which have been well documented, I proposed that an overarching regulatory Legal Services Board (LSB) should be established that would be independent of government and accountable to Parliament. It would be a strategic body required to work in partnership with major stakeholders in order to ensure high standards in the delivery of legal services to the public.

My Office advocated a single independent complaint-handling body that would act as a single gateway for all complainants to have their concerns investigated in a fair, transparent and efficient way, which would include any review of the decision.

I equally expressed the view that any transition to a new regulatory regime would be complex and painful for all and I therefore urged caution, careful planning and the development of adequate transitional arrangements. Finally, I contended that the sources and method of funding would have important implications for the perceived independence of any regulatory regime, particularly its complaint-handling activities.

In conclusion, I said my response had been guided by a desire to find solutions that address the needs and protect the interests of the high street client. It had become clear from the contact that my Office has had over 14 years, with thousands of customers of legal services, that many have felt disenfranchised by the legal process itself and disadvantaged in any attempt that they have made to complain about a lawyer. In an age where it is often claimed that consumers are more confident and better informed than ever, I suspect that this is much less the case in the area of legal services than in other service sectors. I therefore urged the development of new systems and structures that are characterised by a commitment to transparency, accessibility and inclusivity.

In his final report, published in December 2004, Sir David quoted from my response to the consultation paper in which I had put forward the argument for an independent complaint-handling body:

“Whatever the balance of arguments surrounding the retention by the professional bodies of complaint handling, the idea itself has lost any legitimacy – consumer culture has moved on. I am convinced that an overarching regulator and an independent complaint-handling office would be the minimum acceptable outcome following the present (Clementi) review”.

In October 2005 the Government published a White Paper, "The Future of Legal Services: Putting the Consumer First". That White Paper set out radical reforms to the way in which legal services may be delivered and regulated in England and Wales, including the creation of the LSB and the OLC.

Ministers and officials kindly listened to my views on how the Bill could be enhanced and I gave a detailed response in a Special Report that I wrote jointly as Ombudsman and Commissioner entitled "A Perspective on the Legal Reforms". Although I was pleased to see that some of the recommendations that I put forward to Government have been accepted I remained convinced of the need for an independent assessor to allow a review of how complaints about the conduct of lawyers are handled by the professional bodies in their role as Approved Regulators, and that costs are proportionate.

The Legal Services Act finally gained Royal Assent on the 30th October 2007 and the LSB and the OLC were formally constituted on 1 January 2009 and 1 July respectively.

Since 2004 much has changed, and with the appointment and support of the Legal Services Complaints Commissioner (LSCC), the Law Society's complaint-handling arm, the Legal Complaints Service (LCS), have improved significantly the consistency, quality and turnaround times in their casework. The LSCC office closed in March 2010. At a time when significant savings have to be made by Government and all areas are being further scrutinised by the new Coalition Government, I am pleased to note that Ministers are keen to ensure that there are fair and accessible legal services for all.

3 Transition

“My Office did not seek a self-serving solution and I also proposed a single independent complaint-handling body should be established that would act as a single gateway for all complainants to have their concerns investigated in a fair, transparent and efficient way, which would include any review of the decision.”

2004/05 – Making sure your voice is heard

Transition:

Following the general election on 6 May 2010 a new Coalition Government was formed, which saw the removal of the previous Labour Government. The Coalition Government is reviewing the legal reforms as part of the wider review of regulatory measures. This scrutiny is being undertaken by the Business Secretary, Vince Cable, under the auspices of the Reducing Regulation Committee. I await the outcome of this review with interest.

4 The Miners



“A centre of excellence in complaint handling would restore consumer confidence and stop any perceived public concern about lawyers investigating complaints about lawyers.”

A decade ago the government launched a scheme to compensate former miners who contracted Chronic Obstructive Pulmonary Disease (COPD), a form of lung disease that can be caused by the inhalation of coal dust, and Vibration White Finger (VWF), a disease of the fingers caused by vibrating mining tools. The Department of Trade & Industry drew up claim-handling agreements to allow miners' claims to be handled outside the courtroom. Both schemes are now closed to new claimants. Some 590,000 COPD claims and 170,000 VWF claims have been lodged in England, Scotland and Wales. By May 2009, £2.3bn had been paid to miners and their families under the COPD scheme, and £1.7bn under the VWF scheme (Law Society Gazette, 30 July 2009).

However, many former miners who received compensation did not get 100% of the awards they were entitled to. This was because some solicitors deducted their legal fees from awards and deductions were made in respect of trade union fees, insurance premiums and other referral fees.

My Office has helped many former miners, or their representatives, to successfully recover monies wrongly deducted. I have, when necessary, awarded additional compensation for poor service, distress and inconvenience caused. In addition, I have asked for many previous complaints to be reopened by the Law Society's Legal Complaints Service (LCS).

In 2004/05 some miners and their members of Parliament referred their complaints to me for investigation. Those investigations raised a significant number of concerns about the way in which the Law Society had completed their investigations into allegations made by miners and their representatives.

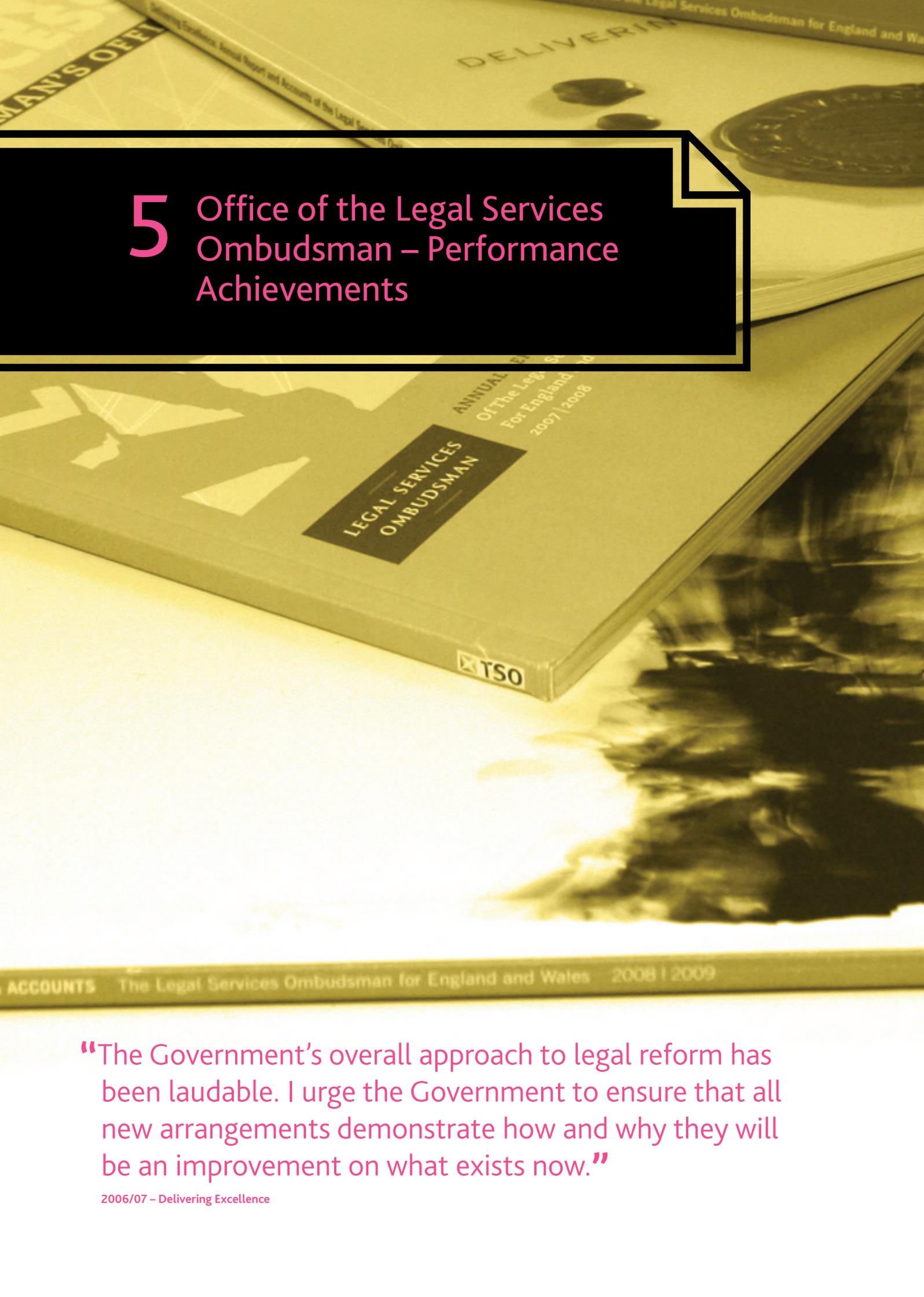
In the absence of appropriate action to address my findings, in April 2006, I issued a Special Report highlighting my concerns and recommending that the Law Society review their approach to the handling of miners' cases. Continued pressure from my Office and adverse investigations have meant significant progress has been made in ensuring miners' cases are investigated appropriately and consistently.

As a result some millions of pounds that were wrongly deducted by lawyers from awards have been paid back to miners. In cases where I recommended that the LCS reconsider their decision there have been further payments to the miners concerned (or their relatives) ranging between £300 and £600 per case and in some cases referral made to the Law Society's Solicitors Regulation Authority (SRA).

There have also been substantial delays in the payment of compensation to former miners or their representatives in the cases in which the solicitors have failed to comply with directions made by Law Society adjudicators. I was very pleased to note that in July 2007 the Law Society's Corporate Governance Board approved my recommendation for the offering of ex-gratia advances of inadequate professional service awards in the miners' cases, where the solicitors concerned have not met the awards. These advances will make a real difference to the miners concerned.

The miners' cases have raised some of the most important service and conduct issues in the history of legal service complaint handling. Some of those issues attach to specific law firms – for instance a number of solicitors have been removed from the Solicitors Roll. Some are generic. I have been proud of the key work undertaken by my Office in the miners' cases, firstly in highlighting it as an issue, then ensuring the miners receive the compensation they are entitled to and finally, helping ensure that this does not happen again, through publicising the lessons that need to be learnt. The work undertaken has helped to ensure that there is greater transparency and clarity to enable miners to put their cases forward if necessary.

In recent times the Law Society and the LCS have to be congratulated in moving from an initial reluctance to take forward the miners' cases to a much greater proactive engagement, ensuring that these cases are investigated appropriately. Significant amounts of joint work have been undertaken between my Office, the Law Society and the LCS to the benefit of consumers.



5 Office of the Legal Services Ombudsman – Performance Achievements

“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.”

2006/07 – Delivering Excellence

Business Strategy

In developing a modern Ombudsman's Office, as an Associated Office of the MoJ, it was essential that I defined a clear vision and provided guidance to staff in order to achieve that vision. We aimed to encompass best practice in the independence of our casework processes whilst at the same time ensuring the delivery of MoJ policy and procedures in respect of support functions.

In 2003 my Office developed 5 strategic objectives covering impartiality and fair and consistent decision making in the processing of complaints; promoting best practice in complaint handling by the legal professional bodies; ensuring accessibility and transparency of procedures at OLSO; influencing the professional bodies ability to maintain and improve standards of legal services; and drawing attention to issues within the legal system arising from the work of the Office. The objectives have been reviewed on a regular basis over the last 7 years, and we currently work to the following three key objectives:

Objective 1

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

Objective 2

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; liaising appropriately with the Office of the Legal Services Complaints Commissioner in relation to the Legal Complaints Service and the Solicitors Regulation Authority.

Objective 3

We will endeavour to be 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 the new regulatory framework.

Supporting these objectives, and to assist in managing our work on a day-to-day basis, my Office developed an Operating Plan with measures and targets directly related to the strategic objectives; a Business Risk Register and a Quality Assurance Framework. It is telling that in the 2008 MoJ employee engagement survey all staff reported that they were very clear about what they were expected to achieve in their jobs. Due to its small number of staff OLSO was not reported on separately in the 2009 MoJ survey.

Business Risk Register

OLSO contributes to MoJ's system of risk management, identifying, evaluating and controlling risks, and recording the process in its Risk Register, which is shared with MoJ on a regular basis. Each strategic objective is subject to a risk analysis and monitored in the Risk Register.

The Register has been incorporated into forward planning and is reviewed at local meetings on a regular basis as part of the business performance reporting process. Through this medium we have identified where action is needed to be taken to reduce risk and minimise possible impact on the business. I am pleased to report that no business risk has ever reached a serious or critical level.

Quality Assurance Framework

Towards the end of 2004/05 work was undertaken on the development of a Quality Assurance Framework for my Office.

The Framework demonstrates the focus on quality throughout my Office; and lays down the standards to be achieved in report writing.

As part of the quality process and to ensure consistency in casework my Legal Adviser undertakes audits on 10% of all cases. 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.

Remarks made by judges in the Administrative Courts in matters of applications for Judicial Review.

"The plain fact is that I cannot detect any arguable error of law by either the [Ombudsman] or Interested Party".

"The [Ombudsman's] grounds of opposition are compelling".

Judicial Reviews and other Legal Challenges

Another measure of the quality of my investigations comes through the right of consumers and the legal professional bodies to judicially review my decisions in the courts. This is a review of a decision by a court, authorised and conducted under the Judicial Review Procedure Act. It is primarily concerned with the fairness of the procedures used to make a decision, whether or not the decision maker was acting within his or her jurisdiction, and errors of law. I am pleased to record that in my time as Ombudsman all applications to the Courts to challenge my decisions in cases I have investigated have been unsuccessful.

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. In cases from 2004/05 to 2009/10 £14,000 in costs has been recouped from complainants due to awards from the Courts. Over the same period 62 Judicial Reviews and other challenges have been defended.

Business Framework

Our business framework has enabled me over the years to regularly monitor and review the Office's targets and achievements, incorporating new challenges when appropriate, all in the light of changing circumstances within the legal environment.

The annual business cycle comprising meetings with MoJ, Senior Management Team meetings, in-house business meetings and away days with staff, casework surgeries and individual performance appraisals have ensured that all staff had the opportunity to input into the formulation of targets and review of business achievements.

Office of the Legal Services Ombudsman Casework Performance

As laid down in the Courts and Legal Services Act (1990) consumers of legal services must first make their complaint to the relevant professional body. If consumers are not satisfied with the way the professional body has dealt with their complaint, they may refer the matter to me for investigation. An allegation is properly made if it is in writing and made by any person affected by what is alleged in relation to the complaint concerned or, in certain cases, by some representative. I can also investigate the matter to which the complaint relates i.e. conduct an original investigation.

Since 2001/02 the following numbers of reports have been issued by my Office.

2001/02	2002/03	2003/04	2004/05	2005/06
1789	2180	1731	1452	1909
2006/07	2007/08	2008/09	2009/10	
1886	1864	1818	1704	

The level of completed investigations in 2002/03; an increase of 22% on the previous year was the highest number of cases completed since the Office's inception in 1991. This resulted from supplementary funding for additional staffing received from the DCA in order to make inroads into the considerable backlog which existed at the time.

In the interests of securing further reductions in the backlog of cases and further improvements in turnaround times, I decided that the increased casework capacity agreed in 2002/03 should be maintained during 2003/04. As it transpired the number of new cases received by my Office declined from 1745 in 2002/03 to 1485 in 2003/04 and as such we only concluded 1731 cases. I was, however, able to deliver substantial improvements to the time taken to complete investigations. Between 2005/06 and 2008/09 the level of completed reports remained relatively constant. The reduction in 2009/10 was expected due to the loss of staff to other organisations because of

the uncertainties surrounding the future of the Office, but nevertheless an excellent and very pleasing performance in the circumstances maintaining excellent turnaround times.

Turnaround times

When a case is closed we measure the time taken from when the professional body's file was received to the date of closure. OLSO has an MoJ target of completing 90% of investigations within six months of receipt of the professional body's file. Additionally, I have set internal turnaround targets which we strive to achieve. These internal targets are:

- 90% completed within 4 months
- 100% completed within 6 months

Within the six months from April 2003 to September 2003 the Office continued to deliver improvements in turnaround performance; the average time in dealing with cases falling from 5.6 months in 2002/03 to 2.9 months at the end of September 2003. The trend continued over the year with a final average of 2.5 months in 2003/04. The table below reflects the improvements made since 2002/03 resulting from our commitment to achieving our internal targets of improved policies and more efficient and effective procedures.



I have undertaken investigations on behalf of the Scottish Legal Complaints Commission (SLCC), (formerly the Scottish Legal Services Ombudsman), under an arrangement laid down by the Courts and Legal Services Act (1990) when a potential conflict of interest may arise.

I express my thanks to the Scottish Legal Complaints Commission for the cases they have undertaken on my behalf.

The cases that the SLCC has investigated on OLSO's behalf have been omitted from the turnaround figures above. However the reports issued by OLSO on behalf of the SLCC have been included.

Cases that I could not accept

There are some instances where I cannot accept cases for investigation. These amount to an average of 650 each year. The main reason for cases not being accepted for investigation was that the enquiry was premature because the professional body had not yet completed their investigation (26%) and the second was that the enquiry was outside my remit (19%).

The third most common reason for cases not being accepted for investigation was that the enquiry was outside of our three-month time limit (12%). If a consumer misses the three-month deadline for applications to this Office, I will not normally consider their case. However, I may extend this deadline if I think that there are 'special reasons' for doing so. 'Special reasons' are reasons outside the consumer's control that prevented them from making an earlier application; for example, if they or a member of their family have been seriously ill, or they have suffered a bereavement.

The professional body must tell the consumer of their right to refer the case to me. If the professional body did not tell the consumer about their right to refer the matter to me, or about the three-month deadline for doing so, this might be a 'special reason'. Finally, if the issues raised by a consumer's complaint are particularly serious, or raise highly sensitive or important issues for the legal profession, I may consider this to be a 'special reason'.

Benchmarking OLSO performance

Shortly after taking up the role of Ombudsman my Office commenced a benchmarking exercise to consider the most appropriate method of assessing the Office's performance and comparing it to other organisations. Data was considered from 10 complaint-handling bodies in the public sector. 3 areas were considered; timeliness in dealing with complaints, customer satisfaction and consumer service standards. In all areas the working party found that OLSO's processes were broadly in line with other organisations within the survey. Some changes were put in place; for example internal independent audits to ensure consistency in decision making and quality of casework within our investigations.

Service Standards

During 2007/08, my Office undertook to look into and pursue a more efficient and effective handling of new applications and general correspondence. We produced and published a revised set of standards which we would aim to achieve to give the consumer confidence in our service provision.

Our internal standards define the speed and nature of the service that we aim to achieve for consumers. My Office's performance from 2007/08 to 2009/10 against these standards is reproduced in the table below; demonstrating the speed with which we can respond through tight control of our systems and procedures.

	2007/08	2008/09	2009/10
Respond to all correspondence within 10 days	87%	97%	99%
Answer telephone calls within 15 rings	91%	96%	96%
Respond to 95% of consumer applications within 10 days	89%	99%	99%
Advise consumers in 95% of cases within 10 days of receipt of professional body file whether the case is accepted for investigation	96%	96%	95%

Consumer Feedback

I have always been committed to continually improving our service delivery and to this end have monitored customer feedback.

From 2003 my Office launched a new scheme which involved sending a customer feedback form to a random sample of complainants, one month after they had been issued with the final report relating to their complaint. The results have been indicative rather than representative and supplemented the customer satisfaction survey which my Office commissioned from consultants in 2003.

These exercises have been extremely valuable in identifying consumer views although it has remained a challenge to attempt to satisfy those who have been dissatisfied at each stage of this extended, or super-escalated complaints process.

It has never been easy to manage the expectations of complainants, but the initial information provided to consumers has been well received by most. Sadly we also found that many consumers used the opportunity of feedback to express their continued dissatisfaction with the legal profession.

Customer feedback has made a valuable contribution to our communications strategy:

To focus efforts on the speed of handling investigations;

To continue efforts to “manage” customer expectations;

To promote our website;

To update complainants more frequently;

To provide more assistance to people with disabilities.

Communications Strategy

OLSO’s strategy, which comprises a high level framework and low level activity schedule, reflects our respect for diversity and the need to tailor information appropriately. Examples of our successes are:

The launching of a new website in 2006/07 with an improved layout, usability, visual appeal and clarity which enabled better accessibility for everyone;

The reviews of the OLSO leaflet resulting in redesigns and simplification; production in large print and translated into languages other than in English;

Development of a web browser case discussion forum to enable an enhanced sharing of knowledge by all caseworkers and managers.

My Office has also sent out questionnaires with every application to monitor the diversity of our applicants. The results of the survey were used as part of the process to try to ensure that there was full accessibility to the service provided by my Office for all potential complainants.

In terms of the consumers who complained to me between 60% and 70% were male. This compares to 49% of the English and Welsh population in mid-2007 (Office for National Statistics). With regards to where consumers who complained to me live, when compared to figures for the population as a whole, consumers in London and the South East are over represented whilst consumers in the East of England are underrepresented. My Office took steps to raise the awareness of our services by increasing liaison with library information sections and the Citizens Advice Service. In terms of the ethnicity of the consumers who complain to me they very closely reflect the population of England and Wales as a whole.

Internal Complaints

We have continued 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 but not complaints about the decisions taken during my investigation or the final outcome. During the seven years from 2003/04 to 2009/10 a total of 146 complaints were referred to her and dealt with under these procedures.

13 complaints were upheld and apologies given for administrative errors.

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

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

I consider these results to be extremely good and pay tribute to my staff who have developed and operated a training regime which has formed the basis of good service delivery.

Self employed caseworkers

I have found the panel of part-time self-employed Caseworkers invaluable in assisting me in managing the peaks and troughs of the Office's workload. They have been recruited in fair and open competition and their performance and productivity has been monitored to quality standards as with my in-house staff.

Stakeholder Management

I have continued to regularly communicate with and / or meet with OLSO's diverse stakeholders who have made a contribution to the work of the Office and its outcomes. I have ensured that matters of common interest have been properly exchanged to influence change in bringing about improvements. Those I have met include consumer organisations, the Ministry of Justice, Ministers and officials, the Lord Chief

Justice, the Master of the Rolls, Members of Parliament, the legal professional bodies, legal practitioners, the Legal Services Board and Chair and other officials of the Office for Legal Complaints, other ombudsman and private sector organisations.

Other Support Functions

There are a number of support functions where OLSO does not, and is unable to stand alone. OLSO is an Associated Office of MoJ and is supported and guided by the Ministry's professional expertise and its policy and procedures. In these areas OLSO activities are overseen and subjected to audit on a regular basis. MoJ set efficiency and casework targets on which OLSO reports to MoJ who monitor performance.

For the last 2 years OLSO has received a year on year 5% cut in its financial allocation as part of MoJ's 3 year public expenditure savings plan. In respect of casework MoJ sets a timeliness target of closing 90% of cases within 6 months. Both these targets have been achieved. The Ombudsman is accountable to the Permanent Secretary via the Director General Justice Policy Group for her own and the Office's performance.

As we move through the transition to the new complaint-handling system MoJ will need to take overall responsibility for support functions as local resources will not be available to produce information and undertake the local monitoring of performance that is currently carried out. It will become necessary to utilise staff, currently employed on these functions, on more essential areas of work in connection with casework matters. As OLSO's parent department this is something on which MoJ will need to take an overview.

Matters relating to the investigation of complaints are strictly independent areas of work in OLSO and MoJ have no involvement in decision making in these areas.

Financial Management

The Director General, Access to Justice Group allocates funding to OLSO on an annual basis. A comprehensive budgeting system is operated with an annual budget agreed and reviewed regularly by MoJ. 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.

In 2008/09 my Office received a 5% cut in allocation based on the 2007/08 local expenditure as part of the MoJ's 3 year public expenditure savings plan. A further 5% cut was made in 2009/10. To accommodate these expenditure restrictions some difficult decisions had to be made in respect of the wider ranging OLSO activity, and to concentrate on delivering the process for handling consumer complaints.

OLSO's total expenditure includes a charge for the provision of MoJ central services, such as human resources, health and safety, accommodation management and finance which MoJ provide in support of OLSO's functions. This charge amounted to £362,000 in 2003/04 reducing to £185,000 in 2008/09 and £21,425 in 2009/10.

The reduction in central charges, due to a change in the methodology of calculation, is welcome. This, together with the savings made on staff salaries, due to the reduction in staff numbers as a result of the uncertain future

of the Office, have secured significant overall savings in the cost of OLSO without impacting on the quality and consistency of the delivery of the core business of casework.

The following table reflects how my Office's overall costs have reduced since 2005/06.

The MoJ 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 the presentation of a valid invoice or other similar demand, whichever is the later. Statistics on payments to suppliers can be found in the MoJ Resource Accounts. Separate statistics are not available for OLSO.

As far as I am aware, there is no relevant audit information of which the entity's auditors are unaware; and the Permanent Secretary 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.

Details regarding the treatment of pension liabilities for 2009/10 are set out in Note 3 of the Notes to the Accounts.

Total expenditure by year



Staffing and Recruitment

OLSO Staff are employees of MoJ. As an Associated Office of the MoJ, OLSO has the same policies as MoJ and it is an equal opportunities employer. Policies are in place to guard against discrimination, and to ensure that there are no unfair or illegal barriers to employment or advancement. OLSO recognises, respects and values diversity and strives to serve the interests of people from all sections of society. The Office has a diverse workforce and promotes equal opportunities for all its people.

In addition to the development of the individual skills of staff, regular internal casework surgeries have been attended by investigating staff. These update investigating staff on casework trends and discuss issues of interest. The major legal publications are scrutinised and relevant material is circulated. Our internal casework and guidance manuals are reviewed and updated to ensure that caseworkers keep up to date and adopt a consistent approach when undertaking investigations.

In March 2006 we introduced a dedicated secure intranet site that caseworkers could use to share and debate generic casework issues. This has proved to be a valuable aid in supporting my caseworkers in adopting a consistent approach and keeping up to date with developments in the legal environment.

I have always considered it to be of the utmost importance that staff receive appropriate training to support current and future business objectives, reflecting the challenges presented by changing legislation; and contributing to the individual's potential. To this end staff have attended many and diverse training courses and awareness seminars in addition to specific job training.

Since the Legal Services Act received Royal Assent in October 2007 I have been looking for my Office to continue to maintain its high level of service to consumers. Quality of support service and complaint handling had to be maintained and systems continued as we moved towards transition to the new complaint-handling system.

Moving towards the transition to the OLC this has presented challenges arising from the not unexpected loss of some staff to other organisations and the continued motivation of those who have remained at OLSO. Over the last 2 years my permanent staff numbers have reduced from 17.3 to 10.5 full time equivalents. I pay tribute to my staff for their continued commitment to the production of a high standard of work.

Information Assurance

We have followed Cabinet Office guidelines on data handling. Processes and controls operating at OLSO are reflected in our Information Risk Policy Statement. Our casework management database has been regularly audited by the MoJ in respect of security controls and procedures and has full accreditation.

Data Protection and Freedom of Information

We have produced a Publication Scheme ensuring that a significant amount of information is readily available to the consumer.

Since 2004/05 there has been a general trend upwards in the number of requests dealt with under the Freedom of Information Act 2000. In 2009/10 my Office dealt with 31 requests; three times the number dealt with in 2004/05. The number of requests dealt with under the Data Protection Act 1998 remained fairly constant over the same period, with 19 being dealt with in 2009/10. All requests met the requisite timescale.

Health and Safety

My Office has been committed to ensuring the health and safety and welfare of its staff, 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. Both my Operations Manager and myself successfully completed Health & Safety Training for Senior Executives, approved and validated by the Institution of Occupational Safety and Health (IOSH). Audits have been undertaken by MoJ on a regular basis to ensure compliance.

Sustainable Development

OLSO has been committed to reducing its impact on the environment and, although it is only a minor occupier in leased accommodation, it has schemes for recycling plastic, glass, cardboard, newspapers and printer cartridges. Used lamps are disposed of via a specialist process. OLSO also continues to look for opportunities to increase its use of recycled stationery and paper products.

6 The Professional Bodies Complaint Handling – Developments in Performance

“I look forward to the LSB and the OLC becoming the guardians of fairness, transparency and impartiality for both the consumer and legal practitioner.”

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

Complaints about legal professionals in England and Wales must first be referred to the firm or individual that provided the service. If the consumer is not satisfied with the response from the supplier of the service, a complaint can be made to the legal professional body. If the consumer is not satisfied with the response from the professional body they can have the complaint investigated by my Office. Following my investigation my recommendations to the professional body can be a combination of reconsiderations, compensation and formal criticisms. Below I have provided an explanation for each of these:

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 consumer.

Formal Criticisms: I record a formal criticism against a legal professional body where I have identified some failing in the investigation and either reconsidering the case or awarding compensation would not be appropriate in the circumstances.

In terms of the reasons that I make a recommendation against the professional body I categorise these as:

Poor decisions: These are cases where I felt that the decision, which the professional body reached in the matter, was unreasonable. For example, complaints may have been rejected unfairly, or evidence may have been overlooked in reaching the decision, or I may have felt that the conclusion reached was inappropriate.

Poor service: These are cases where I felt that there was poor service or inefficiency during the professional body's investigation, although the decision that the professional body reached may have been reasonable. For example, there may have been unnecessary delay during the investigation, or the staff at the professional body may have communicated poorly with the consumer. I would also feel that there was poor service if the professional body had failed to inform the consumer about their right to complain to me.

Poor administration: These are cases where I felt that there was maladministration during the professional body's investigation. For example, if correspondence or files had been lost, or if there had been unnecessary delay in my Office receiving a file, having requested it from the professional body for review.

Problems with professional body

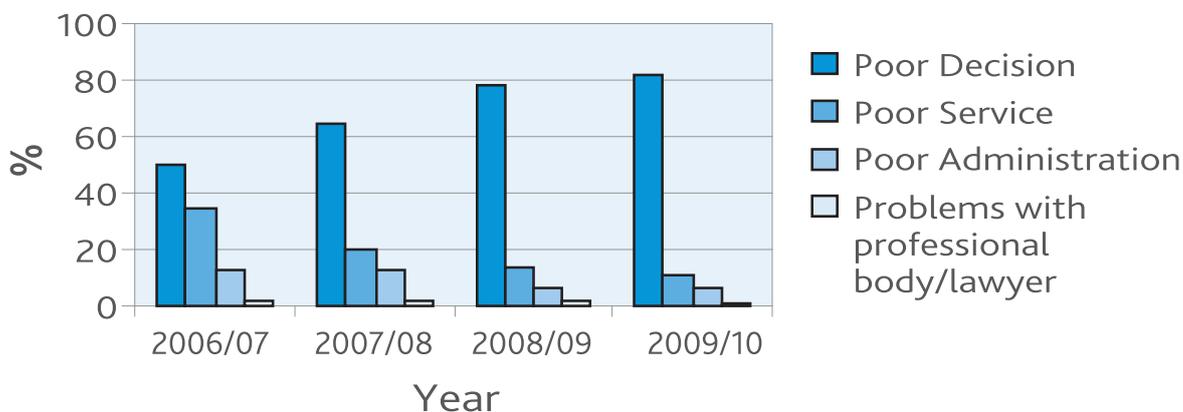
/ lawyer: These are cases where there have been problems at points within the complaint-handling process at the professional body. For example, where the professional body had decided in favour of the complainant, there may have been a problem with compliance from the lawyer, or the professional body may have not done enough to obtain necessary replies or documents from parties involved in the complaint.

Additionally every professional body has benefitted from considering my reports that do not contain any recommendations. Considering non-recommendation reports has allowed each professional body to gain an understanding of what they are doing

well thereby enabling lessons to be learnt for other areas where performance is weaker. Additionally, where my reports are positive, it has allowed feedback to be given to their investigators. This has been used by the professional bodies in training as well as for the enhancement of morale.

In 2009/10 of the 347 recommendations that I made 82% were due to poor decisions made by the professional body; 11% were because of poor service; 6% were because of poor administration and 1% were due to other problems with the professional body or lawyer. The overall trend has remained much the same over the last few years with the main reason for a recommendation being poor decisions followed by poor service.

Reasons for recommendations



Compensation recommendations

In my Interim Report April-September 2003 entitled Breaking the Cycle I reported that during that 6 months I had recommended that the Law Society (Office for the Supervision of Solicitors) should pay compensation on 285 cases. The total amount of awards was £113,300 compared with £19,786 between 1 April 2002 and 30 September 2002. In my Interim Report I also confirmed that I had recommended that the Bar Council should pay compensation in 3 cases; a total of £2,050 compared with £500 for the same period in 2002. I awarded a total of

just under £200,000 on 461 cases in 2003/04 to consumers for the professional bodies’ own poor service.

The largest award made by a professional body as a result of my recommendations was £5,000 by the Law Society in 2004 for distress and inconvenience. A similar award was made in 2006.

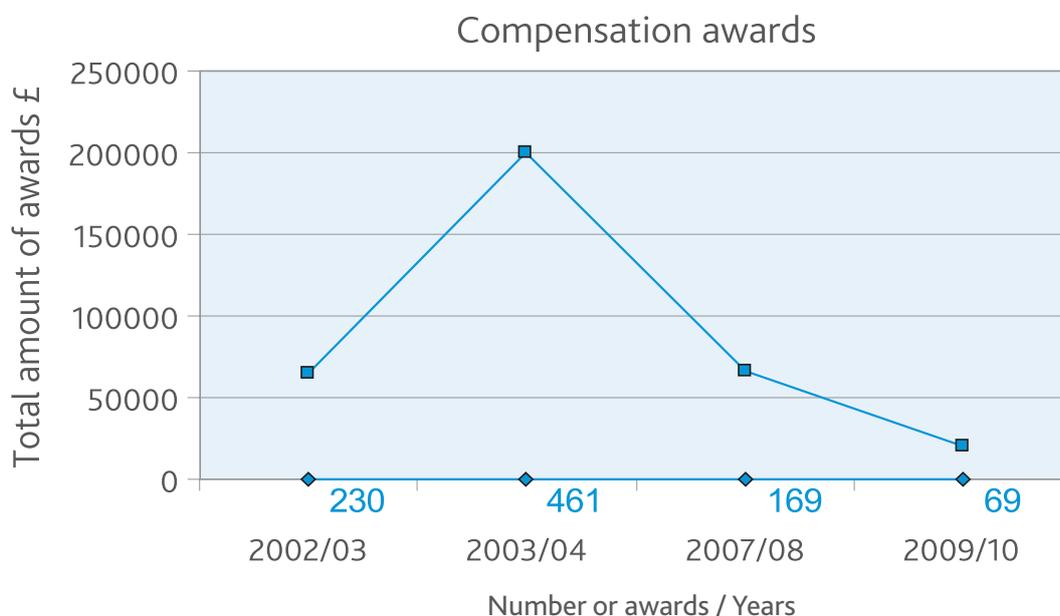
I am pleased to report that the professional bodies have improved their performance helped by their reflection on some of the cases that I have sent back for reconsideration, and our regular discussions regarding their practices and

procedures. There is now greater consistency in decision making; fewer cases are being returned for reconsideration and numbers of awards and levels of compensation recommended have reduced significantly.

The following gives an indication of how performance has improved since 2002/03. Further details can be seen in the professional bodies section of this report.

The Law Society, through their own good work, and supported by my Office have in particular brought about great improvements evidenced by the decrease in compensation they have paid out to consumers. A total of £28,414 was made in ex gratia payments during the first quarter of 2003. This increased to payments of £165,364 in the first quarter of 2004. This has now fallen dramatically to £7,770 in the first quarter of 2010.

Year	2002/03	2003/04	2007/08	2009/10
Number of awards	230	461	169	69



In 2008 the Solicitors Regulation Authority (SRA) welcomed and has already begun to implement key recommendations of Lord Ouseley's independent review of disproportionate regulatory outcomes for Black and Minority Ethnic (BME) solicitors. I outline the key recommendations implemented in more detail later in this report under the section on the performance of the SRA. However I would encourage all of the legal professional bodies to embrace and implement the recommendations of Lord Ouseley if they have not already done so. I firmly believe that improvements enhance equality and diversity, particularly in recruitment and training will lead to a fairer

and better judicial system to serve our diverse society.

The following sections of this Report provide comment on the individual professional bodies and the improvements that have been realised over the years. Whilst there is always scope for continued improvement I am confident that together we have built a strong foundation for the future for complaint handling within the legal profession.

Case studies have been taken from my 2009/10 Casebook. Studies from previous years are available on the Office's website; www.olso.org

The Law Society

The Law Society represent solicitors in England and Wales. Its aim is to help, protect and promote solicitors. They are also responsible for handling complaints about solicitors' service and they regulate the profession. In January 2006, the Law Society created the Legal Complaints Service (LCS) to handle consumer complaints and the Solicitors Regulation Authority (SRA) to oversee the conduct of the profession. Both bodies are part of the Law Society, but operate independently.

When I took up my post as Ombudsman in March 2003 I was struck by the large number of initiatives that the then Law Society appeared to have undertaken during the previous three or four years in an effort to reverse its long history of poor complaint-handling performance. I decided to perform my own independent assessment of those initiatives with a view to understanding why they had failed (or were failing) to provide the necessary step-change in the Law Society's performance in complaint handling. I also wanted to establish where the Law Society should be focusing its efforts to deliver improvements in complaint handling in the shortest possible time and with the most modest costs.

This assessment was assembled during my first six months as Ombudsman and relied exclusively on information reported by the Law Society. Every effort was made to ensure that the information was interpreted in an accurate, fair and objective manner and was used to draw positive and constructive conclusions that would benefit the work of the Law Society going forward. The findings and recommendations from this assessment were published in November 2003 in my Interim Report entitled *Breaking the Cycle*.

I highlighted the failures to deliver improvements in its IT and telephony systems and failures to recruit and retain sufficient numbers of caseworkers and effectively handle the inflow of new complaints. In previous years the Law Society had undertaken an extensive array of initiatives in order to reverse the prolonged history of poor performance in its complaint-handling operations. However, no matter how well intentioned those initiatives were at their inception the Law Society had failed to deliver perceptible improvement in performance, let alone the step-change improvement that was actually required to significantly sustain the then strong upward trend in the backlog of unresolved complaints and to improve the speed, quality and consistency with which complaints were resolved.

Even though the content of this Interim Report was based entirely upon information provided by the Law Society their reaction to it was disappointing.

The concerns raised by me both in this Report and in my 2003/04 Annual Report illustrated the long standing concerns that fundamental changes had to be made at the Law Society in order to move towards efficient and effective complaint handling.

My Interim Report proved to be the catalyst. Ministers had already expressed concern about the handling of complaints by the Law Society. Ministers had stated that "It was clear the consumer was being let down. Decisive and immediate action was needed. That is why we took the step of using the powers in the Access to Justice Act 1999 to appoint a Legal Services Complaints Commissioner". The Commissioner had 3 primary mechanisms to enable the delivery of improved complaint handling for the consumer: to set targets for improvements; to request plans detailing how the improvements would be delivered; and to levy financial penalties up to £1m for failing to provide adequate plans or deliver the improvements in accordance with the plans.

In many individual cases investigated by my Office, there was evidence of unacceptable, and often unexplained, delays and inactivity of several months or even longer. I reported in my 2003/04 Annual Report that there was evidence that the Law Society had paid large amounts of compensation to complainants in recognition of their poor handling. I stated that the Law Society had reported that a total of £28,414 was made in ex gratia payments during the first quarter of 2003. This increased to payments of £165,364 in the first quarter of 2004. The Law Society reassured me that ex gratia payments were not being used to placate complainants without fully investigating their complaints.

I was concerned that the number of cases classed by the Law Society as “temporary closures” was increasing (63 in April 2003 to 155 in March 2004; a total of 1377 in 2003/04). This represented an increase of over 100% in the number of cases classified in this way. I sought confirmation from the Law Society that quality assurance procedures were in place to ensure that agreed criteria was being followed to close cases temporarily.

There was also evidence that the Law Society had failed to address certain aspects of a complaint and/or had given a poor decision or a poor explanation of a decision. In my 2006/07 Annual Report I said that the Law Society had admitted to not reading my reports in full. They had only been reading and acting on the recommendations contained in the conclusion section of my reports. Also there was no mechanism for feeding back my findings to its caseworkers.

I am happy to report, and to the great credit of the Law Society, much has improved since my appointment as Legal Services Ombudsman. My caseworkers no longer see as much evidence of the unacceptable and/or unexplained delays of several months or longer in the majority of cases which they investigate. Improved and clearer procedures, checks and quality standards have improved with the result that there are less instances of aspects of complaints not being addressed or poor, or poorly explained, decisions given.

There is also greater consistency in decision making by them.

In January 2006 the Law Society created the LCS to handle consumer complaints and the SRA to oversee the conduct of the profession. 2007/08 was the first year that my Office was able to report separately on performance. Prior to 2007/08 I reported the following satisfaction rating of my investigations into the Law Society. The trend demonstrates the improvements they had started to make.

2003/04	2004/05	2005/06	2006/07
53%	62%	66%	68%

The improvements by the Law Society, and its 2 arms the LCS and SRA, which have been evidenced on individual cases investigated by my Office have mirrored the overall improvements in performance evidenced by my other role as Legal Services Complaints Commissioner. More information on overall improvements are give in my 2009/10 Annual Report entitled *Past/Present/Future* which can be found on the OLSCC website at www.olsc.gov.uk

The story is one that I am very pleased to relate; of a significant turnaround in performance in complaint handling about solicitors coupled with a certain optimism for the future.

Law Society - Legal Complaints Service (LCS)

In January 2006 the Law Society created the LCS to handle consumer complaints and the SRA to oversee the conduct of the profession. 2007/08 was the first year that my Office was able to report separately on performance, and therefore figures prior to 2007/08 relate to the Law Society as a whole and not to the separate entities.

The LCS handle complaints about the service received by a consumer from a firm of solicitors. They also handle complaints about solicitors' bills. When a complaint is made about the service of a firm, the LCS conciliate between the consumer and the firm to try to resolve the issue. If no resolution can be reached, the LCS can investigate the complaint and, should they find in the consumer's favour, they can require the firm to reduce their bill,

to pay compensation to the consumer, or to correct a mistake at the firm's own expense. If a consumer is unhappy with the LCS investigation they can refer their case to my Office.

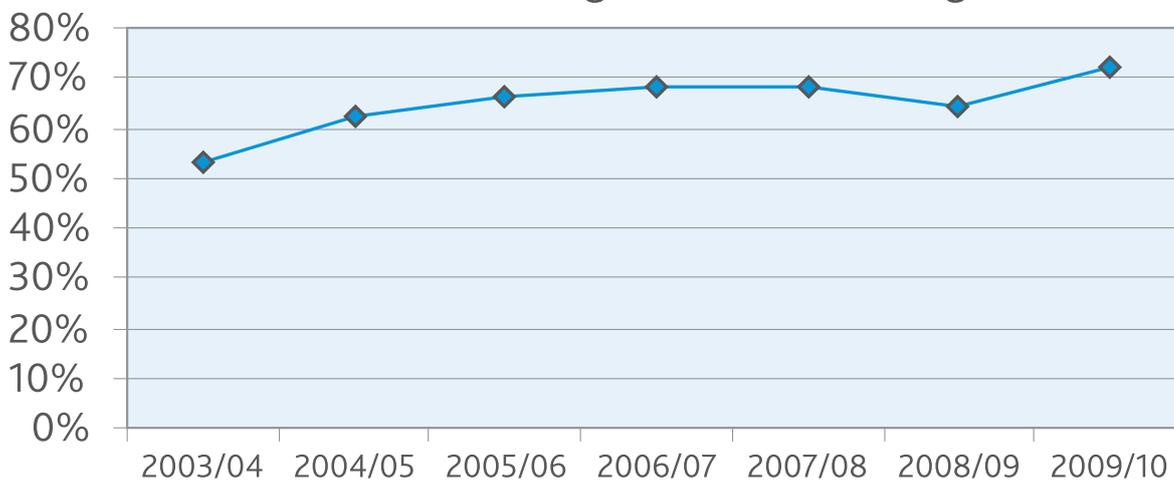
In 2009/10 I investigated 1069 cases referred to me by consumers who were unhappy with how the LCS handled their complaint. The percentage of investigations with which I was satisfied was 72%.

Satisfaction rating of my investigations into the Law Society/LCS

2003/04	2004/05	2005/06	2006/07
53%	62%	66%	68%

2007/08	2008/09	2009/10
68%	64%	72%

LCS Percentage satisfaction rating



I made formal recommendations (to reconsider and / or compensate) against the Law Society/ LCS in the following number of cases.

Adverse findings	2003/04	2004/05	2005/06	2006/07
Criticism	151	72	79	118
Compensation: LS to pay	449	245	254	177
Reconsider	106	104	164	189
Reconsider and Compensation: LS to pay	-	59	73	52
Total	706	480	570	536

Adverse findings	2007/08	2008/09	2009/10
Criticism	91	85	64
Compensation: LCS to pay	102	59	31
Reconsider	198	259	191
Reconsider and Compensation: LCS to pay	24	28	17
Total	415	431	303

It is pleasing to note that the number of cases and average amount of compensation I recommended that the LCS pay to consumers let down by their own internal service in 2009/10 is less than in 2008/09. In 2009/10 I recommended that the LCS pay compensation to consumers let down by their own internal service in 48 cases with the amount totalling £14,735 and therefore an average award of £307.

Average amounts of compensation that I have recommended should be paid by the Law Society/ LCS to consumers let down by their own internal services.

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
£431	£408	£435	£409	£382	£338	£307

The reasons for my recommendations are set out below.

Reasons for recommendations	2007/08	2008/09	2009/10
Poor Decision	65%	78%	83%
Poor Service	20%	14%	10%
Poor Administration	13%	6%	5%
Problems with LCS/lawyer	2%	2%	2%

The main reasons for my recommendations to the Law Society prior to 2007/08 were poor service and poor decisions.

LCS achievements

Annually, approximately 6% - 8% of LCS cases are referred to me by complainants who are unhappy with the outcome. However, many complainants are happy with how their complaints have been handled by the LCS. The LCS have worked very hard to improve their standards of service. In the context of all complaints handled by the LCS, their wider performance is as follows:

- Their customer satisfaction with service is now consistently high, averaging over 80% (in 2006 it was 52%);
- Their overall quality standards have significantly improved. My final audit as Legal Services Complaints Commissioner in April 2009 found that 94.9% of files reviewed had a fair and reasonable outcome with no significant service failings (against a target of 90%);
- Their turnaround times are now at a good level with 70% of files being closed within 3 months of receipt, 86% within 6 months and almost 100% closed within 12 months (with only exceptional files going over the 12 month time frame) (in 2005/06 only 52% were closed within 3 months and in 2005 the LCS had over 1,200 cases more than 12 months old);
- Work in progress. As at the end of December 2009 there were 3450 cases.

I congratulate the LCS on these achievements. I strongly believe that these standards should be sustained and should serve as a starting point from which the new complaint-handling body (the OLC) should provide further improvements for the benefit of all future consumers.

Policy changes

The LCS set up a separate unit to address my reports and recommendations. By reading my reports in full they can now more easily address any shortcomings and trends and feed those back to their original decision makers. This ensures that training is improved and the LCS are also now in a better position to give feed back to their caseworkers when I have highlighted, as I frequently have, something that has been done particularly well.

OLSO and the LCS continue to work closely to align the approach to the application of various technical policies. I consider this co-operative working as a positive and I would like to thank all the staff who brought about these improvements.

The Miners' Cases

In my 2008/09 Annual Report I reported that I was concerned by the LCS approach of suspending investigations concerning Raleys until the Solicitors Disciplinary Tribunal process has been completed. My view was that this suspension is unacceptable and that each case should continue to be judged on its own merits.

Following my representations, in July 2009, the LCS wrote to Raleys customers giving them the choice of either waiting until the LCS know whether Raleys, or their insurers, are going to appeal the decision of the Solicitors Disciplinary Tribunal, or for the LCS to begin to investigate their complaints.

The LCS have declined to comply with recommendations to reconsider on a handful of miners' cases. However I entered into discussions with the LCS about those cases and as a result I am pleased to say that the LCS have increased the amount of compensation and/or given more detailed reasons for their decisions in those cases.

To summarise:

- As a result of work carried out by the LCS and my Office, 94,493 individuals have had or will have had an opportunity to raise

their complaints with the LCS or with the solicitors' firm direct.

- £5,078,652 has been paid by solicitors firms to former miners. There is the prospect of several more millions of pounds being paid out over the next year.
- The LCS have assisted a total of 9 firms so far to write out to former clients, and the LCS are continuing work with other firms. The pace is slower than I would have expected and the work needs to continue and conclude as soon as possible. All legal firms involved with miners' cases should have written to former clients.

From my 2009/10 Casebook – LCS

Despite the significant improvements that have been made by the LCS since 2003 there remains no room for complacency as there continue to be areas where matters could have been handled better, as the following cases demonstrate.

An unreasonable rejection by the LCS

Mrs K instructed K & Co in connection with the purchase of a property from a developer. She was very dissatisfied with the service she received. The firm rarely sent her any paperwork and did not return phone calls. They moved premises without informing her. K & Co informed Mrs K that contracts had been exchanged more than a month late, and she continued to have to chase the firm to find information about a completion date. In the end, she was contacted by the estate agents on the completion date. She was unable to organise a mortgage to start the same day and so the purchase fell through. Mrs K terminated the retainer with K & Co shortly afterwards. She contacted the firm again to find out the name of the property developer's solicitors; but was informed that the firm had closed down.

Mrs K later completed an application form to complain to the SRA. The form named the

property developer's solicitors, but it was clear from the contents that she also wished to complain about K & Co. The SRA referred her complaint about K & Co to the LCS. The LCS rejected Mrs K's complaint as out of time.

The Ombudsman took the view that the LCS's decision was unreasonable. The SRA had received Mrs K's application form only a few days outside the six-month time limit. The Ombudsman said that she expected the LCS to allow for potential delays in the postal system and so should have accepted the complaint, especially considering the difficulties Mrs K had in contacting the firm as they had closed down. The Ombudsman also considered that the complaints were sufficiently serious to justify the LCS exercising their discretion to accept the complaint. She felt that the background details indicated that K & Co's service was at best woefully inadequate, or potentially dishonest. The Ombudsman recommended that the LCS reconsider the complaint. The case was referred back to the Ombudsman for a second investigation.

A firm provides a wholly inadequate response to the LCS

Mr S complained to the LCS on behalf of his father who was the client of YCL. After further correspondence, the LCS established with Mr S that his father had given signed authority for him to complain on his behalf, and established the substance of the complaint. They contacted YCL to ask for their response to the complaint.

YCL said that they were not prepared to respond to a complaint raised by Mr S on his father's behalf. The LCS wrote to Mr S to inform that they would not be pursuing his complaint.

The Ombudsman was not satisfied with the LCS's handling of the complaint. Mr S's father had provided signed authority for him to pursue the complaint on his father's behalf, and the LCS should have acted on that. The Ombudsman pointed out that Rule 20.03 of the Solicitors' Code of Conduct states that solicitors "must deal with the SRA and the LCS in an open,

prompt and co-operative way.” She said that it was simply not satisfactory for YCL to refuse to respond to the LCS, and the Ombudsman was concerned that the LCS had so readily accepted the firm’s position.

The LCS reconsidered the matter as recommended by the Ombudsman.

The LCS must differentiate between compensation for financial loss and for distress and / or inconvenience

A solicitor had his practising certificate suspended following his firm going into administration; but was employed by another firm under supervision. He was put in charge of a medical negligence claim and informed the client of the court date.

On the day of the hearing, the solicitor telephoned the client and told them not to set out for court, because the hearing had been adjourned. The client had already set out and so completed the journey. When they reached court, they found that no hearing had been listed for their case at all. When they challenged the solicitor, he admitted that he had lied and had not even applied to the court.

The firm offered the client £350 to cover their travel expenses and to compensate them for the inconvenience and distress of discovering that the solicitor had lied to them. The client was not satisfied and complained to the LCS.

The LCS considered that the complaint fell into their ‘serious’ category and the firm increased their offer to £400. The client still considered this to be insufficient, but the LCS closed their file because the offer was at the high end of the ‘serious’ category, and so they felt it was reasonable.

The Ombudsman recommended that the LCS reconsider the complaint. They had failed to take into account that the £400 offer included reimbursing the client’s travel expenses. When they were removed, the remainder was right at the lower end of the ‘serious’ category. The Ombudsman did not consider this to be a reasonable offer.

The LCS contacted the firm to ask if they would be prepared to increase their offer. The firm offered to pay £400 to compensate their client for the distress and inconvenience caused by their poor service, and to reimburse their client for the £118 travel expenses incurred by attending court. The client accepted the firm’s offer and the LCS closed their file.

The complaint had also, of course, raised the issue that the solicitor had lied, and that the firm had employed a solicitor whose practising certificate was suspended. These are matters of professional conduct, and were referred to the SRA in full.

LCS fails to recognise excessive delays

A complaint about a firm of solicitors was outsourced by the LCS, following which the case was referred for adjudication. When the file was returned from the outsourced firm, an avoidable delay was identified and the LCS offered £150 in compensation, which was accepted.

The case took two and a half years from start to finish, and eighteen months on from the offer, the LCS had not yet paid the £150 compensation. They offered to increase the payment to £250, which the complainant felt was inadequate.

The Ombudsman identified periods of avoidable delay amounting to fifteen months, exacerbated by conflicting advice, premature file closure, failure to keep informed, failure to adhere to agreed actions and timescales, changes in caseworkers and inappropriate allocation to an inexperienced caseworker, along with the failure to pay the original offer of compensation for eighteen months. The Ombudsman felt the LCS’s handling of the matter was unacceptable. She recommended that they pay £750 compensation, to bring the total to £1000, a more appropriate figure.

A failure by the LCS to exercise their discretion to accept a complaint

Mr O instructed J Solicitors in the purchase of a plot of land from his friend Mr H in 2001. Mr H was elderly, and he warned Mr O at the time that he was unsure whether or not he actually still owned the land. Mr O asked J Solicitors to look into it and they completed the conveyancing.

In 2008 it came to light that Mr H had in fact sold the land to the local council in 1980. Mr O complained to J Solicitors but they said that they had destroyed their file, and they felt that Mr O had missed the deadline for a negligence claim against them.

Mr O's new solicitors advised him to complain to the LCS. He took some time to gather evidence together, and then did so. The LCS rejected his complaint as out of time. Mr O explained to them that he had a heart condition was 87 years old, and so it had taken him some time to gather his documents together, as many were held in the loft of his house. The LCS chose not to exercise their discretion to accept Mr O's complaint.

The Ombudsman was not satisfied with the LCS's decision not to pursue the complaint. She noted that J Solicitors had not informed him about the LCS and that when his new solicitors had done, they had not informed him of the time limit. Furthermore, Mr O was elderly and had a serious medical condition. The Ombudsman took the view that taken cumulatively all those reasons should have led the LCS to exercise their discretion in this instance. She also felt that the evidence submitted by Mr O showed quite clearly that J Solicitors had failed to act on Mr O's instructions to check that Mr H did indeed own the land. The Ombudsman took the view that a firm of solicitors who can convey land that has already been sold should be held to account.

Law Society – Solicitors Regulation Authority (SRA)

In January 2006 the Law Society created the LCS to handle consumer complaints and the SRA to oversee the conduct of the profession. 2007/08 was the first year that my Office was able to report separately on performance, and therefore figures prior to 2007/08 relate to the Law Society as a whole and not to the separate entities.

The SRA set and enforce the Rules of the Solicitors' Code of Conduct. If the consumer raises issues over the professional conduct of a solicitor or evidence of misconduct, the LCS will refer the issues to the SRA. If the SRA consider that a solicitor has breached the Code of Conduct, the SRA have the power to take disciplinary action against the solicitor in question. This ranges from advising the solicitor over their future conduct, to a referral to the Solicitors Disciplinary Tribunal, which could lead to the solicitor being struck off the Roll of Solicitors. I do not have the power to review decisions made by the Solicitors Disciplinary Tribunal.

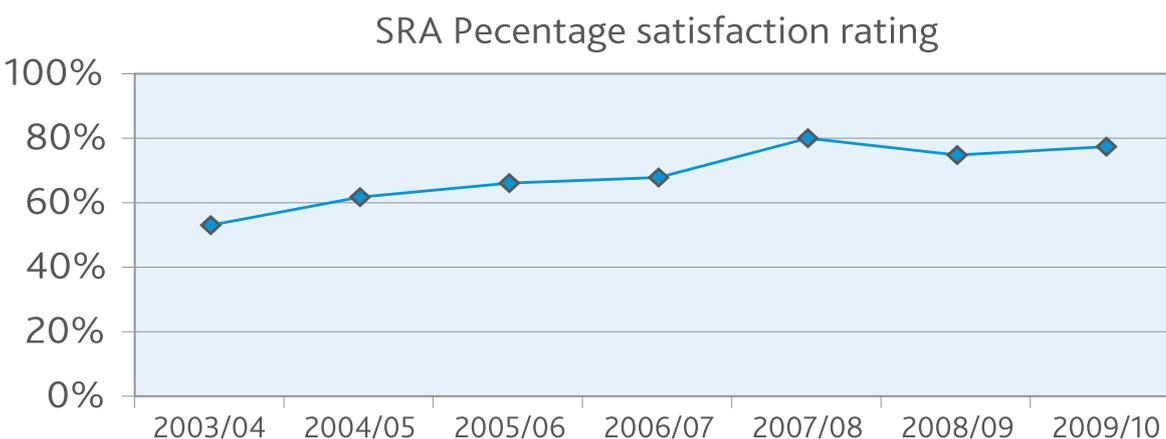
In addition, the SRA are responsible for issuing Practising Certificates to solicitors. They also offer continuing professional development and accreditation schemes for solicitors; and handle applications from overseas solicitors under the Qualified Lawyers Transfer Regulations 1990.

In 2009/10 I investigated 470 cases referred to me by consumers who were unhappy with how the SRA handled their complaints.

In 77% of cases referred to me I was satisfied with the way in which the SRA handled the complaint.

Satisfaction rating of my investigations into the Law Society/SRA

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
53%	62%	66%	68%	80%	75%	77%



I made formal recommendations (to reconsider and / or compensate) to the Law Society/SRA in the following number of cases.

Adverse findings	2003/04	2004/05	2005/06	2006/07
Criticism	151	72	79	118
Compensation: LS to pay	449	245	254	177
Reconsider	106	104	164	189
Reconsider and Compensation: LS to pay	-	59	73	52
Total	706	480	570	536

Adverse findings	2007/08	2008/09	2009/10
Criticism	31	36	34
Compensation: SRA to pay	18	7	9
Reconsider	24	65	58
Reconsider and Compensation: SRA to pay	9	1	5
Total	82	109	106

It is pleasing to note that the number of cases and average amount of compensation I recommended that the SRA pay to consumers let down by their own internal service in 2009/2010 is less than in 2008/2009. In 2009/2010 this was done in 14 cases with the amount totalling £3425 representing an average award of £245.

Average amounts of compensation that I have recommended should be paid by the Law Society/ SRA to consumers let down by their own internal services.

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
£431	£408	£435	£409	£491	£390	£245

The reasons for my recommendations are set out below.

Reasons for recommendations	2007/08	2008/09	2009/10
Poor Decision	44%	81%	84%
Poor Service	32%	13%	11%
Poor Administration	19%	6%	5%
Problems with SRA/lawyer	5%	-	-

The main reasons for my recommendations to the Law Society prior to 2007/08 were poor service and poor decisions.

In 2008 the Solicitors Regulation Authority (SRA) welcomed and had already begun to implement key recommendations of Lord Ouseley's independent review of disproportionate regulatory outcomes for Black and Minority Ethnic (BME) solicitors. The review was commissioned by the SRA and the Working Party chaired by Anesta Weekes QC, and included members of groups representing BME solicitors.

The SRA have since published a new equality and diversity strategy which addresses the issues covered by the review.

Lord Ouseley found no evidence of any inappropriate findings made against solicitors by the SRA and acknowledged the SRA's commitment to equality and diversity. However, he identified various weaknesses in the SRA's processes which needed to be addressed urgently. He particularly drew attention to the vulnerability of BME solicitors working on their own or in small practices/firms which tend to score higher in the SRA's risk assessment than larger ones.

The SRA welcomed the conclusion that no penalties were imposed inappropriately by them; but acknowledged that they still have some way to go before their commitment to equality and diversity is embedded in all that they do.

I welcomed the SRA's commitment to address some long-standing issues, by overhauling their decision making processes, publishing their criteria, starting equality impact assessments, setting up a diversity working group, commissioning research and undertaking staff training.

In addition the SRA have undertaken to:

- improve their recruitment procedures to enhance the diversity of the SRA's people (both employees, particularly at senior levels, and Board and committee members);
- introduce a programme for all staff to embed the organisation's values, including enhanced training and support to ensure they understand, and are committed to, equality and diversity;
- improve monitoring and auditing to enable problems to be identified and dealt with;
- introduce a system for dealing with complaints of discrimination; and
- intensify engagement with BME solicitors and a diverse range of consumers, to ensure their needs are met.

In 2010 the SRA intend to appoint an Independent Reviewer to oversee the handling of complaints about misconduct as the OLC will not investigate conduct cases as my Office currently does. This is also a welcomed initiative.

From my 2009/10 Casebook – SRA

Although the performance of the SRA is good, there are a few examples of where it could have been better.

SRA fails to identify conduct issue

A solicitor worked in-house for a bank which had obtained a court judgment against the complainant in 2002. In 2005, the solicitor wrote to complainant to say that the balance would be reduced by £50. The debt was passed to a collection company. The complainant felt that £50 had not been reduced from the balance passed to collection company and that this was a breach of undertaking.

The SRA said that the statement was an offer of settlement in the context of proceedings. They said that if the bank had not honoured the agreement the complainant would have to apply to the court for redress.

The Ombudsman felt that the SRA had entirely misunderstood the matter. The bank had already obtained judgment against the complainant and the £50 reduction was a gesture of goodwill following a complaint. The Ombudsman recommended that the SRA reconsider their view that no undertaking had been made.

A misinterpretation leading to an unstable conclusion

A complainant made a complaint about a dentist. The General Dentist Council asked Mr G to investigate and report to them. He contacted an expert witness and told the complainant that he would forward a copy of that report before it went before the General Dentist Council. He did not.

The SRA asked Mr G for an explanation, as they considered it may have been a breach of undertaking that he failed to provide a copy. Mr G forwarded a note of a meeting between him, a senior colleague and counsel. The SRA concluded that Mr G had not considered the report a final version and so this was not a breach of undertaking.

The Ombudsman found that the SRA had misinterpreted Mr G's evidence and that there was no evidence to suggest that he did not consider the report a final version. This meant the SRA's conclusion was unsound. The Ombudsman recommended that they reconsider the complaint.

SRA must be diligent when investigating

As part of a conveyancing transaction, solicitors acting for the vendor made an undertaking to redeem a charge on the property. The purchaser's solicitors complained to the SRA that this undertaking had been breached.

The vendor's solicitors sent a copy of a cheque for the charge to the SRA and told them that it had been cashed. The SRA concluded that the firm had complied with their undertaking.

The Ombudsman felt that the SRA's investigation was flawed. The cheque was made out for a figure from a settlement statement which demanded that the debt be paid by a certain date. The debt was not discharged until six months after that date, and the statement said that in those circumstances the settlement figure may be increased. The Ombudsman felt that the SRA should have established whether or not the cheque was indeed sufficient to discharge the debt, and should have sought evidence that the cheque had indeed been cashed before deciding that the firm had complied with the undertaking. She recommended that the SRA reconsider the complaint.

General Council of the Bar (The Bar Council)

The General Council of the Bar (known as the Bar Council) is the governing body for the Bar. Its role is to promote and improve the services and functions of the Bar, and to represent the interests of the Bar on all matters relating to the profession.

Within the structure of the Bar Council, the Bar Standards Board takes decisions independently and in the public interest. The Bar Standards Board is responsible for:

- setting the education and training requirements for becoming a barrister;
- setting continuing training requirements to ensure that barristers' skills are maintained throughout their careers;
- setting standards of conduct for barristers;
- monitoring the service provided by barristers to ensure quality;
- handling complaints against barristers and taking disciplinary or other action where appropriate.

The Bar Council's complaint handling is consistently performed to a high standard with 80% of cases handled reasonably in 2009/10. The Bar Council has consistently complied with and acted on the recommendations I have made.

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

Although the BSB's satisfaction rating has been consistently high I am very pleased to report that in my dealings with the Bar Council I have found an eagerness to ever improve on their own part. To this end the BSB has introduced several initiatives of its own to improve performance.

In mid 2006, the BSB appointed a new Complaints Commissioner, Robert Berhens, who undertook a strategic review of complaints and disciplinary processes with his office. Following publication of that review, in my Annual Report I reported that during 2008/09 the BSB had commenced implementing nearly all of the 65 improvements to the system recommended by the review. 3 of the recommendations I particularly welcome are:

- The introduction of clearly stated aims and objectives for the complaints system which are publically available;
- A requirement that, in appropriate cases, complaints which have not previously been considered by a barrister's chambers are referred back to chambers for investigation prior to the involvement of the BSB;
- The introduction to the complaints process of an additional stage requiring that the terms of a complaint are agreed with a complainant before formal investigations are commenced.

Chambers complaints handling

The BSB are encouraging all sets of chambers to introduce an in-house complaint-handling process. I am pleased with the progress being made to implement this initiative. In addition, from 1 March 2010, I send a copy of my investigation report to the head of chambers, in appropriate cases, as well as the individual barrister concerned as I feel this will identify any trends and assist in improving complaint handling. I am pleased that the BSB have confirmed their intention to adopt a similar practice.

Diversity

The BSB are committed to promoting diversity and equality throughout the Bar and within their own organisation. The BSB endeavour to ensure that their processes and procedures are fair, objective, transparent and free from discrimination. The BSB's work includes carrying out equality impact assessments as part of the development and review of the BSB's functions including strategies, policies and services.

These are a statutory requirement under the Equality Duties for public authorities and:

- Helps the BSB to identify areas for improvement in service provision and in the profession;
- Assists the BSB in preventing the adoption of unfair or discriminatory strategies;
- Informs the BSB's decision making process on issues of equality and diversity as well as affecting how they formulate all policies which affect the profession and their staff.

I warmly welcome this initiative.

The BSB's Complaints Committee

New members of the Complaints Committee have been selected and appointed in accordance with Nolan principles I am pleased that the BSB are undertaking a rolling programme of training both for new and existing members of the Committee.

Direct Access

The direct access route, which allows lay clients access to barristers rather than instructing a barrister through a solicitor, has not increased the number of complaints received. The take up rate continues to be very low.

In 2009/10 I am pleased to report that the Bar Standards Board continue to maintain their performance. I investigated 137 cases referred to me by consumers who were dissatisfied with the BSB's handling of their complaint.

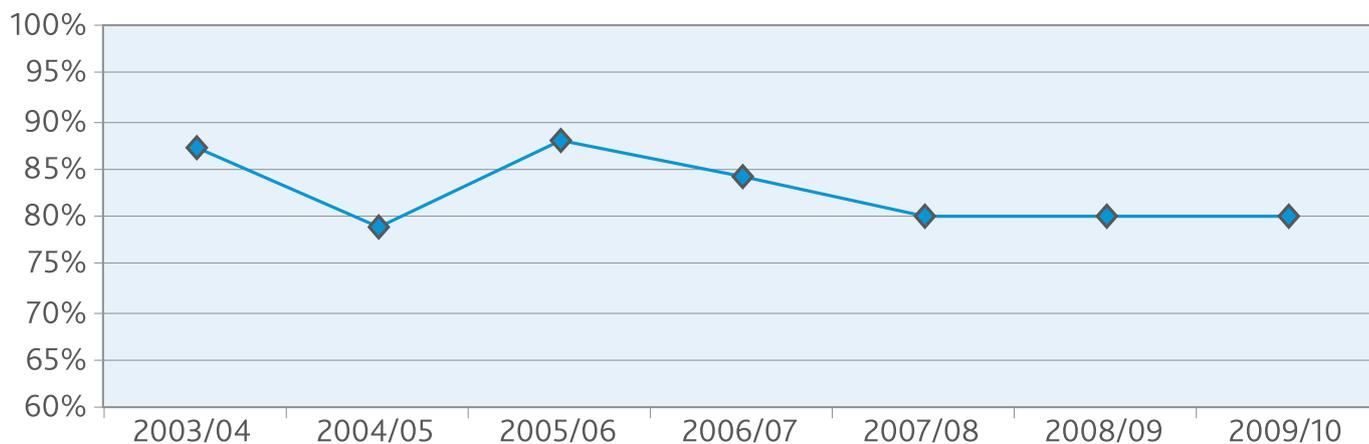
I was satisfied in 80% of these cases. Adverse findings were recorded in 27 cases.

Satisfaction rating of my investigations into the BSB.

2003/04	2004/05	2005/06	2006/07
87%	79%	88%	84%

2007/08	2008/09	2009/10
80%	80%	80%

BSB Percentage satisfaction rating



I made formal recommendations (to reconsider or compensate) against the BSB in the following number of cases.

Adverse findings	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Criticism	7	12	3	8	7	12	8
Compensation: BSB to pay	9	8	1	3	11	3	4
Reconsider	14	16	17	16	8	18	13
Reconsider and Compensation: BSB to pay	-	1	1	-	1	-	2
Total	30	37	22	27	27	33	27

The table shows average amounts of compensation that I have recommended that the BSB pay to consumers let down by their own internal service. This was done in 6 cases in 2009/10, totalling £1950 and therefore an average award of £325.

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
£522	£385	£175	£183	£229	£167	£325

Over the last few years the main reasons for my recommendations have been poor decisions and poor service.

Reasons for recommendations	2006/07	2007/08	2008/09	2009/10
Poor Decision	74%	28%	58%	74%
Poor Service	11%	36%	28%	16%
Poor Administration	11%	36%	14%	10%
Problems with BSB/lawyer	4%	-	-	-

From my 2009/10 Casebook - BSB

Despite the consistently good performance by the BSB in its complaint handling there are examples where things could have been handled better.

The BSB dismiss a negligence claim unfairly as late and as outside their jurisdiction

Mr H instructed a firm of solicitors through his insurers to pursue a claim against a company. A hearing was listed for December 2007. In November 2007, the solicitors instructed Ms G to represent Mr H at the hearing. On the day of the hearing, negotiations took place and the company made an offer to settle the claim. The offer was refused and the case went to court, where it was summarily dismissed by the judge.

Mr H complained to the solicitors and they asked another barrister for a second opinion in January 2008. The second barrister said that in his opinion the case was bound to fail and he criticised Ms G for failing to see this.

In May 2008, Mr H complained to Ms G's chambers and the matter was referred to their insurers as a potential claim of professional negligence. In July 2008, the insurers issued their opinion that Mr H did not have a valid claim. In September 2008, he complained to the BSB.

After seeking advice from a senior barrister member of their Complaints Committee, the BSB dismissed Mr H's complaint in December 2008 because he had raised matters outside the six-month time limit for doing so, which ran from December 2007; and because Mr H's complaint was a claim of professional negligence and not therefore within their remit.

The Ombudsman disagreed with the BSB's view in both aspects. The BSB are encouraging chambers to provide a complaints process, and their acceptance policy now states that they will accept complaints made within six months of the work in question or within three months of a chambers' response to a complaint. The

Ombudsman took the view that Mr H had complained to chambers within six months of the court case, and then to the BSB within three months of chambers' response, and so should have been considered in time.

The Ombudsman also took the view that the complaint fell within the BSB's remit. The BSB have the power to consider negligence claims where the claim is for less than £15,000, where the facts are not in dispute, and the barrister is not defending the claim. The Ombudsman felt that the BSB should have contacted Ms G to obtain her response to the complaint. She recommended that the BSB reconsider the complaint.

Council for Licensed Conveyancers

The Council for Licensed Conveyancers (CLC) is the regulatory body for Licensed Conveyancers who are qualified specialist property lawyers.

The CLC:

- organise the training which all Licensed Conveyancers are required to undertake before they are eligible for a licence;
- set examinations;
- issue annual licences;
- set Rules;
- regularly monitor the profession by way of a Compliance Department;
- discipline Licensed Conveyancers when necessary;
- organise insurance and compensation funds so that the public do not suffer from a Licensed Conveyancer's negligence or fraud.

In my 2008/09 Annual Report and Accounts I commented on the CLC's new Investigating Committee Rules that, it was envisaged, would come into force by autumn 2009 to enable a differently constituted panel to reconsider a complaint where one of the parties has asked a determination to be reviewed.

The rules as made, but not yet in force, make provision for differently constituted panels of the Committee to exercise different elements of the Investigating Committee's new disciplinary functions. They have not yet come into force because the making of these rules has coincided with a fundamental change in the Governance Framework of the Council. Additionally, given the relatively short period before jurisdiction for determining service complaints passes to the OLC, the CLC propose to take no immediate steps to bring the Investigating Committee Rules 2009 into force and appoint members to an expanded committee for the purpose that I originally envisaged.

In my 2008/09 Annual Report I also reported that the CLC had introduced improved quality assurance processes. The CLC believe that the steps taken to assure the quality of the Reports

on File is an important factor in enabling the parties to understand the way in which the complaint is likely to be considered by the Investigating Committee and in giving them an opportunity to comment.

In 2009 the CLC received less than half the complaints received in 2007, down to the level of complaints received in 2002. (277 down to 129 with an average of 68% related to service issues). There could be a number of explanations: the downturn in the economy and the property market in particular; improved service levels from licensed conveyancers so that fewer clients have cause to complain; where clients do complain, licensed conveyancers take active steps to manage and resolve the issues raised. The number of complaints determined has remained static in the last three years suggesting that this is the optimum level of complaints which the CLC are able to process based on the existing model of complaints resolution.

An increase in the maximum award of compensation from £5000 to £15000 came into force on 31 March 2009.

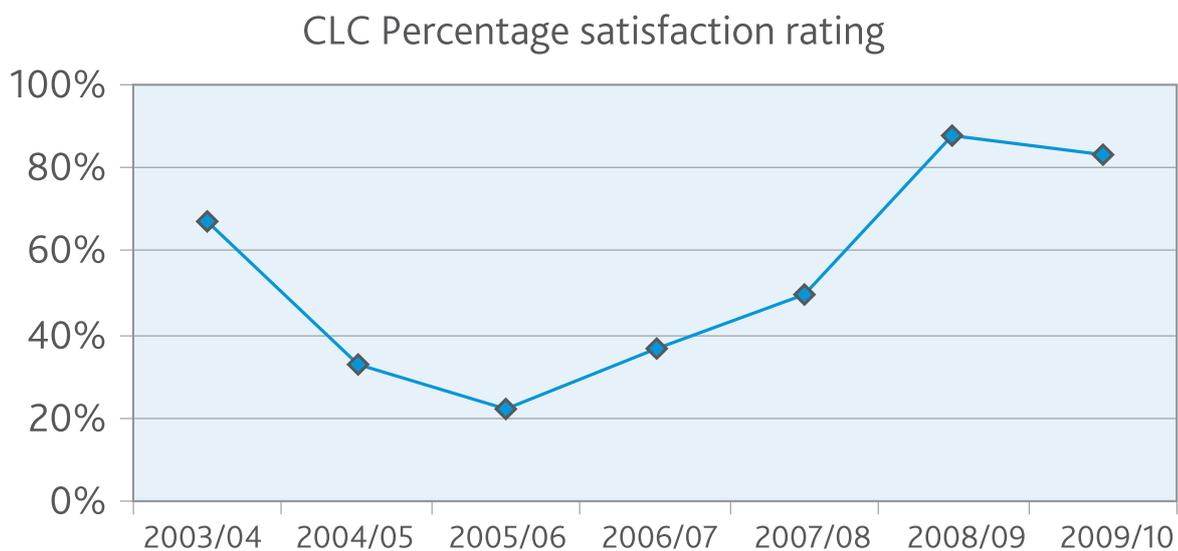
I am pleased to record that the CLC are working with the Legal Services Board to agree what changes need to be made to its Rules and Guidance to signpost clients to the Office for Legal Complaints and to collect evidence of compliance.

During 2009/10 I investigated 18 cases referred to me by complainants who were unhappy with the CLC's handling of their complaint.

I am pleased to report that I was satisfied with 15 of these cases.

Satisfaction rating of my investigations into the CLC.

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
67%	33%	22%	37%	50%	88%	83%



I made formal recommendations (to reconsider or compensate) against the CLC in the following cases.

Adverse findings	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Criticism	-	-	2	1	-	-	-
Compensation: CLC to pay	1	-	6	2	3	1	1
Reconsider	2	6	2	8	1	-	2
Reconsider and Compensation: CLC to pay	-	-	4	1	1	-	-
Total	3	6	14	12	5	1	3

Over the last few years the main reasons for my recommendations have been poor decisions and poor service.

The following table shows the average amounts of compensation that I have recommended that the CLC pay to consumers let down by their own internal service. This was done in just 1 case in 2009/10 in the amount of £150.

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
£250	-	£325	£400	£350	£200	£150

From my 2009/10 Casebook - CLC

Two separate elements of loss treated as one complaint.

LC, a licensed conveyancer, arranged a re-mortgage for Ms G in 2007 but their delays resulted in completion being put back from 28 February until 17 April. LC accepted they had been at fault and paid Ms G compensation of £858.50, the difference between the payments due under her previous mortgage compared to the lower payments she could have been making on her new cheaper rate mortgage.

Ms G later found that she had incurred further additional interest charges of £767.20 covering the period 18 to 30 April because the interest on her previous mortgage had been calculated monthly and had continued to accrue until the end of April. LC refused to pay the additional charge but made a goodwill offer of £100.

The CLC agreed that Ms G had been hit by additional interest charges up to the end of the month but calculated her loss at £613.35. The CLC directed that LC should pay Ms G that sum plus compensation in respect of her other service complaints totalling £1,217.48. However, they went on to say that the £858.50 already paid by LC could be deducted from the £1,217.48 leaving compensation due to Ms G of only £358.98.

The Ombudsman's view was that Ms G should benefit from the whole of the £1,217.48 compensation directed by the CLC. She rejected their argument that requiring LC to pay the full amount would mean that Ms G had been compensated twice for the same problem. The Ombudsman was clear that the £858.50 related to delays by LC up to and including completion of the re-mortgage on 17 April, and that the £1,217.48 represented compensation for problems arising after that and up to the end of April. The Ombudsman recommended that the CLC reconsider the case, which is being actioned.

Institute of Legal Executives Professional Standards Ltd (Institute of Legal Executives)

ILEX is the professional body that represents trainee and practicing Legal Executives. Since 2003 I have not received any cases relating to the handling of complaints by ILEX.

During 2009 ILEX Professional Standards (IPS) reviewed and implemented changes to its complaints and disciplinary rules. ILEX Council members no longer play any part in the processes, which are managed by IPS as the regulatory arm of ILEX. New professional members were appointed to the various complaints and disciplinary bodies established under the rules.

Chartered Institute of Patent Attorneys (CIPA)

CIPA is the professional and examining body for patent attorneys (also known as patent agents) in the UK. Under the Courts and Legal Services Act (1990) my remit covers the 72 holders of Litigator Certificates compared to a full CIPA membership of 1800 (as at March 2010).

In 2009 CIPA reported they had 3 complaints. 1 case was resolved and the other 2 cases are still being dealt with.

Since 2003 I have only investigated 1 case relating to the handling of complaints by CIPA. This was in 2006/07 and my investigation resulted in no further recommendations being made.

Institute of Trade Mark Attorneys (ITMA)

The Institute of Trade Mark Attorneys is the professional body representing those qualified to act for the owners of trade mark and other intellectual property rights - in particular, registered designs - both nationally and internationally.

ITMA has reported that it received 2 complaints in 2009/10. 1 complaint was settled by mediation and the other is still live.

Since 2003 I have not received any cases relating to the handling of complaints by ITMA.

Under the Legal Services Act 2007, CIPA and ITMA have set up respectively a Patent Regulation Board and a Trade Mark Regulation Board, but these have a common lay membership and will act together as the IP (Intellectual Property) Regulation Board, which formally started work on 1st January 2010.

Its remit will be to deal with complaints about the professional conduct of patent attorneys and trade mark attorneys. The board is working closely with the new OLC which hopes to become operational in the autumn of 2010.

Association of Law Costs Draftsmen (ALCD)

My remit has been extended so that complainants can make applications to the Ombudsman to investigate how the ALCD have handled complaints about their members.

I have not received any cases relating to the handling of complaints by ALCD.

7 Remuneration Report

“In 2008/2009 my Office has again performed to a very high standard.”

2008/09 – Making Experiences Count

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.

The Legal Services Ombudsman (the Ombudsman) receives salary increases annually in line with the average award to Senior Civil Service (SCS) employees.

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

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments 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

The Ombudsman is a statutory employee. She holds the position concurrently with that of the Legal Services Complaints Commissioner. She has been reappointed as Legal Services Ombudsman from 3 March 2009 until 2 March 2011 and Commissioner from 3 March 2009 until 2 April 2010.

The Ombudsman's contract gives 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

	2009-10 £'000	2008-09 £'000
MEMBER	Salary	Salary
Zahida Manzoor	115-120	115-120

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

Pension Benefits

Name	Accrued pension and related lump-sum at pension age as at 31/03/10	Real increase in pension and related lump-sum at pension age	CETV at 31/03/10	CETV at 31/03/09	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Zahida Manzoor	15-20	0-2.5	254	210	26

Note that the CETV figures maybe different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The figures shown on the pension benefit relate to Zahida Manzoor's 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 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension 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, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable earnings 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. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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 panel of three providers. 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).

The accrued pension quoted is the pension the member is entitled to receive when they reach the pension age, or immediately on ceasing to be an active member of the scheme if they are over the pension age. Pension age is 60 for classic premium and classic plus and 65 for nuvos members.

Further details about the Civil Service pension arrangements can be found at the website 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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

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 or 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

23 June 2010



Suma Chakrabarti

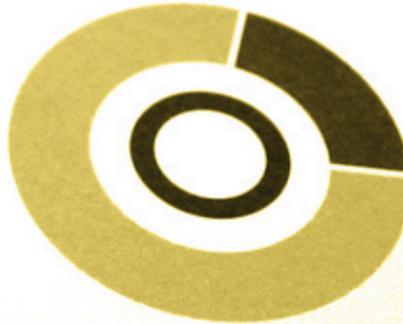
Accounting Officer

25 June 2010

8 Annual Accounts

REPORTS ISSUED

2007/2008	10
2006/2007	19
2005/2006	18
2004/2005	9
2003/2004	9



2005/2006

SATISFACTION RATING

2007/2008	50%
2006/2007	37%
2005/2006	22%
2004/2005	33%

2004/2005

“The OLC will need to be accessible, transparent, proportional and efficient.”

STATEMENT OF ACCOUNTING OFFICER'S AND OMBUDSMAN'S RESPONSIBILITIES

HM Treasury has appointed the Permanent Secretary of the Ministry of Justice (the Ministry) as Principal Accounting Officer. The Principal Accounting Officer's responsibilities are defined in chapter three of Managing Public Money (MPM), a publication of HM Treasury.

The Accounting Officer has responsibility for the regularity and propriety of the public finances for which he is answerable, for keeping proper records and for safeguarding the Ministry's assets. He is also responsible for preparing the accounts of the Ministry of Justice (MoJ) and for transmitting them to the Comptroller and Auditor General.

The Secretary of State for Justice and Lord Chancellor has appointed the Legal Services Ombudsman for England and Wales (the Ombudsman) to oversee the daily operations of the Office of the Legal Services Ombudsman (OLSO). Details of the division of responsibilities are set out in a Memorandum of Understanding between the Ministry and OLSO. This appointment does not detract from the Permanent Secretary's overall responsibility as Accounting Officer for the accounts.

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.

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 International Financial Reporting Standards (IFRS) based International Government Financial Reporting Manual (FReM) and in particular to:

- (a) observe the Accounts Direction issued by MoJ, 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 International 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.

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 Ministry of Justice (MoJ) 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 Managing Public Money.

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

A system of internal control operates in the Ministry's headquarters. This includes the monitoring of OLSO's performance and compliance with the Memorandum of Understanding through the Director General, Access to Justice Group. To the extent that the document delegates control to the Ombudsman, I place reliance upon the Statements on Internal Control submitted by the Ombudsman to the Director General, Access to Justice 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 the Ministry's 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 OLSO for the year ended 31 March 2010, 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 Ministry.

The Ministry of Justice Risk Management Policy and Framework document was published in June 2002 and is available to all staff on the Ministry's Intranet. This sets out the Ministry'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, Access to Justice Group on a quarterly basis. Where necessary, such risks and the actions to mitigate are escalated and incorporated into the Corporate Risk Register for consideration by the Corporate Management Board (CMB).

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's system (based on MoJ 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 Access to Justice Group;
- OLSO Senior Management Team meetings with risk management on the standard agenda, and evidenced by minutes of meetings.
- OLSO Risk Register covering all activity and reviewed by the OLSO Senior Management Team. Access to Justice Group review the register, escalating any significant risks for inclusion in the Ministry's Corporate Risk Register;
- Quarterly certification by the Ombudsman (as Budget Holder) to the Director General, Access to Justice Group, of risk management in the Office;
- 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 with and reviewed by the Director General, Access to Justice Group;
- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the CMB;
- Regular reviews by the CMB 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 Ombudsman (as Budget Holder) on a quarterly basis, that internal financial controls are in place and operating effectively;
- A published Ministry fraud policy, with effective capability to investigate incidents of fraud, including a cadre of trained staff;
- A Ministry "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;
- An active and constructive OLSO Health and Safety Committee with co-ordinators to carry out specific risk assessments and workplace inspections, making an effective contribution to business performance;
- An annual assessment of information risk management and asset owners statement;

- Compliance with the mandatory requirements for information assurance contained in the HMG Security Policy Framework, the Data Handling Review and the Information Assurance Standard No. 6 including the maintenance of a risk register, an information risk policy statement and schedule of local controls.

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

In November 2009 MoJ Internal Audit carried out testing of key controls in OLSO. The conclusion was that the operation of controls is adequate and effective.

During 2009/10 OLSO reviewed its Strategic Objectives covering the period 2007-10, particularly in the light of the changes in the regulation of legal services in England and Wales resulting from the Legal Services Act 2007. The objectives will be reviewed in 2010/11.

In-year spending by OLSO was restricted to the limit as allocated by the MoJ Director General, Access to Justice 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 Ministry 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 Ministry's Access to Justice Group. The Budget Holder is required to have complied with the provisions of Managing Public Money, the Ministry'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 2009/10 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 Ministry assets. No breaches of financial authority or incidents of fraud were reported.

In addition, the following bodies also inform my review:

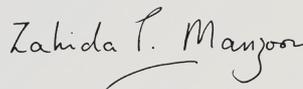
- **Ministry of Justice Board (MoJB) and Corporate Management Board (CMB)**
These Boards approved the Ministry's Framework and Policy Document and have been involved in the development and monitoring of the Corporate Risk Register.
- **Corporate Audit Committee** – The MoJ's Audit Committee is a continuing 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 reports directly to the MoJB and 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 Ministry's headquarters, Agencies and NDPBs, to co-ordinate the reporting and management of risk and control issues within business areas and for the Ministry in reporting to the CMB and the Audit Committee.
- **Internal Audit** – The Ministry 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 Ministry'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 Ministry of Justice Resource as a whole will be available from the Stationery Office when the Ministry's 2009-10 Resource Accounts are published later this year.



Zahida Manzoor CBE
Legal Services Ombudsman for England and Wales

23 June 2010



Suma Chakrabarti
Accounting Officer

25 June 2010

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 2010 under the Courts and Legal Services Act 1990. These comprise the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity 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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Ombudsman and Permanent Secretary of the Ministry of Justice are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office of the Legal Services Ombudsman's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Office of the Legal Services Ombudsman; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Office of the Legal Services Ombudsman's affairs as at 31 March 2010 and of its net operating costs, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Courts and Legal Services Act 1990 and the accounts direction issued thereunder by the Lord Chancellor and the Secretary of State for Justice, with the approval of HM Treasury.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Courts and Legal Services Act 1990 and the accounts direction issued by the Lord Chancellor and the Secretary of State for Justice with the approval of HM Treasury; and
- the information given in the Financial Management section of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Paul Keane

Director, Justice Financial Audit on behalf of the
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

29 June 2010

OPERATING COST STATEMENT

Year ended 31 March 2010			
		2009-10	2008-09 Restated
	Notes	£	£
Staff costs	3	1,034,389	1,113,214
Other direct costs	4	178,211	182,320
Accommodation costs	5	282,037	301,770
Ministry's overhead charge		21,425	185,420
Other non-cash costs	6	23,159	22,624
Total		1,539,221	1,805,348

All expenditure is derived from continuing operational activities. There are no other gains or losses for the year. The Ministry's overhead charge has been calculated on a different basis in 2009-10, in comparison to 2008-09, as detailed in the accounting policies.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2010							
		As at 31 March 2010		As at 31 March 2009 Restated		As at 1 April 2008 Restated	
	Notes	£	£	£	£	£	£
NON-CURRENT ASSETS							
Property, Plant and Equipment	7	34,672		43,847		51,830	
CURRENT ASSETS							
Trade and other receivables	8	55,172		98,100		59,273	
Cash and cash equivalents		-		150		150	
TOTAL CURRENT ASSETS		55,172		98,250		59,423	
TOTAL ASSETS		89,844		142,097		111,253	
CURRENT LIABILITIES							
Trade and other payables	9	(96,028)		(79,674)		(57,859)	
TOTAL CURRENT LIABILITIES		(96,028)		(79,674)		(57,859)	
Total Assets less Current Liabilities		(6,184)		62,423		53,394	
TAXPAYER'S EQUITY							
General Fund		(6,184)		62,423		53,394	
TOTAL TAXPAYERS' EQUITY		(6,184)		62,423		53,394	

The notes on pages 65 to 71 form part of these accounts.

Zahida P. Manzoor

Zahida Manzoor CBE
Legal Services Ombudsman for England and Wales
23 June 2010

Suma Chakrabarti

Suma Chakrabarti
Accounting Officer
25 June 2010

STATEMENT OF CASH FLOWS

Year ended 31 March 2010		
	2009-10	2008-09 Restated
	£	£
Cash flows from operating activities:		
Net operating cost	(1,539,221)	(1,805,348)
Departmental overhead charge	21,425	185,420
Other non-cash transactions	23,159	22,624
(Increase)/Decrease in receivables	42,928	(38,827)
Increase/(Decrease) in payables	16,354	21,815
Net cash outflow from operating activities	(1,435,355)	(1,614,316)
Net cash outflow from investing activities	–	(114)
Cash flows from financing activities	1,435,205	1,614,430
Net financing	(150)	–
Net increase/(decrease) in cash and cash equivalents during the period	(150)	–
Cash and cash equivalents at the beginning of the period	150	150
Cash and cash equivalents at the end of the period	–	150

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

Year ended 31 March 2010		
	2009-10	2008-09
	£	£
Taxpayers' equity at start of prior year under UK GAAP		65,878
Changes in accounting policy resulting from adoption of IFRS		(12,484)
Taxpayers' equity at start of year under IFRS	62,423	53,394
Financing from the MoJ	1,435,205	1,614,430
Non-cash charges - cost of capital	984	2,027
Non-cash charges - auditor's remuneration	13,000	12,500
Non-cash charges - MoJ overhead charge	21,425	185,420
Net operating cost	(1,539,221)	(1,805,348)
Taxpayers' equity at 31 March under IFRS	(6,184)	62,423

The notes on pages 65 to 71 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 International Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the iFReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The only exception is 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 standards are consistent with those used to prepare accounts for the Ministry of Justice (MoJ). The Ministry's accounts give greater detail on accounting policies.

Going concern. The Legal Services Act 2007 received Royal Assent on 30 October 2007 and will reform the way that legal services will be regulated in England and Wales including the formation of the Office for Legal Complaints. These accounts are prepared on a going concern basis as MoJ settles all of OLSO's financial transactions with funds voted by Parliament and funding to 31 March 2011 has been agreed with MoJ.

Income. OLSO does not recover its costs through charging fees, but under Paragraph 23(10) 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.

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

The basis of this charge has been altered in 2009-10, in line with changes made for the Ministry as a whole. The 2008-09 figures include an apportionment for estate costs, charged directly to OLSO in 2009-10.

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 the Ministry from HM Revenue and Customs and any amount receivable is not shown as a receivable on the OLSO Statement of Financial Position.

MoJ holds the operating lease on the property used by OLSO and also has legal ownership of the non-leased property, plant and equipment used by that Office.

Non-current assets. Property, plant and equipment is mainly 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. Although OLSO will be closing in the future, the depreciation policy has not changed because it is anticipated that the non-current assets will continue to be used by MoJ.

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 Ministry 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 Ministry recognises the contributions payable for the year.

2. FIRST TIME ADOPTION OF IFRS

	General Fund
	£
Taxpayers' equity at 31 March 2009 under UK GAAP	78,716
Adjustments for IAS 19 Employee Benefits:	
Holiday pay accrual	(16,293)
Taxpayers equity at 1 April 2009 under IFRS	62,423
Net operating cost for 2008-09 under UK GAAP	1,789,558
Adjustments for IAS 19 Employee Benefits:	
Holiday pay accrual	16,293
Cost of capital	(503)
Net operating cost for 2008-09 under IFRS	1,805,348
Net cash outflow for 2008-09 under UK GAAP	(1,601,832)
Adjustments for IAS 19 Employee Benefits:	
Holiday pay accrual	(16,293)
Holiday pay accrual – increase in creditors	3,809
Net cash outflow for 2008-09 under IFRS	(1,614,316)

3. STAFF NUMBERS AND RELATED COSTS

	Employees	Self employed case workers	Agency staff	2009-10 Total	2008-09 Total
	£	£	£	£	£
Wages, salaries and fees	636,100	168,365	49,312	853,777	917,259
Social security costs	54,195	2,171	–	56,366	61,481
Other pension costs	124,246	–	–	124,246	134,474
Total	814,541	170,536	49,312	1,034,389	1,113,214

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, OLSO is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, contributions of £124,246 (2008-09: £134,474) were payable 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 from 16.7% to 24.3% (2008-09: 17.1% to 25.5%) of pensionable pay, based on salary bands. From 2009-10, the salary bands were also revised.

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

The average full time equivalent number of personnel during the year was 19.4 employees and 3.9 self-employed (2008-09: 22 employees and 3.9 self-employed).

Staff costs include the Ombudsman's salary and associated pension contributions made on her behalf. Zahida Manzoor CBE held the post during 2009-10. Please refer to the Remuneration Report for further details.

4. ADMINISTRATIVE COSTS

	2009-10	2008-09 Restated
	£	£
Rentals under operating leases - Hire of plant and machinery	-	1,431
Travel and subsistence	12,537	15,678
External consultancy	59,346	40,406
Office supplies	7,030	13,574
Printing and reprographics	11,383	29,155
Distribution and postage	29,059	29,292
Telecommunications	10,045	13,094
Fuel and utilities	10,503	9,062
IT costs	14,550	14,103
Other	14,495	16,525
Bad Debt written off	9,263	0
Total	178,211	182,320

The 2008-09 costs have been restated due to the re-categorising of Operating lease, IT and consultancy costs.

5. ACCOMMODATION COSTS

	2009-10	2008-09
	£	£
Rent and service charge	206,642	221,759
Rates	55,564	52,910
Other property costs	19,831	27,101
Total	282,037	301,770

6. OTHER NON-CASH COSTS

	2009-10	2008-09
	£	£
Depreciation	7,018	8,097
Loss on disposal	2,157	-
Cost of capital	984	2,027
External audit fee	11,500	11,000
IFRS shadow accounts audit fee	1,500	1,500
Total	23,159	22,624

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture	Computer and other equipment	Total
	£	£	£
COST OR VALUATION			
At 1 April 2009	67,961	26,648	94,609
Additions	-	-	-
Disposals	(803)	(4,706)	(5,509)
At 31 March 2010	67,158	21,942	89,100
DEPRECIATION			
At 1 April 2009	35,467	15,295	50,762
Charge for the year	3,358	3,660	7,018
Released on disposals	(803)	(2,549)	(3,352)
At 31 March 2010	38,022	16,406	54,428
NET BOOK VALUE			
At 31 March 2010	29,136	5,536	34,672
At 31 March 2009	32,494	11,353	43,847
At 1 April 2008	35,777	16,053	51,830

8. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

8(a) Analysis by type

	2009-10	2008-09	2007-08
	£	£	£
Amounts falling due within one year:			
Prepayments and accrued income	50,922	48,917	55,673
Other receivables	4,250	49,183	3,600
Total	55,172	98,100	59,273

8(b) Intra-Government Balances

	2009-10	2008-09	2007-08
	£	£	£
Balances with bodies outside central government	55,172	98,100	59,273
Total	55,172	98,100	59,273

9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

9(a) Analysis by type

	2009-10	2008-09	2007-08
	£	£	£
Amounts falling due within one year:			
Taxation, social security and pension contributions	29,301	35,750	–
Accruals and deferred income	66,727	43,924	57,859
Total	96,028	79,674	57,859

9(b) Intra-Government Balances

	2009-10	2008-09	2007-08
	£	£	£
Balances with bodies outside central government	66,727	43,924	57,859
Balances with central government	29,301	35,750	–
Total	96,028	79,674	57,859

The 2009-10 and 2008-09 payables include payroll items due to HM Revenue and Customs for tax and national insurance payments due at 31 March 2010 and 31 March 2009 respectively.

10. COMMITMENTS UNDER LEASES

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

The lease for accommodation at Sunlight House in Manchester expires on 8 July 2011. There are no renewal clauses applicable to the lease. The photocopier lease expired on 5 January 2009 and the 2008-09 and 2007-08 figures have been restated accordingly.

	2009-10		2008-09 Restated		2007-08 Restated	
	Buildings	Other	Buildings	Other	Buildings	Other
	£	£	£	£	£	£
Within one year	153,925	-	151,458	-	152,839	1,437
From one to five years	41,791	-	195,716	-	347,174	-
After five years	-	-	-	-	-	-
Total	195,716	-	347,174	-	500,013	1,437

11. RELATED PARTY TRANSACTIONS

MoJ is a related party with which OLSO had various material transactions during the year. OLSO's staffs have not entered into any material transactions with OLSO or with MoJ.

Zahida Manzoor CBE, the Legal Services Ombudsman, also held the role of the Legal Services Complaints Commissioner until 2 April 2010. There have not been any material transactions between the two offices.

12. CAPITAL COMMITMENTS

There are no capital commitments.

13. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

There are no contingent liabilities.

14. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period affecting the OLSO. In accordance with the requirements of IAS10 "Events after the reporting period", post reporting period events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date the Comptroller and Auditor General certifies the accounts.

15. FINANCIAL INSTRUMENTS

OLSO has no financial instruments under the definition of IAS 32 “Financial Instruments: Presentation”. IFRS 7 “Financial Instruments: Disclosure” requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

15(a) Risk Management Objectives and Policies

OLSO does not use financial instruments to create or change risk in undertaking its activities. The largely non-trading nature of its activities and the way it is financed mean that OLSO is not exposed to large-scale financial risks.

15(b) Liquidity Risk

OLSO has no borrowings, and its net resource requirements are met from resources voted annually by Parliament to MoJ. MoJ then settles all of OLSO’s financial transactions. The cash expended by MoJ to settle OLSO’s bills is represented by “financing from MoJ” of £1,435,205 (2008-09: £1,614,430) in the Statement of Changes in Taxpayers Equity. OLSO is not therefore exposed to significant liquidity risk.

15(c) Interest Rate Risk

OLSO has no deposits other than petty cash, since cash at bank is held in MoJ’s bank accounts and not included in these accounts, so OLSO is not exposed to interest rate risk.

15(d) Foreign Currency Risk

All material assets and liabilities are denominated in sterling, so OLSO is not exposed to currency risk.



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