

**Office for Legal Services Ombudsman  
Annual Report and Accounts 2007/08**

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**CORRECTION**

Page 7 - Additional note

The Government's position is that in establishing both the LSB and the OLC the principles of TUPE will apply to the transfer of staff.

Page 8 - Additional note

The MoJs Departmental Strategic Objectives (DSOs) were correct at the time of going to print, although they have been subsequently reviewed and amended.

June 2008  
London: The Stationery Office

# BUILDING ON SUCCESS

A NEW OMBUDSMAN'S OFFICE



LEGAL SERVICES  
OMBUDSMAN

ANNUAL REPORT & ACCOUNTS  
Of The Legal Services Ombudsman  
For England and Wales  
2007 | 2008



# ANNUAL REPORT AND ACCOUNTS OF THE LEGAL SERVICES OMBUDSMAN FOR ENGLAND AND WALES 2007/2008

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

ORDERED BY THE HOUSE OF COMMONS  
TO BE PRINTED 1ST JULY 2008.

# REMIT AND POWERS

**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. *The Legal Services Ombudsman for England and Wales is Zahida Manzoor CBE.***

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

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)
- Institute of Legal Executives

- Council for Licensed Conveyancers
- Chartered Institute of Patent Attorneys
- Institute of Trade Mark Attorneys

If consumers are not satisfied with the way the professional body has dealt with their complaint, they may refer the matter to the Legal Services Ombudsman for investigation. The Ombudsman's services are free of charge.

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

THE OFFICE OF THE LEGAL SERVICES OMBUDSMAN IS AT:  
3rd Floor, Sunlight House, Quay Street, Manchester M3 3JZ  
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Lo-call number: 0845 6010794 (*Charged at local rates and available nationally*)

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# FOREWORD

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

I very much welcome the Legal Services Act which gained Royal Assent on the 30th October 2007.

The Act has been a long time in the making and therefore, at this juncture, it is important to remember the issues that prompted Sir David Clementi's Review of Legal Services, which concluded in 2004.

The issues centred on three main concerns. Firstly, that the system had insufficient regard to the interests of consumers. Secondly, that at the operational level the current complaint systems were being run inefficiently. Added to this, and more fundamentally, there were concerns about whether systems for complaints against lawyers, run by lawyers themselves, could ever achieve consumer confidence. Finally, there was a concern about the restrictive nature of current business structures in the legal profession. Here questions were raised concerning whether it was acceptable that professional bodies' restrictive practices were preventing different types of lawyers working together on an equal footing.

In aiming to allay these concerns, the Act,

when brought into force, will create two new bodies the Legal Services Board (LSB) and the Office for Legal Complaints (OLC) and will result in the creation of Alternative Business Structures.

The Act requires the current legal professional bodies to separate their functions as both regulator and representative of their professions. Under the reformed system, the professional bodies will be known as Approved Regulators. The LSB, as the oversight regulator, will sit above the Approved Regulators and will have a range of powers over them.

The LSB will also have responsibility for the independent, ombudsman led OLC. It is testament to the work of my Office that the OLC will be an ombudsman's scheme. The Act states that the OLC will take over the handling of consumer complaints from the legal professional bodies. Of greatest interest to consumers therefore are the OLC's scheme rules. The scheme rules are essential to the success of the organisation and should be open for wide consultation.

My Office has extensive experience of how the present complaints-handling arrangements work in practice which we have fed into the preliminary organisational design work that has been undertaken on behalf of the Ministry of Justice, ahead of the constitution of the LSB and the OLC Boards. Following in the footsteps of my Office, I would like to see an OLC that is accessible (free to use, open and available for all who need it), transparent (both in terms of its scope and decision-making), proportional (in its process and resolution of complaints) and efficient (striving to meet challenging standards of good administration).

Due to the planned location of the OLC in the West Midlands and because of the Government's announcement that the Transfer of Undertakings (Protection of Employment) Regulations will apply, it is anticipated that there will be an en-masse transfer of the Law Society's Legal Complaints Service staff from Leamington Spa to the OLC. It is therefore critical that there is a significant step change in the performance of the Legal Complaints Service, both in terms of process and culture, so that the new organisation has the best possible start.

I am keen to ensure that the LSB and the OLC are organisations which enjoy the confidence of all. I will continue to work with all stakeholders to bring about further improvements in the current complaints-handling organisations and to share my experiences and learning with the new bodies.



In terms of the professional bodies, whose complaint handling I oversee, in 2007/2008 the Law Society's complaint-handling bodies, the Legal Complaints Service (LCS) and the Solicitors Regulation Authority (SRA), made up 91% of my workload. This is unsurprising given the number of complaints it investigates. I was satisfied with the handling of 68% of the LCS's and 80% of the SRA's investigations that consumers referred to me. With regards to the Bar Standards Board (BSB) they performed at the same level as the SRA in that I was satisfied in 80% of their investigations. I also investigated a small number of complaints referred to me by consumers regarding the Council for Licensed Conveyancers (CLC).

In 2007/2008, despite the uncertainty for my staff created by the Act, my Office has again performed to a very high standard. In this reporting year we have issued 100% of our reports within 6 months thereby exceeding the Government target of issuing 90% of my reports in this timeframe. The average turnaround time for a case was 2.9 months. In terms of quality, 98% of all draft reports achieved the standards set down in our internal Quality Assurance Framework.

**I WOULD LIKE TO THANK  
MY STAFF**

**for their continued hard work  
during this time of change.**

*Zahida P. Manzoor*

Zahida Manzoor CBE

THE LEGAL SERVICES OMBUDSMAN FOR ENGLAND  
AND WALES 4TH JUNE 2008



# OFFICE OF THE LEGAL SERVICES OMBUDSMAN

## STRATEGIC DIRECTION

**This report relates to the financial year commencing 1st April 2007 and ending on 31st March 2008.**

Despite the uncertain future of my staff I am looking to ensure that OLSO continues to provide a high level of service to consumers. There will be a number of challenges to face not least the unpredictability of my in-house staffing resource and the continued motivation of individual staff in an unstable environment.

It is imperative that my Office maintains its quality of complaints handling together with its support services until the OLC scheme is fully up and running. I would therefore ask that all decisions relating to transitional arrangements be taken as soon as possible by the Ministry of Justice (MoJ) so that valued staff are retained and motivated to maintain the high level of performance for which the Office is known.

## Our Strategic Objectives

OLSO is an Associated Office of the MoJ and supports it in its Departmental Strategic Objectives (DSOs). These set out what the MoJ are committed to deliver over the period 2008-11. They are to:

- Support a vigorous democracy in which everyone can influence decisions which affect their lives.
- Support the efficient and effective delivery of justice.
- Help to protect the public and reduce re-offending.
- Work to create a culture of rights and responsibilities so both can be delivered effectively.
- Help to avoid and resolve civil and family disputes.

My Office's objectives cover the period 2006/2009 but will continue to be reviewed, in the light of changing circumstances by my Senior Management Team (SMT).

### **OBJECTIVE 1**

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

### **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; and work closely with the Office of the Legal Services Complaints Commissioner in relation to the Legal Complaints Service and Solicitors Regulation Authority.**

### **OBJECTIVE 3**

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

The strategic objectives are closely aligned with our more detailed Operating Plan, which is primarily an internal document that outlines how my Office will deliver the strategy at an operational level. Each strategic objective is subjected to a risk analysis and monitored in our Risk Register. All risks were managed successfully during 2007/2008.

### **Business Planning**

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

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

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

A 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.

A system of risk management is maintained; identifying, evaluating and controlling risks, and recording the process in the Risk Register, which is shared with MoJ on a regular basis.

### **Stakeholder Management**

Throughout the year I have communicated and/or met with all of OLSO's diverse stakeholders who have an interest in the work of OLSO and its outcomes. Those I have met have included consumers of legal services, consumer organisations, Ministry of Justice Ministers and officials, the Lord Chief Justice, the Master of the Rolls, Members of Parliament, the Law Society, the Legal Complaints Service, the Solicitors Regulation Authority, the Bar Council, the Bar Standards Board, the Council for Licensed Conveyancers, the Institute of Legal Executives, the Chartered Institute of Patent Attorneys, the Institute of Trade Mark Attorneys, other ombudsmen and private sector organisations. I have ensured that information of common interest has been properly exchanged to influence debate and change with the aim of bringing about improvements.

I look forward next year to continuing the strong working relationship with all stakeholders.

“My Office has achieved wide-ranging savings whilst retaining focus on the delivery of an efficient and effective service to consumers and stakeholders.”

#### **Payments to Suppliers**

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.

#### **Financial Statement**

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

OLSO's total expenditure in 2007/2008 was similar to 2006/2007 at £1.9m. This included a £0.272m departmental overhead charge.

The local budget for salaries and day to day running of the Office was £40k short of my bid. Considerable efforts have been made during the year to live within the reduced budget, whilst maintaining an effective service to the consumer. Difficult decisions have been made in respect of accommodation issues and wider ranging activities in order to secure savings; and my entire budget is concentrated upon delivering a streamlined process for the handling of consumer complaints.

2008/2009 is expected to be an even more difficult year with a further reduced allocation of £60,000 on my 2007/2008 local spend. MoJ as a whole have to make just over £1bn worth of savings over the next 3 years. I fully appreciate the financial restrictions that the MoJ are facing, but the reduction in OLSO's budget could well result in reputational and delivery risks and a poorer standard of service to consumers. For instance, it could well be that there is an increase in the time it takes for my Office to conclude investigations.

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

The Legal Services Act (2007) will fundamentally change the way that legal services will be regulated in England and Wales, including the formation of the Office for Legal Complaints, and the consequent closure of OLSO. However, it is not anticipated that OLSO will close before 2010/2011 and so there is no immediate threat to its existence. A strategy for the Office in the transitional period will be agreed with MoJ. The accounts are prepared on a going concern basis as MoJ settles all of OLSO's financial transactions with funds voted by Parliament and future funding has been agreed with MoJ.

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

## Staffing and Recruitment

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

OLSO contributes to MoJ's overall success in meeting Investors in People standards (IiP). During the year, OLSO has taken on MoJ's revised policies and procedures covering all aspects of human resources. In particular, the new pay and grading structure and performance management system have been implemented.

In addition to the development of staff's individual skills, regular internal casework surgeries are 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.

OLSO also operates a secure Casework Discussion Forum via the intranet where both my internal staff and self-employed caseworkers can post questions and observations of common interest.

Several recruitment campaigns have been undertaken with the support of MoJ Human Resources for investigators and support staff. One of my major challenges in the light of the continued uncertainty for the future is in maintaining my current level of skilled staff. I believe that it will be essential to introduce, as early as possible, transitional arrangements ahead of the introduction of the OLC. This would assist in maintaining the efficient and effective service that OLSO provides to its stakeholders. In addition, it would help to retain OLSO staff and enable them to properly plan for their future.

At the end of 2007/2008, staffing levels stood at 27 posts (24.3 full time equivalents).

## Self-Employed Caseworkers

I utilise the services of a panel of part-time self-employed caseworkers to assist during the peaks in casework.

Their performance and productivity are monitored on the same basis as in-house caseworkers. As part of OLSO's transition arrangements I have increased the panel of self-employed caseworkers.

I intend to retain the members on the panel in 2008/2009 to support the business and maintain standards should the impact of the Office closure result in the loss of in-house staff to more secure postings elsewhere.

## Diversity

OLSO recognises, respects and values diversity and strives to serve the interests of people from all sections of society.

We also continue to strive to be an organisation that reflects the diversity of the society we serve and truly values the contributions which employees, from all sections of society, make to our work. Our literature and website are reviewed to improve accessibility, clarity and understanding.

Our leaflets have been produced in large print and translated into languages other than English.

A hearing loop is also available for personal callers.

## Health and Safety

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

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

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

During the year an independent MoJ audit on our overall accommodation and our processes reported that OLSO staff were to be congratulated on their efficient management of health and safety.

## Sustainable Development

OLSO contributes to the MoJ's Sustainable Development Action Plan and assists in meeting its performance targets. Although a minor occupier in leased accommodation, OLSO is committed to promoting and maximising its achievements within its operations. All cardboard, newspapers and printer cartridges are recycled; and used lamps and fire alarm batteries are disposed of via a specialist process.

## Communications Strategy

OLSO's Communications Strategy comprises a high level framework supplemented by a lower level activity schedule. Our approach reflects our respect for diversity, the need to tailor information appropriately and to use suitable communication channels; aiming for standards that we have set to achieve an excellent standard of service.

In particular during 2007/2008 we have continued to pursue more efficient and effective handling of enquiries, new applications and general correspondence. We have a set of internal standards that define the speed

and nature of the service that we aim to achieve for consumers. My Office's performance in 2007/2008 against these standards is reproduced below.

- Respond to all correspondence within 10 days.  
We received 8,897 pieces of correspondence in 2007/2008. We achieved the 10-day turnaround 87% of the time.
- Answer all telephone calls within 15 seconds.  
My Office received 10,839 calls. We answered calls within an average of 9 seconds.
- Respond to 95% of consumer applications within 10 days.  
Achieved 89% of the time.
- Advise consumers in 95% of cases within 10 days of receipt of the professional body file whether my Office can accept the case for investigation.  
We achieved this 10-day turnaround 96% of the time.
- Issue 95% of reports within 2 days of approval by the Ombudsman.  
We achieved this 99% of the time.

## Customer Feedback

Consumer feedback is critical to my Office in helping us to improve our service. Independent research is commissioned every three years to update the findings of the previous survey and to make recommendations for further change. The last report was produced in 2004. It was my intention to commission a further report during 2008/2009. However, in light of the Legal Services Act (2007) and the consequential transitional arrangements plus the pressures on my budget it is unlikely to be cost-effective and deliver any greater benefit than can be attained through a detailed analysis of our internal questionnaire results. Nevertheless it will remain under consideration. We issue an internal questionnaire to a random sample of consumers who have raised a complaint with the Office. This provides a useful snapshot of consumer views although many consumers use the form as an opportunity to express their continued dissatisfaction with the legal profession. The format of the questionnaire was reviewed in the latter part of the year, producing a clearer and simpler form for completion. We will strive in 2008/2009 to continue to make improvements in our service to consumers.

I am committed to providing a service to all parts of our diverse society, and, to monitor this, my Office sends out monitoring forms with every application. The monitoring form is also available to applicants who make an application via our website. In terms of the consumers who complained to me in 2007/2008 66% were male. This compares to 49% of the English and Welsh population in mid-2006 (Office for National Statistics). With regards to where consumers who complain to me live, 25% reside in the South-East of England and 19% in London. When compared to figures for the population as a whole consumers from these areas are over represented whilst consumers in the East of England are under represented. 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 continue to operate an internal complaints procedure for customers to use should they be dissatisfied with our service.

My Corporate Services Manager investigates any complaint about the quality of service provided by my Office. During 2007/2008 a total of 23 complaints were dealt with under these procedures of which:

2 complaints were upheld. An apology was given for an administrative error; and the offer of an ex-gratia payment was made for distress and inconvenience.

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

10 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.

## Data Protection and Freedom of Information

During 2007/2008 we received 20 requests for information under the Freedom of Information Act 2000. 9 were met in relation to policy, organisation, and Annual Accounts. 2 were referred to the MoJ. 9 were refused as the information requested was exempt under the Act. Our Publication Scheme is available on our website and in hard copy, ensuring that a significant amount of information is readily available to the consumer. It is intended to review the Scheme in 2008/2009 to comply with the Information Commissioner's new framework for Publication Schemes.

During 2007/2008 we dealt with 12 requests for information under the Data Protection Act 1998, which were met within the required timescales.

Our casework management database has been audited by MoJ in respect of security controls and procedures and has full accreditation.

## THE ROLE OF THE LEGAL SERVICES

### OMBUDSMAN FOR ENGLAND AND WALES

**Under the Courts & Legal Services Act 1990 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 professional body. If the consumer is not satisfied with the response from the professional body they can have the complaint investigated by my Office.

The breadth of my jurisdiction is clearly reflected in the provisions of the Courts & Legal Services Act 1990. Section 22(1) empowers me to “investigate any allegation which is properly made to him (Ombudsman) and which relates to the manner in which a complaint made to a professional body... has been dealt with by that professional body.” An allegation to me 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 (Section 22(9)). Section 22(2) provides that if I decide to investigate I may investigate the matter to which the complaint relates.

My recommendations 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.

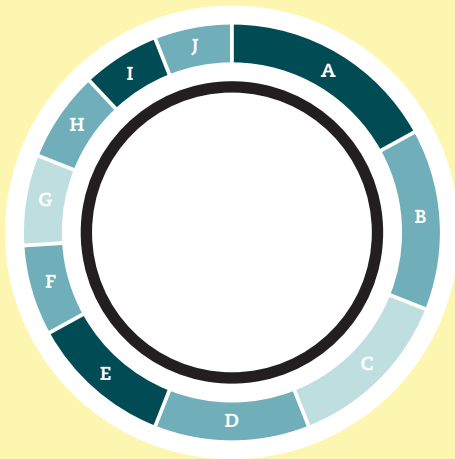
#### Compensation

I can recommend that either the professional body and/or the legal practitioner involved pay compensation to the consumer.

#### Formal Criticisms

I can record formal criticisms against legal professional bodies. These occur where I have identified some failing in the investigation and either reconsidering the case or awarding compensation would not be appropriate in the circumstances.

## Reason for original complaint against the legal professional



- A** INSTRUCTION NOT CARRIED OUT  
17%
- B** BAD ADVICE  
14%
- C** DISHONESTY / FRAUD  
13%
- D** POOR REPRESENTATION  
12%
- E** DELAY  
11%
- F** OTHER MISCONDUCT ISSUES  
7%
- G** INADEQUATE COST INFORMATION  
7%
- H** GENERALLY NEGLIGENT  
7%
- I** PRESSURISED / HARASSMENT  
6%
- J** GAVE MISLEADING INFORMATION  
6%

## Consumer Rights and Responsibilities

My primary role is to be impartial, fair and transparent in my decision-making and through this ensure that the professional bodies are investigating the complaints referred to them appropriately.

In the cases referred to me, the chart shows the reasons for consumers dissatisfaction with the legal profession.

In light of this, it is clear that at the outset of their dealings with legal professionals, consumers should normally ask for all communication to be in writing. The legal professional should normally set out in writing, to the consumer, who will be responsible for conducting and supervising their case, the legal professional's complaints procedure and a costs estimate. A written update should be provided to the consumer whenever the costs estimate is amended.

On the same theme the consumer should ask, and the legal professional advise, about the applicability of Legal Aid to their case. Legal Aid helps ensure access to justice by providing high quality advice, information and representation to people who would not otherwise be able to afford it. The consumer should also ensure that any timescales for the progress of their case are confirmed in writing by the legal professional.

Sometimes legal professionals decline to act on a consumer's instructions for legitimate reasons. It would be helpful for a legal professional, when they are declining to act on a consumer's instructions, to set out clearly, succinctly and in writing the reasons why.

Nothing suggested above would involve the legal professional in extra work as sending a copy of the legal professional's attendance note following any contact with the consumer would be sufficient. It would then be the responsibility of the consumer to challenge the written record of the outcome of that contact if they disagreed with, or did not understand, it.

I would advise consumers to make their own notes about any meetings or telephone discussions that take place during their dealings with a legal professional. There are two reasons for this. Firstly, when making a complaint, the onus is on the consumer to present the professional body with documentary evidence in support of their complaint. The maxim 'Innocent until proved guilty' applies to complaint cases particularly in matters of professional misconduct. Secondly, in my experience, many consumers rely solely on their personal recollections of events. They are often then disappointed when the professional body informs them that, without supporting documentary evidence, they cannot assist them. Consumers need to bear in mind that it would be unfair for a professional body to favour one party's version of events over the others without corroboration.

The professional bodies have an important role to play in making their members aware of the common types of complaint received and, more importantly, how to avoid them by providing appropriate client care training which is updated on a regular basis. This would result in the legal professional being better equipped to deal with consumers' issues and concerns.

The benefit to the consumer, of proactive action by the professional body, would manifest itself through both an improved level of service from the legal profession and, if issues did arise, the quicker resolution of their complaint.



### Performance in 2007/2008

In 2007/2008 my Office investigated 1,864 complaints, this compares to the investigation of 1,884 complaints in 2006/2007. Since, in the same time frame, we accepted 1,803 new cases our live caseload has decreased by 61.

There are some instances where OLSO cannot accept cases for investigation. In 2007/2008 there were 461 cases that were not accepted. The top four reasons for cases not being accepted were: the enquiry was premature (210), the enquiry was for another organisation (154), the enquiry was outside of my three month time limit (61), or because the enquiry was a duplicate (32). If the consumer misses the three month deadline I will still accept the case if there are special reasons outside of their control that prevented them from making an earlier application. For example if they or a member of their family have been seriously ill, or if they have suffered bereavement. If the issues raised by their complaint are particularly serious, or raise highly sensitive or important issues for the legal profession I may also consider this to be a special reason to accept a case for investigation.

OLSO has a Government target of completing 90% of its investigations within six months of receipt of the professional body's file. For the fifth year running this target has been exceeded, with 100% of reports issued within this time period.

### OLSO Turnaround Times

	2007/08		2006/07	2005/06	2004/05
Reports issued	1858		1879	1909	1453
% within 2 months	278	15%	34%	11%	13%
% within 4 months	1693	91%	97%	96%	71%
% within 6 months	1858	100%	99.9%	97%	99%
Average turnaround time	2.9		2.4	3.2	3.5

In 2007/2008 there have also been 6 reports issued which the Scottish Legal Services Ombudsman investigated on my behalf. In 2006/2007 there were 5. These reports have been omitted from the figures in this table.

98% of all draft reports achieved the standards set out in our Quality Assurance Framework, which demonstrates the focus on quality throughout my Office. As part of the quality process and to ensure consistency in casework my Legal Advisor audits 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.

### **Judicial Review**

Consumers can challenge my decisions in the courts. Where, for example, a consumer makes an application for Judicial Review, and the High Court refuses the application on written submissions, I will not normally seek an order for costs if the application is unsuccessful. However, I have a duty to protect taxpayers' money, and therefore, if a written application is renewed by way of an application for an oral hearing and if that application is refused, I will seek an order for costs from the court to be made against the applicant. In 3 cases in 2007/2008 costs were paid to my Office by the applicant.

The 3 outstanding applications for Judicial Review referred to in my 2006/2007 Annual Report were unsuccessful. There have been a further 8 applications to the courts by consumers to challenge my decisions this year. 5 have been unsuccessful and the 3 remaining cases are awaiting decisions.

### **Cases referred by the Scottish Legal Services Ombudsman (SLSO)**

Cases are referred to my Office by the Scottish Legal Services Ombudsman (SLSO), under a reciprocal arrangement laid down by the Courts and Legal Services Act 1990. In 2007/2008 my Office completed 8 cases on behalf of SLSO.

I express my thanks to the Scottish Ombudsman and all of her staff for undertaking 6 cases on my behalf.

# LAW SOCIETY

The Law Society represents solicitors in England and Wales.

They aim to help, protect and promote solicitors across England and Wales.

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) (formerly known as the Consumer Complaints Service and previous to that as the Office for the Supervision of Solicitors) to handle consumer complaints and the Solicitors Regulation Authority (SRA) to oversee the conduct of the profession.

Both bodies are independent from the Law Society's representative function, although they are funded by and remain part of the Law Society's structure.

The LCS handles 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 the consumer raises issues over the professional conduct of a solicitor, the LCS will refer the issues to the SRA. If a consumer is unhappy with the way in which the LCS handled their complaint, they can refer their case to my Office.

The implementation of the Legal Services Act (2007) will abolish the LCS. The new ombudsman led Office for Legal Complaints will take on responsibility for handling consumer complaints about solicitors.

“In 2007/2008 the Law Society’s Legal Complaints Service and Solicitors Regulation Authority made up 91% of my workload.”

The SRA sets and enforces the Rules of the Solicitors’ Code of Conduct. If they 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.

In addition, the SRA is 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.

As Ombudsman I have the power to review the way that the SRA have handled a complaint about a solicitor’s conduct. However, I do not have the power to review decisions made by the Solicitors Disciplinary Tribunal.

The SRA will remain as an Approved Regulator following the implementation of the Legal Services Act (2007) and will be overseen by the newly created Legal Services Board.

### PERFORMANCE IN 2007/2008

**This is the first Annual Report that I have been able to report separately upon the performance of the two regulatory functions of the Law Society – the LCS and the SRA. Due to this their performance is compared with their combined performance in previous years.**

This year I investigated 1,293 cases referred to me by consumers who were unhappy with how the LCS handled their complaints and 415 complaints from consumers unhappy with the SRA. Therefore I have completed 1,708 investigations into complaints which are related to solicitors compared to 1,680 in 2006/2007.

#### Number of completed investigations

	LCS	SRA	Law Society (combined service and conduct functions)			
	2007/08	2006/07	2005/06	2004/05	2003/4	
Reports issued	1293	415	1680	1701	1265	1508

I was satisfied with 68% of the LCS's investigations and 80% of the SRA's investigations referred to me by consumers.

#### Satisfaction rating

	LCS	SRA	Law Society (combined service and conduct functions)			
	2007/08	2006/07	2005/06	2004/05		
Satisfaction Ratings	68%	80%	68%	66%	62%	

Therefore in 32% of my investigations (415 cases) into the LCS and 20% of my investigations (82 cases) into the SRA I was not satisfied with the way they had handled the complaint.

I made recommendations (either to reconsider, compensate or both) to the LCS in 324 cases and SRA in 51 cases. Additionally I made formal criticism against the LCS in 91 cases and against the SRA in 31 cases. For an explanation of my recommendations please see the Office of the Legal Services Ombudsman section.

I asked the LCS to reconsider 222 of the investigations referred to me in 2007/2008. I am mindful of giving the professional body enough time to reconsider therefore, as far as reporting in this Annual Report is concerned, I review how long it has taken them to reconsider the cases I referred back to them between April 2007 and September 2007. This meant that at the end of March 2008 there would have been at least 6 months to complete the reinvestigation. Of the 110 cases I asked the LCS to reconsider in this period 85 (77%) have been completed leaving 25 (23%) outstanding.

It should be noted that in 2007/2008 I have not, in any case, awarded the payment of compensation to consumers from lawyers. My Office is small and does not have the resources to carry out original investigations other than in exceptional circumstances, rather I send back to the professional body the cases I am not happy with for them to reconsider. This avoids duplication of effort and ensures that the professional bodies are given the opportunity to learn from their mistakes.

## Adverse findings

	LCS	SRA	Law Society (combined service and conduct functions)	
	2007/08		2006/07	2005/06
Criticism	91	31	118	79
Compensation: Lawyer to pay	0	0	1	1
Compensation: LCS/SRA to pay	102	18	176	253
Compensation: Lawyer and LCS/SRA to pay	0	0	1	0
Reconsider	198	24	189	164
Reconsider and Compensation	24	9	52	73
<b>Total</b>	<b>415</b>	<b>82</b>	<b>537</b>	<b>570</b>

If, following the professional body's reconsideration, the consumer remains unhappy they can again refer the matter to me. This year I have conducted 90 second investigations concerning LCS cases (I conducted 117 into the Law Society in 2006/2007).

In 32% of these cases I was dissatisfied with the further investigation by the LCS (the same percentage as for the Law Society in 2006/2007). In 12 cases I referred the complaint back to the LCS to complete a third investigation. I have reported similarly about the Law Society for the last two years, and I expect the LCS to take steps to ensure I can report an improvement in this area next year.

For the SRA in 2007/2008 I asked them to reconsider 33 of their investigations. On the same basis as above between April 2007 and September 2007, 14 cases were referred back to the SRA to be reinvestigated. Of these 12 (86%) have been completed leaving 2 (14%) outstanding.

This year I have issued reports in 23 second investigations by the SRA. In nearly half of these cases I was dissatisfied with the further investigation by the SRA. This is disappointing, and I hope that the SRA will take steps to improve their performance in this area in the future. It is pleasing to note, however, that in only 2 cases did I feel it necessary to refer the complaint back to the SRA for a third investigation.

I am able to recommend that the LCS and the SRA pay compensation to consumers let down by their service. With respect to the LCS this was done in 126 cases last year, with awards totalling £48,130 and therefore an average award of £382. For the SRA this was done in 27 cases, with awards totalling £13,250 and an average award of £491.

	LCS	SRA	Law Society (combined service and conduct functions)		
	2007/08	2006/07	2005/06	2004/05	
Average Award	£382	£491	£409	£435	£408

## 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 complaints-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.

I am critical of the overall performance of the LCS, and in particular poor decision-making in individual cases. This is something that I urge them to address urgently. However, I am pleased to note that they have continued to reduce the time they take to deal with the complaints they receive. This will result in less distress and inconvenience being caused to consumers through unnecessary delay.

I am encouraged by the performance of the SRA during 2007/2008. Their systematic communication of lessons learned from my reports to their caseworkers has clearly been reflected in their performance this year. The SRA have also been willing to engage constructively with my Office on issues raised in my reports, including those not formally critical of their performance. I look forward to continuing to work in partnership with them.

	LCS	SRA	Law Society (combined service and conduct functions)	
	2007/08		2006/07	2005/06
Poor Decision	251	33	235	214
Poor Service	76	24	146	348
Poor Administration	49	14	57	26
Problems with PB/Lawyer	7	4	10	12

### LCS and the greater use of my reports

I have in my previous five Annual Reports, in my regular meetings with the LCS management and through the reports on my investigations provided my views, findings and recommendations to help the LCS improve its complaints handling. I was therefore disappointed last year in my Annual Report to report that the LCS did not read my reports unless their attention was drawn to a failing. Although I have been assured that all my reports are now read I am still of the view that greater and better use of my reports could be made.

In particular, I believe that reports that do not contain any recommendations could be reviewed in greater detail. The LCS would benefit from understanding what it is doing well to learn lessons for other areas where performance is weaker. Additionally where my reports are positive this allows feedback for staff that can be used in training as well as potentially enhancing morale within the LCS.



# “My Office has helped many former miners to successfully recover monies wrongly deducted.”

## The Miners' Cases

Many former miners who received compensation from the former Department of Trade & Industry, for example for a respiratory disease and /or Vibration White Finger, did not get 100% of their 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.

I have already 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 LCS.

I issued a Special Report on the Miners' cases in April 2006. In my Special Report I proposed that the LCS re-open miners' cases which have been conciliated by them. I felt that, due to the conciliated miners' cases that I had investigated, there was a strong argument that all miners' cases conciliated by the LCS should be reviewed. This was because there was evidence to suggest that some of these cases had not been conciliated appropriately. In cases where I have 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 SRA.

After lengthy correspondence, during which the LCS took an inordinate length of time to provide what I regard as basic data, the LCS declined to carry out a review of conciliated cases. Amongst the reasons given for their decision was that the LCS believe that 'in the vast majority of cases, complainants are satisfied with the conciliated outcome of their complaint and are in no way dissatisfied or seeking to have their complaint re-opened'. This contradicts the findings of the Electoral Reform Services poll reported in the Law Society Gazette on 1st February 2007. This found that only 51% of consumers whose complaints were conciliated felt that this was the best outcome – 70% felt that they had no option but to accept the solicitor's offer.

Unfortunately my fears concerning conciliated cases have been substantiated by a Special Report issued by the Office of the Legal Services Complaints Commissioner (OLSCC) entitled 'Investigation into the handling of Coal Health Compensation Scheme complaints by The Legal Complaints Service and The Solicitors Regulation Authority' (January 2008). In summary there were four key findings:

- (a) When the LCS adjudicators investigate complaints, miners on average receive higher awards than those where the LCS caseworkers conciliate between the miner and his solicitor. For the most recent cases, the gap between conciliation and adjudication awards is increasing.
- In the cases closed in 2007 that the OLSCC audited they found that miners who conciliated would on average have been £207 better off if their complaint had been adjudicated.

(b) The LCS caseworkers are not using the findings from adjudicated decisions sufficiently when conciliating.

- In conciliated complaints that opened and closed in 2007, 56% of miners only managed to obtain a refund of the deduction made by the solicitor, with no additional award for the distress and inconvenience caused.
- Similar adjudicated decisions have awarded an average of £330 compensation for the distress and inconvenience caused.

(c) The LCS caseworkers are inconsistent with and sometimes misleading miners in the handling of their complaints.

- The LCS caseworkers, in 11% of complaints closed in 2007, did not explain the option of adjudication to miners.
- In the case of two firms using a 'standard tariff', of the 62 complaints the OLSCC audited they found that 30 miners had received less than the deductions taken by their solicitor from their original compensation award.

(d) Systems within the LCS are not identifying and subsequently not correcting flaws in the way miners' complaints are handled.

- The LCS does not appear to have an effective file review system that identifies systematic failings.
- The OLSCC found that the LCS had lost or was not able to account for almost 5% of complaints received from miners.

The Commissioner believes that none of these findings are insurmountable and that all of them could be resolved relatively quickly by the LCS.

There have 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 that ex-gratia advances of inadequate professional service awards be paid in the miners' cases, where the solicitors concerned have not met the awards. These advances will make a real difference to the miners concerned.

I had previously been informed that complaints relating to fee deductions/additional charges would be accepted out of time by the LCS. However correspondence in response to an OLSO investigation stated that in all cases, acceptance of the complaint for investigation out of time comes down to LCS caseworker discretion. It remains my view that all miners' cases should be accepted outside of the LCS's six-month time limit in view of the special circumstances of these cases.

In June 2007 I produced a miners' information leaflet. Following a mailout from the LCS to 3,643 former miners in the Rother Valley constituency, which included my leaflet, a total of 327 people attended information sessions. The mailout, plus the information sessions, had by the 1st November 2007 generated 330 complaints to the LCS. This demonstrates very clearly that there remain miners' cases still requiring investigation.

Additionally my leaflet was distributed to Members of Parliament who represent a constituency in which they are or were coal fields (200 in total), Law Centres and the former Department of Trade & Industry helpdesk.

The LCS is planning to write to around half a million former miners with the aim of encouraging them to seek repayment of fees which may have been wrongly deducted by solicitors. Nearly a year on, I understand from the LCS that they are still trying to ascertain more precisely the numbers of claimants to be contacted before they begin this process.

### **Negligence Cases**

In last year's Annual Report I stated that I would give an update on my proposal that the Law Society's complaints service should be more willing to handle straight-forward negligence cases. I am aware that the LCS's compensation levels have been raised to £15,000 in order to facilitate this. However, in the investigations that I have reviewed, there remains some reluctance on the part of the LCS to deal with simple negligence issues. There is a need for training so that present LCS staff are in a position to deal with these simple cases when the OLC goes live and the ceiling for compensation awards rises to £30,000.

### **Publication of solicitors' complaints records**

In January 2008 the LCS launched a formal consultation with its key stakeholders regarding the publication of solicitors' complaints records. This consultation period ended on 24th April 2008.

In principle, I am supportive of the proposals to publish the complaints records of law firms. Publication should act as a deterrent to standards slipping in service and encourage improvements to internal complaint-handling systems in law firms. In my view, publication also provides transparency and assists consumers to make informed choices in respect of legal service providers. This can only be beneficial for public confidence in the profession, however its value is dependent on the breadth and detail of the information that is published.

Under the current proposals, it is intended to publish only those decisions reached following the LCS adjudication process. Given the very low percentage (4%) of complaints dealt with by adjudication and the even smaller number upheld, I am left wondering whether publication would be worthwhile. At present I am unclear what conclusions consumers, or the profession, can accurately draw from the limited information the LCS are proposing to provide to them. Indeed the current proposals could potentially lead to some solicitors paying compensation irrespective of the merits of the case to avoid publication and the resulting negative publicity.

Full publication of all solicitors' complaints and the improvement of client care through training and the introduction of a Charter Mark system would represent a more holistic approach to improving service standards. Charter Mark has been used successfully in other fields as a tool for improving customer service. Law firms achieving Charter Mark status would be recognised for excellence, demonstrating to consumers the high level of service that could be expected. Firms could also map the work they do for a Charter Mark against other initiatives such as the Investors in People standard. I encourage the Law Society to adopt this more holistic approach.

# GENERAL COUNCIL OF THE BAR

The Bar Council is responsible for representing barristers, educating them and regulating their entry to the profession.

They are also responsible for setting and upholding their practising standards and handling complaints about their service and professional conduct.

In 2006, the Bar Council separated its regulatory and representative functions, and the Bar Standards Board (BSB) took responsibility for regulation and the handling of consumer complaints. I have the power to investigate the way in which the BSB has investigated a complaint in response to a consumer's referral.

Following the implementation of the Legal Services Act (2007), the Office for Legal Complaints will assume responsibility for handling consumer complaints about barristers. The BSB will, however, maintain the responsibility for regulation of barristers' professional conduct as an Approved Regulator, overseen by the Legal Services Board.

### BSB Strategic Review

In my 2006/2007 Annual Report I alluded to the Strategic Review of Complaints and Disciplinary Processes of the Bar Standards Board which was in the process of being conducted by the (then) new Bar Standards Commissioner, Robert Behrens. This review, to which over a thousand people contributed, was published in July 2007. The review concluded that the processes as they stood were reasonably coherent, cost-effective and worked well. However, it did find that they were not 'state of the art'. It found weaknesses that needed to be addressed as a matter of priority – ineffective communications with complainants and prospective complainants, a lack of proportionality in decision-making rules and inadequate processes leading to a system which is inaccessible to some complainants and internally disjointed. I welcome the findings of the review and agree with the Commissioner that this is not a suggestion of failure but rather it is an opportunity to "build responsibly and creatively on existing strengths at a time of change."

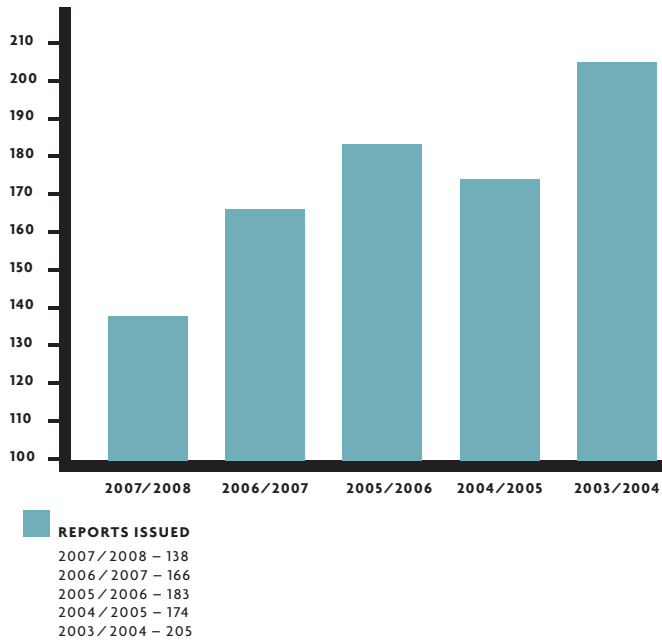
In terms of the Review's recommendations I am particularly keen to see recommendation 52(b) introduced. This recommendation is that the BSB should liaise with relevant providers to develop a course designed to equip Heads of Chambers, and those responsible within Chambers for handling complaints, with the information and skills necessary to deal with complaints under the designated system. I believe this training is critical in ensuring that there is consistency of complaint handling.

It is hoped, by the BSB, that most recommendations will be implemented by October 2008.

## PERFORMANCE IN 2007/2008

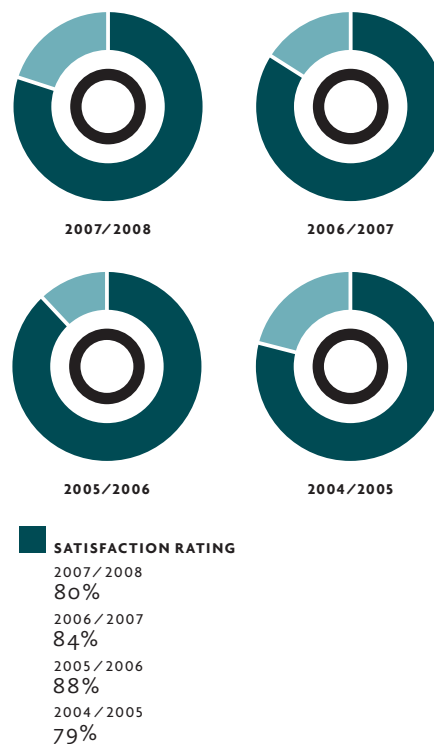
I investigated 138 cases referred to me by consumers who were dissatisfied with the Bar Standard Board's handling of their complaint. This compares to 166 in 2006/2007.

### Number of completed investigations



I was satisfied in 80% of these cases, a decrease from 84% the year before.

### BSB satisfaction rating



Adverse findings were therefore recorded in 27 of the 138 cases (20% of the total). Adverse findings result in recommendations that can be a combination of reconsiderations, compensation and formal criticisms. For an explanation of my recommendations please see the Office of the Legal Services Ombudsman section.

### Adverse findings against the BSB

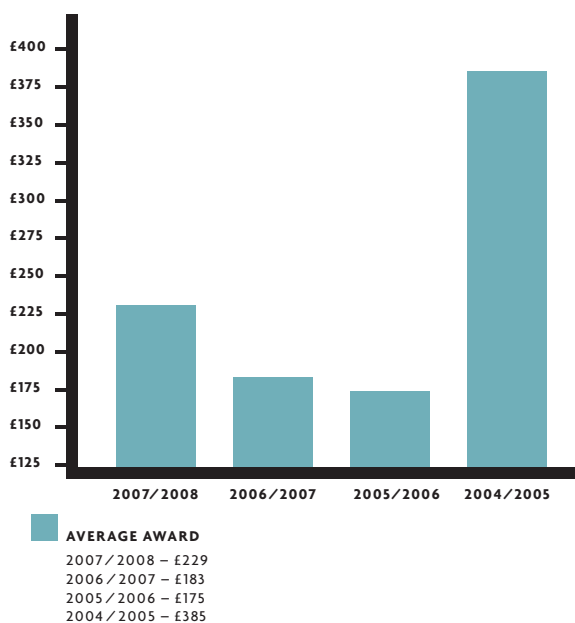
	2007/08	2006/07	2005/06
Criticism	7	8	3
Compensation: Lawyer to pay	0	0	0
Compensation: BSB to pay	11	3	1
Compensation: Lawyer and BSB to pay	0	0	0
Reconsider	8	16	17
Reconsider and Compensation	1	0	1
<b>Total</b>	<b>27</b>	<b>27</b>	<b>22</b>

In terms of asking the BSB to reconsider I asked them to do this in 9 cases in 2007/2008. As far as reporting in my Annual Report is concerned, I review how long it has taken the BSB to reconsider the cases I referred back to them between April 2007 and September 2007. Between April 2007 and September 2007 4 cases were referred back to the BSB to be reinvestigated. This meant at the end of March 2008 there would have been at least 6 months to complete the reinvestigation. All of these have been completed and I thank the BSB, following my concerns expressed in last year's Annual Report, for placing greater emphasis on completing these investigations.

If, following the professional body's reconsideration, the consumer remains unhappy they can again refer the matter to me. This year I have conducted 8 second investigations into the BSB. I was not completely satisfied with their further investigation in 3 cases, however none of these cases led to me asking the BSB to investigate for a third time.

I am able to recommend that the BSB pay compensation to consumers let down by their service. This was done in 12 cases in 2007/2008 (compared to 3 cases in 2006/2007). Compensation paid totalled £2,750 with an average award of £229.

### Average compensation award against the BSB



Explanations of the reasons for a recommendation against a professional body are set out in the Law Society's section. As far as the BSB are concerned I would ask them to note the slight upward trend in my recommendations relating to poor service and poor administration.

### Reasons for recommendations made against the BSB

	2007/08	2006/07	2005/06
Poor Decisions	9	20	18
Poor Service	9	4	4
Poor Administration	7	3	1
Problems with PB/Lawyer	0	1	0



# COUNCIL FOR LICENSED CONVEYANCERS

The Council for Licensed Conveyancers (CLC) is responsible for representing the interests of licensed conveyancers and regulating their professional conduct. Currently, the CLC also handles consumer complaints about the service received from their members.

In addition they issue licences and organise the licensed conveyancers' compulsory training and examinations.

When the Legal Services Act (2007) is implemented, the CLC's consumer complaints handling will transfer to the Office for Legal Complaints. The CLC will retain their regulatory function as an Approved Regulator, overseen by the Legal Services Board.

In my 2006/2007 Annual Report I expressed concerns about the CLC's procedures, in particular:

- The way in which complaints about licensed conveyancers were progressed by CLC Report Writers.

- The report prepared for consideration by the Investigating Committee.

- The Investigating Committee's decision.

I am pleased to report that the CLC have taken on board my comments. In relation to my first concern the CLC were intending to have a new complaints management system fully operational by the end of April 2008. This is expected to have a number of benefits including improved and more varied management reporting and improved tracking of individual cases.

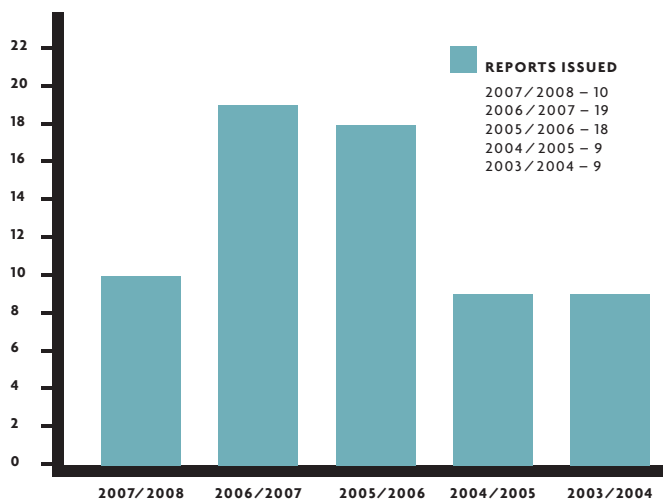
In relation to my second concern the CLC's Report Writers have, since October 2007, been using a revised report template. However, a significant number of complaints using the previous report format still have to be determined by the Investigating Committee. A Report Writer's Training Day is scheduled for early in 2008/2009 to review the new style of report. It is hoped that this improved report template will also improve the quality of the Investigating Committee's decision-making, my third concern.

I have had an open dialogue with the CLC throughout this reporting year. After the new format reports and recommendations have been successfully introduced, the CLC envisage piloting an initiative to seek to agree with the consumer the nature of the complaint at the time it is received. This will lead to better case management. In addition, tighter controls have been introduced to minimise the risk of administrative errors that have led to formal criticisms of the CLC within my reports. Finally the CLC is investigating whether it is possible for complaints, if they need to be reconsidered, to be determined by a differently constituted Investigating Committee. I welcome all of these initiatives and look forward to working with the CLC in 2008/2009 to further improve their complaint handling.

### Performance in 2007/2008

During 2007/2008, I investigated 10 cases referred to me by consumers who were unhappy with the Council for Licensed Conveyancers handling of their complaint. This compares to 19 complaints in 2006/2007.

### Number of completed investigations



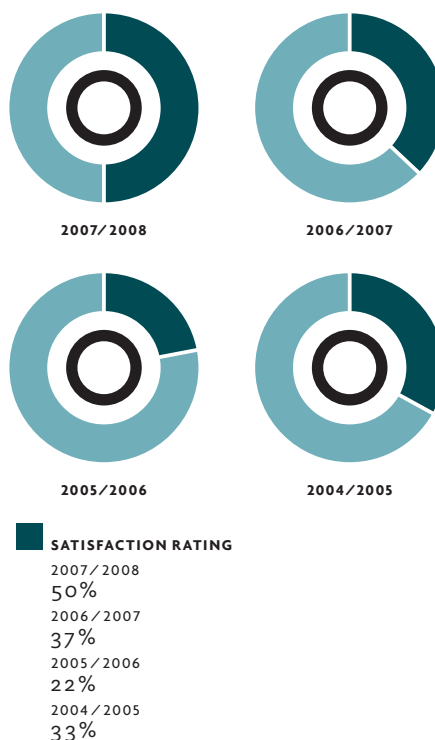
I was satisfied with the handling of 50% of these cases, an increase from 37% the year before.

I have therefore made formal recommendations to the CLC in 5 cases. My recommendations can be a combination of reconsiderations, compensation and formal criticisms. For an explanation of these recommendations please see the Office of the Legal Services Ombudsman section.

In terms of my five recommendations that I made to the CLC - 3 were for the CLC to pay compensation to the consumer, 1 was for the CLC to reconsider the complaint and 1 was for the CLC to both reconsider the complaint and pay compensation to the consumer. In the four investigations where I recommended that the CLC compensate the consumer for shortcomings in their own internal service this amounted to £1,400, an average award of £350.

Explanations of the reasons for recommendations against a professional body are set out in the Law Society's section. Of the five recommendations I made against the CLC, four related to poor decisions. In the other case, my recommendation related to poor administration.

### CLC satisfaction rating



# THE OTHER PROFESSIONAL BODIES

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

My remit covers the 19 Legal Executive Advocate members of ILEX, compared to the full membership of 23,140 (as at December 2007).

Its investigating Committee is a standing committee of the ILEX Council and is made up of 6 council members and 3 lay members. This Committee considers complaints or allegations of misconduct made against members and declarations of prior conduct made by members of ILEX or persons applying to join ILEX.

The Investigating Committee considered a total of 29 cases in 2007 where complaints had been made against ILEX members compared to 30 cases considered by them in 2006.

24% of cases considered by the Committee were completed within 3 months (up from 7% in 2006), 52% within 6 months (up from 43% in 2006) and 86% within 9 months (up from 83% in 2006). The remaining 14% of cases (4 in total) in 2007 took over 12 months to complete.

In 2007/2008 I received no cases relating to the handling of complaints by ILEX.

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

My remit covers the 68 holders of Litigator Certificates, compared to a full membership of 1,703 (as at December 2007).

At the beginning of 2007 there were two cases before Disciplinary Boards, and one case before the Appeal Panel. Both of the cases before Disciplinary Boards were closed in 2007, having taken 5 and 11 months from the reference to the Board to the issuing of the decision of the Board. One of these cases was then appealed by the practitioner and the appeal, on procedural grounds, was allowed. The case before the Appeal Panel, which was outstanding at the start of the year, was also allowed on procedural grounds, both appeals having taken 7 months. Thus, at the end of 2007 there were no cases before Disciplinary Boards and no cases before the Appeal Tribunal.

As a result of the two appeals, which found that the Institute's Regulatory & Disciplinary Procedures were defective and not in accordance with the Human Rights Act, the Institute amended the procedures to require the appointment of a Case Manager. The role of the Case Manager is to prepare a Statement of Case to be answered by the member and to prosecute the case before a Disciplinary Board. The Case Managers, who are Fellows of the Institute, have the power to dismiss complaints that are frivolous or lacking in evidence, subject to the right of appeal by the complainant to an independent Review Manager.

During 2007, CIPA received 11 letters of complaint (up from 8 in 2006) with none of them being against Patent Agent Litigators. After investigation within the Secretariat, involving where necessary contacts with the complainant and the member complained of, nine of the cases were resolved by conciliation between the parties, under the firms' internal complaints procedures without the need for the cases to be formally considered by the Institute. In the tenth case the complainant was advised that there was no misconduct on the part of the member and the complainant accepted the position in a meeting with the Secretary of the Institute and did not pursue the complaint. The remaining case involved a complaint of professional misconduct by a member and was remitted to a Case Manager for consideration. The Case Manager dismissed the complaint and the complainant chose not to request referral to a Review Manager. Consequently, no cases were remitted to Disciplinary Boards in 2007 for consideration as to whether there had been breaches of the Rules of Professional Conduct.

In 2007/2008 I received no cases relating to the handling of complaints by CIPA.

### **Institute of Trade Mark Attorneys (ITMA)**

In 2007 ITMA's Professional Guidance and Disciplinary Committee met on three occasions and considered a small number of complaints which are still ongoing but which are being progressed by Committee members. In 2007/2008 I received no cases relating to the handling of complaints by ITMA.

# THE OMBUDSMAN'S CASEBOOK

## **CASES SHOULD NOT BE REJECTED UNFAIRLY**

**A firm of solicitors acted for the management team on the buyout of a company. The firm then acted as company solicitors. Subsequently, shareholders sought to remove the Managing Director of the company. The Managing Director instructed the firm to apply for an injunction to prevent his removal.**

A complaint on behalf of the company was made to the Legal Complaints Service (LCS). It was alleged that the firm had acted in a situation where there was a conflict of interest; had apportioned fees between the Managing Director and the company unfairly and had been obstructive to requests for the release of company documents. The LCS did not uphold the complaint. They said that they were unable to consider disputes between directors. They also said that the complaint was out of time.

The Ombudsman recommended that the LCS reconsider their decision. She pointed out that the dispute was not purely a directorship dispute. In terms of the complaint being out of time, she concluded that issues of dishonesty had been raised which could justify an investigation out of time. In addition, the LCS had carried out an investigation and given a decision. She found that at that stage, it was inappropriate, to declare a complaint out of time under the LCS' excluded matters policy.

The LCS reopened their file. The complaint was referred to adjudication. The Adjudicator made three findings of inadequate service. Those findings were that: the firm had failed to provide adequate costs information; had failed to adequately advise the company when the retainer with the firm had terminated and had failed to release documents to which the company had been entitled.

The firm of solicitors was directed by the LCS to refund company fees in the sum of £10,500.

### EXCESSIVE DELAY AND QUESTIONS OF CONDUCT

**In 1993 Mrs S instructed a sole practitioner in connection with her divorce proceedings. Mrs S, who was Legally Aided, experienced great difficulty in getting the solicitor to finalise matters, especially in relation to a statutory charge secured over her property as part of her legal aid arrangements.**

In 2004 Mrs S complained to the Legal Complaints Service (LCS) about the solicitor.

Some two and a half years later the LCS concluded that the solicitor had grossly delayed matters and had lost Mrs S's files. Mrs S offered to settle her complaint if the solicitor agreed to meet her barrister's costs of almost £3,000. The LCS considered this a suitable outcome but by March 2007 payment of the barrister's costs remained outstanding and Mrs S decided to complain to the Ombudsman.

Although the solicitor later paid the barrister's fees, the Ombudsman had two principal concerns about the LCS's handling of Mrs S's complaint.

Firstly, the Ombudsman considered that the LCS's delay, before they reached a conclusion, was quite extraordinary. The Ombudsman assessed the avoidable delay for which the LCS was responsible amounted to thirteen and a half months. The Ombudsman considered that Mrs S should be compensated and, on the recommendation of the Ombudsman, the LCS subsequently made two payments to Mrs S. The first was a payment of £600 as compensation for the inconvenience caused to her by the delay. The second was a payment of £1,500 as compensation for the distress that Mrs S must have experienced whilst waiting for the LCS to complete their investigation.

Secondly, the Ombudsman felt that the solicitor's conduct of his responsibilities towards Mrs S might have amounted to a breach of his professional responsibilities. The Ombudsman therefore asked the LCS to refer Mrs S's case to the Solicitors Regulation Authority (SRA). The LCS acted accordingly and although the SRA eventually decided that there had been no misconduct, Mrs S had the satisfaction of her concerns being taken seriously and of them being examined in some detail by the SRA.

**AN APPROPRIATE DECISION AND REFERRAL  
TO THE SOLICITORS REGULATION AUTHORITY**

**Mrs L instructed a firm regarding an option agreement for a third party to purchase her property. She was dissatisfied with the work and complained to the Legal Complaints Service (LCS) having been unable to resolve her complaints with the firm.**

The LCS identified Mrs L's complaints under four headings; failure to follow instructions; failure to advise; conflict of interest; and delay in dealing with the complaint. They also identified that parts of Mrs L's complaints related to allegations of negligence, and they informed her that they could not consider those matters.

The LCS contacted the firm and they conceded that there was merit in the complaint of failure to advise but they did not believe that they had failed to follow instructions or acted in a conflict of interest situation. They had referred the complaint to their insurers because of the negligence claims, and so did not feel that they were responsible for any delay in dealing with it. The LCS invited Mrs L's comments on the firm's response, and having received them sent their analysis of the complaints to the firm. The LCS said that it appeared that the firm had acted where there was a conflict of interest, because they had acted for Mrs L's ex-husband. The LCS considered that the firm had given an inadequate professional service in not providing Mrs L with client care information and in not advising her properly, as they had admitted. The LCS also felt that there was delay in the firm referring the complaint to their insurers.

After further correspondence, the LCS was unable to conciliate the complaint between Mrs L and the firm, and so the caseworker prepared a report for adjudication. Both Mrs L and the firm made further representations in response to the caseworker's report.

The Adjudicator considered all of the information and concluded that the firm had given inadequate professional service in four areas; they had failed to follow instructions; they had failed to adequately advise Mrs L; they had failed to provide adequate costs information; and they had failed to protect Mrs L's interests. The Adjudicator did not consider that the firm had acted where there had been a conflict of interest.

The firm was directed to pay compensation to Mrs L for extremely serious distress and inconvenience; to contribute to her costs in challenging a related matter against her ex-husband; and to reduce their costs for the work they did for Mrs L.

Mrs L asked the Ombudsman to review the Adjudicator's decision that there was no conflict of interest. The Ombudsman was satisfied that the LCS undertook a thorough and fair investigation, explaining fully to Mrs L and to the firm their findings at every stage, and she was satisfied that the Adjudicator had given careful consideration to the caseworker's report and the extensive documentation on file. The Ombudsman felt that the Adjudicator's conclusions were reasonable and she was satisfied to note that, where the Adjudicator had identified an issue of potential professional misconduct, it had been referred to the Solicitors Regulation Authority for them to consider.

### ENDOWMENT POLICY MIS-SELLING

Mr & Mrs W were sold an endowment mortgage by a firm of solicitors in August 1991. They complained to the firm when it became apparent that the policy was unlikely to meet its target on completion. They complained that the firm had failed to advise them of the risks involved. The firm said that they would not investigate the complaint because their file had been destroyed. *Mr & Mrs W then complained to the Legal Complaints Service (LCS).*

The LCS took the view that Mr & Mrs W had not lost out financially because in their endowment mortgage questionnaire they had said that, had they been informed of the risks involved, they would not have bought the house but stayed with their parents. The LCS felt that Mr & Mrs W had therefore benefited from the purchase of the house owing to subsequent rises in property prices.

The Ombudsman did not agree with this point of view. In the absence of the firm's file, the LCS had based their review on the mortgage questionnaire and their own internal records from a monitoring visit to the firm in 1991. The records of the visit showed that the firm had made little effort to comply with the Solicitors Investment Business Rules at the time that they sold the endowment mortgage to Mr & Mrs W.

The Ombudsman felt that the evidence indicated that Mr & Mrs W

had not been informed that they had the option to choose a repayment mortgage. She took the view that if they had been aware that they had the option of a repayment mortgage, Mr & Mrs W may not have said that they would have stayed with their parents rather than buy the endowment mortgage. The Ombudsman therefore concluded that it was not reasonable for the LCS to conclude that Mr & Mrs W had not lost out financially on the basis of the information in the mortgage questionnaire, because they had not been aware of all of the options available to them when they filled it out. The Ombudsman asked the LCS to reconsider the complaint.

Upon reconsidering the LCS concluded that the firm had missold the endowment mortgage. The firm were ordered to compensate Mr & Mrs W £6,000 for financial loss, and £200 for inconvenience and distress.



### MORTGAGE FRAUD? DISCLOSURE OF FINDINGS

Mrs W was persuaded by her daughter, Mrs A, (who described herself as ‘a conveyancing solicitor’ employed by ABC, a division of D & Co) to mortgage her home, previously mortgage free, in the sum of £80,000. Mrs A and her husband would be responsible for the repayments but £20,000 would be used to pay off Mrs A’s debts.

Mrs A dealt with the paperwork, including a deed which transferred ownership of the property to the joint names of Mrs W and Mr and Mrs A. Mrs A later arranged a £150,000 re-mortgage through D & Co, the repayment vehicle for which was the sale of the property.

The mortgage provider requested confirmation from independent solicitors that they had explained to Mrs W the nature of the transaction and the practical implications of the mortgage. ABC confirmed that they had given Mrs W such advice.

Mrs W complained to the Solicitors Regulation Authority (SRA) that the signature on the mortgage offer was not hers, that she had received no advice as to the size of the advance and would never have agreed for her property to be sold to repay it. She said that D & Co and ABC had acted despite conflicts of

interest and that, through her involvement with both practices, her daughter had been able to perpetrate ‘what amounted to a mortgage fraud’.

The SRA said that they could find no evidence of professional misconduct. They said that the information was helpful to them in assessing whether an investigation was appropriate but that they could not confirm whether any investigation would take place. They suggested that she seek independent legal advice with regard to the re-mortgage.

The Ombudsman said that it would be quite wrong to dismiss Mrs W’s complaint out of hand. She recommended that the SRA should investigate how ABC, as a division of D & Co, could give independent legal advice to Mrs W given that D & Co acted for the mortgage provider. She said the

SRA should clarify the status of Mrs A and ask her to explain why, if she was employed by ABC, it was appropriate for ABC to provide her mother with independent legal advice about a transaction from which Mrs A benefited. She said that ABC should be asked to provide evidence of the advice allegedly given to Mrs W and that Mrs A should explain the circumstances under which the mortgage deed was signed.

In line with her belief that findings of professional misconduct should be disclosed in the interests of public confidence in the legal profession and of natural justice, the Ombudsman strongly recommended that Mrs W be kept fully informed of any progress in the investigation of her complaint and the outcome.

#### ADJUSTMENTS TO ACCOMMODATE FOR DISABILITY

Ms F has impaired hearing, and her first language is British Sign Language (BSL). She complained to the Legal Complaints Service (LCS) about the way her firm, SL, had handled a personal injury case. Ms F had received a settlement; but she felt that she had received a poor service, and that the firm had discriminated against her because of her disability.

The LCS considered the service issues, finding that there was no inadequate professional service on the firm's part, and then referred the matter to the Solicitors Regulation Authority (SRA) to consider the allegation of discrimination. Specifically, Ms F complained that she had to pay for interpreters' fees, while the firm contended that the fees had been paid as part of the settlement agreement. The SRA considered all of the evidence and found that there was no evidence of discrimination from the firm and therefore no evidence of professional misconduct.

Both the LCS and the SRA arranged for Local Conciliation Officers and BSL interpreters to visit Ms F at home to ensure that at all times she understood

the situation and had the opportunity to raise further issues or produce evidence to support her complaints. On review of their handling of Ms F's complaint, the Ombudsman found the approach of the LCS and the SRA to be exemplary and applauded the lengths to which both bodies went in order to accommodate Ms F's disability.

## BIAS IN THE APPEAL PROCEDURE

*Mrs L was distressed at the performance of her barrister, Ms D, in family proceedings. She complained to the Bar Standards Board (BSB). The Board's Appeal Panel met in London in 2006. Ms D was represented at the appeal by a QC, whereas Mrs L, who lived in Wales and was in poor health, could not afford the rail-fare to attend and nor could she afford representation.*

Mrs L made representations in writing to the Panel. The Appeal Panel found that Ms D had provided an adequate service but advised the barrister not to collect her fee.

Mrs L applied to the Ombudsman because she felt the procedure was unfair. The Ombudsman agreed that there had been unacceptable bias against Mrs L in the appeal procedure, in that Ms D had been given two months notice of the oral appeal hearing but Mrs L was misinformed that she could not speak at the appeal; the misinformation was not corrected until one week before the hearing. Further, the Ombudsman considered that natural justice required that a complainant suffering hardship, who could not afford to attend a hearing arranged remotely from her place of residence, should be assisted with travel expenses. Further, the Ombudsman considered that it was manifestly unfair that the Rules allowed a hearing where the barrister was both present and had a QC to represent her, whereas the consumer was not present and had no representation. Due to these defects in procedure the Ombudsman recommended reconsideration.

The BSB followed the Ombudsman's recommendation to reconsider and, in April 2007, they apologised to Mrs L for their procedural errors. The BSB further accepted that, in the light of the Ombudsman's views, a change in the Rules might be appropriate to permit financial assistance to be given to complainants suffering hardship.

Mrs L again applied to the Ombudsman. In October 2007 the Ombudsman issued her second report in the matter. The Ombudsman considered that it was reasonable of the BSB not to have re-heard the appeal because the original decision had been within the bounds of reasonableness and the procedural defects had produced the appearance of unfairness rather than actual disadvantage to Mrs L. The Ombudsman noted that the BSB had issued a written apology and were considering amending the Rules to assist consumers in hardship to attend hearings.

## A BALANCED AND FAIR INVESTIGATION

Mr K wished to apply to the Employment Appeal Tribunal and had a conference with a barrister, Mr B, to advise him in respect of the relevant provisions of the *Employment Relations Act 1996*.

Mr K complained to the Bar Standards Board (BSB) because he felt that Mr B's advice had been manifestly wrong in law; that Mr B had been incorrect in saying that Mr K had relied on a particular precedent decision in his application and in saying that there was no case on the point from that precedent; and Mr K complained that Mr B had misled the BSB by stating that he had appeared in many leading cases on 'whistle-blowing'. The BSB gathered a response from Mr B and further submissions from Mr K before seeking advice from a Sponsor Member. The Conduct Committee dismissed all of Mr K's complaints. They felt that the advice given by Mr B had been proper and had focussed on the correct statutory provisions; they felt that the precedent was not directly on point and would not have affected Mr B's advice; and they did not consider that Mr B had misrepresented his position to the BSB.

Mr K asked the Ombudsman to review the BSB's file because he felt that the BSB had failed to find against Mr B because of his standing and that they had misconstrued his complaints.

The Ombudsman found that the BSB had complied with all of the appropriate standards of procedural fairness and subsequently felt that the Conduct Committee had sufficient evidence on which to form a reasoned and balanced decision. She found no evidence to suggest that the complaint handled in a manner in anyway biased in favour of Mr B's perceived standing.

The Ombudsman also found that there was no evidence to support the complaint that the BSB had misconstrued Mr K's complaint. She considered that his complaints had been understood and given thorough and appropriate consideration.

### **SLOW RESPONSE TO A COMPLAINT OUTSIDE OF THEIR JURISDICTION**

Mr G raised a complaint about Mr K, a partner at a firm of licensed conveyancers, formerly a firm of solicitors, with the CLC in September 2004. He complained that Mr K's firm had been *negligent in the purchase of his property*.

Mr G stated that the firm did not register the property with the Land Registry or check that the boundaries were in accordance with the deeds. Mr G stated that, as a result, he had had to instruct a firm of solicitors to carry out this work before he could sell the property.

The Council for Licensed Conveyancers (CLC) wrote to Mr G in March 2007 and informed him that it 'appeared to the Investigating Committee that the matters complained of... related to a period when Mr K practised as a solicitor before he was regulated by the CLC. The Investigating Committee did not have jurisdiction to determine the matters which had been raised by [Mr G].'

In April 2007, Mr G made an application to the Ombudsman and asked her to investigate the CLC's handling of his complaint. Having reviewed the CLC's file, the Ombudsman issued her report. Although she was satisfied that the CLC's decision was reasonable, she was 'far from satisfied with the way in which [the CLC's] investigation progressed.' The Ombudsman pointed out that Mr G initially complained to the CLC in September 2004 and yet it was not until March 2007 that they concluded that Mr G's complaint fell outside their jurisdiction. The Ombudsman considered the fact that it took twenty-nine months for the CLC to reach their decision to be unreasonable. She stated that, from the information supplied by Mr G to the CLC at the outset of his complaint, it was apparent that Mr K was practising as a solicitor at the time to which the complaint referred. In any event, the Ombudsman suggested that if the CLC were in any doubt as to this fact, then they simply 'could have checked their own records to confirm the date at which [Mr K] was granted a license to practice as a licensed conveyancer.'

The Ombudsman concluded that the length of time it took the CLC to close their investigation had caused Mr G to suffer 'unnecessary distress and inconvenience', most noticeably because when the CLC finally informed Mr G that his complaint was outside of their jurisdiction, the time limit for him to make a complaint to the Law Society had expired. In these circumstances, the Ombudsman recommended that the CLC pay Mr G the sum of £300 as a reflection of the distress and inconvenience that he was put to by their failure to deal promptly with his complaint.

#### **FAIR AND REASONABLE COMPENSATION**

W & Co acted for Mr T in the transfer of equity on his flat, the sale of that flat, and the purchase of a house.

Mr T complained about poor service including delay, errors in the conveyancing forms, not being kept informed and excessive costs. W & Co accepted that there had been some problems and *waived their fees for the transfer of equity matter amounting to £350 plus vat.*

Mr T complained to the Council for Licensed Conveyancers (CLC). They investigated 15 separate service complaints about W & Co and upheld or partially upheld 13 of those 15 complaints. The CLC ordered that the firm should pay Mr T a total of £805.56 in compensation made up of £500 plus vat already paid, £18.06 to cover additional mortgage interest, and £200 for distress and inconvenience.

Mr T remained dissatisfied and referred the matter to the Ombudsman. In essence, he questioned how poor the service had to be from the licensed conveyancer before the CLC would require a full refund of all costs. The Ombudsman explained that there was no straightforward answer and that each case had to be considered on its own merits. She noted that, although W & Co had been guilty of a series of minor administrative errors, some delay, and confusion caused by the number of different staff involved in the case, all three transactions had been completed providing Mr T with at least some benefit from the licensed conveyancer's service.

Mr T had originally paid W & Co £1245.50 in legal costs but had been refunded £805.56 meaning that he had actually paid £439.94. This, the Ombudsman said, amounted to one quarter of the total costs of £1,656.75 which Mr T could have been required to pay if W & Co had not immediately waived the transfer of equity costs of £350 plus vat. She said W & Co's service had not been so poor that Mr T had had to instruct another licensed conveyancer to either complete the three transactions or to put matters right after the event. In the circumstances, the Ombudsman concluded that the compensation awarded to Mr T was a fair and reasonable amount that reflected the level of inadequate professional service identified by the CLC. The Ombudsman concurred with the CLC that there were no reasonable grounds for the complainant's request that all his legal fees should be waived or refunded.

# REMUNERATION REPORT

## Auditable Sections

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

## Remuneration Policy

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

The Legal Services Ombudsman (the Ombudsman), receives salary increases annually in line with the average award to Senior Civil Service (SCS) employees. The Ombudsman therefore is not subject to performance pay arrangements, although she discusses her annual appraisal with the Permanent Secretary of the Ministry of Justice.

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

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

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

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

## Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

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

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

## Salary and Pension Entitlements

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

### Remuneration

	2007-08	2006-07
	£'000	£'000
<b>Members</b>	<b>Salary</b>	<b>Salary</b>
Zahida Manzoor	110-115	110-115

### Salary

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

### Pension Benefits

	Accrued pension at age 60 at 31/03/08	Real increase in pension at age 60	CETV at 31/03/08	CETV at 31/03/07	Real increase in CETV
<b>Name</b>	£'000	£'000	£'000	£'000	£'000
Zahida Manzoor	5-10	0-2.5	155	108	27

The figures shown on the pension benefit relates 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/CI 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 updated 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).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### Cash Equivalent Transfer Values

Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The 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.

### Real Increase in CETV

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

Zahida Manzoor CBE  
Legal Services Ombudsman  
for England and Wales  
4th June 2008

Suma Chakrabarti  
Accounting Officer

5th June 2008

# ANNUAL ACCOUNTS

## Statement of Accounting Officer's and Ombudsman's Responsibilities

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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 (formerly the DCA) 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 ending 31 March 2008.

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

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

- (a) observe the Accounts Direction issued by 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 Government Financial Reporting Manual (FReM) have been followed and disclose and explain any material departures in the accounts; and
- (d) prepare the accounts on a going concern basis, unless it is inappropriate to presume that OLSO will continue in operation.

# Statement of Internal Control

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## 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 (formerly Legal and Judicial Services 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 2008, 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, planning workshops for all staff to assist with the identification and evaluation of risks to objectives;
- OLSO Risk Register covering all activity and reviewed by the OLSO Senior Management Team. Access to Justice Group review the register, escalating any significant risks for inclusion in the Ministry's Corporate Risk Register;
- Quarterly certification by the Operations Manager (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 Operations Manager (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;
- Compliance with ISO17799, the International Standard for Information Security Management, to assist with achievement of the standard across the Ministry.

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

During 2007-08 OLSO reviewed its Strategic Objectives covering the period 2006-09. They will continue to be reviewed to ensure that they remain relevant, particularly in the light of the new Legal Services Act 2007, which received Royal Assent in October 2007.

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 2007-08 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)** – (formerly the Ministerial Executive Board and the Departmental Management Board respectively). 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 2007-08 Resource Accounts are published later this year.

Zahida Manzoor CBE  
Legal Services Ombudsman  
for England and Wales  
4th June 2008

Suma Chakrabarti  
Accounting Officer  
5th June 2008

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

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I certify that I have audited the financial statements of the Office of the Legal Services Ombudsman for the year ended 31 March 2008 under the Courts and Legal Services Act 1990. These comprise the Operating Cost Statement, the Balance Sheet, the Cash-Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

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

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

I review whether the Statement on Internal Control reflects the Office of the Legal Services Ombudsman's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Office of the Legal Services Ombudsman's corporate governance procedures or its risk and control procedures. I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinions**

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

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

### **Opinions**

#### **Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Courts and Legal Services Act 1990 and directions made thereunder by the Secretary of State and Lord Chancellor with the approval of the Treasury, of the state of Office of the Legal Services Ombudsman's affairs as at 31 March 2008 and of its expenditure and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Courts and Legal Services Act 1990 and directions made thereunder by the Secretary of State and Lord Chancellor with the approval of the Treasury; and
- information, included within the Annual Report, which comprises the section entitled Office of the Legal Services Ombudsman, is consistent with the financial statements.

### **Audit Opinion on Regularity**

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

### **Report**

I have no observations to make on these financial statements.

Paul Keane  
Director, Justice Financial Audit  
For the Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS  
12th June 2008



# Operating Cost Statement

YEAR ENDED  
31 MARCH 2008

		2007-08	2006-07
	Notes	£	£
Staff costs	2	1,151,138	1,122,009
Other direct costs	3	199,219	208,592
Accommodation costs	4	265,000	276,500
Ministry's overhead charge		272,177	280,092
Other non-cash costs	5	21,444	21,611
<b>TOTAL</b>		<b>1,908,978</b>	<b>1,908,804</b>

ALL EXPENDITURE IS DERIVED FROM CONTINUING OPERATIONAL ACTIVITIES. THERE ARE NO OTHER GAINS OR LOSSES FOR THE YEAR.

THE NOTES ON PAGES 59 TO 66 FORM PART OF THESE ACCOUNTS.

## Balance Sheet

AS AT  
31 MARCH 2008

	Notes	2007-08		2006-07	
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	6	51,830		58,487	
CURRENT ASSETS					
Debtors	7	59,273		59,710	
Cash in hand		150		150	
		59,423		59,860	
CURRENT LIABILITIES					
Creditors	8	(45,375)		(61,404)	
NET CURRENT ASSETS/(LIABILITIES)		14,048		(1,544)	
<b>Total Assets less Current Liabilities</b>		<b>65,878</b>		<b>56,943</b>	
TAXPAYER'S EQUITY					
General Fund	9	65,878		56,943	
<b>TOTAL</b>		<b>65,878</b>		<b>56,943</b>	

THE NOTES ON PAGES 59 TO 66 FORM  
PART OF THESE ACCOUNTS.

Zahida Manzoor CBE  
Legal Services Ombudsman  
for England and Wales  
4th June 2008

Suma Chakrabarti  
Accounting Officer  
5th June 2008

# Cash Flow Statement

YEAR ENDED  
31 MARCH 2008

		2007-08	2006-07
	Notes	£	£
Net cash out flow from operating activities	10	(1,630,949)	(1,613,801)
Capital expenditure		(2,138)	(20,514)
Finance from the Ministry of Justice		1,633,087	1,634,315
<b>INCREASE IN CASH</b>		<b>-</b>	<b>-</b>

THE NOTES ON PAGES 59 TO 66 FORM  
PART OF THESE ACCOUNTS.

# Notes to the Accounts

## I. ACCOUNTING POLICIES

### Basis of accounting

These accounts for the Office of the Legal Services Ombudsman (OLSO) have been prepared in accordance with the Financial Reporting Manual (FRM) issued by HM Treasury with the exception that historical cost accounting has been used in place of modified historic cost accounting because of the immaterial difference between the two for OLSO. The accounting policies used to prepare these statements are consistent with those used to prepare accounts for the 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, and consequent closure of OLSO. It is not anticipated that OLSO will close before 2010-11. The accounts are prepared on a going concern basis as MoJ settles all of OLSO's financial transactions with funds voted by Parliament and future funding has been agreed with MoJ.

### Income

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

### Ministry's overhead charge

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.

### 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 debtor on the OLSO balance sheet.

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

### Fixed assets

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

### Pensions

Past and present employees of OLSO are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependant's benefits. The 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. STAFF COSTS

	<b>Employees</b>	<b>Self-employed case workers</b>	<b>Agency staff</b>	<b>2007-08 Total</b>	<b>2006-07 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Wages, salaries and fees	697,247	243,738	31,387	972,372	937,305
Social security costs	48,748	2,458	-	51,206	61,048
Other pension costs	127,560	-	-	127,560	123,656
<b>TOTAL</b>	<b>873,555</b>	<b>246,196</b>	<b>31,387</b>	<b>1,151,138</b>	<b>1,122,009</b>

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](http://www.civilservice-pensions.gov.uk))

For 2007-08, contributions of £127,560 (2006-07 £123,656) were paid to the PCSPS on behalf of employees at rates determined by the Government Actuary, reviewed every four years following a full scheme valuation. These rates were in the range 17.1% to 25.5% (2006-07 17.1% to 25.5%) of pensionable pay, based on salary bands. From 2008-09, the salary bands will be revised but the rates will remain the same.

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 22.1 employees and 5.7 self-employed (2006-07 28.7 in total).

Staff costs include the Ombudsman's salary and associated pension contributions made on her behalf. Zahida Manzoor CBE held the post during 2007-08. Please refer to the Remuneration Report for further details.

### 3. OTHER DIRECT COSTS

	2007-08	2006-07
	£	£
Rentals under operating leases – hire of plant and machinery	1,872	1,872
Travel and subsistence	13,510	13,247
External consultancy	53,541	65,461
Office supplies	15,999	20,900
Printing and reprographics	23,448	13,210
Distribution and postage	34,220	31,540
Telecommunications	11,918	13,220
Other	44,711	49,142
<b>TOTAL</b>	<b>199,219</b>	<b>208,592</b>

### 4. ACCOMMODATION COSTS

	2007-08	2006-07
	£	£
Rent and service charge	192,634	172,782
Rates	50,531	46,217
Other property costs	21,835	57,501
<b>TOTAL</b>	<b>265,000</b>	<b>276,500</b>

### 5. OTHER NON-CASH COSTS

	2007-08	2006-07
	£	£
Depreciation	8,301	6,500
Cost of capital	2,149	1,690
External audit fee	10,500	10,000
Loss on disposal	494	3,421
<b>TOTAL</b>	<b>21,444</b>	<b>21,611</b>

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

## 6. TANGIBLE FIXED ASSETS

	Furniture	Computer and Other Equipment	TOTAL
	£	£	£
<b>COST OR VALUATION</b>			
At 1 April 2007	66,687	32,192	98,879
Additions	2,138	-	2,138
Disposals	(978)	(5,544)	(6,522)
<b>At 31 March 2008</b>	<b>67,847</b>	<b>26,648</b>	<b>94,495</b>
<b>DEPRECIATION</b>			
At 1 April 2007	29,346	11,046	40,392
Charge for the year	3,393	4,908	8,301
Released on disposals	(669)	(5,359)	(6,028)
<b>At 31 March 2008</b>	<b>32,070</b>	<b>10,595</b>	<b>42,665</b>
<b>NET BOOK VALUE</b>			
<b>At 31 March 2008</b>	<b>35,777</b>	<b>16,053</b>	<b>51,830</b>
At 31 March 2008	<b>37,341</b>	<b>21,146</b>	<b>58,487</b>

## 7. DEBTORS

7a. Analysis by type	2007-08	2006-07
	£	£
Centrally authorised prepayments	35,635	40,233
Other prepayments	20,038	13,323
Debtors	3,600	6,154
	<b>59,273</b>	<b>59,710</b>

7b. Intra-government balances	2007-08	2006-07
	£	£
Balances with other central government bodies	–	–
Balances with bodies outside central government	59,273	59,710
	<b>59,273</b>	<b>59,710</b>

## 8. CREDITORS

8a. Analysis by type	2007-08	2006-07
	£	£
Centrally authorised accruals	9,776	–
Other accruals	35,599	61,404
	<b>45,375</b>	<b>61,404</b>

8b. Intra-government balances	2007-08	2006-07
	£	£
Balances with other central government bodies	–	13,072
Balances with bodies outside central government	45,375	48,332
	<b>45,375</b>	<b>61,404</b>



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

	2007-08	2006-07
	£	£
Total expenditure for year	(1,908,978)	(1,908,804)
Financing from MoJ	1,633,087	1,634,315
Ministry's overhead charge	272,177	280,092
Cost of capital	2,149	1,690
Auditors' remuneration	10,500	10,000
Net increase in General Fund	8,935	17,293
General Fund at start of year	56,943	39,650
<b>GENERAL FUND AT END OF YEAR</b>	<b>65,878</b>	<b>56,943</b>

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

		2007-08	2006-07
	Notes	£	£
Total expenditure for year		(1,908,978)	(1,908,804)
Ministry's overhead charge		272,177	280,092
Other non cash costs	5	21,444	21,611
Decrease/(Increase) in debtors		437	(11,015)
(Decrease)/Increase in creditors		(16,029)	4,315
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>(1,630,949)</b>	<b>(1,613,801)</b>

## II. OBLIGATIONS UNDER LEASES

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2007-08		2006-07	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Within one year	–	–	–	–
Two to five years	153,925	1,872	138,140	1,872
After five years	–	–	–	–
<b>TOTAL</b>	<b>153,925</b>	<b>1,872</b>	<b>138,140</b>	<b>1,872</b>

2006/07 disclosure has been re-stated to reflect commitments under rental leases and excludes a service charge of £26,748.

## **I 2. RELATED PARTIES**

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

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

## **I 3. CAPITAL COMMITMENTS**

There are no capital commitments.

## **I 4. CONTINGENT LIABILITIES**

There are no contingent liabilities.

## **I 5. POST BALANCE SHEET EVENTS**

In accordance with the requirements of FRS21, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date the accounts are laid before Parliament. These accounts will be laid before Parliament on 1 July 2008.

## **I 6. 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. OLSO is not therefore exposed to significant liquidity risk.

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

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