

The Office for Legal Complaints

---

# Annual report and accounts

---

For the year ending 31 March 2013



---

Presented to Parliament pursuant to Section 118 of the Legal Services Act 2007.

Ordered by the House of Commons to be printed on 13 June 2013

---

# Contents

<b>Foreword from our Chair, Elizabeth France</b>	<b>4</b>
<b>Chief Ombudsman's report: Why complaints matter</b>	<b>6</b>
Casework and performance	9
Changes to our core jurisdiction	10
Our approach to cases	13
How we resolved cases	14
How we put things right	14
Overall performance	16
Publishing ombudsman decisions	17
Feeding back learning from complaints	18
Learning to improve redress and regulation	26
Looking forward	31
<b>Key Performance Indicators (KPIs)</b>	<b>35</b>
<b>Annual review</b>	<b>44</b>
Board members' report	44
Management commentary	44
<b>Remuneration report</b>	<b>51</b>
<b>OLC and Accounting Officer's responsibilities</b>	<b>54</b>
<b>Governance Statement</b>	<b>55</b>
Board performance and corporate governance	57
Other Committees	58
OLC oversight of LeO	60
Executive management of LeO	60
Risk management and key risks	62
Performance	63
<b>Service complaint adjudicator's report</b>	<b>64</b>
<b>The Certificate and report of the Comptroller and Auditor General to the Houses of Parliament</b>	<b>66</b>
<b>Financial statements</b>	<b>68</b>
Statement of comprehensive net expenditure	68
Statement of financial position	69
Statement of cash flows	70
Statement of changes in taxpayer's equity	71
<b>Notes to the Office for Legal Complaints accounts</b>	<b>72</b>
<b>Appendix 1: Regulatory objectives</b>	<b>87</b>

## © Office for Legal Complaints (2013)

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Office for Legal Complaints copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to us at: enquiries@legalombudsman.org.uk or Legal Ombudsman, PO Box 6806, Wolverhampton WV1 9WJ.

You can download this publication from [www.legalombudsman.org.uk](http://www.legalombudsman.org.uk).

ISBN: 9780102984330

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID 2563918 06/13

Printed on paper containing 75% recycled fibre content minimum.

# Annual report of the Office for Legal Complaints

## Foreword from our Chair, Elizabeth France

---

Looking through the reports we have published since the summer of 2010 is an interesting exercise. With the benefit of the distance it gives, it shows, more clearly than the step by step progress evident from monthly board reports, the progress which the board and the Ombudsman's team have made together. Of course there have been challenges and set-backs too, but the trajectory has, and continues to be, a positive one.

---

The role of my board, the Office for Legal Complaints (OLC) is to be responsible for ensuring that there is an independent ombudsman service to consider complaints about legal services provided in England and Wales. The purpose of the Ombudsman is to provide a single gateway for consumers of legal services to channel their complaints while at the same time drive systemic improvement by feeding back to the profession information and methods to improve, in accordance with the regulatory objectives of the Legal Services Act (see Appendix 1).

When we began we had no clear idea of likely demand and little feel for the effect that introducing an Ombudsman's approach would make to the handling of complaints by the legal profession. Our understanding is now better. The demand is not as high as we had first expected and the conversion rate from enquiries to cases for investigation remains at a steady underlying level even when changes, such as the changes in our rules, lead to a spike in complaints. So while we are proud of the delivery of service to meet the key performance targets we set for the Ombudsman we know that we must focus on costs. In the year ahead my board will be looking at the evidence of a full costing review and taking the decisions necessary to ensure a cost effective service.

One of the unknowns which will have an impact on costs is when we might expect to see a broadened jurisdiction. When I took up post I said I would like to see the Ombudsman service as an established part of the legal services landscape by the end of my term. I consider that that has been achieved. I also said I wanted to see the 2007 Act fully exploited. The Act envisaged that the Ombudsman would consider complaints about claims management companies and ministers have indicated that it is their intention to enable this through section 161 of the Act this year. I expect to oversee the smooth introduction of this service with the current board before my term ends on 31 March 2014.

Beyond that I want to see us complete a consultation on the potential value of a voluntary scheme under section 164 of the Act. The case for this depends on one hand on the extent to which regulated activities are expanded, bringing them automatically within jurisdiction, and on the other the extent to which the implementation of the ADR Directive by the UK government might be assisted by an existing scheme being flexible enough to offer an appropriate dispute resolution service to those offering broadly described legal services. If there is a gap which we can identify then we should be there to meet it.

I shall work with my colleagues on the board to ensure that we provide the leadership and governance to ensure that the executive team: deliver the business plan; are ready to respond to the challenges which changes in legal marketplace will bring; and are ready to welcome a new Chair and two new board members to take them on the next stage of development.

In accordance with section 123 of the Legal Services Act 2007, the OLC received the Chief Ombudsman's report from Adam Sampson at our board meeting on 20 May 2013. I am pleased to present it to you here in full; it summarises the progress made up to 31 March 2013.



Elizabeth France CBE  
*Chair*

# Chief Ombudsman's report:

## Why complaints matter

### Summary

It is strange to find myself already writing my fourth Annual Report, and my third since we first began receiving complaints in October 2010. It seems only yesterday that we were opening our phone lines for the first time, curious as to the level of call volumes we would receive but none-the-less excited to see our hard work in setting up the scheme come to fruition. Some 185,000 contacts later – having resolved some 16,500 complaints - and the Legal Ombudsman has long since shed its 'fledgling' tag and established itself as a respected feature of the legal world and the wider consumer redress landscape.

We have come a long way. Operationally the scheme goes from strength to strength, with performance levels high and improving as we learn more about how to achieve greater efficiencies. This is echoed in our cost base, with an under-spend against budget and operating costs being driven down for the fourth year in a row. Customer satisfaction levels are strong and strengthening with time – as is awareness of the scheme. We've updated our rules to offer greater levels of compensation and to make sure our service remains relevant and credible to both consumers of legal services as well as the legal providers in our jurisdiction. Our timescales are more flexible than when we opened. We're even able to accept more varied types of complaint from different types of complainants, essential as the legal services market changes.

But we are charged with the responsibility of doing more than running an efficient complaints resolution mechanism. We also have a duty to respond to the wider objectives of the Legal Services Act by highlighting issues of import to providers and consumers, regulators and policy-makers. We have therefore fed back our observations by publishing a further two thematic reports - building on the costs report of March 2012 with reports on conveyancing and divorce related legal complaints – together with various guides for both consumers and legal professionals.

And we continue to develop research – our investigation into first tier complaints for instance – and respond to consultations to improve understanding of the legal market and to share learning from complaints to inform broader policy debates about consumer protection, redress and regulatory issues. Most recently we have begun offering accredited continuous professional development courses, which are proving popular among legal professionals; we hope consumers will feel the benefit in the longer term.

Not all of this has been without its difficulties. Last year saw the first publication of Ombudsman decisions data, consistent with Government policy of public bodies such as ombudsman schemes putting as much information as possible into the public domain. Inevitably, perhaps, the question of how much information should be published and in what form created considerable debate, with consumer groups arguing for more and some lawyers arguing for less. In the event, while the initial publication stirred the passions of both, the furore has died down considerably with implementation and a realisation that the early data indicates a profession that is, on the whole, handling complaints responsibly. And while our overall cost base has declined, the fact that fewer complaints resulted in investigations than we had predicted meant that we fell short of our unit costs target (our total budget divided by the total number of investigations undertaken). If demand continues to remain depressed, we will need to work hard on our costs in order to meet the target this year.



### 6 October 2010

**Legal Ombudsman opens.** First day sees **497 contacts** including both calls and emails.



### 7 December 2010

British and Irish Ombudsman Association (BIOA) confirm the Legal Ombudsman as a full member.



### 23 December 2010

**Our first ombudsman's decision**

– a red letter day for our new service. Chief Ombudsman, Adam Sampson, writes about it in his blog.





# Chief Ombudsman's report

But this is the nature of any journey: ups and downs, lessons to be learnt, and improvements to be made. As much as this Annual Report is a celebration of our three years in operation, it is also an opportunity to reflect and then look ahead to the next three years of our strategy and beyond.

And as the organisation settles into steady state, the future is very much in our mind. The pace of change in legal services shows no sign of slackening, posing fresh challenges for regulators and providers of redress. The ministerial commitment to extending our jurisdiction to cover claims management companies will require us to adapt our current ways of working. And nearly four years into our lifecycle, key personnel are beginning to move on, with an inevitable impact on the dynamic of the business.

Symbolic of this change is the fact that our Chair, Elizabeth France, is now beginning her final year in post and will be leaving us in March 2014. As she says in her introduction, it seems a good time therefore for the organisation to take stock of where we are and what we still need to do. By the time she leaves, we will – we hope – have begun work on claims management, and explored the possibility of exercising the power given to us under the Legal Services Act to offer a voluntary scheme. We will need to spend time over the coming months also to consider how to respond to the longer term challenges posed by the changes to the legal, consumer and economic landscape. Those considerations will then need to guide us in the way we develop our service going forward.

But whatever the new developments in the organisation, we know that they have to be built on a platform of performance: the delivery of a quick, efficient and cost-effective complaints handling service, allied to a mechanism for feeding back the learning from those complaints to all our stakeholders. This has been at the heart of what we have done over the past 12 months.

## Casework and performance

During the past year, we resolved a total of 7,630 cases. While this figure was similar to the total for the preceding year, we had planned for an uplift in our workload. Indeed, far from the number of contacts we received increasing as we had expected, there was in fact a decline of some 5,000 in the number of people coming to the organisation, from around 76,000 in 2011-12 to just over 71,000 in 2012-13.

The reason for this pattern is not easy to discern. The continuing difficulties of the housing market have undoubtedly depressed the number of conveyancing transactions, the single biggest generator of complaints under the previous regime, and it may well be that the general economic downturn has had a similar effect in other areas of law too.

However, one would have thought that as general awareness of our scheme's existence has increased, the number of complaints we would be receiving will have grown. The explanation for the reduction in contacts could simply be that lawyers are now more familiar with our expectations of them and have moved more quickly to resolve complaints before they reach us. If that is so – and there is some anecdotal evidence to support the hypothesis, it is very much to be welcomed.

That said, there is considerable evidence that there is still a problem in persuading consumers that complaining about a legal service is possible and effective. Independent research commissioned during the year – in partnership with the Legal Services Consumer Panel – showed that consumers lack confidence in dealing with what they see as powerful and potentially threatening providers, which was one of the major obstacles to complaining. This is an area of work on which we need to focus closely in the years to come.

## December 2010

Research report on consumer attitudes to publishing ombudsman decisions. This is used to inform the Legal Ombudsman's approach to publishing decisions.



## January 2011

Research report on how high street solicitors view the publication of complaints information.



## February 2011

LeO responds to the Ministry of Justice's Jackson Review.



# Chief Ombudsman's report

Finally, we continue to work with regulators to ensure that lawyers are aware of their responsibility to signpost customers to the Legal Ombudsman in the event of a dispute. Our awareness survey revealed that a very small number of people who had come to us had been made aware of our service by their lawyer. Given that signposting is mandatory, this issue has to be addressed.

## Changes to our core jurisdiction

The number of cases accepted for investigation is clearly more than the simple result of the number of contacts; what is important is how many of those complaints fall within our powers to investigate. These powers are set out in our Scheme Rules, which are agreed with the Legal Services Board and Lord Chancellor. Commonly, attempts to complain to us fail for three reasons: they are about services which were provided by people who are not regulated as lawyers; the complainant has not yet raised the issue with the service provider; and too much time has passed since the incident. The scheme rules account for some of the difference between the 71,000 contacts we received and the 7,630 cases we resolved. Other factors include the need to signpost people to other organisations, and more straightforward issues such as people dialing the wrong number.

Since it is now over three years since these rules were drafted, during 2012 we undertook a review of them, consulting widely on areas where they might be improved. In the event, there was general agreement that the broad shape of the rules was appropriate and working well. However, there were some specific areas where it appeared as if some changes could be made.



The most important change was in the area of time limits. When the scheme was first established, it was decided to limit the length of time between the incident and the subsequent complaint (or the complainant realising that there was reason to complain) to one year. However, the experience of our first two years work showed that in too high a proportion of cases, we were being required to reject complaints as being out of time which fairness would have required us to consider. Not only was this leaving injustices uncorrected but it was also requiring us to spend an inordinate amount of effort in dealing with appeals against "out of time" decisions.

### April 2011

Collection of equality and diversity information about complainants starts.

### 25 March 2011

Walter Merricks appointed as the Legal Ombudsman's Service Complaint Adjudicator

### 16 May 2011

LeO launches a guide for MPs and councillors so they can help consumers who come to them with a legal complaint.

### June 2011

Launch second consultation on publishing ombudsman decisions.

# Chief Ombudsman's report

After wide consultation, it was agreed that the 12 month time limit should be extended to six years to match the time limits operated by the courts and some of our ombudsman peers. We anticipate that this change will add some 10% to our investigations next year.

The remaining changes are relatively limited in impact. We do not anticipate that the decision to allow complaints from prospective customers will add many cases to our workload, since the circumstances where we are likely to use these powers are very limited. The extension of our powers to order redress from £30,000 to £50,000 similarly will be rarely used.

Despite pressure from consumer groups to accept complaints from third parties, we decided not to extend the category of complainants beyond those who had themselves received a service; however, we will keep the matter actively under review.

Finally, the removal of the exemption from being charged a case fee offered to firms who had had fewer than three complaints made to us in any one year is likely to affect our case numbers. All but the last of these changes came into effect on 1 February 2013; the case fee change took effect on 1 April 2013. It will be interesting to see how the changes affect the proportion of our contacts which result in investigation over the coming year.

## Our approach to cases

The approach we take to resolving complaints depends on the individual facts of a case and the level of formality required. Where possible, we prefer to resolve complaints informally – getting both sides to agree with the views and analysis of our investigators to reach a resolution as swiftly as possible. There are also a number of cases where the complainant withdraws the complaint or simply fails to pursue it beyond an initial enquiry. Finally, there are cases where further investigation reveals that they fall outside our scheme rules or where an ombudsman decides to exercise our powers to discontinue the investigation (for example because it emerges that the matter has already been tested in court).

But in cases where it is simply not possible to get both sides to agree, a more formal approach is needed and, after detailed investigations, the cases are referred to an ombudsman for a decision.

As with previous years, we were more successful in dealing with cases via informal resolution than via any other route. However, during 2012-13, the number of cases requiring a formal ombudsman decision increased. The reasons for this are unclear. In the vast majority of cases, it is the complainant who requests a decision from an ombudsman, which is consistent with some evidence from other ombudsman schemes that there has been an increase in complainants' propensity to pursue their complaints as far as possible. However, without detailed investigation of the decline in informal resolutions, no definitive conclusion is possible. We will be working during the year to try to encourage more informal resolution.

**11 July 2011**

Response to the Law Commission's consultation on consumer redress for misleading and aggressive practices.



**July 2011**

LeO publishes Annual Report.

**4**

**November 2011**

Response to Legal Services Board call for evidence on probate and estate administration.



**November 2011**

Independent research undertaken by the University of Leicester on consumer confusion published.

**November 2011**

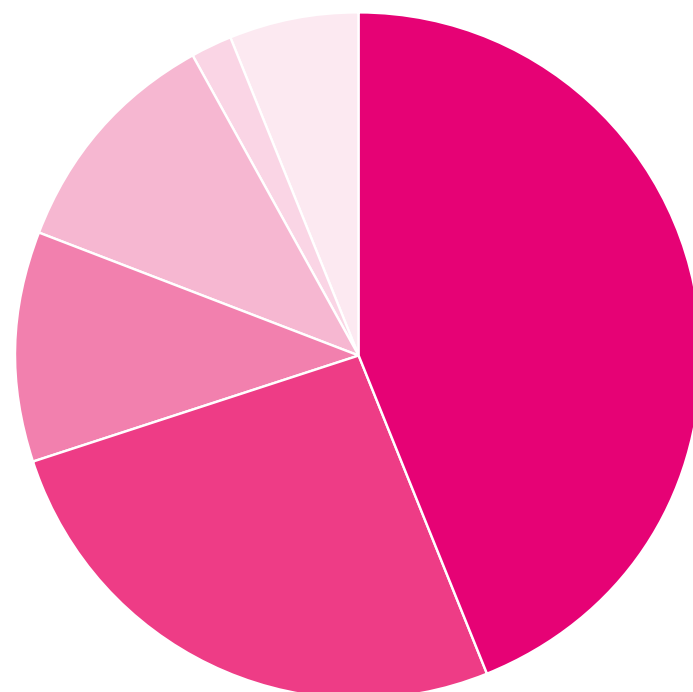
Announce decision to publish ombudsman decisions.



# Chief Ombudsman's report

## How we resolved cases

- Resolved informally, 44%
- Ombudsman decision - rejected by complainant, 26%
- Ombudsman decision - accepted by complainant, 11%
- Complaint withdrawn by complainant, 11%
- Complainant failed to respond or was unable to continue, 2%
- Ombudsman's decision to dismiss/discontinue, 6%



## How we put things right

We prefer to resolve complaints by brokering an agreement between the lawyer and the complainant. Where this is not possible we ask an ombudsman to make a final decision on the matter.

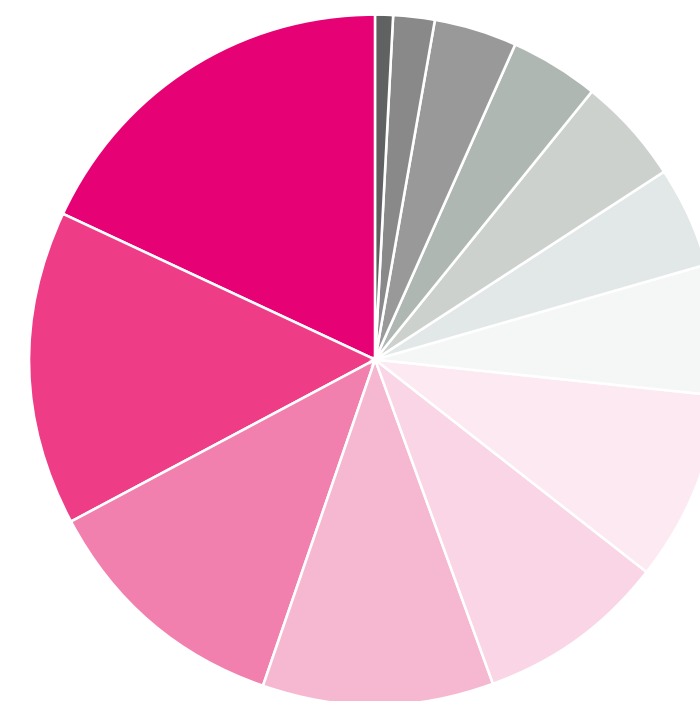
If, when the case has gone to an ombudsman, the ombudsman agrees that a lawyer's service is unsatisfactory, the lawyer can be ordered to take action to put things right for the consumer. That can include apologising, returning documents, doing remedial work, reducing or refunding fees (without limit), or paying up to £50,000 compensation. In practice, the level of compensation is usually far lower: Just over 55% of cases that went

to an ombudsman decision resulted in no financial award to the complainant. Just under 20% of cases resulted in a financial award of up to £299, 15% resulted in a financial award of between £300 and £1000, and 7% resulted in an award of between £1,000 and £5,000. Eighty cases resulted in an award of between £5,000 and £20,000 and seventeen cases resulted in an award of over £20,000.

Where an ombudsman finds that a lawyer's service was satisfactory, we explain to the complainant why we believe the lawyer or law firm has not done anything wrong or has already done everything they could to put things right.

Overall, there was no significant change on the proportion of our cases where we found poor service from those where we did not compared to the previous year. Nor was there any discernible trend in the use of remedies, with the broad spread of remedies ordered, including the use of financial compensation, comparable to the previous year.

- Commercial law, 1%
- Commercial conveyancing, 2%
- Immigration and asylum, 4%
- Social welfare, 4%
- Other, 5%
- Property, 5%
- Employment, 6%
- Personal injury, 9%
- Crime, 9%
- Litigation, 11%
- Wills and probate, 12%
- Residential conveyancing, 15%
- Family law, 18%



## January 2012

First annual stakeholder survey research published.



Eight in ten stakeholders believe LeO is improving access to redress for consumers of legal services, whilst 75% feel it is demonstrating a commitment to fairness.

## March 2012

We publish our first thematic report on costs, with associated guides for the consumers and lawyers, generating national media interest.

'Costs and customer service in a changing legal services market'.



## 31 January 2012

Response to the Department for Business Innovation and Skills call for evidence into the European Commission's Alternative Dispute Resolution proposals.



# Chief Ombudsman's report

## Overall performance

As an organisation, we make every effort to track our performance. In order to ensure that we are meeting our aim of offering a high quality, speedy service which meets customer need, we track the quality and timeliness of our casework and poll customers about their satisfaction with what we have done. The results, which are reported in greater detail in the formal management information section of this report, are very pleasing. In general, our service is improving in all aspects. However, we will need to work hard over the coming year both to maintain this improvement and refine our methods of measurement. On the latter, we will be working with the Legal Services Board to ensure that the Key Performance Indicators against which we report are fit for purpose.

One of the key indicators of customer satisfaction is the number of challenges and complaints which we receive. This report includes a summary of the findings of the independent Complaints Adjudicator employed by our non-executive board (the OLC) to provide an independent perspective on the complaints which we do receive. We review the data about our own complaints at the highest level on a regular basis and feed the learning from this and from any individual cases identified by the Adjudicator into our quality and operational management. We take a similar approach to any legal challenges which appear to us to contain key pieces of learning.

There are some key themes to pull out of this information. First and foremost, the KPIs, particularly those of Reputation and Impact tell us that the Ombudsman is and remains a welcome feature of the legal and consumer landscape. Customer satisfaction with our service has remained a steady positive for us – 72% satisfaction among complainants and 80% among lawyers – while also being an area in which we are keen to learn and improve.

However, I touched on, earlier in my report, some of the complexities and challenges we continue to face around cost. As the coming management commentary illustrates, I am content that we are an organisation that focuses on our cost base and that we have seen tight management of this area over this and the preceding four years. The challenge to our unit cost must necessarily be read in conjunction with the volumes of cases coming to the Ombudsman scheme. The lack of an uplift in levels of complaints over the years does link to the need for further focus on our unit cost.

There is more information about our Key Performance Indicators in the next section of the report. Additionally, if you are interested in understanding more data and information about complaints resolved by the Legal Ombudsman, please go to our website: [www.legalombudsman.org.uk](http://www.legalombudsman.org.uk).

## Publishing ombudsman decisions

As mentioned earlier, one of the key decisions taken during the year related to the publication of the statistics about ombudsman decisions. While there was general agreement that it was desirable for us to publish as much information about the nature of our decisions as possible, lawyers' representatives were strongly opposed to naming the lawyers involved. Consumer groups on the other hand argued for as much information as possible about lawyers involved in our cases to be placed in the public domain.

In the event, following a lengthy consultation process, our board decided that statistical data about all ombudsman decisions should be published, including the area of law, the nature of the complaint, the outcome of the complaint and the name of the lawyer or firm involved. We began publishing this data from autumn 2012. The initial media interest which this engendered has rapidly subsided and as the information builds, we may soon be able to begin discerning some patterns over time.

As well as the routine publication of data, the board decided to reserve to itself the power in individual cases to publish the full decision, including the name of the lawyer (but redacting the name of the complainant) where it considers that it is in the public interest to do so. No such publication took place during the year covered by this report.



### June 2012

First publication of stakeholder e-newsletter, LeO News.



### July 2012

LeO publishes Annual Report. We were able to deliver our service under budget for this first full year.



### July 2012

Ministry of Justice completes first triennial review of the implementation of the Legal Services Act 2007, recognising the role OLC in delivering the key objectives of the Act.

# Chief Ombudsman's report

## Feeding back learning from complaints

Complaints are rich in information, particularly when certain trends emerge, about how a sector is performing; what it is doing badly and where there are areas for improvement. They tell us what poor service looks like and what it is that people object to or feel strongly about when buying services. In essence, they tell us how things can be done better.

82% of people would choose a lawyer based on personal experience or recommendations from friends, relatives or colleagues so this information is as powerful as any market research if used in the right way. When more and more obstacles are being thrown up in front of legal businesses, such as economic instability, lower consumer spending and extra pressures from changes in policy, the importance of providing a first rate service and taking customer concerns seriously cannot be overstated.

Fortunately, aside from putting right individual consumer problems, our scheme is charged with helping to improve practice and contributing to policy debates about the broader system of redress and regulation. So the Ombudsman can play its part in helping lawyers to improve service levels and complaint handling. Later in the report I touch on our efforts over the past three years to do just that.

Over 2012-13 there have been some specific themes that we have drawn from complaints and that, in my view, will continue to impact on problems and issues arising in the legal sector for the coming year.

Last year we published the findings of a YouGov survey we had commissioned and published as part of the commentary in our previous Annual Report. We found that some consumers had been sold complex and confusing products that they often struggled to understand. Things like legal insurance, for instance, whereby people were unclear about the level of cover provided, and contingency fees, which contained hidden or unfair costs, were giving rise to new types of legal complaint.

A year on, we are seeing an increase in the types of products and services that gave rise to these complaints – for instance, a new marketing brand recently announced plans to recruit 245 law firms across England and Wales. The focus of its business will be to distribute legal expenses insurance policies through brokers and it is planning to drum up interest with a £7m advertising budget.

Evidently then, the number of legal insurance products on the market could increase and with them the number of complaints we receive.

Additionally, changes to the way people fund litigation cases, for example, and a reliance upon contingency fees in the wake of diminished legal aid, could mean that we see more complaints like this one:



**Mr A** instructed a firm to help with his personal injury claim against a local authority.

He agreed for the firm to proceed under a conditional fee agreement (CFA) in which he would only have to pay the firm's costs if successful in his claim.

The firm estimated costs, including disbursements, would be between £6,000 and £7,000. They also said that they would charge a 'success fee' on top of this, if his claim was successful.

The firm asked Mr A some initial questions to ensure he had a good chance of winning before beginning proceedings. Following this initial meeting Mr A did not receive any further costs updates until the end of the case.

Unfortunately the claim took more than three years to progress, and was ultimately unsuccessful. During this time important facts were discussed in various exchanges between Mr A's firm and the local council's legal team.

## August 2012

The Ministry of Justice announces that the Legal Ombudsman will start to accept complaints about Claims Management Companies in 2013.



'I think it's a bit like if you are very ill and you want a second medical opinion but at the same time you **don't want to jeopardise your relationship** with your current doctor.'



## August 2012

Research into first-tier complaint handling and premature complaints published.



'I think that when you make a complaint it should be dealt with, **taken seriously**, and **listened to**.'

'Essentially, I was just expecting maybe some kind of **apology**'

# Chief Ombudsman's report

The firm said that the case failed because it had come to light that Mr A had been drinking the night before his accident. However, Mr A claimed that he had already informed the firm about this early on in proceedings.

The firm then invoiced Mr A for £27,000 stating that since he had failed to give them adequate information he had breached the terms of the agreement. His after-the-event (ATE) insurers withdrew their cover and the firm were unwilling to foot the bill.

Included in the firm's costs was a 25% success fee – despite the fact that the case had failed. Mr A complained to the firm that this was unfair before bringing his complaint to the Legal Ombudsman.

We investigated and found that the firm's request was unreasonable.

Despite acting under a CFA the firm were obliged to provide reasonable costs updates to Mr A throughout, which they failed to do. Irrespective of issues around the accuracy of information provided by Mr A, costs had been allowed to surpass the original quote by many thousands of pounds. The firm, by not sending Mr A regular costs updates, removed the ability for him to make an informed decision on the costs risks involved in potentially losing his claim.

We resolved the complaint informally by convincing the firm to reduce the bill in line with the top end original estimate. They subsequently waived £20,000.

In October, the Legal Ombudsman published two guides, one on how to make a complaint, the other on how to handle complaints effectively. The guides were produced using lessons learnt from a report on first tier complaint handling, commissioned jointly by us and the Legal Services Consumer Panel. The research confirmed that effective complaint handling is not only good for business for lawyers, but can also help to retain

and gain customers. Despite this, some lawyers were not handling complaints effectively, with customers claiming they felt intimidated or threatened by their lawyer, leading them to drop the complaint. In fact, of the 1000 people surveyed, 63% said they had not complained because they had no confidence it would be taken seriously or that it would be resolved fairly.

Our consumer guide provided advice about how to make an effective complaint. It also reassured would-be complainants that not only are lawyers not to be feared but that the majority of lawyers will want to know if there is a problem, and usually will try their best to find a remedy.

Our advice to lawyers was to focus on three key actions: listen, inform and respond. This has been our mantra ever since, and fortunately, we have case studies to suggest that lawyers are putting this into practice:



**Miss B** had used a law firm previously to undertake a conveyancing transaction. She was happy with the work they had done so decided to use the firm again to draw up a will. Unfortunately, second time round Miss B was disappointed with the quality of the work as a string of basic errors had been made.

Miss B felt she had spent too much time rectifying these mistakes herself. Despite being quite hesitant at first – as she felt she lacked the confidence to confront the lawyer – Miss B made a phone call to set out the reasons for her dissatisfaction. To her surprise he apologised. Miss B was then told that she would receive a more formal response shortly after the lawyer had looked into the matter in more detail.

Miss B received an email within an hour of the initial phone call from a senior partner to notify her that they were looking into the issue. The following day, the original lawyer got back in touch with her by phone and agreed with all of her complaint. This was followed up by an email to confirm the details of the conversation.

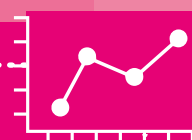
## October 2012



LeO launches 'Listen, Inform, Respond: a revised guide to good complaints handling' for lawyers along with joint research from the Legal Services Consumer Panel. LeO also launches 'Be clear, be bold, be fair' a guide to making a complaint for consumers.



## September 2012



LeO publishes first set of **ombudsman decision data**. Lawyers asked for less data to be published while consumer interest groups asked for more. The resulting published data tried to fit somewhere in the middle.

# Chief Ombudsman's report

The firm suggested issuing new documents and a reduction in their service fees as a means of remedying the issue. This offer actually exceeded Miss B's expectations as she'd not anticipated a fee reduction. The matter was considered closed once the remedies had been agreed and Miss B was left feeling satisfied with the way the complaint had been handled. She also confirmed that she would still recommend the firm to friends and family in the future.

In December, we published our second thematic report, which focussed on complaints about conveyancing transactions. We felt that this was a topic worthy of investigation due to the high volume of complaints it was generating – conveyancing was, at the time, the second most complained about area of law in England and Wales.

Unfortunately, in all of our thematic reports there always seems to be at least one horror story, which although not typical of the complaints we see, is nevertheless helpful in illustrating how mistakes and poor service can sometimes affect those on the receiving end. This case study is one such example:



**Mrs C's** dream of Christmas in a new family home seemed to be coming true after she instructed her lawyer to go ahead and finalise the purchase of a house. However, her dream soon turned into a horrible nightmare, which would see her family end up in a caravan on Christmas day.

After completing the sale of her former home and handing the keys over to its new owners, Mrs C transferred funds required to complete the purchase of her new home into her lawyer's account and gave them the thumbs up to finalise the purchase.

She then excitedly booked a removal van and had all of her family's belongings loaded up ready to be taken to the new address. They packed up everything and set off for what should've been the next happy chapter in their lives.

## November 2012

Customer Satisfaction Survey 2011-12 published.



80%

Overall, Eight in ten lawyers (80%) were satisfied with the professional service provided by the Legal Ombudsman.

20%

One in five (20%) were dissatisfied.

Unfortunately – and unknown to Mrs C – her lawyer hadn't completed the house purchase and the people she was buying the house from hadn't received any money. So, unsurprisingly, they weren't prepared to hand over the keys.

After desperately chasing the firm, Mrs C eventually discovered that its accounts had been frozen since it was being investigated for a number of major service failures. It was Christmas Eve, Mrs C's money was stuck in limbo and she and her three children, one of whom was disabled, had nowhere to live.

Thinking on her feet Mrs C drove the family to a local caravan site and checked them in as a last act of desperation. They spent Christmas Day in a caravan – a far cry from the dream surroundings she'd envisaged for her family only days before. The incident ended up costing Mrs C even more money over subsequent days and weeks as she moved her family into a cottage until the house purchase had completed.

After complaining to the law firm and getting an unsatisfactory response, Mrs C brought her complaint to the Legal Ombudsman. We investigated and awarded Mrs C around £14,000 to cover losses and for the distress and inconvenience she had experienced.

We found that the house buying experience was being made more stressful in some cases because of poor quality legal services. Some of the most common causes included disputes about costs, prolonged delays meaning people missed out on the home they were after, and a failure to provide adequate advice or follow instructions.

The report urged lawyers to work harder at resolving complaints and to try and reduce the causes of complaints to maintain business in the face of reduced mortgage lending and a deflated market. But our feedback was as much for consumers as it was lawyers, which is why we also warned house buyers to raise concerns from the start of a transaction and to be diligent in checking paperwork.

72%

Overall, more than seven in ten complainants (72%) were satisfied with the professional service provided by the Legal Ombudsman.

28%

Just under three in ten (28%) were dissatisfied.



# Chief Ombudsman's report

Finally, in February 2013, we looked at the biggest cause of legal complaints, family law, with a particular focus on divorce. Again, we found that poor service and inaccurate costs were making the divorce process more difficult for customers than it needed to be. Around 18% of complaints we resolve are about divorce or family law related cases, with around a quarter of complaints relating to poor cost information. Some of the case studies from the report included bills that exceeded cost estimates by more than £30,000. Additionally, one in five customers said they were not even given an estimate of fees when they first consulted their lawyer.

However, our evidence indicated that the problems with divorce were not merely because of poor costs information and control on the part of the lawyers. Many consumers, we said, were the architects of their own downfall. A high proportion of the problems we encountered were the result of consumers having unrealistic expectations of what could be achieved in a divorce or pushing their own costs higher because of a desire to punish their former partner rather than achieve a reasonable settlement. We reflected these findings in our guide for consumers, to help them try and avoid the pitfalls of using divorce lawyers. And we again pushed the costs guide for lawyers.

The standout case study in this report generated unprecedented media interest, with the Sun, Mirror, Metro, BBC and ITV News all vying for an interview with Miss D – the unfortunate divorcing mother hit with a £4,000 photocopying bill and many other unreasonable legal costs:



**Miss D** needed a lawyer to help oversee divorce proceedings, which included both financial matters and issues around access to her child. Little did she know it would end in tears and considerable worry over her family's welfare, not to mention an invoice for £4,000 worth of photocopying.

The first law firm that Miss D instructed turned out to be very poor. Although she'd already accrued some costs using them, she decided to pay the outstanding bill and then use a different firm.

Miss D settled on a second firm after shopping around for what she thought would be an affordable, reputable divorce specialist.

She met with the firm and discussed costs. She was conscious of the fact that she had recently been made redundant and that her husband had considerably greater funds to draw on given his high paying job. However, she needed to get the best outcome for her and her child. So, despite having used much of her redundancy money on the first law firm Miss D borrowed money from friends and used credit cards to pay the second firm.

Miss D explained that once this money had gone she had nothing else; so, everything would need to be achieved within the specified budget. The law firm agreed to act on behalf of Miss D under this arrangement.

Unfortunately, court proceedings dragged on and Miss D's money was quickly swallowed up. Miss D asked the firm to stop since she simply couldn't afford any further work. Despite this, the firm continued acting without her consent before eventually hitting her with an invoice for £15,000.

Miss D did not have this money. She complained to the firm but they rejected it, even using aggressive letters to insist she would have to pay the outstanding costs. Miss D was so distressed, she worried more than ever about her child's welfare given her dwindling funds and growing debt.

Finally, Miss D brought her complaint to us. We investigated and agreed that the firm had acted unreasonably, particularly in continuing to accrue costs when they had specifically been asked not to do any more work. An investigator also discovered, after going through an itemised bill, that the firm's costs included an enormous £4,000 for photocopying.

The firm contested the investigator's remedy, which was for the firm to waive the outstanding £15,000, and so it went to an ombudsman decision. The ombudsman agreed the firm should waive the final bill and they were ordered to do so.

Conveyancing was the second most commonly complained about area of law in 2011-2012

**Residential conveyancing**

**17.5%** of the 7,500 complaints handled by us in 2011-2012



**December 2012**

We publish our second thematic report

'Losing the plot: Residential conveyancing complaints and their causes'.

# Chief Ombudsman's report

Our programme of research and publication in relation to the themes we see in our complaints work will continue over the next 12 months. However, one thing we have learned from the past year's work has been the benefits of carrying out such exercises in partnership with other key stakeholders and we will be looking for opportunities to take that forward in the coming year.

## Learning to improve redress and regulation

Complaints to the Legal Ombudsman also sometimes highlight areas where the regulatory structures that are in operation need to evolve to keep pace with changing business practice. In the past, we have highlighted issues to do with consumer exposure to unregulated will writing. Sadly, we continue to see issues in this area:



**Mr E** engaged Firm W to prepare a family trust following a cold call to his house. He paid almost £2,000 in a one off payment for the firm to do the work. Six months elapsed and the trust had still not been prepared. Mr E was then informed that the sole Director of the firm had died and his file had been passed to another firm. When Mr E tried to contact the new firm, he received an email stating that the member of staff who had been dealing with his case had resigned.

Mr E got in touch with the Legal Ombudsman. He wanted to either get his money back or have the work completed. We were unable to deal with this complaint because Firm W was not regulated by any of the legal regulators. The only thing we could do was refer Mr E to the relevant trade body covering unregulated will writers in the hope that they may be able to deal with the issue.

We were therefore encouraged to see that the Legal Services Board proposed to ministers that will writing will be a regulated activity. Though this proposal was recently rejected, will writing, whether regulated or not, is one of a number of things we are looking at with a view to supporting the Government's implementation of a new EU Directive on alternative dispute resolution so that all consumers have access to some form of dispute

resolution. There has been some interest in how a voluntary scheme might work for consumers of will writing and we will consult on this issue over the summer to look at the pros and cons of this sort of approach.

The recent regulation proposal also excluded estate administration, which is an issue for some complainants. Though to some degree, the extent of this risk may be limited by the proposals from the Institute of Chartered Accountants for England and Wales (ICAEW) to seek authorisation as a regulator for such services when they are being provided by accountants. We intend to work closely with the ICAEW to determine how the detail of this may work in relation to redress.

The second area for improvements in redress, which we have previously highlighted and where action is planned, is claims management. We are delighted that ministers announced in August 2012 that they intended to turn on the powers in the Legal Services Act to give customers of claims management companies access to redress via the Legal Ombudsman.

It is unfortunate that issues to do with the precise mechanism for funding this activity have delayed the implementation of this intention. We look forward to working with the Ministry of Justice, Treasury and the claims management companies themselves to move to begin receiving complaints as soon as possible.

Over the past year, we have also become increasingly concerned about the difficulties consumers are having because of the increasing financial weaknesses of some legal providers. With the general economy remaining in difficulties and volatility in the legal services market, we are seeing many cases where firms are going out of business or transitioning into other businesses. This often leaves consumers in an invidious situation, as the following case illustrates:



**Ms F** was looking forward to buying her first property in July 2010. She was a first time buyer and therefore fell within the stamp duty exemption threshold for first time buyers. Her father was also selling a property at the same time and offered to use some of the proceeds of his sale towards her deposit. The same firm dealt with both instructions.



## 10 January 2013

Pilot CPD accredited complaints handling course run by LeO for lawyers.



Our compensation amount has increased from 30,000 to 50,000



## 1 February 2013

Our scheme rules are revised following consultation. Changes include new maximum compensation amount of **£50,000**, **new time limits** and allowing **complaints about prospective customers**.



# Chief Ombudsman's report

The firm wrote to Ms F to make her aware that she could take out a HIP insurance package for £295 plus VAT as an alternative to a local authority search (which included indemnity cover and which cost £145 plus VAT). Ms F wrote to the firm and said she wanted to have the local authority search.

Ms F bought her property but then had to chase the firm several times to get a copy of the final invoice. When she received the invoice she found out that she had been charged for the HIP package as well as the local authority search. Also to her surprise she had been charged just over £2,000 for stamp duty even though she should have been exempt – there seemed to have been some confusion as her finances had become mixed up with the proceeds from the sale of her father's house.

Ms F complained to the firm on two occasions but did not receive a response. When we looked at the case it was clear to us that Ms F should not have been charged for stamp duty or for the extra HIP insurance package and we recommended that these should be refunded. We also awarded a further £200 in recognition of the time and inconvenience to Ms F having to pursue a formal complaint for matters which the firm should have been able to deal with relatively easily.

However, this was not the end of the story. Ms F was one of a number of people who had made a complaint about the firm. As the firm had closed down we would usually have recommended that Ms F approached their indemnity insurer; however, as the excess on the policy (provided by the regulator) was several thousand pounds it was not worth approaching them. It was also not clear whether Ms F and others would be able to obtain a refund from the relevant regulator's compensation fund.

After extensive discussions with the regulator we were able to confirm that they could make an application to the compensation fund. However, this was a situation where Ms F, and 25 others in a similar situation, was unaware that their ability to obtain redress could be affected by their firm's choice of approved regulator. Without our help they would have been unlikely to know where to go and who to approach to finally resolve the problem.

There can be similar problems even where there is some sort of business continuity:



**Ms G** engaged a firm of solicitors to help her sell her current home and buy a new house. The firm failed to keep Ms G informed about the progress of her case, sent incorrect information to the other side's lawyer, failed to arrange for the other side to contribute towards a survey as had been agreed previously, provided Ms G with inaccurate completion statements and failed to send Ms G a certificate of membership from the management company.

Ms G tried to complain directly to the firm but they did not reply. Ms G then came to the Legal Ombudsman for assistance. She wanted assurances from the firm that all of the work had been done, important documents to be provided to her and compensation to cover inconvenience caused and the share of the survey that the firm had failed to collect from the vendors.

The Legal Ombudsman concluded that the service provided by the firm was not adequate and ordered compensation of £100 to be paid to Ms G. Ms G was happy with this outcome and in principle the firm said that they were too. However, in the time that had elapsed since Ms G engaged the firm, it had changed its name and regulator, subsequently claiming that it was not liable to any claims.

Our enforcement team did not agree. The Legal Services Act 2007 states that when a firm 'ceases to exist' and another firm 'succeeds to the whole of the business' the second firm is liable for any poor service (or, as the Act puts it, 'acts or omissions') provided by the original firm.

The Legal Ombudsman had received several complaints about this firm and through our investigations found that it had made it clear to customers that they would be carrying over customers and that the change in service was just a name change and change in regulator so that the staff, partners and premises of the firm would remain unchanged. After much wrangling, the successor firm eventually agreed to pay compensation to Ms G, four months after the decision on compensation had been made.



## February 2013

The number of adults that have heard of the Legal Ombudsman has increased significantly from 60% in 2012 to 70% in 2013.

# Chief Ombudsman's report

The Legal Services Act makes clear that the role of the Ombudsman does not end with making a decision about the facts in an individual complaint; it is not enough to observe what justice should entail, often we are required to enforce our decisions too.

However, as the earlier case studies indicate, ending up in court to enforce a decision is less than ideal for all concerned. The intricacies of consumer financial protection arrangements can make it difficult to see where redress will come from, especially when a firm is in financial difficulties.

The more we see of these cases and the issues around them the more important access to insurance becomes, as the following case study illustrates:



**Ms H** instructed a law firm about three years ago in relation to a housing dispute between Ms H and her landlord. Ms H won her claim against her landlord and was awarded £4,000 plus costs. However, it emerged that the lawyer had failed to follow the order to recover the costs from the other side. Then Ms H's firm went into administration. Ms H tried to contact the lawyer who had been working on her case, but did this after the firm was no longer operating. The administrators did not act on Ms H's concerns. Ms H contacted the Legal Ombudsman as she wanted to get the remainder of her compensation recovered from the landlord.

The Ombudsman agreed that the firm had provided a poor service in not claiming the costs from the other side and as they had not recovered the costs specified by the costs lawyer involved – this had also been sent to the then Legal Services Commission.

The Ombudsman felt that when claiming costs from the other side, it would be unlikely that 100% would be gained, so estimated two thirds as a reasonable return to Ms H – the order was for £2,700 compensation for loss suffered and £200 compensation for emotional impact and/or disruption caused. The Ombudsman also agreed that Ms H had been put through unnecessary stress and inconvenience.

The firm in question was a not-for-profit advice agency, which held indemnity insurance through an independent support network. Not-for-profit agencies are not required to hold 'qualifying insurance' in the same way commercial firms are under Solicitors Regulation Authority (SRA) rules and there is no mandatory provision to cover Ombudsman decisions.

In the above case study, the advice agency concerned had entered administration before the complaint was determined, and so had not renewed its professional indemnity insurance. As such, there was no policy in place against which the complainant could make a claim.

Ensuring ombudsman decisions are fulfilled is an important part of increasing consumer confidence, not just in the Legal Ombudsman but also in the profession as a whole, and we are keen to work with regulators to look at how consumer protection mechanics join up to provide a firm safety net for consumers of legal services across all aspects of the sector.

In the last year we have started 213 formal enforcement cases and recovered a total of £97,000 through actual or threat of legal action on behalf of customers.

## Looking forward

In changing times, many challenges still lie ahead for the Legal Ombudsman. Consumer confidence has been undermined by economic pressures and scandals. The Payment Protection Insurance debacle, for instance, has damaged confidence in the financial sector. The general financial climate and employment uncertainty will also inevitably play in the minds of British consumers. Improving confidence is, therefore, a priority.

The European Union has already started taking measures with its alternative dispute resolution (ADR) directive. This requires all consumer transactions to be covered by an ADR scheme. And while any schemes are likely to be voluntary, it will still be requisite for a scheme to be in place. This could go some way toward restoring confidence as it affords consumers greater protection and access to redress.

But this Directive will have to be implemented in a rapidly changing services sector. The legal sector is facing fierce competition and there have been predictions of thousands of



**28 February 2013**

We publish our third thematic report

'The price of separation:  
Divorce related legal complaints  
and their causes'.

## Family law and divorce

accounts for more complaints to the Legal Ombudsman than any other area of law.

Coverage includes **front page of The Metro** and offers **over 27 million** opportunities to view.



# Chief Ombudsman's report

job losses over the coming months and years. At the same time a diversification of legal services – more online, premium and fixed price products for instance – increase the potential for varying levels of service and quality from one provider to the next. While many people's focus will be on the affordability of a service they will want to know that should they suffer from poor quality – a risk commonly associated with cheaper, no frills services – there is somewhere they can turn.

The Legal Ombudsman already offers thousands of customers this reassurance and its safety net will grow further with the arrival of jurisdiction over claims management companies.

But there are still areas of law exposed by regulatory gaps. As such, our board has been considering establishing a voluntary scheme – in accordance with the Legal Services Act. Though conceived only in very loose terms to date, it is possible that such a scheme would also be open to bridging gaps in the regulation of estate administration, immigration advice, paralegals, and not-for-profits like the Citizens Advice Bureau (CAB); the latter of which will no doubt be pressured for more and more free legal advice in the wake of Legal Aid changes. The viability of a voluntary jurisdiction would, of course, depend on organisations being willing to join and pay for it. It is, therefore, by no means a definite proposal but it is a possibility which we need to explore.

In the meantime, it remains a challenge to the Ombudsman and regulators to warn consumers about being vigilant when seeking advice and to highlight the difference between regulated advice and products and unregulated - particularly when it comes to seeking redress.

Just as the Legal Services Act 2007 continues to resonate with the emergence of Alternative Business Structures and more commercial legal enterprises, so too will the effects of the recent Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act.

Whereas financially planning for many types of legal scenario was unnecessary in the days of state support, it will become increasingly par for the course. One can easily imagine a world in which legal insurance becomes mandatory in the same way car insurance has. We're not there yet, but increasingly legal insurance is bundled together with contents and car insurance policies, while firms often take out policies on behalf of customers. Insurance could soon be the most sure-fire way of knowing you'll be able to attain legal representation should the time come. <sup>1</sup> A YouGov legal services survey shows that around 27% of people felt themselves likely to pay for legal expenses cover, if it were offered at between £50-£100 a year.

Conditional fee agreements (CFAs) and fixed prices will perhaps be the biggest enabler of premium legal services however, since they allow customers to budget effectively and offer some protection against unforeseen costs. <sup>2</sup> The same YouGov survey reveals that more than 60% of people who had used a lawyer in the last year were either charged a fixed fee or had made a conditional fee agreement, whereas hourly fees were paid by just 17% of people.

But, as many of the complaints we receive show, there are also risks. We have published research that highlights consumer confusion regarding legal insurance and what is actually covered under certain policies. And we see many complaints regarding oversights, loopholes and issues with small print in contingency fees. Indeed, the lines are not always clear cut and this leaves room for some lawyers to take advantage.

And further confusion may be just around the corner with the emergence of Damages Based Agreements (DBAs). We are yet to see what sort of complaints a DBA might give rise to but lawyers have expressed some concerns about litigation cases being funded in this way – costs are recovered as a capped percentage of the damages awarded in litigation cases – since the agreements are fraught with uncertainty about how much may be recoverable compared to the relative amount of time being invested to see a case through. We will monitor this development closely.

Failing insurance or contingency fees, we could see legal loans and overdrafts become the norm as more financial institutions move into the market. Whether this would be significant for us or the Financial Ombudsman Service (FOS) remains to be seen.

<sup>1 and 2</sup> YouGov Legal Services 2013 survey

{ 'This was an excellent course – **very instructive** for Complaint Handlers and clearly **thought-provoking**, but also **inspiring and reassuring**. '



**10 April 2013**

Following initial CPD course success a national programme begins.



**April 2013**

Website revised to a new audience routes through the site for consumers and professionals - general content and architecture revised following user feedback.

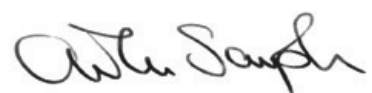
# Chief Ombudsman's report

We are already working closely with FOS to establish where jurisdiction lies on a number of legal expenses insurance related complaints.

Essentially, what we are seeing is the displacement of tradition. The way in which barrister's services can now be attained, for instance, and in the marketing strategies being utilised to bring in business, show an emerging commercial savvy.

Some online providers of barrister's services are seeking to cut solicitors out of the legal process altogether via direct access rules. One provider recently claimed it could halve the cost of some legal matters by doing so, and has subsequently built its marketing strategy around this benefit. From a Legal Ombudsman perspective, this is just one example of how new types of dispute, such as complaints about barristers' charging and costs, will emerge.

Changes such as these will pose challenges for us and for our fellow ombudsmen. We may have successfully established our scheme and, as this report shows, performed well over the past 12 months; but we have more, much more, still to do.



Adam Sampson  
*Accounting Officer*

**Date:** 31 May 2013

**1 April 2013**  
Changes in case fee structure  
come into effect.



**July 2013**

2012-13 annual report published.

Office for Legal Complaints

## Key Performance Indicators and Annual review

# Key Performance Indicators (KPIs)

We agreed our Key Performance Indicators for 2012-13 with the Legal Services Board and we now publish this information on our website quarterly.

These KPIs are:

- **Timeliness:** The proportion of cases resolved within three and six months of a consumer’s first contact with us.
- **Quality:** We track against a mix of quality indicators that focus on the accuracy of our work and the quality of customer service provided.
- **Unit cost:** We track the unit cost of our work by reporting the annual cost of the organisation averaged according to the number of cases resolved.
- **Reputation:** We commission external, independent measurement of satisfaction levels among customers (consumers and lawyers) and stakeholders on an annual basis.
- **Impact:** We undertake annual surveys of stakeholder groups to assess their confidence that we are delivering our objectives and annual surveys of consumers of legal services to determine how many are aware of the Legal Ombudsman.

## Timeliness

We want to resolve complaints as quickly and fairly as possible. We measure how long it takes from the point at which the complainant agrees what it is that they want us to investigate until the point at which the complaint is resolved. The only exception to this rule is where the complainant requests, and we agree, to suspend an investigation. In these cases, the period for which the case is suspended is not counted. The time it takes to resolve a complaint is determined to a large extent by the parties to the dispute themselves. If a case can be resolved informally, it takes less time than if a lengthier investigation or an ombudsman’s decision is needed. Reducing the time it takes us to settle cases remains a key priority for us in terms of improving our customer service and organisational efficiency.

The OLC and management team, together with the Legal Services Board, set a target for 2012-13 of resolving at least 55% of cases within three months, of resolving at least 80% of cases within six months, and of resolving all our cases within a year.

KPI Performance for cases accepted after 1 April 2012														
	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total	Target
Resolve 55% of cases within 90 days				59%	62%	58%	57%	55%	61%	56%	55%	48%	57%	55%
Resolve 80% of cases within 180 days							95%	93%	95%	91%	93%	92%	93%	80%
Resolve 100% of cases within 365 days												100%	100%	100%

We have met all of the timeliness targets for 2012-13. We dipped below the 90 day target of 55% in only one month - March 2013. This measure has rebounded since the year end indicating that this was a blip rather than the start of a decline in performance.

In order to continually strive for improvement in this area we have agreed more strenuous targets for 2013-14 with the Legal Services Board. For 2013-14 we aim to resolve 60% of cases within three months, 90% within six months, and all within a year.

## Quality

Delivering a high-quality service is of fundamental importance to us. It is what matters most to our customers and stakeholders. We are committed to improving the quality and consistency of our work and put in place a quality framework that specifies and reinforces the standards that we set ourselves. It helps us monitor and evaluate our performance: identifying areas where we can improve.

We monitor the three stages of our process:

- How well we managed our initial contact with the public and potential complainants in our Assessment Centre.
- How well our investigators managed the subsequent investigation and resolution of those complaints whether informally or by Ombudsman’s decision.
- How well the Ombudsmen reviewed the complaint and communicate their findings to the parties concerned.

At each of these stages we focus on:

- How responsive we were to the complainants and lawyers involved.
- Whether our communication was clear (including how well we managed the expectations of both parties).
- Whether the focus of our investigation and its outcome was appropriate and proportionate.
- Whether we complied with our own internal processes and guidance, ensuring that the outcomes were consistent.



# Key Performance Indicators (KPIs)

## Quality - continued

Our current quality monitoring involves learning from closed cases but we will be piloting a revised quality improvement process in early 2013-14 in order to further improve our ability to pick up and correct any issues that arise during an investigation.

Our quality measures are expressed as an index – one in which we aim to demonstrate gradual improvement over time. Our aim is to exceed an index score of 80%.

KPI	Average quality score per area of investigation			
	Q1	Q2	Q3	Q4
Assessment	88%	91%	91%	92%
Resolution	75%	73%	79%	81%
Ombudsman decision	79%	87%	83%	79%

Looking to the future, during 2013-14 we are updating our approach to quality to change the emphasis from quality assurance towards quality improvement. As we undertake this change we will review the way that we report this KPI measure.

## Cost

We had two key targets for 2012-13; to remain within our budgeted expenditure and to achieve a unit cost of £2,000.

Our total expenditure last year was £16.6 million (2011-12: £17.3 million), against a budget expenditure of £17.0 million (2011-12: £19.4 million). We set our annual budget following public consultation and taking into account expected demand forecasts. Our unit cost was £2,168 (2011-12: £2,281). Our unit cost is calculated by dividing the total cost of operating the Ombudsman scheme by the number of cases we resolve in each financial year.

While we were within our budget our unit cost is above target. We continue to focus on delivering the target unit cost of £2,000 in 2013-14. To achieve this we will need to reduce unit costs by some 7.8% on top of the 4.9% reduction made in 2012-13. Much of this saving is expected to be driven by case volume. In the event that the planned increases in volumes do not materialise we will seek to reduce our expenditure to the extent that this is possible without causing significant disruption or adverse consequences to our other key performance indicators of timeliness, quality, reputation and impact.

We remain committed to ensuring value for money in the way we run our service and hope this demonstrates to our stakeholders that we remain committed to ensuring proper financial accountability.

	2011-12	2012-13	Budget 2013-14
Budgeted expenditure of the scheme £'m	19.400	16.997	16.994
Actual expenditure £'m	17.304	16.657	-
Less non Ombudsman Scheme activity, taxation and interest received £'m	0.302	0.115	-
Total cost of the ombudsman scheme (A) £'m	17.002	16.542	16.994
Cases resolved during the year (B)	7,455	7,630	8,500
Unit cost (A divided by B)	£2,281	£2,168	£1,999
Year on year reduction	-	4.9%	7.9%

## Reputation

The key measures that inform our Reputation KPIs are;

- **Advocacy:** The percentage of respondents who are satisfied with the outcome of their case and would speak highly of LeO without being asked / if asked. 93% of complainants and 60% of lawyers agreed.

The survey includes an indicator for how many of those who have had contact with us would recommend us to others, which we consider to be a significant measure of reputation:

### Q. Which of these statements comes closest to how you feel about the Legal Ombudsman?

- I would speak highly of the Legal Ombudsman without being asked
- I would speak highly of the Legal Ombudsman if asked
- I would be neutral when speaking about the Legal Ombudsman
- I would be critical of the Legal Ombudsman if asked
- I would be critical of the Legal Ombudsman without being asked



# Key Performance Indicators (KPIs)

## Reputation - continued

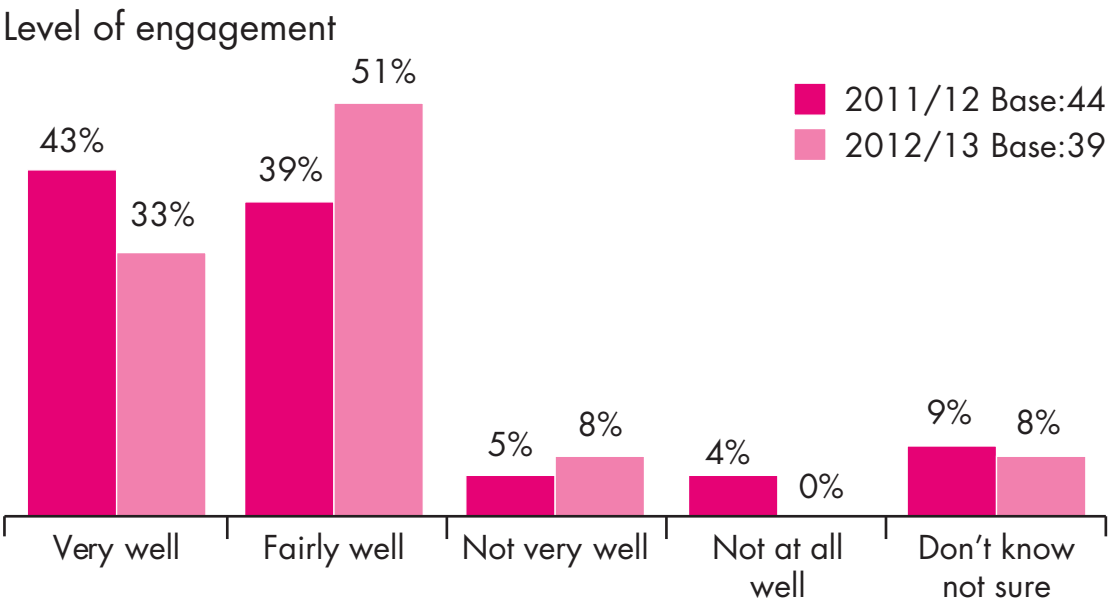
However, detailed analysis of survey results has shown that, as is to be expected, satisfaction levels with elements of our service (including advocacy) are heavily influenced by complainants' satisfaction with the outcome of our investigations. To ensure that it is both an accurate and meaningful reflection of our reputation and can be reliably tracked over time, this measure has been developed to account for this unavoidable bias by reflecting levels of advocacy amongst service users who were satisfied with the outcome of their complaint. We have also chosen to report on level of advocacy by those who were dissatisfied with the outcome of their complaint, as the two factors together give a more meaningful picture of performance.

Complainants	Very / fairly satisfied with outcome	Satisfied with outcome	Very / fairly dissatisfied with outcome
I would speak highly (4-5)	93%	64%	13%
I would be neutral (3)	4%	24%	21%
I would be critical (1-2)	3%	12%	66%

Lawyers	Very / fairly satisfied with outcome	Satisfied with outcome	Very / fairly dissatisfied with outcome
I would speak highly (4-5)	60%	23%	5%
I would be neutral (3)	36%	57%	31%
I would be critical (1-2)	4%	20%	64%

- Stakeholder satisfaction: The percentage of stakeholders satisfied with overall level of engagement. 85% of stakeholders surveyed agreed.

Reputation Indicator	2011-12	2012-13
Percentage of stakeholders satisfied with overall level of engagement.	82%	85%



Stakeholders are very positive about our overall levels of engagement with them. 84% of respondents said that we had engaged well with them and their team over in 2012-13, representing an increase of 3% on the previous year.

Consumer groups / charities remain to be the most likely stakeholder groups too state that we are engaging with them and their team 'very well'.

However, there has been a slight weakening on those saying that we engaged with the 'very well' compared with last year. 33% of stakeholders now believe that we engage with them very well compared with 43% in 2011/12.

## Impact

We have introduced a new indicator in 2012-13 to measure our impact. We gather this information through an annual survey of our stakeholder groups to assess their views about our service, and through an annual survey of the general public and users of legal services to assess the levels of awareness of the Legal Ombudsman.

### Stakeholder confidence in delivery against the mission

As part of our annual stakeholder survey we ask:

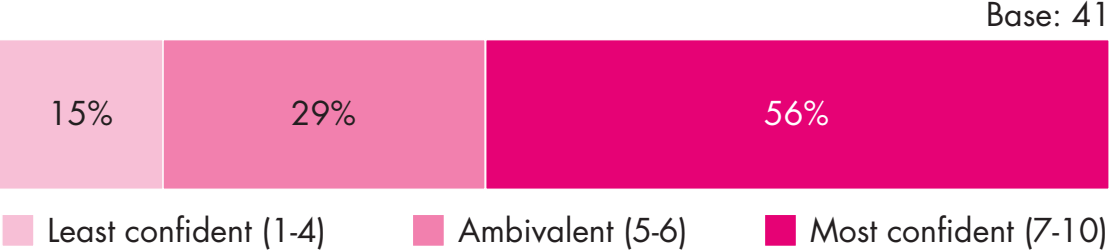
*Q. How confident are you that the Legal Ombudsman is delivering against its mission:*

“ Our task is to run an independent ombudsman scheme that resolves complaints about lawyers in a fair and effective way, where we are shrewd and decisive when tackling complex issues and that is open so we can give focused feedback to help drive improvements in legal services ”

Impact Indicator	2011-12	2012-13
Percentage of stakeholders who have confidence in our delivery against our mission.	56%	56%

# Key Performance Indicators (KPIs)

## Impact - continued



Fifty six percent of our stakeholders are confident that we can deliver against our mission. This remains unchanged from last year’s results (+0.2%) and interviews show that our stakeholders still broadly agree that the mission statement is appropriate.

## Consumer awareness of the Legal Ombudsman

The annual awareness survey, which first took place in 2012, is designed to measure awareness levels of our service within the general public and users of legal services. The results are used to benchmark and track the impact of our communication and media activity and to identify any trends in awareness levels across demographic groups.

As part of our awareness survey we ask:

“ Have you personally used and paid for a legal service in the past two years? ”

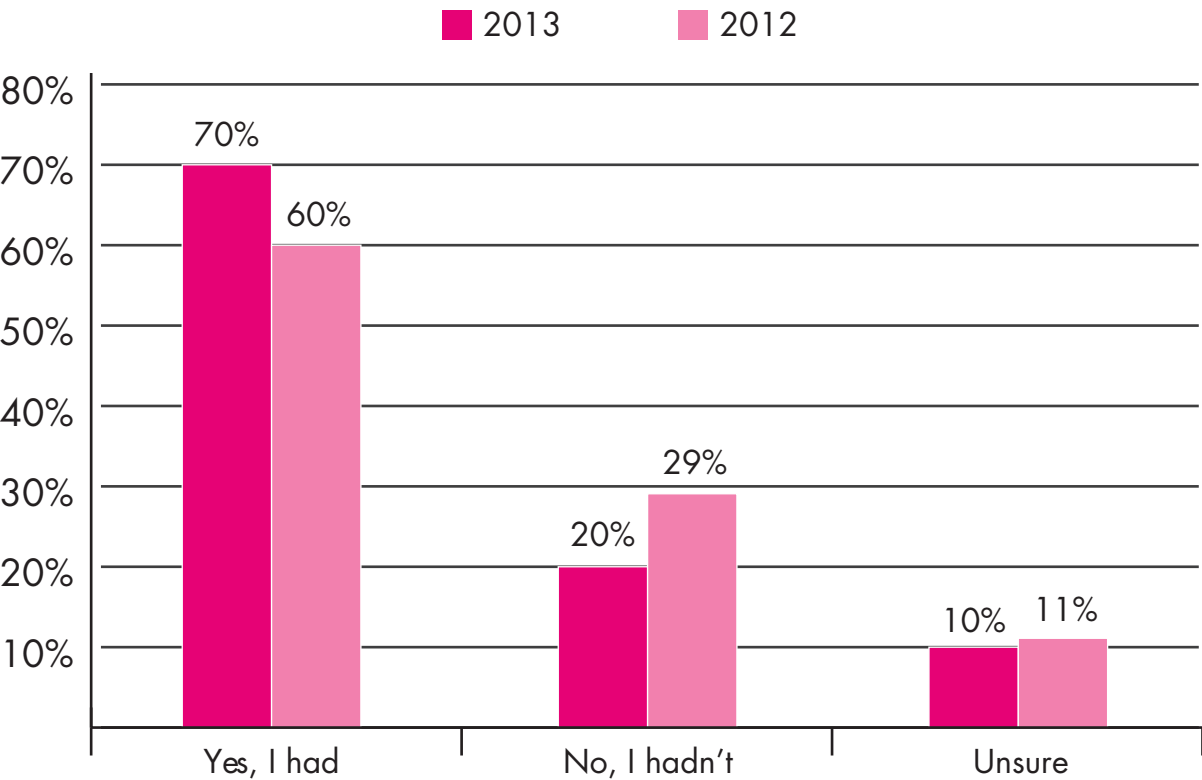
“ Before today, had you heard of the Legal Ombudsman? ”

Impact Indicator	2012-13
Percentage of users of legal services in the last two years that have heard of the Legal Ombudsman	78%

Respondents that had personally used and paid for a legal service in the past two years had a slightly higher awareness level of 78%. This is the first time that this KPI measure has been captured, so a comparison with 2012 data is not possible.

However, general awareness levels of the Legal Ombudsman (as opposed to recent users of legal services) have been tracked over the last two years and provide some interesting context to this measure.

“ Before taking this survey, had you heard of the Legal Ombudsman? ”



Base: 2013 = 1839, 2012 = 1817 (All adults in England and Wales)

70% of members all respondents surveyed said that they had heard of the Legal Ombudsman. This represents an increase of 10% from 2012 and indicates a positive trend in general awareness levels.

## Board members' report

---

Members of the Office for Legal Complaints are appointed by the Legal Services Board. They may be appointed for a fixed term of up to five years and may then be re-appointed for one further fixed term of up to five years. OLC members may be removed by the Legal Services Board only under the circumstances set out in Schedule 15.8 (2) of the Legal Services Act 2007, and the Chair may only be removed with the agreement of the Lord Chancellor. If the Legal Services Board thinks there are circumstances that make it right for a person ceasing to hold office as Chairman or another member to receive compensation, the OLC may pay that person such compensation as the Legal Services Board may determine. Board membership together with the terms of appointment are set out in the remuneration report.

---

The OLC is supported by an Executive Management Team, led by the Chief Ombudsman. The OLC has delegated relevant day to day authority to the Executive Management Team, whose role is to deliver day to day operation of the Legal Ombudsman scheme. Further information about governance arrangements, including the report of the remuneration committee, is set out in the Governance Statement.

## Management commentary

---

The purpose of the Legal Ombudsman scheme is to provide a single gateway for consumers of legal services to channel their complaints while at the same time driving systemic improvement by feeding information and methods to improve back to the profession.

---

## Review of the business

2012-13 was the second full year of operation of the scheme. We received just over 71,000 contacts (calls, letters and e-mails), some 6% down on 2011-12. Despite the lower number of contacts, the number of complaints that were within our jurisdiction and which we needed to investigate remained very similar at 8,430 (2011-12 8,420). We resolved 7,630 cases, up 2% on 2011-12 levels (2011-12: 7,455). As the economic situation remains depressed, this had a corresponding impact on the legal activity, and hence upon the volume of complaints. Our focus is turning to growth through expanding our jurisdiction, to delivering improvements in the efficiency with which we deliver our service, and improvements to the quality of our work.

## Future development, risks and uncertainties

In February 2013 we changed our scheme rules. The main changes were to extend time limits for complainants and to change the basis on which we charge case fees to lawyers. We made these changes in response to analysis, which indicated that we were unable to look at a significant proportion of complaints because these fell outside of our old scheme rules time limits. We anticipated that this is likely to result in an increase in the number of cases that we accept for investigation in 2013-14 by up to 10%.

In the financial years from 2010-2011 to 2012-13 we did not charge lawyers case fees for the first two complaints involving them. Lawyers were charged case fees only for the third (and subsequent) complaint during the year.

With effect from 1 April 2013 the changes to our case fee rules removed the provision where each law firm was allowed two cases per financial year before incurring a case fee. This will ensure that more of the cost of providing the Ombudsman service is met by firms who do not respond to complaints about their service in an appropriate and reasonable manner.

To ensure that we remain an accessible service we have also responded to research that we commissioned which told us that users of legal services often found complaining about the service provided by their lawyer a daunting prospect. This research told us that up to 30% of those who came to us before complaining to their lawyers failed to return to us once they had complained to their lawyer despite remaining unsatisfied with their lawyer's handling of their complaint. We have therefore started to follow up with these complainants to ensure that where we can, we make it easier for them to access the Ombudsman scheme. We expect that this will result in an increase in complaints accepted for investigation of around 4% during 2013-14.

In setting our budget we therefore anticipated that contact volumes would increase by around 4% to around 75,000 contacts in 2012-13. As a result of the changes to our scheme rules, we anticipated the number of cases accepted to increase by up to 14% to around 9,700 and the number of cases that we resolve in 2013-14 would increase to around 8,500.

We have also been working with the Ministry of Justice to enable provisions within the Legal Services Act, which allow us to include claims management companies within our jurisdiction. While this has taken some time to develop, we remain hopeful that these powers will be enabled towards the end of 2013. To date we have incurred £36,000 as part of our initial planning and implementation work, the costs of which will be recovered from the Claims Management Industry as part of the implementation costs of this extended jurisdiction, or in the event that this does not come to fruition, from the Ministry of Justice. We believe that, in addition to providing consumers of these services with an opportunity for redress and encouraging the sector to improve its complaint handling processes, this will also benefit existing stakeholders by providing economies of scale to all of the existing approved regulators.

The principal risks and uncertainties facing the organisation, together with how these are managed, are set out within the Governance Statement.

# Annual review

## Performance, position and resources

The OLC budget for 2012-13 was just under £17.0 million (2011-12: £19.4 million). We have managed our resources prudently in response to flat activity levels. As a result of this our actual expenditure for 2012-13 was £16.6 million (2011-12: £17.3m); some £0.4m below budget and £0.7 million less than the year before.

The expenditure of the OLC is met from levy funds received from Approved Regulators on behalf of HM Treasury. Levy funds are collected annually in arrears in March of each year. In March 2013 the OLC received £15.82m (2011-12 £16.67m) in levy funding relating to the financial year 2012-13.

Grant in Aid was provided by the Ministry of Justice as part of the implementation and set up of the organisation. No Grant in Aid was required in 2012-13 (2011-12: £4.55m) and no further Grant in Aid is anticipated to be required during 2013-14.

During 2012-13 we reviewed the useful economic lives of our assets. While we have extended the useful life of some of our desktop hardware equipment, we have as a result of this review, come to the conclusion that the IT infrastructure and much of the enterprise wide software that was implemented during our implementation phase in 2010, is coming to the end of its useful economic life.

Technology has moved on significantly in the last three years and our initial reviews of alternative systems and IT architecture have convinced us that different IT has the potential to improve our work. The ability to tailor our IT systems more closely to our business processes also provides an opportunity to increase the timeliness and quality of our work and at the same time to reduce the costs of what we do. Subject to appropriate approvals from the Ministry of Justice we plan to undertake this refresh during 2013-14.

## Operational performance and activity

	2011-12	2012-13
Contacts	75,420	71,195
Complaints accepted for investigation	8,420	8,430
Complaints accepted but subsequently closed as not within our jurisdiction.	965	800
Cases Resolved (complaints falling within our jurisdiction)	7,455	7,630
- Of which resolved by Ombudsman Decision	2,717	2,990

We accept complaints for investigation on the basis of what complainants tell us. Once we have spoken to the lawyer or obtained more evidence, we sometimes find either that the lawyer has not had an appropriate opportunity to address the complaint directly, or that the complaint does not, after all, fall within our jurisdiction. Some 800 complaints, which we started to investigate were closed down for this reason during 2012-13. While complaints which turn out not to be within our jurisdiction take time and resource to deal with, we do not count these complaints when determining our efficiency measure of cost per case – our Unit Cost KPI. To calculate unit cost we only count those complaints that we have investigated and resolved which fall within our jurisdiction.

The aim of our scheme is to resolve complaints quickly, and with the minimum of formality. Where there has been a failing by the law firm we aim to put the complainant back into the position that they should have been in had the service provided been adequate in the first place.

We therefore try to resolve as many complaints as possible by brokering an agreement between the lawyer and complainant – a process we call ‘informal resolution’. Where this is not possible or practicable an ombudsman will be asked to make a decision. The proportion of cases which require an ombudsman decision remains much higher than we had originally planned for – some 38% of cases have had to be resolved by an ombudsman decision during 2012-13 (2011-12: 35%).

In order for an ombudsman’s decision to be enforceable and binding on the lawyer the complainant must accept it. In nearly 70% of cases where an ombudsman makes a decision, the complainant rejects the decision. As we are confident in the independence and impartiality of our ombudsmen we believe that this can only indicate that complainant expectations regarding the value of compensation or redress often exceeds what the ombudsman considers to be required.

## Key relationships

The OLC is directly accountable to the Ministry of Justice for its financial performance. This is because while the funding for the Legal Ombudsman comes ultimately from the legal profession, it is routed through Government and is therefore classified as public spending. However, along with our relationship with the MoJ, the OLC must also report our performance to the Legal Services Board, which also agrees our budget and performance targets.

Along with our formal governance relationships, the Legal Ombudsman has a broad range of external stakeholders encompassing regulators, other ombudsmen schemes and complaint handling bodies, professional associations, lawyers themselves, consumer groups/charities and government and judicial bodies.



# Annual review

The success of the Legal Ombudsman hinges in large part on raising the awareness of customers – lawyers, consumers and the bodies that communicate with them. Our success is not simply to exist; people must know that we are here. The profession itself is the most important referral point into the Ombudsman service. Consumer support bodies are also a key point of referral, particularly for complainants who require support to prepare their complaint. These two groups are the key audiences for explaining coming changes and the role of the Ombudsman scheme overall. A core part of our commitment is to make sure that the Legal Ombudsman is accessible to a diverse range of the population.

Gaining profile and exposure in professional circles continues to be essential – both for the reputation of the scheme and to enable the scheme to prepare for the coming changes to the legal landscape. The Legal Ombudsman has in place working arrangements with all of the Approved Regulators of legal services. These are set out in a series of memoranda of understanding (all available to view on the Legal Ombudsman website).

## Key Performance Indicators (KPIs)

Our performance against our KPIs is outlined in the data and information section earlier in this report. This and other performance information is also available on the Legal Ombudsman website: [www.legalombudsman.org.uk](http://www.legalombudsman.org.uk).

## Employees and social community issues

As at 31 March 2013, the Legal Ombudsman had 262 full time employees (2011-12: 256) and 20 part time employees (2011-12: 21). 62% of the staff complement as at 31 March 2012 were women (2011-12: 62%). 2.5% of working days were lost to sickness including absence for planned operations (2011-12: 2.6%). The OLC and its employees strive to ensure that it has a positive impact on the local community, with increasing levels of involvement as our office and its culture develops. We are committed to meeting the different needs of both the legal community and the users of legal services, as well as our employees and suppliers. To this end we have sought where possible to ensure that local and smaller businesses have access to our procurement processes (and on more than one occasion, have been successful) and we facilitate and encourage our employee's charitable fundraising initiatives as well as building links into the broader West Midlands community.

## Environmental matters

The OLC is committed to working with its suppliers and employees to ensure that it takes proper account of the impact of all of its activities on the environment. Our office design, location and infrastructure are designed to ensure sustainability. We have a city centre location, which means the majority of our employees use public transport. Our office is designed to be paperless – this is not only an efficient approach, but given the volumes of paper that lawyers and their clients can generate, is also an acknowledgement that as our service grows and develops, we must take a responsible and ethical view to the use

of resources. We also do the small but important things such as encouraging recycling and minimising waste through catering and facilities management.

## Sustainability reporting

During 2011 the Cabinet Office confirmed that the OLC is not a Non Departmental Government Body. As a result the OLC is exempt from sustainability reporting requirements.

## Equal opportunities and employee involvement

The Legal Ombudsman is committed to ensuring that dignity at work and mutual respect are enshrined in all its working practices and the ways in which its staff behave both towards each other, potential employees and its customers.

We value diversity and promote equality throughout the organisation and ensure that our policies, procedures and practices are fair and objective, promote diversity and challenge discrimination. We are committed to ensuring we have a representative workforce that has a wide range of expertise and experience from a variety of backgrounds to enable us to provide excellent service delivery. We enable flexible working, and opportunities to develop both formally and informally, and look to mentor individuals to further their career aspirations.

In our commitment to ensure that our service is accessible to everyone, we recognise that we must correctly identify and make reasonable adjustments so that disabled people are not disadvantaged in comparison to people who are not disabled. We undertook training for our staff in this respect, particularly in the area of extending timescales for complaint handling.

The Legal Ombudsman routinely collects and monitors information about those who complain to us and also of its workforce to allow us to spot trends and consider how to improve our service and ensure we are accessible. This data collection process is voluntary; however during 2012 – 13 we obtained equality and diversity data in respect of 55% of those cases allocated for investigation (2011 – 12: 51%). To supplement this as our data collection capacity increases, we have run a number of workshops with a range of community groups to explore the types of service improvements we could make. The community groups were selected based on differences in access and use of legal services and involved young people, older women, South Asian communities, people who are deaf/hard of hearing and people who have sight loss or who are blind. The groups, working with Legal Ombudsman employees, identified and explored issues relevant to the particular community and developed practical recommendations for service improvement.

We are committed to employee consultation and engagement and have a range of communication vehicles such as appraisals, employee briefings, and newsletters that involve colleagues in the management of change. Through these vehicles, we seek employee input into the development of policies that affect their employment and the overall performance of the organisation. We have an elected Staff Council to support colleagues in communicating with and being consulted more effectively by the Legal Ombudsman on employment matters. We aim to create a safe and inclusive environment for our workforce.

# Annual review

## Payment of creditors

The OLC is committed to paying supplier invoices by the due date or within 30 days of receipt if no due date has been agreed and to dealing with payment queries promptly and ensuring any undue delay is notified to the supplier in a timely fashion. 95% of invoices were paid within agreed terms and the average number of days taken to pay creditors was 13.

## Pensions

The OLC has a defined contribution group personal pension scheme to which the OLC makes fixed contributions but has no other liabilities. The OLC allows employees to elect to sacrifice a proportion of their basic pay in return for correspondingly increased contributions to their pension scheme. The OLC makes matching contributions of twice the amount contributed by individual employees up to a maximum of 10%. Reductions in Employer National Insurance contributions resulting from this salary sacrifice mechanism are also contributed into the employee pension scheme as part of this arrangement.

## Auditors

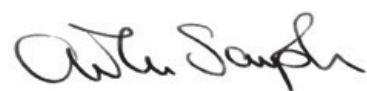
KPMG LLP has been appointed to provide Internal Audit services to the OLC. During the year to 31 March 2013 KPMG has indicated that the cost of internal audit work performed amounts to £74,942 (2011-12: £67,520) and this amount has been accrued for in the accounts.

The OLC's annual accounts are audited by the Comptroller and Auditor General (C&AG) in accordance with the Legal Services Act Schedule 15 Section 26(5). For the year to 31 March 2013 the C&AG has estimated that the cost of work performed will be £31,000 (2011-12: £32,000) and this amount has been provided for in the accounts. The audit services provided by C&AG staff relates only to statutory audit work.

So far as the Accounting Officer is aware, there is no relevant information of which the OLC's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

## Format of Accounts

The accounts have been prepared in a form directed by the Lord Chancellor and Secretary of State for Justice with approval of HM Treasury and in accordance with the Legal Services Act 2007.



Adam Sampson  
Accounting Officer

**Date:** 31 May 2013

# Remuneration report

The remuneration of the Chief Ombudsman and the Board members is shown in the tables below and has been subject to audit. There were no benefits in kind for Board members. The Chief Ombudsman's benefits are disclosed below. In accordance with the Government Financial Reporting Manual (FReM) 5.2.6 d) only the Board members and the Chief Ombudsman are included in this report. Board Members and the Chief Ombudsman are the individuals who influence the decisions of the OLC as a whole rather than the individual parts.

The Chair and other OLC Board members are remunerated by the Legal Services Board and their remuneration is also disclosed in the accounts of that body. The Chief Ombudsman is remunerated by the OLC.

\* - Indicates that the member is in their second term of office.

Member	Appointed	Terminates
Elizabeth France (lay) *	1 Nov 2011	31 Mar 2014
Margaret Doyle (lay) *	1 Feb 2012	31 Mar 2014
Mary Seneviratne*	1 Feb 2012	31 Mar 2014
Rosemary Carter*	1 Feb 2012	31 Mar 2015
Tony Foster (lay)*	1 Feb 2012	31 Mar 2015
David Thomas*	1 Feb 2012	31 Mar 2015
Karen Silcock (lay)	1 Feb 2012	31 Mar 2015
Maureen Ververs (lay)	1 Feb 2012	31 Mar 2015

# Remuneration report

## Audited Section

Board Remuneration	Annual Rate £	Year to March 2013 £	Year to March 2012 £
Elizabeth France (Chair)	70,000	70,000	70,000
Rosemary Carter	10,000	10,000	10,000
Margaret Doyle	10,000	10,000	10,000
Tony Foster	10,000	10,000	10,000
Professor Mary Seneviratne	10,000	10,000	10,000
Brian Woods-Scawen CBE	-	-	8,333
David Thomas	10,000	10,000	10,000
Karen Silcock	10,000	10,000	1,667
Maureen Vevers	10,000	10,000	1,667

The Chair is required to commit at least 80 days per annum on the work of the OLC and the Ombudsman scheme. Members are required to commit at least 20 days to their work with the OLC and the Ombudsman scheme. Details of expenses claimed by the Board are published and publicly available on the Legal Ombudsman website.

The Chief Ombudsman, Adam Sampson, was remunerated by the OLC as follows:

	Salary £	Pension £	Other Benefits £	Total £
Year to 31 March 2013	129,675	20,475	11,095	161,245
Year to 31 March 2012	136,500	13,650	11,095	161,245

OLC operates a salary sacrifice pension scheme which allows employees to elect to sacrifice a proportion of their basic pay in return for correspondingly increased contributions to their pension scheme. There is no compensation payable for loss of office for Board members. The Chief Ombudsman's contract provides for six months notice on either side.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid individual in their organisation (excluding pension contributions) and the median remuneration of the organisation's workforce.

The annualised remuneration of the highest-paid individual in the Legal Ombudsman in the financial year 2012-13 was £147,595 (2011-12, £147,595). This was 5.0 times (2011-12: 5.3) the median remuneration of the workforce in March 2013, which was £29,290 (2011-12: £27,810).

In 2012-13, no employees received remuneration in excess of the highest-paid director (2011-12, none). Remuneration ranged from £17,786 to £147,595 (2011-12 £16,490 to £147,595).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions. All employees are eligible for interest free season ticket loans which are repayable over 10 months, or on leaving employment. All employees have an element of their remuneration allocated for a flexible benefits scheme and certain individuals have other specific benefits arrangements that form part of their total compensation. The Chief Ombudsman's benefits comprise a Travel Remuneration Supplement allowance of £7,000 and a flexible benefit allowance of £4,095.

All employees are subject to the organisation's pay policy. Under this policy ombudsman and Chief Executive remuneration is set by the OLC Board. Promotion or appointment of employees is approved by the management team and appointment or promotion of senior management roles by the Chief Executive Officer. Promotion or appointment of Heads of departments is reviewed and approved by the Remuneration Committee. Proposed performance related pay changes and any revalorisation of pay for senior managers and for the OLC as a whole is reviewed and approved by the remuneration committee. Bonuses are not paid under the terms of the current pay policy. High performance is instead recognised and rewarded through the organisation's pay increase and progression model. No performance related payments have yet been made by the OLC or to members of the OLC Board.



Adam Sampson  
Accounting Officer

**Date:** 31 May 2013



# OLC and Accounting Officer's responsibilities

Under the Legal Services Act 2007 the Lord Chancellor and the Secretary of State for Justice, with the approval of the HM Treasury, in accordance with the OLC's financial memorandum, has directed the Office for Legal Complaints to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Office for Legal Complaints and of its net expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Lord Chancellor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis.

The Ministry of Justice has appointed the Chief Executive as Accounting Officer of the Office for Legal Complaints. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Office for Legal Complaints' assets, are set out in the Accounting Officer Memorandum issued by the HM Treasury (published in Managing Public Money).

# Governance Statement

## The OLC's governance framework

The governance statement sets out the basis on which the Office for Legal Complaints (OLC) is governed and managed; and how it is accountable for what it does; it identifies the risk management processes, major risks and the effectiveness of the governance and risk arrangements.

## Role of the OLC

The Office for Legal Complaints (OLC) was established by the Legal Services Act 2007 (the Act) to ensure that consumers of legal services can have access to an independent and impartial Ombudsman scheme to resolve complaints involving their lawyer, and for driving systemic improvement by feeding back to the profession information and methods to improve. The OLC established a new Ombudsman scheme which is called the Legal Ombudsman (LeO) which started resolving complaints in October 2010.

LeO's remit is to provide a service where disputes are resolved quickly and with the minimum of formality by an independent person. It has adopted principles which represent the best practice of those who administer Ombudsman schemes as it is required to do under the Act. LeO has striven to ensure it delivers consumer benefit, raising standards in the legal services market, and ensuring value for money.

## Accountability of the OLC

The OLC is a statutory body accountable to both the Ministry of Justice (MoJ) and the Legal Services Board (LSB).

The Cabinet Office has confirmed that the OLC is not a Non Departmental Public Body. This statement seeks to provide additional clarity on the governance arrangements in place particularly with the LSB. The LSB has a number of responsibilities in respect of the Office for Legal Complaints (OLC):

- With the consent of the Lord Chancellor, to appoint and if necessary remove the OLC Chair.
- After consultation with the Chair, to appoint and if necessary remove the other members of the Board.
- Remunerate the OLC Chair and members of the Board.
- Give consent to scheme rules made by the OLC, and where necessary, direct the OLC to take steps to modify its scheme rules.
- Make rules in consultation with the OLC providing for the imposition of a levy on leviable bodies.
- Set performance targets for the OLC or directing such targets to be set.
- Approve the annual budget of the OLC, and any subsequent variations to it.



# Governance Statement

The relationship between the LSB and OLC is governed by a memorandum of understanding, which reflects the respective bodies’ independent and separate functions, and facilitates constructive communication, co-operation and co-ordination in the performance of the bodies’ respective responsibilities. The memorandum of understanding, which is publicly available on both the LSB and OLC websites, details the core principles underpinning the relationship, and the detailed arrangements for:

- Budget management
- Scheme rules
- Performance monitoring and reporting
- Information exchange
- Communication

In respect of the annual budget approval, the OLC provides a budget submission to the LSB with the Accounting Officer, and appropriate board members or LeO employees attending LSB meetings to provide any reasonable assurances on the appropriateness of the budget.

The scheme rules and any changes to them must be approved by the OLC and then the LSB. In order to provide assurance that any rules are appropriate and provide a framework for the scheme to operate fairly, impartially and reasonably and to adhere to good practice of Ombudsman schemes the OLC undertakes consultation with key stakeholders including the legal profession and consumers groups.

The OLC and LSB have formed a sub-group of executive and non-executive staff who meet quarterly to review LeO performance and the setting of key performance indicators and targets.

Information exchange and communication is facilitated by the executive teams of both bodies. This is augmented by the Chairs and Chief Executives of the LSB and OLC meeting on a regular basis to discuss issues of common interest and to ensure that the LSB can secure assurances during the course of the year as to the discharge of the OLC’s duties. The Chairs of the bodies’ respective Audit and Risk Committees also meet regularly to discuss areas of mutual risk and relevant mitigations. Both the LSB and OLC Boards meet jointly on a regular basis.

As an independent organisation sponsored by the Ministry of Justice, the OLC also has responsibilities directly to that Department. Both the LSB and the OLC’s Framework Documents make reference to these so that there is no confusion over where responsibility for ongoing financial oversight (the MoJ) or OLC performance (the LSB) lies.

Members of the OLC are required to abide by key elements of the LSB’s *Governance Manual*, including the Code of Practice, and policies on expenses, gifts and hospitality and interests.

## Appointment of OLC members

During 2012-13 there were no amendments to the OLC membership.

## Board performance and corporate governance

Schedule 15.1 of the Legal Services Act 2007 requires that the OLC is to consist of a Chairman and at least six but no more than eight other persons. It must have a lay majority and reflect the experience and knowledge set out in Schedule 15.4.

OLC meetings were fully compliant with the other requirements of its governance arrangements and rules of procedure. Ten OLC meetings<sup>1</sup> took place during 2012-13 and the following table records the attendance of OLC members during this period.

## Members’ attendance at OLC meetings 2013-14

Elizabeth France (Chair)	Attended 10 of 10
Rosemary Carter	Attended 10 of 10
Margaret Doyle	Attended 10 of 10
Tony Foster	Attended 10 of 10
Professor Mary Seneviratne	Attended 10 of 10
David Thomas	Attended 9 of 10
Karen Silcock	Attended 10 of 10
Maureen Vevers	Attended 10 of 10

Members of the OLC have self-assessed their roles and performance throughout the year, both collectively and through individual discussions with the Chair, and have concluded as a result that the OLC has been and remains effective. This activity will be ongoing to allow members to enhance their future contribution to the stewardship of the OLC.

The OLC is duty bound to comply with the Corporate Governance in central government departments Code of Good Practice 2011. As a statutory body the OLC complies with the Code where it is deemed practical and relevant to its circumstances.

The OLC has made significant progress in implementing a framework of controls over the Governance and Risk Management processes across the business. A thorough review was conducted by the Ministry of Justice as part of their Triennial Review requirements and also by the organisation’s internal auditors. With the exception of the internal auditor’s recommendation to review our ‘Framework Document’ with the MOJ, all recommendations in respect of our governance and risk management processes have been adopted. We anticipate undertaking the review of our Framework Document with the MOJ in the coming year.

During this year, the OLC has received assurance from the organisation’s independent internal auditors. Details of the work undertaken and the internal auditor’s opinion are set out later in this statement.

<sup>1</sup> Eleven meetings were scheduled in the 2012 – 13 financial year. However, the January 2013 meeting was cancelled due to bad weather.

# Governance Statement

## Other Committees

The OLC is supported in its stewardship by two sub-committees:

### Audit and Risk Committee

The Audit and Risk Committee was established in July 2009 and is responsible for reviewing the establishment and maintenance of an effective system of integrated management control of risk across the whole of the organisation's activities. During the period April 2012 to March 2013 four Audit and Risk Committee meetings took place<sup>2</sup> and the following table records the attendance of committee members during this period.

Members	Meeting attendance 2012-13
Tony Foster (Chair)	Attended 4 of 4
Karen Silcock	Attended 3 of 4
Mary Seneviratne	Attended 4 of 4

### Audit and Risk Committee report

During this financial year the committee agreed internal and external audit plans and received regular updates from both on the effectiveness of the organisation's internal control systems. Along with the OLC, we regularly reviewed the risk assurance framework and the process for identifying and managing major strategic risks associated with the operation of an arms length body. The committee also fulfilled the important role of agreeing the annual Governance Statement, overseeing key financial and budgetary matters and draft and final statutory accounts prior to ratification by the OLC and the Legal Services Board.

Audit and Risk Committee members and attendees also completed a self assessment review of its effectiveness based on the January 2012 National Audit Office publication *"The Audit Committee Self Assessment Checklist"*.

Following the sudden death of Dr Brian Woods-Scawen the Audit and Risk Committee was not able to operate in a manner to meet the required quorum detailed in the terms of reference for the April 2012 meeting. Karen Silcock was appointed as a new lay member to the committee with effect from May 2012. In view of this, any decisions from the April 2012 meeting were deferred to May 2012 in order to meet the requirements of the committee terms of reference.

On a personal note, I would like to thank all those who have shown such commitment to the work of our Committee, committee members, the management team and their staff, and our internal and external audit partners.

Tony Foster

*Chair of Office for Legal Complaints Audit and Risk Committee*

**Date:** 5 April 2013

<sup>2</sup> Five meetings were scheduled in the 2012 – 13 financial year. However, the January 2013 meeting was cancelled due to bad weather.

## Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for the overall remuneration approach and policy relating to all members of staff working within the Legal Ombudsman scheme. During the period April 2012 to March 2013 four Remuneration and Nomination Committee meetings took place and the following table records the attendance of committee members during this period.

Members	Meeting attendance 2012-13
Rosemary Carter (Chair)	Attended 4 of 4
Tony Foster <sup>3</sup>	Attended 1 of 1
Margaret Doyle	Attended 4 of 4
Maureen Vevers <sup>4</sup>	Attended 3 of 3

### Remuneration and Nomination Committee report

During the year the work of the committee has focused on reviewing the current suite of human resource policies and procedures, in particular those related to staff benefits such as the flexible working and maternity policies. The committee also considered a wide range of reports provided by the management team, including a review of appointments processes, information on salary benchmarking, staff exit data and information on equality and diversity in the organisation. In addition, the committee has worked extensively with the Chief Ombudsman to update the senior management structure in order to better support the business as it continues to grow. The new structure was introduced in early 2013.

The committee has made good progress in the year and through its activities has been able to provide reassurance to the OLC on important matters such as the revised management structure and changes to ombudsman staffing. Committee members have rigorously and appropriately challenged the management team and external partners to ensure that data and governance processes are effective and transparent. The management team have experienced challenges during the year however the committee have been re-assured by the approach taken to resolving these issues in a positive and pragmatic manner.

Finally, the committee extends its grateful thanks to Legal Ombudsman staff for their support of the work of the committee.

Rosemary Carter

*Chair of Office for Legal Complaints Remuneration Committee*

**Date:** 5 April 2013

<sup>3</sup> Tony Foster lay member of the committee until 31 August 2012

<sup>4</sup> Maureen Vevers lay member of the committee from 1 September 2012

# Governance Statement

## OLC oversight of LeO

The OLC meets 11 times a year with the management team. One of the meetings is specifically dedicated to considering strategy. Meetings are held in an open, consultative way and the management team are transparent about the organisational issues with which they are dealing and with the performance of the organisation. The OLC is briefed on matters of strategic importance and materiality and asked to verify or make decisions in these areas. The management team have a good record of accountability and of delivering actions agreed by the OLC.

The OLC receives monthly reports on organisational performance and financial performance and quarterly updates on key issues for the business such as risk, human resources and legal challenges. During the year the OLC has reviewed and approved the suite of externally reportable KPIs. These provide stakeholders with an effective overview of LeO performance. Further details can be found in the OLC's published business plan.

Any changes to organisational design are discussed with, and where appropriate, agreed by the OLC. During the year, the organisation has reviewed its senior management structure and introduced new ombudsman roles; the latter being in response to the continuing percentage of cases being referred to an Ombudsman for a final decision.

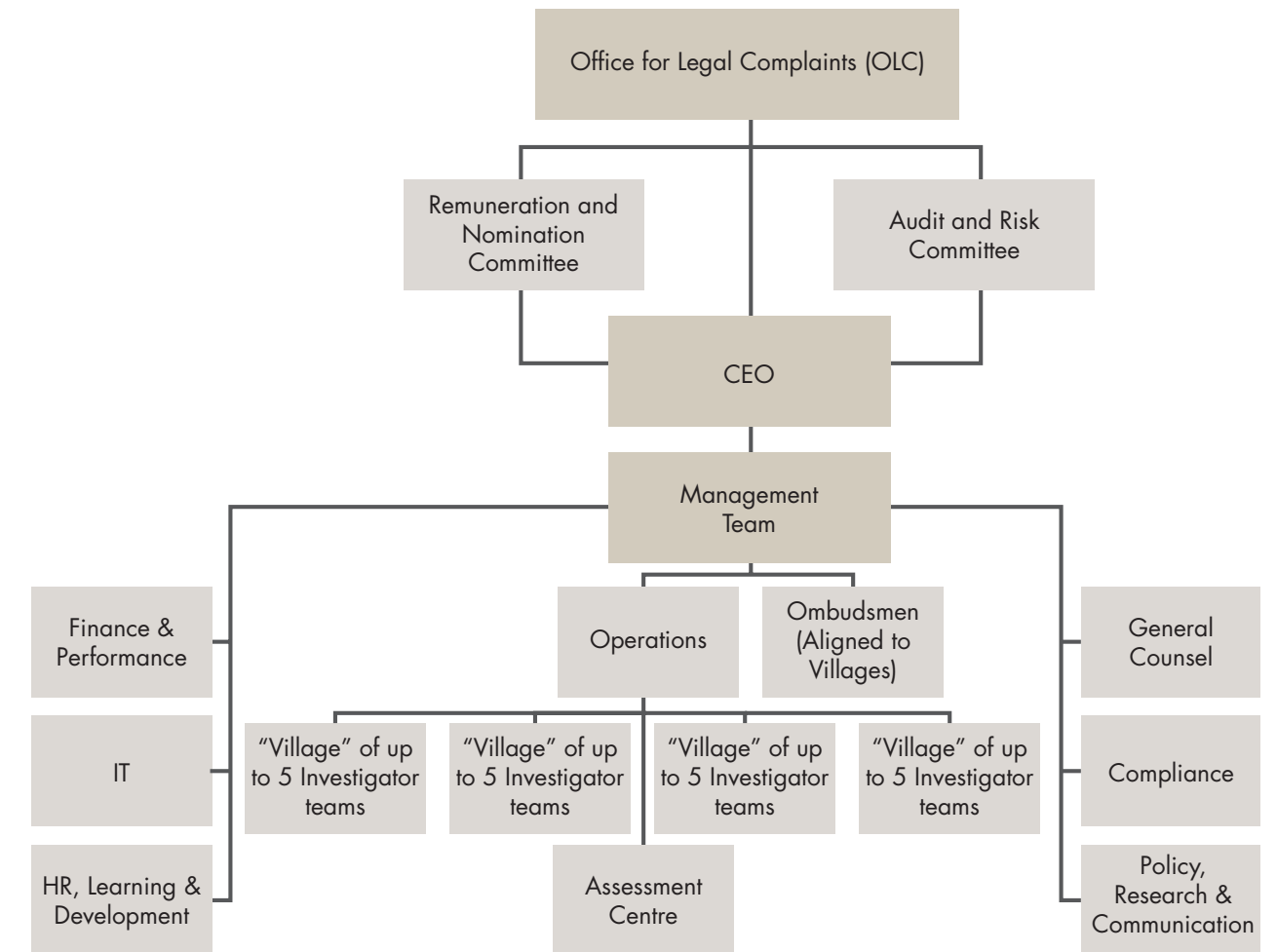
Arrangements whereby OLC members shadow key areas of the business and form links with relevant LSB members have been extended and have proved fruitful in areas such as KPI development, IT strategy and internal quality. The OLC also increased its level of input into risk management by considering and setting the organisational risk appetite at the annual strategy meeting.

The OLC considers the quality of data provided to it to be acceptable. While there are routine reports provided to the OLC, the format and content of information evolves to include new issues as these arise, or to continually improve the content and relevance of information provided. Board papers are reviewed by executive management prior to distribution to ensure that these are of appropriate quality. During the year the internal auditors reviewed performance reporting provided to the board and found this to be satisfactory.

## Executive management of LeO

Executive management of LeO is delegated to the CEO who is also the Chief Ombudsman. Until December 2012 he was supported by an executive management team (EMT) comprising a Director of Finance and Business Services, Director of Operations, Head of Policy & Communications, and the Deputy Chief Ombudsman. In January the Director of Finance and Business Services and Director of Operations roles were merged into one new role; that of the Chief Operating Officer. As part of this change, the EMT was broadened into a wider Management Team (MT) which includes the Head of Operations, Head of Finance, Head of Human Resources, Head of Compliance and General Counsel. The management team meet regularly to discuss strategic and operational issues and performance and take relevant decisions.

## Governance Structure



Operationally each area of the business ensures effective communication is maintained through a variety of meetings, forums and one to one sessions. Communication across the organisation is further facilitated by all staff presentations, a daily updated intranet hub and the use of audio visual displays around the office.



# Governance Statement

## Risk management and key risks

The OLC reviews risks quarterly. It is confident that it has robust systems in place to recognise and mitigate risk. All staff are encouraged to report risks for inclusion on departmental risk registers. A risk management group considers these, mitigating actions and corporate risks monthly. The EMT and thereafter the MT review the corporate risk register monthly whilst the ARC and OLC review risks quarterly. In September 2012 the OLC undertook a risk awareness workshop and spent time deciding the corporate risk appetite. This work strengthened the strategic management of risk in line with KPMG findings.

Corporate risks are analysed by their nature; financial, reputational, operational delivery, governance and legal, compliance and cultural. Risks are scored based on their likelihood and impact (1 to 5) and colour coded.

The OLC currently has one live issue with a high risk rating (risk scoring 20-25) and one issue with medium risk rating:

- In January 2013 the Legal Ombudsman's outsourced IT infrastructure provider went into administration. This threatened both LeO's live IT infrastructure and LeO's disaster recovery IT infrastructure as both are currently delivered by the same provider. While the provider was subsequently acquired, LeO remains at risk from a similar occurrence. Activity is underway to replace LeO's current disaster recovery solution with an in-house solution that is not reliant on a sole provider as a single point of failure, and which will secure both continuity of service and an independent back up of our data. This is planned for completion by the end of June 2013. LeO is also reviewing its wider IT infrastructure strategy and core business systems to ensure that these remain fit for purpose and provide the best value for money solution for the organisation going forwards.
- During December 2012 and January 2013 the number of cases receiving an Ombudsman decision increased to the point where this was starting to cause delays. Additional resources were deployed to help eliminate the delay and have reduced the number of cases waiting for a decision to more acceptable levels by the year end. At the end of March 2013 four additional Ombudsmen were appointed. This is expected to ensure that the ombudsman team has sufficient resilience and capacity going forwards.

The key risks to the delivery of the financial plan were communicated as part of the budget setting process. They focus on the potential impact of the following issues:

- Investigator efficiency being lower than planned leading to the need to recruit additional investigators to prevent a backlog of cases from developing.
- Higher than planned call and case volumes resulting in the need to increase headcount to respond to increased demand, or
- Lower than planned case volumes resulting in the need to reduce headcount in order to prevent unit costs from increasing significantly.

- Large legal costs arising from Judicial reviews.
- Staff turnover varying significantly from budgeted plans.

The OLC is updated monthly on all these issues within the KPI pack that it receives and discusses with the executive.

LeO has in place strong information assurance systems. During 2012-13 there were four near misses and the loss of one encrypted laptop. The loss of the laptop was duly reported to the audit and risk committee, the SIRO and to the Ministry of Justice. As the laptop was encrypted and contained no personal data we do not consider this to constitute a breach of information security.

## Performance

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. I believe the governance and management structures in place have served LeO well during 2012/13. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the LeO 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. I have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee and the plan to address weaknesses and ensure continuous improvement of the system is in place.

KPMG have delivered nine audits in total during 2012/13. Six of the eight planned reviews for 2012/13 were completed; two planned audits were deferred until 2013/14 and three additional audits were undertaken. These changes were agreed to ensure that the work of internal audit was flexed to address changing business risk. The additional work undertaken was to provide the board with assurance over the new process for publication of Ombudsman Decision data, and over the IT infrastructure. Planned audits deferred were on our training development processes and business continuity. The Audit Committee initially agreed to an input of 50 days in total. In total 58 days have been delivered during 2012/13.

Implementation dates have been agreed for all recommendations as part of the reporting protocol. In addition, management report progress on the implementation of recommended improvements on a regular basis to the Audit Committee. KPMG have issued the following assurance opinion for 2012/13 to the OLC:

'We have reviewed the Office for Legal Complaints systems in accordance with the 2012/13 Internal Audit plan.

We are satisfied that we can provide reasonable assurance as to the adequacy and effectiveness of the Office for Legal Complaints internal control and governance processes within the areas of Corporate Governance, Financial Systems, Complaints Handling, Payroll, Publication of Decisions, IT Infrastructure, Data Security and Performance Reporting to the Board.

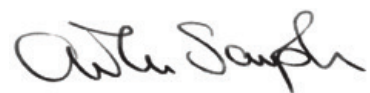


# Governance Statement

In giving this opinion, it should be noted that assurance can never be absolute and can only address those risks related to which Internal Audit work has been performed during 2012/13.

Notwithstanding our overall opinion, our work identified a number of opportunities for improving controls and procedures which management has responded to positively. We are satisfied that management is adequately monitoring and tracking these opportunities.

The Audit and Risk Committee has reviewed the management responses and actions in response to the audits. The internal audit work performed and the KPMG annual report and opinion provide adequate assurance that sufficient and effective controls are either in place or being implemented to address the current level of activity.



Adam Sampson  
*Accounting Officer*

**Date:** 31 May 2013

## Service complaint adjudicator's report

---

During the course of the year I have reviewed and reported on 56 service complaints that were referred to me. This is an increase on the previous year, though it still represents just 1% of the LeO caseload.

---

In my last report I identified a number of recurring themes: difficulties with a change of investigator, management of expectations, and pressures arising from disputes about response deadlines. While such issues have not gone away, and are probably inherent in the management of the ombudsman process, I see less evidence of systemic poor management of these. The complaints I have upheld have involved a variety of individual (or sometimes combined) problems: poor process management, poor communications, delays, lack of overall case oversight, system failures and simple errors.

Over the last three months of the year under review the number of cases referred to me declined markedly. I have the impression that the Legal Ombudsman, now entering its third full year, has settled down and its investigators and ombudsmen have gained experience and confidence; the quality of the admittedly small number of investigations I have seen has improved. There have of course still been errors and instances of poor service, and I have been forthright in making criticisms when they have been justified. There have also been cases in which users have sought to challenge and attack the organisation using every conceivable avenue – and that usually includes attempting to enlist me in their campaign. In my reports I have often drawn attention to the high levels of professionalism in handling these complex and difficult disputes.

Of the decisions reviewed I upheld in whole or in part 18. In 10 of them I recommended that monetary redress be paid to compensate for losses or to recognise poor service; in the remainder that apologies should be offered, usually by the Chief Ombudsman. In one case I recommended that the Chief Ombudsman personally telephone the complainant to make his apologies. The highest compensation award totalled £775, the next highest was for £450, another was for £300, while the remainder were between £200 and £50.

Most of the complaints referred to me were from consumers. Seven were from lawyers (three from the same lawyer) where complaints about them had been investigated. In two of the lawyer cases I upheld the complaint and recommended modest payments to recognise poor service.

In the 38 cases that I did not uphold, most were from people who were dissatisfied by an ombudsman's decision. A number of them were really complaining about the merits of that decision, and believed that they could challenge or reverse it by complaining to me. Even if that could not be the outcome, I conducted a file review to check that the process had been properly followed and that a reasonable service had been provided.

The internal reviewing of service complaints at the first two stages of the service review procedure forms the backdrop to my reviews. Internal reviewers have become less defensive and better at taking an impartial view. That is not always easy when they see that criticisms of a colleague are justified. However, the fact that a dissatisfied person can refer the matter to me must condition their approach. Ultimately they work within the organisation and are thus open to the accusation that they are just defending the corporate line. My role may have value even if fewer cases are referred to me.

Walter Merricks  
*Service Complaint Adjudicator*

**Date:** 12 April 2013

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

I certify that I have audited the financial statements of the Office for Legal Complaints for the year ended 31 March 2013 under the Legal Services Act 2007. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Office for Legal Complaints, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Office for Legal Complaints and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Legal Services Act 2007. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office for Legal Complaints circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Office for Legal Complaints; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- The financial statements give a true and fair view of the state of the Office for Legal Complaints' affairs as at 31 March 2013 and of the net expenditure after interest and taxation for the year then ended; and
- The financial statements have been properly prepared in accordance with the Legal Services Act 2007 and the directions issued there under by the Lord Chancellor with the approval of HM Treasury.

## Opinion on other matters

In my opinion:

- The part of the Remuneration Report to be audited has been properly prepared in accordance with directions made under the Legal Services Act 2007 by the Lord Chancellor with the approval of HM Treasury; and
- The information given in the OLC Board Members' Report and the Management Commentary sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

- Adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- The financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

Amyas C E Morse

*Comptroller and Auditor General*

**Date:** 4 June 2013

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

# Financial statements

## Statement of comprehensive net expenditure

For the year ended 31 March 2013

Expenditure	Note	2012-13 £'000	2011-12 £'000
Staff costs	3	10,752	10,999
Depreciation and amortisation	4	1,893	1,797
Other expenditures	4	4,012	4,508
<b>Total</b>		<b>16,657</b>	<b>17,304</b>
<b>Income</b>			
Income from operating activities	5	16,542	17,012
Other income	5	96	282
<b>Total</b>		<b>16,638</b>	<b>17,294</b>
<b>Net expenditure</b>		<b>(19)</b>	<b>(10)</b>
Interest receivable		24	12
Taxation		(5)	(2)
<b>Net expenditure after interest and taxation</b>		<b>-</b>	<b>-</b>

All expenditure is derived from continuing activities. There has been no other comprehensive expenditure in the year.

The notes on pages 72 to 86 are part of these financial statements.

## Statement of financial position

As at 31 March 2013

Non-current assets:	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Property, plant and equipment	6	918		1,418	
Intangible assets	7	481		1,671	
<b>Total non-current assets</b>			<b>1,399</b>		<b>3,089</b>
<b>Current assets:</b>					
Trade and other receivables	9	433		310	
Cash and cash equivalents	10	18,080		16,684	
<b>Total current assets</b>			<b>18,513</b>		<b>16,994</b>
<b>Total assets</b>			<b>19,912</b>		<b>20,083</b>
<b>Current liabilities</b>					
Trade and other payables	11	457		317	
Other liabilities	11	1,434		1,670	
<b>Total current liabilities</b>			<b>1,891</b>		<b>1,987</b>
<b>Non-current assets plus net current assets</b>			<b>18,021</b>		<b>18,096</b>
<b>Non-current liabilities</b>					
Provisions	12	195		195	
Financial liabilities	11	75		150	
<b>Total non-current liabilities</b>			<b>270</b>		<b>345</b>
<b>Assets less liabilities</b>			<b>17,751</b>		<b>17,751</b>
<b>Reserves</b>					
General reserve		17,751		17,751	
<b>Total</b>			<b>17,751</b>		<b>17,751</b>



Adam Sampson  
Accounting Officer

**Date:** 31 May 2013

The notes on pages 72 to 86 are part of these financial statements.

# Financial statements

## Statement of cash flows

For the year ended 31 March 2013

Cash flows from operating activities	Note	2012-13 £'000	2011-12 £'000
Net surplus after interest		-	-
(Increase)/decrease in trade and other receivables	9	(123)	24
Increase/(decrease) in trade payables	11	(171)	(1,544)
Movement in provisions	12	-	115
Add back depreciation charge	4	539	567
Add back amortisation charge	4	1,354	1,230
<b>Net cash outflow from operating activities</b>		<b>1,599</b>	<b>392</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(39)	(108)
Purchase of intangible assets	7	(164)	(114)
<b>Net cash outflow from investing activities</b>		<b>(203)</b>	<b>(222)</b>
<b>Cash flows from financing activities</b>			
Grants from parent department		-	4,550
<b>Net financing</b>		<b>-</b>	<b>4,550</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b>1,396</b>	<b>4,720</b>
<b>Cash and cash equivalents at the beginning of the year</b>	10	<b>16,684</b>	<b>11,964</b>
<b>Cash and cash equivalents at the end of the year</b>	10	<b>18,080</b>	<b>16,684</b>

The notes on pages 72 to 86 are part of these financial statements.

## Statement of changes in taxpayer's equity

For the year ended 31 March 2013

	General reserve £'000	Total reserves £'000
<b>Balance at 31 March 2011</b>	<b>13,201</b>	<b>13,201</b>
<b>Changes in taxpayers' equity for 2010-11</b>		
Retained surplus/deficit	-	-
Net Expenditure for the year	-	-
Grant from Ministry of Justice	4,550	4,550
<b>Balance at 31 March 2012</b>	<b>17,751</b>	<b>17,751</b>
<b>Changes in taxpayers' equity for 2012-13</b>		
Retained surplus/deficit	-	-
Net Expenditure for the year	-	-
Grant from Ministry of Justice	-	-
<b>Balance at 31 March 2013</b>	<b>17,751</b>	<b>17,751</b>

The notes on pages 72 to 86 are part of these financial statements.



# Notes to the Office for Legal Complaints accounts

## 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Office for Legal Complaints for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Office for Legal Complaints are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

### 1.2 Going concern

The OLC is a statutory body established by the Legal Services Act 2007. Under the Legal Services Act 2007, the OLC is funded by a levy upon the legal profession. Levy funding is provided by the Approved Regulators annually in arrears. As at 31 March 2013, the OLC has sufficient cash resources to meet anticipated expenditure for financial year ending 31 March 2014. The Ministry of Justice also provides Grant in Aid where required to meet the net cash needs of the OLC. The OLC has assurances from the Ministry of Justice that, in the unlikely event that this is necessary, Grant in Aid will continue to be provided to meet the cash needs of the organisation. The OLC continues to have the support of Ministers and the legal profession. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### 1.3 Income

The Office for Legal Complaints is funded by a levy on the legal profession which is collected from the legal profession's Approved Regulators. Amounts due in respect of the levy are recognised as income in the year to which related expenditure is recognised in the statement of comprehensive net expenditure.

The Legal Services Act 2007 requires the Legal Ombudsman to set charges for complaints we accept. A Case fee is due on closure of the case where we have already closed two other chargeable cases during the year ending 31 March. Where a complaint is resolved "in favour of the lawyer", and an Ombudsman is satisfied that the lawyer took all reasonable steps to try to resolve the complaint under their own procedure, the case will not be treated as chargeable. Case fee income is therefore recognised in the year that the chargeable case is closed and the fee becomes chargeable. Amounts charged in

respect of case fees correspondingly reduce amounts due in respect of the levy due from Approved Regulators. As soon as it becomes apparent that there is doubt that an amount due is not recoverable, such amounts are provided for in full. Trade and other receivables balances are written off when all cost effective options to secure recovery have failed.

### 1.4 CMC income and expenditure

During the year the Office for Legal Complaints made significant steps towards extending its jurisdiction to include CMC complaints. Set up costs will be recovered from the Claims Management Industry as part of the implementation costs of this extended jurisdiction, or in the event that this does not come to fruition, from the Ministry of Justice. Amounts due in respect of this activity are recognised as income in the year to which the related expenditure is incurred.

### 1.5 Government grants

The net cash needs of the OLC are financed by the Ministry of Justice through the Grant in Aid regime. Grant in Aid is not shown as income, but in line with FReM guidance, is shown as financing in the General Reserve.

### 1.6 Property, plant and equipment

The Office for Legal Complaints recognises property plant and equipment under IAS16 and writes off in the year of acquisition any individual expenditure of less than £1,000 on capital equipment and furnishings. Capital assets with a purchase cost of at least £1,000 are depreciated down to residual value over their useful economic life by equal monthly instalments, the first instalments being charged in the month of bringing the asset into use and no charge being made in the month of disposal. During the year the useful economic lives of our assets were reviewed. As a result the period over which the various elements of our computer hardware are depreciated was extended from three years, to between three and five years.

The following rates of depreciation are applied on a straight line basis over the following periods:

- Leasehold improvements: over the residual life of lease.
- Furniture and equipment: over five years
- Computer hardware: three to five years

### 1.7 Intangible assets

Expenditure on major information technology projects is capitalised. This includes expenditure on software, and the costs of design consultancy, and the up front development and configuration costs incurred in establishing and developing the OLC's outsourced IT infrastructure. The following rates of depreciation are applied on a straight line basis over the following periods:

- Software licenses: in equal monthly instalments over three years; and
- Information technology: in equal monthly instalments over the residual life of the contract.

# Notes to the Office for Legal Complaints accounts

## 1.8 Impairment and revaluation policy on non-current assets

Impairment is required to ensure that assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through the use or sale of the assets. An impairment reflects a permanent diminution in the value of an asset as a result of a clear consumption of economic benefit or service potential.

The OLC has undertaken an impairment review. Depreciated historical cost is used as a proxy for fair value as this realistically reflects the consumption of the assets as allowed by the FReM para. 6.2.8(h). Revaluation would not cause a material difference.

## 1.9 Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

## 1.10 Finance leases

The OLC treats contracts which transfer substantially all the risks and rewards incidental to ownership to the OLC in accordance with IAS 17.

## 1.11 Value Added Tax

The Office for Legal Complaints is registered for VAT because the provision of services to the OLSO falls within the scope of VAT. VAT incurred on direct costs incurred in the provision of these services is recoverable. The OLC is unable to recover VAT on expenditure relating to its primary operation of providing complaint handling services and therefore all expenditure and the capitalised value of non-current assets includes this irrecoverable VAT.

## 1.12 Pensions

The OLC has established a defined contribution group personal pension scheme to which the OLC makes contributions but has no other liabilities. The OLC makes matching contributions of twice the amount contributed by employees up to a maximum of 10% of the employee's salary.

## 1.13 Corporation tax

The OLC earns interest on cash deposits held with the Government Banking Service. This interest is subject to corporation tax in the normal manner.

## 1.14 Provisions

The OLC provides for financial liabilities in the statement of financial position in accordance with IAS 37 where there is an legal, constructive or contractual obligation as a result of a past event, where it is probable that financial resources will be required to settle the obligation, and where a reasonable estimate can be made of the amount of the obligation.

## 1.15 Impending application of newly issued accounting standards not yet effective

There is no anticipated material impact to the OLC of International Financial Reporting Standards (IFRSs) that have been issued by the International Accounting Standards Board but are not yet effective at the end of the reporting period.

## 2. Analysis of net expenditure by segment

The Office for Legal Complaints principal operation is the provision of independent and impartial Ombudsman schemes to resolve consumers' disputes involving their lawyer. No other income or expenditure was received or incurred during the year to 31 March 2013.

	Operation of the Legal Ombudsman Scheme £'000	Support to the Office of the Legal Services Ombudsman £'000	Claims Management Jurisdiction Implementation £'000	Total £'000
Gross expenditure	16,542	60	36	16,638
Income	16,542	60	36	16,638
<b>Net expenditure</b>	-	-	-	-
<b>Total assets</b>	<b>19,911</b>	-	-	<b>19,911</b>

All OLC assets have been dedicated to the provision of the operation of the Legal Ombudsman scheme.

# Notes to the Office for Legal Complaints accounts

## 3. Staff numbers and related costs

The remuneration of the OLC Board is borne by the Legal Services Board. The Chief Ombudsman is remunerated by the Legal Ombudsman scheme and is included within the staff costs below.

Staff costs comprise:

	<b>Total 2012-13 £'000</b>	<b>Permanent staff 2012-13 £'000</b>	<b>Other staff 2012-13 £'000</b>	<b>Total 2011-12 £'000</b>	<b>Permanent staff 2011-12 £'000</b>	<b>Other staff 2011-12 £'000</b>
Wages and salaries	9,204	8,714	490	9,437	8,719	718
Social security costs	886	870	16	938	894	44
Other pension costs	662	662	-	624	624	-
<b>Sub total</b>	<b>10,752</b>	<b>10,246</b>	<b>506</b>	<b>10,999</b>	<b>10,237</b>	<b>762</b>
Less recoveries in respect of outward secondments	(46)	(46)	-	(237)	(237)	-
<b>Total net costs</b>	<b>10,706</b>	<b>10,200</b>	<b>506</b>	<b>10,762</b>	<b>10,000</b>	<b>762</b>

## Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

	<b>Total 2012-13 No.</b>	<b>Permanent staff 2012-13 No.</b>	<b>Other staff 2012-13 No.</b>	<b>Total 2011-12 No.</b>	<b>Permanent staff 2011-12 No.</b>	<b>Other staff 2011-12 No.</b>
Directly employed	262	257	5	276	258	18
Not directly employed	4	-	4	2	-	2
<b>Total</b>	<b>266</b>	<b>257</b>	<b>9</b>	<b>278</b>	<b>258</b>	<b>20</b>

## 4. Other expenditure

	<b>Note</b>	<b>2012-13 £'000</b>	<b>2011-12 £'000</b>
Travel and subsistence		43	40
Consultancy		5	361
Training		350	434
IT and telecoms		1,193	1,175
Premises costs		637	678
Facilities services		450	471
Rentals under operating leases		686	483
Legal and professional fees		68	235
Recruitment costs		156	212
Other running costs		92	67
External communications		174	187
Uncollectible debts		52	65
Audit fees		31	32
Internal audit fees		75	68
<b>Total cash items</b>		<b>4,012</b>	<b>4,508</b>
Depreciation	6	539	567
Amortisation	7	1,354	1,230
<b>Total non cash items</b>		<b>1,893</b>	<b>1,797</b>
<b>Total</b>		<b>5,905</b>	<b>6,305</b>

Uncollectible debts include amounts provided for during the year. These relate primarily to case fees charged to law firms, most of whom had ceased to operate either before the relevant complaint was brought to us or by the time the investigation was completed and the case fee became chargeable.

# Notes to the Office for Legal Complaints accounts

## 5. Income

	2012-13 £'000	2011-12 £'000
Levy income from the Legal Ombudsman Scheme	16,278	16,671
Case fee income	264	341
<b>Sub total</b>	<b>16,542</b>	<b>17,012</b>
Support services to the Office of the Legal Services Ombudsman	60	282
Claims Management jurisdiction on behalf of the Ministry of Justice.	36	-
<b>Total</b>	<b>16,638</b>	<b>17,294</b>

Levy income represents amounts due in respect of the annual levy due for Approved Regulators (see note 1.3). Case fee income represents amounts due in respect of case fees chargeable in respect of cases closed in 2012-13 (see note 1.3).

## 6. Property, plant and equipment

2012-13	Information technology £'000	Leasehold improvements £'000	Furniture and fittings £'000	Payments on account and assets under construction £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2012	718	728	874	11	2,331
Additions	5	31	3	-	39
Disposals	-	-	-	-	-
Transfers	-	11	-	(11)	-
<b>At 31 March 2013</b>	<b>723</b>	<b>770</b>	<b>877</b>	<b>-</b>	<b>2,370</b>
<b>Depreciation</b>					
At 1 April 2012	369	257	287	-	913
Charged in year	183	181	175	-	539
Disposals	-	-	-	-	-
<b>At 31 March 2013</b>	<b>552</b>	<b>438</b>	<b>462</b>	<b>-</b>	<b>1,452</b>
<b>Net book value at 31 March 2013</b>	<b>171</b>	<b>332</b>	<b>415</b>	<b>-</b>	<b>918</b>
<b>Net book value at 31 March 2012</b>	<b>349</b>	<b>471</b>	<b>587</b>	<b>11</b>	<b>1,418</b>

2011-12	Information technology £'000	Leasehold improvements £'000	Furniture and fittings £'000	Payments on account and assets under construction £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2011	637	701	874	-	2,212
Additions	81	27	-	11	119
Disposals	-	-	-	-	-
<b>At 31 March 2012</b>	<b>718</b>	<b>728</b>	<b>874</b>	<b>11</b>	<b>2,331</b>
<b>Depreciation</b>					
At 1 April 2011	139	95	112	-	346
Charged in year	230	162	175	-	567
Disposals	-	-	-	-	-
<b>At 31 March 2012</b>	<b>369</b>	<b>257</b>	<b>287</b>	<b>-</b>	<b>913</b>
<b>Net book value at 31 March 2012</b>	<b>349</b>	<b>471</b>	<b>587</b>	<b>11</b>	<b>1,418</b>
<b>Net book value at 31 March 2011</b>	<b>498</b>	<b>606</b>	<b>762</b>	<b>-</b>	<b>1,866</b>

No property, plant and equipment have been purchased under finance lease arrangements.



# Notes to the Office for Legal Complaints accounts

## 7. Intangible assets

2012-13	Information technology £'000	Software licenses £'000	Payments on account and assets under construction £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2012	2,565	916	61	3,542
Additions	(10)	174	-	164
Disposals	-	-	-	-
Transfers	-	61	(61)	-
<b>At 31 March 2013</b>	<b>2,555</b>	<b>1,151</b>	<b>-</b>	<b>3,706</b>
<b>Amortisation</b>				
At 1 April 2012	1,310	561	-	1,871
Charged in year	800	554	-	1,354
Disposals	-	-	-	-
<b>At 31 March 2013</b>	<b>2,110</b>	<b>1,115</b>	<b>-</b>	<b>3,225</b>
<b>Net book value at 31 March 2013</b>	<b>445</b>	<b>36</b>	<b>-</b>	<b>481</b>
<b>Net book value at 31 March 2012</b>	<b>1,255</b>	<b>355</b>	<b>61</b>	<b>1,671</b>

2011-12	Information technology £'000	Software licenses £'000	Payments on account and assets under construction £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2011	2,500	867	-	3,367
Additions	65	49	61	175
Disposals	-	-	-	-
Transfers	-	-	-	-
<b>At 31 March 2012</b>	<b>2,565</b>	<b>916</b>	<b>61</b>	<b>3,542</b>
<b>Amortisation</b>				
At 1 April 2011	479	162	-	641
Charged in year	831	399	-	1,230
Disposals	-	-	-	-
<b>At 31 March 2012</b>	<b>1,310</b>	<b>561</b>	<b>-</b>	<b>1,871</b>
<b>Net book value at 31 March 2012</b>	<b>1,255</b>	<b>355</b>	<b>61</b>	<b>1,671</b>
<b>Net book value at 31 March 2011</b>	<b>2,021</b>	<b>705</b>	<b>-</b>	<b>2,726</b>

Information technology includes the costs of design consultancy, and the up front development and configuration costs incurred in establishing and developing the OLC's outsourced IT infrastructure. Software licenses with a cost of £508,000 have been purchased on terms which amount to a finance lease.

# Notes to the Office for Legal Complaints accounts

## 8. Impairments

No impairments have been made during the year to 31 March 2013 (2011-12: Nil).

## 9. Trade receivables and other current assets

Amounts falling due within one year:	As at 31 March 2013 £'000	As at 31 March 2012 £'000
Case fee receivables	74	72
Deposits and advances	22	17
Intra-government balances – Ministry of Justice	36	-
Prepayments and accrued Income	301	221
<b>Total</b>	<b>433</b>	<b>310</b>

Included within prepayments and accrued income is £54,800 of accrued income relating to unbilled case fees (2010-11: £11,600).

## 10. Cash and cash equivalents

	As at 31 March 2013 £'000	As at 31 March 2012 £'000
Opening balance	16,684	11,964
Net change in cash and cash equivalent balances	1,396	4,720
<b>Closing balance</b>	<b>18,080</b>	<b>16,684</b>
<b>The following balances at 31 March were held at</b>		
Government Banking Services	18,080	16,684
Short term investments	-	-
<b>Balance at 31 March 2012</b>	<b>18,080</b>	<b>16,684</b>

## 11. Trade payables and other current liabilities

Amounts falling due within one year	Note	As at 31 March 2013 £'000	As at 31 March 2012 £'000
Trade payables		290	235
Other payables		167	82
<b>Trade and other payables</b>		<b>457</b>	<b>317</b>
Intra-government balances – other taxation and social security		261	256
Intra-government balances – Ministry of Justice		-	-
Current part of finance lease	14.2	75	123
Accruals and deferred Income		1,098	1,291
<b>Other liabilities</b>		<b>1,434</b>	<b>1,670</b>
<b>Total</b>		<b>1,891</b>	<b>1,987</b>
<b>Amounts falling due after more than one year</b>			
Finance leases	14.2	75	150
<b>Total</b>		<b>75</b>	<b>150</b>

Accruals and deferred income includes £31,000 in respect of capital additions (2011-12: £72,000).

# Notes to the Office for Legal Complaints accounts

## 12. Provisions for liabilities and charges

	Other £'000	Leasehold dilapidation £'000	Total Provisions £'000
Balance as at 1 April 2012	115	80	195
Provided in the year	-	-	-
Provisions not required written back	-	-	-
Provisions utilised in the year	-	-	-
<b>Balance as at 31 March 2013</b>	<b>115</b>	<b>80</b>	<b>195</b>
Expected timing of cash flows			
Not later than one year	115	-	115
Later than one year and not later than five years	-	80	80
later than five years	-	-	-
<b>Balance as at 31 March 2013</b>	<b>115</b>	<b>80</b>	<b>195</b>

Leasehold dilapidation is in respect of anticipated costs required to reinstate the OLC's office premises at the end of the leasehold, which have been determined by obtaining an estimate of anticipated costs from the contractor who performed the initial fit-out of our office premises. Other provisions relate to amounts provided in respect of legal challenges.

## 13. Capital commitments

Contracted capital commitments at 31 March 2013 not otherwise included in these financial statements amounted to £Nil (2011-12: Nil).

## 14. Commitments under leases

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

### 14.1 Operating leases

Obligations under operating leases for the following periods comprise	2012-13 £'000	2011-12 £'000
Buildings		
Not later than one year	518	524
Later than one year and not later than five years	964	1,493
<b>Balance at 31 March</b>	<b>1,482</b>	<b>2,017</b>

### 14.2 Finance Leases

The OLC has a contract for the provision of software licenses over five years payable in annual instalments. The nature of this agreement transfers substantially all of the risks and rewards of these software licenses to the OLC and therefore this has been accounted for as a finance lease under IFRS 17. The future minimum lease payments under finance leases are given in the table below for each of the following periods:

Obligations under finance leases for the following periods comprise	2012-13 £'000	2011-12 £'000
Not Later than one year	75	123
Later than one year and not later than five years	75	150
<b>Balance at 31 March</b>	<b>150</b>	<b>273</b>

The present value of obligations under finance leases for the following periods comprise	2012-13 £'000	2011-12 £'000
Not later than one year	75	123
Later than one year and not later than five years	72	148
<b>Balance at 31 March</b>	<b>147</b>	<b>271</b>

## 15. Contingent liabilities disclosed under IAS 37

Given the nature of what we do it is inevitable that we will be challenged on some of our Ombudsman's decisions. The Office for Legal Complaints has a small number of ongoing challenges to decisions where Judicial Review proceedings have been started. These challenges are at an early stage in proceedings and management does not currently believe that these have a realistic prospect of success.

# Notes to the Office for Legal Complaints accounts

## 16. Financial instruments

As the cash requirements of the Office for Legal Complaints are met through Grant in aid provided by the Ministry of Justice, through levy funding provided by Approved Regulators of the legal profession, and through case fees charged to individual law firms, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The OLC is therefore currently exposed to little credit, liquidity or market risk.

## 17. Related-party transactions

The Office for Legal Complaints has a direct relationship with the Legal Services Board. The Legal Services Board has some oversight responsibilities for the Ombudsman scheme that the OLC established. Under the Legal Services Act 2007 the LSB is responsible for appointing and paying the salaries and expenses of the OLC board members, which for the whole reporting period amounted to £167k. The payment for salaries of the OLC board members for 2012-13 was £140k (2011-12: £132k).

The Ministry of Justice is the OLC's parent body and provides working capital financing to the OLC under the Grant in Aid scheme. During the year to 31 March 2013 no Grant in Aid was provided by Ministry of Justice (2011-12: £4.55 million).

During the year the OLC provided staff resources to the MoJ to support the extension of the Legal Ombudsman's jurisdiction to include Claims Management complaints.

No Board member, key manager or other related parties has undertaken any material transactions with the Office for Legal Complaints during the year.

## 18. Events after the reporting period

In accordance with IAS10 (Events after the Reporting Period) events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the certificate and report of the Comptroller and Auditor General. There are no events after the reporting period to report.

# Appendix 1: Regulatory objectives

Section 1(1) of the Legal Services Act 2007 refers to eight regulatory objectives:

- (a) Protecting and promoting the public interest;
- (b) Supporting the constitutional principle of the rule of law;
- (c) Improving access to justice;
- (d) Protecting and promoting the interests of consumers;
- (e) Promoting competition in the provision of services within subsection (2) [defined as services such as are provided by authorised persons (including services which do not involve the carrying on of activities which are reserved legal activities)];
- (f) Encouraging an independent, strong, diverse and effective legal profession;
- (g) Increasing public understanding of the citizen's legal rights and duties;
- (h) Promoting and maintaining adherence to the professional principles.