Ministry of Justice

The Legal Services Board Independent Public Bodies Review

Summary and Findings

July 2026

Contents

Lead Reviewer's Foreword

The Legal Services Board (LSB) is a key part of the regulatory architecture introduced by the Legal Services Act 2007. It was established to oversee the 'frontline' regulators, which emerged from professional bodies, and the Legal Ombudsman.

The context of this independent review of the LSB is a rapidly changing legal services market, with multiple new providers and technologies. There has also been a series of ethical, prudential and behavioural scandals, with growing numbers of consumer complaints. This has led some to conclude that the regulatory framework for legal services is no longer fit for purpose. The risk of regulatory failure is that confidence in the sector is damaged, undermining growth and impeding access to justice for consumers and businesses. That is clearly not in the public interest.

While acknowledging the shortcomings and complexity of the regulatory framework within which it operates, this review finds that the LSB has lost its way in recent years. It has lacked strategic clarity and has struggled to have the impact intended by Parliament. It has not sufficiently prioritised in a pragmatic and proportionate way among its strategic objectives. Its oversight of the performance of frontline regulation has fallen short of what the government and Parliament could reasonably expect. As a result, the interests of consumers have not been as well protected by the system as they might have been.

That said, this review has found a striking consensus among a wide range of stakeholders that the LSB is staffed by professional people and board members deeply committed to improving legal services. With the right changes, the LSB should be capable of playing a more effective and influential oversight role within the regulatory framework. There are indications of steps towards improvement at the LSB with a newly appointed leadership. This must now accelerate.

This review recommends a major shift in the LSB's culture and capabilities, a clear separation of its enforcement function from its sector-wide convening work, a renewed appetite for collaboration and a shared understanding of priorities, risks and purpose.

A key theme emerging from the review is that improvement will require not only identifying new priorities but also making choices about what to stop doing. Given the expectation that change should be delivered within existing resources, the LSB will need to be explicit about which activities add the greatest value to the system, and which could be reduced, streamlined or discontinued.

Decisions about the future regulatory architecture are matters for government and Parliament. Instead, the focus of this report is on the changes that can be made within the current framework to improve effectiveness and outcomes. This report does not seek to prescribe the long-term institutional future of the LSB, particularly where such questions may depend on legislative change.

Success will depend on co-ordinated change at multiple levels: within the LSB, across frontline regulators, and within the Ministry of Justice (MOJ) as the sponsoring department. A system-wide transformation, rather than isolated organisational change, is urgently needed.

The MOJ can play its part by setting out a clear long-term vision and strategy for legal services. The frontline regulators should step up and commit to a mode of collective regulation that has hitherto been absent. The legal profession must recognise that a transformed regulatory architecture is in the best interests of its present and future clients.

Richard Lloyd, Lead Independent Reviewer

Introduction

The LSB is a non-departmental public body (NDPB) established under the Legal Services Act 2007 (LSA 2007). The Act made significant changes to legal services regulation in line with recommendations that were set out by Sir David Clementi, following his independent review of the regulatory structure of legal services in England and Wales in 2004.[1]

It is best practice for departments to regularly review their public bodies to provide assurance to both government and the public that these bodies are operating effectively, and that their functions remain useful and necessary. The Ministry of Justice (MOJ) last reviewed the LSB in 2017. Since then, there have been significant developments and events in the legal services sector, including market consolidation, the rapid increase in the use of technology for legal processes, major firm failures, and concerns about professional ethics and access to justice.

Against this backdrop this review considers the effectiveness of the LSB as the legal services oversight regulator, with a focus on the LSB's statutory remit, its strategic clarity, governance and accountability arrangements, and current capabilities. More detailed information on the terms of reference for this review, and relevant background, can be found at **annex A.**

The review does not consider whether the LSB itself should continue to exist, nor does it seek to redesign the institutional architecture established by the Legal Services Act 2007. Rather, it is intended to set out how the LSB can operate as effectively as possible within the existing statutory framework.

This review has identified three overarching recommendations alongside a broader set of detailed recommendations that explain how these should be implemented, as well as findings that point to a number of clear supportive actions. The three overarching recommendations go to:

- the LSB's remit and how the existing framework should be applied to the best extent possible, with a comprehensive reset of the LSB, until more fundamental reform is possible
- a strategic focus on the proportionate, risk-based supervisory oversight of frontline regulators in the interests of consumers;
- separate from the oversight function, practical steps to bring about a more integrated, collective approach to legal services regulation

[1] Sir David Clementi's report on the review of the regulatory framework for legal services in England and Wales

Summary of Recommendations

Recommendation summary	Lead	Timescale
Recommendation 1A: The LSB should take immediate steps to bring together relevant actors within the existing regulatory framework so that it operates more effectively in protecting and promoting the interests of consumers. The LSB is uniquely placed to support system-wide alignment and integration of the existing regulatory framework. Therefore, the LSB can reduce duplication, align regulatory approaches, strengthen proactive frontline supervision, minimise low-value administrative burdens, and improve sector-wide use of data and intelligence. **Recommendation 1B**: For the longer term, the MOJ should carry out a comprehensive review of the regulation of legal services with consideration also being given to what activity should sit within or outside the current regulatory perimeters. This new framework should be developed by 2029 with a view to implementing a future regulatory framework during the next Parliament, with the LSB and existing regulators working closely together in anticipation of a more integrated regulatory framework. Given the uncertainty surrounding future legislative reform, the LSB and other regulators should not defer action in anticipation of structural change. Their focus should remain firmly on implementing the recommendations in this report and delivering improvement within the existing framework.	**1A:** LSB **1B:** MOJ with support from the LSB as appropriate	**1A:** Within six months. **1B:** A review to be conducted by 2029 to enable a new regulatory framework to be implemented during the next Parliament.
Recommendation 2: The LSB should reset its strategic purpose by directing most of its resources towards strengthening consumer protection through its oversight of, and collaboration with, frontline regulators and the OLC. Informed by insight from the LSCP, this should be embedded within its business planning and reflected in its more targeted, proportionate, and risk-based approach to the oversight of frontline regulators and the OLC. LSB activity that cannot demonstrably support the effective discharge of its oversight	LSB, OLC, relevant frontline regulators and supported by the LSCP.	Work to commence in 2026 to 2027, with the intention of incorporating the outcomes into the

Recommendation summary	Lead	Timescale
responsibilities and, through this, consumer confidence in legal services should be stopped.		LSB's upcoming three-year strategy.
Recommendation 3: The LSB should strengthen its prioritisation, regulatory oversight, and articulation of intended outcomes by advancing the three interconnected strands of work. • A more proportionate and effective supervisory approach: the LSB should move towards a preventative, risk-based model that avoids unnecessary prescription and recognises the differing scale, role, and capacity of regulators. • Greater system-wide alignment and integration of the existing regulatory framework: the LSB should use the full range of its tools to reduce duplication, align regulatory approaches voluntarily, strengthen proactive frontline supervision, minimise low-value administrative burdens, and improve sector-wide use of data and intelligence. • Clearer strategic focus and accountability for outcomes: the LSB should articulate a clearer, single strategic narrative with stronger prioritisation, clear links between activity and delivery, and measurable outcomes and impacts. This should include how success, progress, and value for money will be assessed. This will strengthen confidence in regulatory effectiveness and oversight.	LSB	For immediate adoption for its 2026 to 2027 business plan and inclusion in its three-year strategy.
Recommendation 4: The LSB should undertake a review of its convening role, to ensure a more strategic approach using the full range of engagement mechanisms with clarity as to when it should exercise leadership, when it should convene and facilitate collaboration, and when it should enable others to lead. • The LSB should clearly separate its performance oversight role from its broader collaborative activities, with protocols to protect its independence. It should also be explicit about which role it is performing during any engagement to ensure clarity and maintain trust. In particular, the LSB should avoid adopting a default leadership position where its role is more appropriately to facilitate dialogue, build consensus, or support co-ordinated action by others.	LSB	By the end of 2026, with the intention of incorporating the outcomes into the next three-year strategy.

Recommendation summary	Lead	Timescale
• A review of the new Chief Executives' Forum should take place to assess its effectiveness in fostering meaningful engagement, enabling the escalation and discussion of key risks, and delivering tangible value to participants. This review should seek input from attendees which considers whether the forum is operating as intended, including its ability to support a co-ordinated approach to emerging issues. Clear ownership, accountability, and timeliness for actions arising from the forum should be established to ensure a stronger focus on delivery and outcomes rather than discussion alone.		
Recommendation 5: The LSB, frontline regulators and MOJ should establish a shared framework for identifying, assessing and managing market and consumer risk across the legal services sector, including an agreed statement of sector risk tolerance, recognising that a zero-risk approach is neither feasible nor desirable. The LSB should co-ordinate an annual assessment of key risks and regulatory mitigations, supported by strengthened horizon scanning, proactive intervention, and clearer articulation of consumer protection objectives and associated trade-offs relating to access, innovation, and growth. In doing so the LSB should draw on the expertise, intelligence and data held by frontline regulators, focusing on identifying cross-system risks, providing effective challenge, and promoting transparency and accountability across the sector. This annual assessment should then be shared more widely to support informed discussion of sector-wide risks and priorities.	LSB with input from the MOJ and frontline regulators.	6-9 months
Recommendation 6: The LSB should refocus its policy activity to ensure it is clearly aligned with, and limited to, its regulatory oversight role. As part of this, a clear and shared delineation of policy responsibilities across the MOJ, LSB, and frontline regulators should be established and communicated to reduce duplication and stakeholder confusion. The LSB should clearly demonstrate to the sector and key stakeholders how it translates its oversight policy into effective	LSB, MOJ, and frontline regulators	1 year

Recommendation summary	Lead	Timescale
action and demonstrable outcomes, ensuring its work delivers tangible impact across the sector. In doing so, activity should be clearly aligned with the priority areas identified through this review, rather than being driven solely by broader policy development, to ensure focus and relevance in delivery.		
Recommendation 7: The LSB should commission an expert review with regulators to assess how effectively the overall supervisory approach is working in practice. This review should include consideration as to whether the new Regulatory Performance Assessment (RPA) supports a proportionate approach, adequately captures key risks, and recognises that a one-size-fits-all model is inappropriate. It should also identify where longer-term efficiencies and reductions in regulatory burden could be achieved for both the LSB and regulators.	LSB with input from regulators	1 year
Recommendation 8: The MOJ should consider how it can increase transparency in its oversight of the LSB, including whether aspects of its existing assurance and accountability mechanisms could be made publicly available.	MOJ	6 months
Recommendation 9: The LSB should strengthen its corporate governance by ensuring the board remains focused on strategic oversight, outcomes, and delivery, with a clear distinction between governance and executive responsibilities. A refined scheme of delegation and clearer articulation of matters reserved to the board would empower the executive team, promote organisational agility, reduce unnecessary board workload, and ensure clear accountability. As part of this work, the LSB should undertake annual board effectiveness reviews (BERs), including a full external review every three years, conducted in line with Cabinet Office guidance. This will enhance transparency and accountability both internally and externally, supporting effective oversight.	LSB	1 year
Recommendation 10: The LSB should urgently rethink its organisational design and rebalance its use of existing funding requirements to ensure it has the necessary capabilities, aligned to the recommendations in this review.	LSB	6 months

Section 1 – Statutory Remit

Recommendation 1

The current regulatory system, while broad and flexible, can still be described as something of a ‘regulatory maze’. The LSB is the only NDPB with a remit that extends across all of the regulated legal services sector, with responsibility for oversight of the ‘frontline’ regulators through statutory approvals, monitoring and enforcement, and standards setting. It is, of course, also subject to cross-sectoral standards for regulation including the Regulator’s Code.

The existing statutory framework contains a broad set of objectives that the LSB has a duty to promote, contributing to questions about how effectively strategic priorities are set within those objectives. The inherent complexity of the overall structure muddies lines of accountability to both government and Parliament, with the independent oversight regulator sitting between government and the frontline regulators. The LSB’s responsibility for, and approach to, independent oversight of regulation has been respected by successive governments but questioned more recently in the light of significant regulatory failures.

More recently, the LSB’s statutory remit has attracted scrutiny from both the wider legal services sector and the Justice Select Committee. Notably, in 2023 to 2024, the Justice Select Committee stated that the LSA 2007 is broadly drawn, and that it was for the board’s leadership to determine how this remit is interpreted. While stakeholders consider the legal framework itself to be clear, many highlighted that it does not explicitly reflect more recent developments in the sector, such as the rapid growth of AI and law tech. This has led to growing calls for a shift towards more activity-based regulation. While it is beyond the scope of this review to recommend a new framework, it is clearly a root cause of a major risk to the effectiveness of the system that is ultimately overseen by the LSB. This is an issue that will need to be addressed over the longer term.

There are also concerns about accessibility. The majority of stakeholders noted that although the regulatory objectives are generally well understood by legal professionals and regulators, they may be less accessible to non-specialists and consumers. More significantly, stakeholders emphasised that the key issue is clarity of interpretation, prioritisation, and application in practice. Stakeholders therefore called for simplification, clearer prioritisation, and more effective translation of the statutory objectives into practical, measurable regulatory actions.

There are also indications of support for greater consolidation among regulatory bodies, which could improve efficiency and effectiveness over time. This points to a potential direction of travel for the system, reducing complexity and cost and concentrating key capabilities such as firm supervision, risk identification, and enforcement. However, consideration of more fundamental structural reform that would require legislative change, including the future existence or abolition of elements of this system, falls outside the scope of this review.

The review recognises that any changes to the LSB's role within a future regulatory framework will take time. In the interim, it is important to note that the Act's broad scope allows the LSB flexibility to adapt to changing circumstances and exercise judgement as to its priorities. The immediate issue, therefore, is how the existing remit is applied in practice. The LSB should use this flexibility to translate its broad mandate into a clear oversight strategy, removing complexity and inefficiency where possible within existing arrangements, and driving continuous improvement across the legal services sector within its remit. This, alongside further recommendations, is discussed in further detail in section 2 of this report.

It is in the public interest – which is itself a statutory objective for the LSB – that urgent steps are taken to ensure the existing regulatory framework operates more effectively in support of better legal services. More consumers and businesses will engage with legal services, however these are delivered, if they can be confident that their interests have an appropriate level of regulatory protection. This should be the overriding priority for the LSB for the medium term.

Recommendation 1A: The LSB should take immediate steps to bring together relevant actors within the existing regulatory framework so that it operates more effectively in protecting and promoting the interests of consumers.

The LSB is uniquely placed to support system-wide alignment and integration of the existing regulatory framework – to reduce duplication, align regulatory approaches, strengthen proactive frontline supervision, minimise low-value administrative burdens, and improve sector-wide use of data and intelligence.

Recommendation 1B: For the longer term, the MOJ should carry out a comprehensive review of the regulation of legal services with consideration also being given to what activity should sit within or outside the current regulatory perimeters. This new framework should be developed by 2029 with a view to implementing a future regulatory framework during the next Parliament, with the LSB and existing regulators working closely together in anticipation of a more integrated regulatory framework.

Given the uncertainty surrounding future legislative reform, the LSB and other regulators should not defer action in anticipation of structural change. Their focus should remain firmly on implementing the recommendations in this report and delivering improvement within the existing framework.

Lead:

1A: LSB.

1B: MOJ with support from the LSB as appropriate.

Timescale:

1A: Within 6 months.

1B: A review to be conducted by 2029 to enable a new regulatory framework to be implemented during the next Parliament.

Section 2 – Strategy

While more fundamental reform is unlikely in the near future, there should be a phased reset of the LSB aimed at realising the full potential of the current regulatory framework. It is important to consider how the body will strategically position itself in the interim, including through its approach to prioritisation, risk management, regulatory oversight, and the clear articulation of intended outcomes.

A suggested three-pronged, sequential approach, is set out below. In making these observations, it is important to recognise that the LSB's approach has evolved over time and that there have been periods during its existence when its activities were more closely aligned with Parliament's expectations of an oversight regulator. The focus of this review is therefore primarily on the LSB's more recent strategic direction and operating model, while recognising that there are areas where improvement is already underway. Across each stage there should be a strong emphasis on outcomes rather than process, with a particular focus on how regulation better protects consumers, and in doing so promotes confidence in legal services and supports the effective functioning of the wider justice system.

The first step should be towards strategic prioritisation: the LSB should set out the rationale for its priorities over the coming three years, ensuring the strategy is coherently defined and sequenced. An immediate renewed focus on effective oversight, itself with clear priorities, and a stronger articulation of outcomes will be critical.

When clearer strategic priorities have been established, attention should turn to aligning organisational capability and delivery approaches with those priorities. This should include strengthening risk identification, horizon scanning, and the use of data, alongside identifying opportunities for greater integration, including through closer engagement with frontline regulators and the Office for Legal Complaints.

Over the longer term, the intended outcome should be the development of a more integrated and forward-looking framework for risk management and horizon scanning. This should be underpinned by clear articulation of measurable outcomes, the rebuilding of supervisory capability and collaboration across both the LSB and frontline regulators.

Consumer protection and growth

Recommendation 2

The legal services sector represents a significant success story in terms of growth. In 2023, the sector contributed over £37 billion to the UK economy and posted a trade surplus of £7.6 billion, making it one of the UK's strongest exporting professional services sectors.[2]

Against this backdrop, it is vital that the regulatory framework adapts and supports consumer and business confidence in the sector, which in turn underpins sustainable growth and innovation. This is not solely an economic objective. Access to legal services enables individuals to exercise their rights, resolve disputes across a wide range of issues, including areas such as housing and employment, and participate fully in society. It also helps businesses to start, grow, and operate with confidence. Access to justice and economic growth are therefore mutually reinforcing goals in the wider public interest.

The review considers that consumer confidence in legal services should be understood as a key outcome of the LSB's strategic approach. In the current environment, this is how the LSB prioritises and balances its wider statutory objectives, rather than implying that other objectives carry less importance. Across prioritisation, oversight, and regulatory reform, the test should be whether the framework delivers outcomes that support confidence in legal services, and in doing so strengthens the effective functioning of the justice system and economic growth. The LSB's role in this regard is to provide effective oversight of frontline regulators, ensuring that consumer needs are met today while the system remains responsive to future risks and opportunities. This will require a strong focus on outcomes rather than process, alongside clearer articulation of what protecting consumers means in practice, and how this is supportive of wider objectives such as access to justice, innovation, and competition.

Delivering this approach will require improved supervision by the LSB of frontline regulatory performance, significantly improved use of data and consumer insights, and a strengthened and more strategic convening role for the LSB, particularly in preparing for the needs of future consumers, including the impact of technology and AI. The opportunity is for the regulatory system as a whole to align behind this goal.

The rising number of consumer complaints about legal services deserves particular attention within this prioritised approach. As part of this, there is a need for a reset in how consumer harm is understood and addressed through the oversight framework. The LSB's relationship with the OLC requires a reset so that it can be more effectively used to inform

---

2 The benefits of an open and competitive legal economy. Lessons from and for the UK. Report for the Ministry of Justice.

risk identification and collective priority-setting. The importance of tackling the root causes of complaints to reduce the need for redress should be given greater attention by the board. This is both a strategic priority and a cultural consideration. In taking this work forward, the LSB should work collaboratively with frontline regulators, the Legal Services Consumer Panel (LSCP) and the OLC.

Recommendation 2: The LSB should reset its strategic purpose by directing most of its resources towards strengthening consumer protection through its oversight of, and collaboration with, frontline regulators and the OLC.

Informed by insight from the LSCP, this should be embedded within its business planning and reflected in its more targeted, proportionate, and risk-based approach to the oversight of frontline regulators and the OLC. LSB activity that cannot demonstrably support the effective discharge of its oversight responsibilities and, through this, consumer confidence in legal services should be stopped.

Lead: LSB, OLC, relevant frontline regulators and supported by the LSCP.

Timescale: Work to commence in 2026 to 2027, with the intention of incorporating the outcomes into the LSB's upcoming three-year strategy.

Key area of focus: regulatory oversight and articulation of outcomes

Recommendation 3

The LSB has a statutory duty to promote nine regulatory objectives.[3] While some prioritisation exists, it is currently spread across this broad range, creating an opportunity to sharpen focus and define a more concentrated set of priorities. Given the LSB's size, effective use of resources is critical to maximising impact through its regulatory oversight, including statutory approvals, monitoring and enforcement, and appropriate standard setting.

This requires stronger alignment between strategic risk assessment, prioritised objectives, and intended outcomes, with clearer mapping from identified market and regulatory risks to delivery plans.

[3] (1) Protecting and promoting the public interest, (2) supporting the constitutional principle of the rule of law, (3) improving access to justice, (4) protecting and promoting the interests of consumers, (5) promoting competition in provision of services, (6) encouraging an independent, strong, diverse and effective legal profession, (7) increasing public understanding of the citizen's legal rights and duties, (8) promoting and maintaining adherence to the professional principles, and (9) promoting the prevention and detection of economic crime.

In undertaking work to maximise its impact, the LSB should ensure its work is not unduly reactive. Where there is an inherent risk of reactive pressures emerging year to year, this should be anticipated through more flexible staffing models and resource planning, enabling the organisation to respond without diverting focus from its core strategic priorities.

A more focused approach, particularly in relation to oversight of frontline regulators, should be developed in closer partnership with those regulators, with an emphasis on greater integration and alignment of strategic priorities and regulatory activity. This should be underpinned by deeper insight into sector-wide risks, preventative regulatory interventions and their impact on market outcomes. While it is recognised that aspects of the LSB's current approach have been shaped by responses to events across the legal services sector, there is now a clear opportunity for a reset that moves away from an overly procedural model towards a more strategic, outcomes-focused approach that recognises the different roles of frontline regulators in relation to professionals, firms and the market. This should not be interpreted as a blanket criticism of all elements of the LSB's existing approach. Rather, it is intended to accelerate a shift that has already begun towards a more focused and risk-based model of oversight. Narrowing the breadth of activity would support more targeted action and improve the ability to demonstrate measurable impact, with greater clarity on what success looks like in managing key risks.

It is important for regulators to operate with greater openness to external perspectives, drawing on 'what works' in other sectors to inform and strengthen their approach. This includes fostering a culture of regulation that is more adaptive and outward-looking, with a greater willingness to learn and evolve, in particular in the supervision of firms and markets. Addressing silos (both within the legal sector and across the wider regulatory landscape) would support more joined-up working and effective prioritisation, enabling shared insights and more consistent, effective outcomes.

Feedback from stakeholder engagement, including previous perception research carried out by the LSB in 2020, indicates a need for the LSB to articulate a clearer strategic narrative. While existing plans link activities to regulatory objectives, they tend to emphasise actions rather than how these will be delivered, the impact they will achieve, or the value they will generate. Strengthening this narrative by explicitly linking priorities to delivery mechanisms, measurable outcomes, and tangible benefits would improve strategic clarity, enable more robust performance assessment, provide a stronger basis for communicating its value, and build stakeholder confidence.

Stakeholder feedback frequently underlined that the LSB appears to have taken on a level of activity that exceeds its current capacity, with pressure evident across multiple levels. This is contributing to delays in decision-making and delivery, alongside the emergence of organisational bottlenecks. These capacity constraints have been recognised internally, and steps are being taken to review and strengthen leadership arrangements, including the introduction of a revised senior structure intended to streamline decision-making processes and improve overall organisational effectiveness. These changes are positive and suggest that the LSB is already seeking to address some of the issues identified through this review. Further, it was noted that while high workloads and capacity constraints are acknowledged, there can be a tendency for work to continue progressing even where activities have been formally deprioritised. This can create a perception that feedback has been considered but is not consistently reflected in practice.

Greater clarity on priorities should therefore also be more clearly communicated internally. It is important that the LSB and its staff understand what is being prioritised, why these choices have been made, and which activities will be paused or stopped as a result. This clarity is essential not only for effective delivery, but also for managing staff workloads and supporting morale. To reinforce confidence in its role, the LSB should ensure priorities are not pursued in isolation as standalone objectives. Activities should remain firmly grounded in, and aligned with, the LSB's role as an oversight regulator, avoiding a 'tick-box' approach and maintaining a clear focus on impact. This would strengthen stakeholder confidence by evidencing how the LSB's work translates into real-world impact and delivers value for money.

Recommendation 3: The LSB should strengthen its prioritisation, regulatory oversight, and articulation of intended outcomes by advancing the following three interconnected strands of work:

- A more proportionate and effective supervisory approach: the LSB should move towards a preventative, risk-based model that avoids unnecessary prescription and recognises the differing scale, role, and capacity of regulators.
- Greater system-wide alignment and integration of the existing regulatory framework: the LSB should use the full range of its tools to reduce duplication, align regulatory approaches voluntarily, strengthen proactive frontline supervision, minimise low-value administrative burdens, and improve sector-wide use of data and intelligence.
- Clearer strategic focus and accountability for outcomes: the LSB should articulate a clearer, single strategic narrative with stronger prioritisation, clear links between activity and delivery, and measurable outcomes and impacts. This should include how success, progress, and value for money will be assessed. This will strengthen confidence in regulatory effectiveness and oversight.

Lead: LSB.

Timescale: For immediate adoption for its 2026 to 2027 business plan and inclusion in its three-year strategy.

Collective regulation and integration

Recommendation 4

The LSB operates across two key roles: independent oversight of the frontline regulators, and regulated sector convening. The LSB's roles require different modes of collaboration. For performance oversight, the approach must remain independent and clearly defined to avoid blurring the line between independent scrutiny and collaborative working. This can be thought of as akin to an internal audit function. This is distinct from a more open, convening role, where a transparent and inclusive approach is appropriate. A single, uniform model is unlikely to work effectively across these functions. The skills, behaviours, and organisational culture required for effective oversight are also different from those required for successful systems convening. For a relatively small organisation, balancing these roles can be challenging. To be successful, it requires clear prioritisation and boundaries to ensure one function does not undermine the other.

It is therefore important to preserve the integrity of the LSB's accountability and performance scrutiny responsibilities by keeping them separate from broader collaborative activity. Being explicit about which role the LSB is performing at any time will support clearer boundaries, maintain trust, and enable more effective engagement.

Stakeholders provided positive feedback on the potential of the LSB's convening power and recognise its important system-wide role, with a clear view that this function would need to be created if it did not already exist. There is limited confidence that frontline regulators alone could effectively deliver this role within the current framework, particularly given the LSB's unique positioning which enables it to analyse system-wide risks and influence or direct action to be taken by regulators. However, the value of convening should be judged against clearly defined objectives and tangible outcomes, rather than convening as an end in itself.

Strengthening closer, more collaborative working with frontline regulators would help improve the LSB's own understanding of operational realities and the effectiveness of plans for transformation. It would also support more effective prioritisation and shaping of plans. While it is not for the LSB to attempt to directly solve every regulatory problem, it can draw on wider system expertise and resources to improve alignment and consistency. However, this depends on establishing trust and credibility. This should be complemented by more structured engagement with the wider sector to inform oversight activity. Taken together, a more targeted approach, supported by more effective oversight of regulators, would enhance overall impact and over time build confidence among users of legal services.

Stakeholder feedback did not suggest a lack of engagement in itself – concerns centred on the quality and consistency of that engagement. This is echoed in the LSB's own stakeholder perceptions research in 2020 which noted that while some stakeholders felt that relationships with specific individuals were positive and collaborative, others felt that the LSB could be 'distant' and at times 'lost'.

Several stakeholders observed that the tone of engagement could at times feel inappropriately directive and detailed. They noted that this contrasted with their day-to-day interactions with LSB teams, which were generally perceived as more collaborative. More broadly, feedback from this review suggests that while engagement between the LSB and regulators is, on the whole, structured and regular, it is not always considered to be meaningful or impactful. Some stakeholders described interactions as procedural in nature, reflecting formal requirements rather than a genuinely constructive exchange. This has contributed to a perception that relationships may be under strain, with limited opportunities for open dialogue or mutual influence.

While friction between oversight regulator and frontline regulators is inevitable at times, for example during potential enforcement activity, there is a need to draw a clearer distinction between performance assessment and broader engagement. As set out at recommendation 4, separating formal performance monitoring and enforcement functions from more collaborative, developmental interactions could help to foster more open and constructive relationships, while preserving the clarity and rigour of oversight. In light of this, stakeholders underlined the importance of ensuring that engagement is proportionate, responsive to stakeholder needs, and promotes trust-based and effective relationships.

In relation to less formal feedback mechanisms, stakeholders felt that raising concerns through existing channels did not consistently lead to visible action or change. There was also a lack of clarity as to how feedback was considered and the rationale for why certain points were not taken forward. Some regulators reported that, when submitting rule change applications, these were often circulated across multiple teams for review, resulting in several overlapping sets of queries. This was seen as creating unnecessary duplication and additional burden, without a clear or proportionate purpose.

The LSB commissioned stakeholder perceptions research in 2020 which noted that stakeholders then would welcome the LSB taking more of a leadership role in the sector given its unique oversight position. This aligns with feedback from stakeholders during the review, who consistently saw the LSB as being in a unique position to take a leading role, particularly on regulated sector-wide issues. Several stakeholders pointed to the Mazur litigation[4] as an example, noting that while organisations believed they were acting in good faith to interpret regulatory rules, inconsistencies emerged. In this context, stakeholders felt the LSB could have shown stronger leadership by facilitating dialogue and helping to bring greater clarity and consistency.

4 Mazur. Media Summary

However, it is important to be clear about the purpose of collaboration. The LSB is relatively small compared to some other regulators, and most of the resources and capacity to act sits with the frontline regulators. As such, the LSB should focus on providing strategic engagement while frontline regulators, who are closest to the legal market, carry out direct operational work. In practice, this means being selective about where it convenes, focusing on issues where it is uniquely placed to bring organisations together, resolve cross-system challenges, or develop a shared understanding of emerging risks. At the same time, the LSB needs to remain forward-looking, particularly in relation to areas such as the growth of unregulated legal services and consider whether it has the confidence and capability to lead effectively, in a timely fashion, and proactively.

The review welcomes the initial steps taken to establish a Chief Executives' Forum across the regulators as indicative of a greater commitment to deeper collaboration. A well-functioning forum can provide a valuable platform for collaboration, the exchange of perspectives, and the identification and escalation of emerging issues. This should promote a more co-ordinated, collective response to emerging issues across the sector. There is precedent for this approach elsewhere across the wider regulatory landscape, including cross-sector regulatory networks and supervisory models that combine formal oversight with routine strategic dialogue. As this is a new initiative, its effectiveness should be kept under regular review to ensure it fosters genuine engagement, supports open discussion of risks and concerns, and delivers clear value to participants. It is also essential that the forum remains action-focused, avoiding the risk of becoming a 'talking shop' where issues are raised but not meaningfully progressed.

This forum should be seen as one element of a broader, more strategic approach to convening. There is value in developing additional forms of engagement across different levels of regulation, recognising that insight and expertise are not confined to senior leadership alone. It is important for there to be a culture that embraces openness, transparency and constructive challenge. This should focus on promoting collaboration and co-operation to identify and manage uncertainties that arise while systematically anticipating and developing successful responses or interventions. Such an approach need not be overly top-heavy and should draw on a wider range of perspectives to inform market monitoring, data, and risk identification. The LSB does not need to act as the sole convenor in all instances; rather, it should focus on where it is uniquely placed to add value. Given the demands of its oversight responsibilities, any expansion of the convening role should be carefully prioritised and kept under review to ensure it complements the LSB's role as an oversight regulator. Taken together, this broader convening approach would support the development of a more robust evidence base, including both data and qualitative intelligence, and help underpin a more effective, proportionate and timelier performance assessment framework.

User perspective

The Legal Services Consumer Panel provides a valuable user perspective and should be recognised as an important component of the LSB's wider convening approach. However, there is no clear equivalent mechanism for structured and ongoing input from industry and practitioners. While there are opportunities to draw more effectively on existing structures and engagement channels, working through and alongside frontline regulators to avoid duplication, there remains scope to strengthen how the LSB accesses insight from market participants. Comparator bodies such as the FCA draw on multiple practitioner panels to inform decision-making. Developing a more co-ordinated approach to bringing in perspectives from across the sector, while making best use of existing mechanisms, would support a more rounded understanding of how regulation operates in practice and its real-world impact.

Recommendation 4: The LSB should undertake a review of its convening role, to ensure a more strategic approach using the full range of engagement mechanisms with clarity as to when it should exercise leadership, when it should convene and facilitate collaboration, and when it should enable others to lead. This should include:

- The LSB clearly separating its performance oversight role from its broader collaborative activities, with protocols to protect its independence. It should also be explicit about which role it is performing during any engagement to ensure clarity and maintain trust. In particular, the LSB should avoid adopting a default leadership position where its role is more appropriately to facilitate dialogue, build consensus, or support co-ordinated action by others.
- A review of the new Chief Executives' Forum to assess its effectiveness in fostering meaningful engagement, enabling the escalation and discussion of key risks, and delivering tangible value to participants. This review should seek input from attendees which considers whether the forum is operating as intended, including its ability to support a co-ordinated approach to emerging issues. Clear ownership, accountability, and timeliness for actions arising from the forum should be established to ensure a stronger focus on delivery and outcomes rather than discussion alone.

Lead: LSB.

Timescale: Within this year (2026), with the intention of incorporating the outcomes into the next three-year strategy.

Horizon scanning and risk

Recommendation 5

The review notes that the LSB is considering how it can best make decisions based on better intelligence and data-driven assessments of risk.

While the LSB currently reports on risk through its annual report and accounts, it should strengthen and develop this into a more systematic cross-sector assessment of market and consumer risk. In line with the principles set out in the Orange Book Management of Risk,[5] risk management should be an essential part of governance and leadership, fundamental to how the organisation is directed, managed and controlled.

The LSB should draw on the risk assessments produced by frontline regulators to develop a more coherent, cross-sector shared view of key risks and map these to mitigations. Given that frontline regulators hold the most detailed operational data, market intelligence, and expertise relating to the risk in legal services, the LSB's role should not be to duplicate these functions. Rather, it should synthesise insight across the regulated sector, challenge assumptions, work collaboratively to identify emerging cross-system risks, and ensure that issues are addressed in a proportionate and timely fashion. This could include the production of an annual statement of key market and consumer risks, alongside an assessment of how effectively frontline regulation is identifying, managing, and mitigating those risks. This should be presented in an appropriate form externally, for example through annual reporting to Parliament, to strengthen transparency and accountability across the regulatory framework.

At present, there are differing risk frameworks in place which can hamper an effective whole system approach to tackling issues, escalating these as appropriate, and prioritisation. A clearer and more consistent articulation of regulated sector risk tolerance, developed collaboratively between the MOJ, LSB, regulators, and other appropriate parties, would support more coherent decision-making and accountability across the system. This is particularly important given concerns that both the LSB and some frontline regulators have in recent years had relatively limited risk assessment capability and capacity. As set out in the Orange Book Management of Risk, effective risk management should draw on the knowledge and views of experts and key stakeholders. This collaborative approach supports informed decision making aligned to agreed risk appetite, strengthens confidence in response to risks, and promotes transparency around the principal risks facing the sector and how these are managed.

[5] The Orange Book Management of Risk – Principles and Concepts - GOV.UK

When considering risk, it is important to recognise the cost of regulatory failure. For example, the SRA Compensation Fund is currently approximately £40 million per year and rising. Such costs reflect not only the direct financial impact but also the harm caused to consumers and the reputation of the wider system. At the same time, a growing and innovative sector will inevitably involve a degree of risk; it is hard for public sector organisations to be risk averse and successful. It is not the role of this review to prescribe the precise balance, but rather for the LSB to promote shared understanding and informed discussion. Ultimately, this requires careful consideration of trade-offs, with a focus on improving access to services while managing associated risks.

Sector risk tolerance therefore needs to be clearly defined among key stakeholders, recognising that a zero-risk approach is neither practical nor desirable, as it would inhibit activity, growth, and innovation across the sector. Inevitably there will be legal firms that fail. However, this does not diminish the importance of robust horizon scanning and the proactive implementation of mitigations aimed at reducing the likelihood of firm collapse and limiting consumer harm.

This approach is closely linked to consumer protection priorities, requiring greater clarity on:

- what promoting and protecting the interests of consumers means in practice
- how this supports access to justice, innovation, and growth
- how these trade-offs are communicated and managed across the system

In this context consumer detriment is not limited to risks arising from poor conduct, misconduct, or firm failure, but also the consequences of individuals or businesses being unable to access appropriate legal services, secure effective redress, understand their legal rights, or resolve disputes in a timely and affordable way.

For this approach to operate effectively, the LSB's expertise, intelligence, and convening role will play an essential part in working with stakeholders to identify cross-system risks, informing strategic decision-making, and supporting alignment and coordination across stakeholders. This should become a central focus of the LSB's activity. It will require it to stop conducting policy work that others are better placed to lead, and move towards providing effective oversight, challenge, coordination, and transparency on the most significant risks facing the sector.

Recommendation 5: The LSB, frontline regulators and MOJ should establish a shared framework for identifying, assessing and managing market and consumer risk across the legal services sector, including an agreed statement of sector risk tolerance, recognising that a zero-risk approach is neither feasible nor desirable.

The LSB should co-ordinate an annual assessment of key risks and regulatory mitigations, supported by strengthened horizon scanning, proactive intervention, and clearer articulation of consumer protection objectives and associated trade-offs relating to access, innovation, and growth. In doing so the LSB should draw on the expertise, intelligence and data held by frontline regulators, focusing on identifying cross-system risks, providing effective challenge, and promoting transparency and accountability across the sector. This annual assessment should then be shared more widely to support informed discussion of sector-wide risks and priorities.

Lead: LSB with input from the MOJ and frontline regulators.

Timescale: Within six to nine months.

Policy development and guidance

Recommendation 6

There was a strong perception among stakeholders that, in recent years, the LSB has devoted a disproportionate amount of time to policy development and guidance that has not consistently been translated into effective action. While the LSB's policy work has been welcomed by some charities, several stakeholders have noted that its focus on areas such as Strategic Lawsuits Against Public Participation, though addressing an important issue, illustrates a tendency to pursue initiatives with limited practical impact, and which may be more appropriately within the remit of Parliament or the MOJ.

Some stakeholders noted that they were unclear of the purpose of the policy guidance provided by the LSB, for example whether it has been published to inform, guide or to drive change. Stakeholders also noted areas of duplication in how policy responsibilities are divided between the MOJ, the LSB, and frontline regulators. While the LSB seeks to co-ordinate activity and avoid duplication through planning and convening, several stakeholders felt duplication persists and that existing work that is taking place across the sector is not being utilised which has led to inefficiencies. This includes recent policy statements on equality, diversity and inclusion which, while laudable in their aims, have been viewed by some as overly prescriptive. Many regulators noted they had already begun developing guidance tailored to their specific professions, leading to concerns that the LSB's policy is duplicative, fails to recognise ongoing work undertaken across the sector, and adopts a one-size-fits-all model.

While the LSB has an important role in shaping elements of policy, this should be limited to what is necessary to support its statutory oversight function. It should not duplicate the MOJ's responsibility for setting system-wide policy and political priorities, nor the role of approved regulators in developing detailed policy, responding to consumer needs, and driving innovation within their regulatory frameworks. Diagram 1 (below) sets out a framework for how policy responsibilities should be understood and delineated across the relevant parties.

Diagram 1: Recommended division of policy work

MoJ

Role: Deliver system policy and political priorities (i.e. the 'what and why' at system level).

The department should lead on:

1. Legislative reform (e.g. LSA framework).
2. Cross-system policy e.g. access to justice, legal aid, wider government priorities.

It is not for the department to act as a 'substitute regulator' or to be drawn into day-to-day regulatory performance issues (except when issues require escalation).

LSB

Role: Has a policy role but only insofar as it supports its oversight function.

The LSB should focus on:

1. Oversight-driven policy (i.e. identification of system wide risks and issues through oversight) and use this to set expectations and drive improvement
2. Set frameworks and standards e.g. around what 'good' looks like to ensure consistency across regulators (where appropriate)
3. Targeted thematic work (focussed on areas where there is a clear regulatory gap – this must be linked to clear outcomes and change)

The LSB should not:

1. Conduct duplicative initiatives or parallel processes.
2. Conduct policy work that is already being carried out (or sits with MoJ).
3. Deliver research without clear regulatory impact.

Frontline regulators

Role: Delivery and implementation, i.e. turning policy into action.

Regulators should lead on:

1. Detailed policy development within their designated areas e.g. conduct rules, enforcement approaches, and operational frameworks.
2. Implementation and supervision
3. Responding to consumer risks (e.g. law firm collapses) and market developments
4. Innovation within their regulatory models

Regulators should also:

5. Work collaboratively across the sector where issues overlap.
6. Feed insights upwards to the LSB and MoJ.

Recommendation 6: The LSB should refocus its policy activity to ensure it is clearly aligned with, and limited to, its regulatory oversight role.

As part of this, a clear and shared delineation of policy responsibilities across the MOJ, LSB, and frontline regulators should be established and communicated to reduce duplication and stakeholder confusion.

The LSB should clearly demonstrate to the sector and key stakeholders how it translates its oversight policy into effective action and demonstrable outcomes, ensuring its work delivers tangible impact across the sector. In doing so, activity should be clearly aligned with the priority areas identified through this review, rather than being driven solely by broader policy development, to ensure focus and relevance in delivery.

Lead: LSB, MOJ, and frontline regulators.

Timescale: Within one year.

Performance assessment

Recommendation 7

The LSB has, until recently, conducted an annual Regulatory Performance Assessment (RPA) of all the frontline regulators with the aim of demonstrating how its policy statements are being put into practice and to help it to hold regulators to account in meeting the LSB's requirements. Since April 2024, the RPA findings are summarised for each regulator against three broad standards: are they 'well-led'; do they have an effective approach to regulation; and is their operational delivery effective and focused on the public interest. Each of these standards is supported by expected 'characteristics' set out in the LSB's sourcebook.

Stakeholders generally expressed low confidence in how effectively the LSB holds frontline regulators to account. The dominant view was that the RPA mechanism is too reactive, insufficiently robust, overly process-driven, and lacking in clear impact, value for money or outcomes, particularly for consumers. It was also seen as an overly burdensome process for regulators to undertake, especially those that are smaller or have more specialised functions.

There is a strong perception from stakeholders that the LSB has limited understanding of activity within smaller regulators, creating an inherent challenge in setting appropriate standards without sufficient visibility of what is happening in practice. Although this is a broader issue observed across regulatory systems, it appears particularly acute in this context, suggesting a need for deeper insight to support more proportionate and effective oversight. Stakeholders further noted that a less directive approach to regulatory performance assessment and oversight would be valuable, recognising that a 'one-size-fits-all' model is often inappropriate.

Further, assessing frontline regulators through the RPA provides only a narrow lens on how effectively expectations are being met. Measures such as timeliness, adherence to standards, quality of decisions, and internal governance tend to act as proxy indicators rather than direct measures of outcomes. Focusing solely on these can create 'blind spots', including:

- challenges of attribution (i.e. whether observed behavioural change is driven by the policy or by other factors)
- limited insight into the end-user or consumer perspective
- a blurring between the implementation of a strategy and its actual impact

As a result, a regulator may meet all procedural 'tick-box' requirements while still failing to improve outcomes or reduce harm.

Concerns have been raised that the assessment framework and rating structure of the RPA did not sufficiently reflect the seriousness of emerging weaknesses within the SRA at a time when significant supervisory failings were becoming apparent. While the assessment by the LSB did identify some weaknesses, it did not adequately signal the scale of the problem. Where the LSB has taken enforcement action following findings of regulatory failures connected to significant firm failures, the approach has been lengthy and prescriptive.

Although the LSB has stated that it has considered lessons learned from these episodes of regulatory failure, and that these have been incorporated in its revised approach to the RPA, there is a broader question as to whether the LSB has demonstrated the level of pace and agility expected of an oversight regulator responding to significant emerging risks. Some stakeholders noted that the approach adopted by the LSB previously contributes towards a perception that it is not sufficiently visible in acknowledging its own shortcomings, and that addressing this constructively would help to strengthen confidence in the framework overall.

The LSB's use of its statutory powers has also prompted questions about timing and pace. The LSB has a range of formal and informal tools available to promote the regulatory objectives and address identified regulatory issues, including formal enforcement powers and other statutory powers such as requiring information or reports from approved regulators (or bodies including the OLC). Its published approach makes clear that formal enforcement action should generally only be used where the act or omission of an approved regulator is considered unreasonable, taking into account all the circumstances of the case and the relevant evidence provided by the regulator and others. It also emphasises that informal resolution should ordinarily be the starting point for addressing concerns, except where issues are particularly serious or widespread.

Formal or informal interventions by the LSB should therefore follow a considered assessment of the full range of the powers available to it, including the relative merits, proportionality, and likely effectiveness of different interventions, to ensure that the most appropriate regulatory response is adopted in all the circumstances. Some stakeholders noted a perception that the LSB has recently moved rapidly from relatively limited intervention and reassurance to relying more heavily on its strongest enforcement mechanisms, creating the impression of a late shift in approach. This has contributed to broader questions about whether earlier, more graduated and strategic engagement may have been more effective and less likely to create a duplicative layer of reporting requirements where frontline regulators have already begun acting.

Ultimately, preventative, proactive oversight is dependent on routine, ongoing supervisory engagement and an effective horizon scanning mechanism. This requires deep expertise in regulatory supervision, robust data, and insight underpinned by meaningful engagement with the sector itself that goes beyond formal, predominantly paper-based processes to include more direct and substantive dialogue. While current engagement mechanisms are in place, they are often perceived as overly procedural, limiting their effectiveness. This can result in insufficient proximity to regulators and the wider sector, which in turn risks reducing the LSB’s impact.

The LSB recognises that there is scope to improve its horizon scanning function and the RPA, ensuring it is more focused, targeted, risk-based and intelligence-led. The review welcomes the work that the LSB has been undertaking on this, particularly in lifting burdens on regulators who perform well and a shift towards a culture of earned autonomy. Regulators that are demonstrably performing well should be subject to less intensive reporting and approvals processes, allowing effort to be focused where it is most needed. This approach will require the LSB to set out clearly its view of risks across the regulatory landscape, particularly as it continues work to adopt a more proportionate model. This reflects a broader trend across other regulatory systems towards more outcomes-focused and risk-based approaches to supervision, moving away from reliance on process and compliance measures.

A more proportionate, less intrusive approach is likely to encourage greater openness between frontline regulators and the LSB as the oversight body. However, this must be accompanied by a willingness on the part of the LSB to actively listen to feedback and concerns as they arise, and to respond by leaning in more closely and earlier where risks or issues are identified. This should not be interpreted as a lighter-touch approach. Rather, it places greater reliance on regulatory judgement and requires confidence to intervene decisively where concerns emerge.

As with any regulatory model there are trade-offs. An excessive focus on risk management can itself encourage risk aversion and unnecessary regulatory burden. It is therefore important that the wider framework, including strategic steers from the MOJ, supports regulators in taking proportionate, evidence-based decisions that facilitate innovation and growth, recognising that some degree of failure and consumer detriment is inevitable in a well-functioning market. The objective should be to manage and mitigate risk effectively, not eliminate it entirely.

Recommendation 7: The LSB should commission an expert review with regulators to assess how effectively the overall supervisory approach is working in practice, including statutory approvals and enforcement interventions. This review should include consideration as to whether the new RPA supports a proportionate approach, adequately captures key risks, and recognises that a one-size-fits-all model is inappropriate. It should also identify where longer-term efficiencies and reductions in regulatory burden could be achieved for both the LSB and regulators.

Lead: LSB with input from frontline regulators.

Timescale: Within one year.

Section 3 – Governance and Accountability

This section considers accountability and governance, including the relationship between the MOJ and the LSB, and the appropriate balance of independence.

The review recognises the LSB's strong commitment to good practice in its corporate governance structures. The LSB has developed a comprehensive set of processes, documents and strategies, reflecting a strong commitment to governance and structured delivery. This is echoed in the National Audit Office's findings as part of their internal audit work. However, as noted above, the LSB's own governance processes have in recent years overseen strategies and business plans spread across a wide range of areas.

For the future, the LSB's board should strengthen its role in holding the organisation to account, particularly where strategies are proposed without clear and effective prioritisation or defined, measurable outcomes, and ensuring that risk management processes operate at an appropriate level. In doing so, it is important that the LSB's board remains focused on its core corporate governance role, maintaining appropriate oversight and challenge, rather than becoming involved in the day-to-day operational work of the executive.

Greater alignment between governance processes, strategic priorities, and clearly visible outputs and outcomes would provide greater clarity both internally and for external stakeholders. Strengthening the link between strategy and delivery would also support improved confidence in the LSB's work and more clearly demonstrate value for money, by making it easier to assess the success and impact of initiatives already in place.

Relationship with the MOJ

Recommendation 8

It is important to consider how the LSB positions its approach to oversight in the context of its accountability to the MOJ, and how both the sector and its regulators contribute to the development of a legal services market that is trusted by consumers. Insight generated by the LSB through its oversight of the market should be shared routinely with the MOJ to help inform wider strategy and priority-setting. In turn, the LSB has a key role in supporting confidence in legal services by ensuring the regulatory framework operates effectively in practice. This requires a shared understanding of risk, underpinned by a clear strategic steer from the department on priorities and alignment on the parameters of the regulatory framework.

The LSB plays an important role in providing assurance to the department that legal regulation is operating effectively, while also identifying any risks or areas of concern and setting out plans to address these with frontline regulators. The lack of clarity around priorities and outcomes currently limits the department's ability to effectively oversee the LSB, highlighting the need for the organisation to more clearly articulate how it is prioritising its work and measuring impact. In this context, there is scope for the MOJ to take a more robust and active approach to its relationship with the LSB, while preserving the regulator's operational independence. This presents an opportunity for a reset in the relationship, underpinned by increased transparency, and a shared understanding of expectations and delivery priorities, to enable more effective oversight and accountability.

Stakeholder engagement pointed to a lack of clarity around the relationship between the MOJ and the LSB. Some stakeholders felt that the department does not hold the LSB to account rigorously enough, particularly in relation to budget scrutiny, while others said they did not understand how this accountability operates in practice.

Several stakeholders expressed concerns that the LSB does not currently demonstrate strong value for money, and that the department has not sufficiently held it to account in this regard. While there was recognition that the LSB operates within a complex and challenging remit, the prevailing view was that gaps remain between its activities, costs, and measurable impact. This sits alongside concerns about rising costs of regulation and limited transparency around spending. Stakeholders called for clearer metrics and evidence of impact, stronger alignment with its oversight functions, and better targeting of resources towards areas of greatest consumer and sector benefit.

Taken together, these points suggest a case for greater transparency in the MOJ's oversight and assurance role. Although formal mechanisms for accountability and scrutiny do exist (such as regular business assurance meetings and ministerial correspondence with the chair) these are not publicly available. There is precedent across government for publishing ministerial steers on priorities to regulatory bodies, as seen in annual remit letters and responses between HM Treasury and the Financial Conduct Authority.[6]

A regular pattern of engagement at the most senior level would be valuable in shaping discussions on performance, strategy, and the regulatory remit. Greater openness of this kind would improve transparency, help clarify ministerial expectations, and support stronger stakeholder confidence and engagement.

6 This is a statutory requirement under s.1JA of the Financial Services and Markets Act 2000

Recommendation 8: The MOJ should consider how it can increase transparency in its oversight of the LSB, including whether aspects of its existing assurance and accountability mechanisms could be made publicly available.

Lead: MOJ.

Timescale: Within 6 months.

The LSB has expressed concern that some of the current approvals processes applied by the MOJ can be disproportionate for a body of its size, highlighting the importance of ensuring that departmental oversight is appropriately tailored. There is an opportunity for the MOJ to consider whether there are more proportionate expectations for the demands it places on the LSB, recognising its status as a smaller public body.

This should be reflected in the ongoing update to the framework document, including clearer expectations around transparency and strategic priorities. In doing so, where possible, the document should place greater emphasis on setting strategic direction and resetting expectations, rather than focusing predominantly on detailed governance processes and operational minutiae. Any changes to oversight arrangements will, however, need to remain consistent with central guidance and key frameworks, including Cabinet Office requirements, to ensure that standards of good governance are maintained.

In relation to the Office for Legal Complaints (OLC), there is a uniquely duplicative and slow set of accountability arrangements with both the LSB and the MOJ, and the three parties should agree a streamlined or delegated approach in support of the important commitment made by the OLC to transform the Legal Ombudsman Service.

Independence

The review recognises that it is important for the LSB to maintain operational independence, enabling its board and executive to take day-to-day decisions on regulatory oversight free from political interference. However, operational independence does not mean complete separation from government. As a NDPB, the LSB operates within a broader strategic framework set by ministers, in line with Cabinet Office guidance.[7]

Within this context, the LSB's independence should be exercised alongside a clear understanding of, and alignment with, wider government priorities. While the department should not intervene in day-to-day regulatory decisions, the MOJ has an important role in setting overall strategic direction. A more transparent and strategically focused relationship

[7] Public Bodies Handbook – Part 1. Classification Of Public Bodies: Guidance for Departments

between the MOJ and the LSB (as set out at recommendation 8) will be key to achieving this balance.

KPIs

Current key performance indicators (KPIs) and performance frameworks appear underdeveloped and are not consistently linked to outcomes, limiting their effectiveness in demonstrating impact. Recognising the challenges for oversight regulators in mapping activities directly to frontline outcomes, there is scope for the LSB's KPIs and objectives to be more explicitly outcome-focused. This should include measures that better capture indirect impacts, since the LSB's influence is exercised through frontline regulators and ultimately affects consumers and market performance.

There should also be an expectation that the LSB develops a clear set of intended outcomes for the next three years, articulating what success looks like for the regulated sector over that period. This forward-looking framework should provide a stronger basis for aligning KPIs, priorities, and reporting against strategic objectives. There is also an opportunity to draw on best practice from other bodies, such as the Professional Standards Authority (PSA) and other oversight regulators, where outcome measurement is more established. For example, the PSA has started to look at how it can point to specific examples of the impact of its work in changing regulators' processes and guidance where it identifies issues and monitors the impact of changes it makes when introducing new standards.

Taken together, this points to a broader need to strengthen and refine the overall approach to performance measurement, evaluation, and reporting. This would provide a more meaningful assessment of impact, support strategic decision-making, and improve accountability across the system.

Section 4 – Staffing and Capability

This section considers whether the LSB's leadership, organisational capability, and internal structures are appropriately aligned to deliver its statutory role and support the recommendations set out in this review. Stakeholder feedback recognised the challenges created by a combination of recent leadership changes and organisational pressures across the sector. However, the current period presents a timely opportunity for greater stability, reset, and renewal.

Delivering a more focused and outcomes-driven approach will require clearer alignment between strategic priorities, leadership capability, organisational structures, and resources. This includes ensuring that responsibilities and decision-making are clearly mapped across the organisation, and that the LSB is equipped with the skills, capacity, and culture needed to support effective oversight, stronger prioritisation, and improved value for money.

Leadership and the board

Recommendation 9

In recent years there has been a period of instability following several leadership changes across both the LSB and frontline regulators. Stakeholders echoed this, highlighting a perception that these changes have led to confusion across the sector and hampered the ability to drive progress. However, with new leaders now in place, there is an opportunity for a collective reset across the regulatory landscape if the LSB can lead this with a change of approach.

A new approach under more stable leadership will require a realignment of organisational capability with the scale and complexity of the task ahead. A visible reset in approach, supported by early and tangible actions, will help build confidence across stakeholders.

There is recognition from stakeholders that oversight is inherently challenging. The LSB's board should consider carefully when to intervene and how best to select and apply the most effective levers, advised by the executive. Although the LSB is a small organisation, the norms of good corporate governance require that the board defines strategy but delegates operational decision-making to the executive and holds it to account for effective delivery. There is feedback that this has not always been the case in the past.

Through both internal and external stakeholder engagement there was a perception that the board has, at times over recent years, been overly involved in matters that are more appropriately the responsibility of the executive team. When decisions that should sit at an operational level are escalated upwards, it not only increases the board's workload but can also slow down decision-making and reduce organisational agility. This blurring of boundaries risks creating confusion around roles and accountability. It was noted that a more interventionist board can inadvertently disempower management and staff, undermine confidence in delegated authority, and weaken the effectiveness of governance overall.

Alongside this, it is important that the LSB proactively commits to best practice in corporate governance, including the regular publication of BERs. These should be conducted annually, with the MOJ formally provided with the proposed scope of the review and given sufficient opportunity to contribute to its design and process, as appropriate. In addition, an external BER should be undertaken every three years.

In line with Cabinet Office guidance,[8] the LSB should ensure that:

- full transparency between the organisation and the sponsor department on both the BER process and its outcomes
- the processes and findings of the BER are clearly reported in its annual report and accounts
- there is a clear programme of follow-up actions, supported by an implementation plan

The LSB's credibility with both the public and the legal services sector depends on how effectively it holds itself to account, demonstrating that it applies the same standards to itself as it expects of others.

Recommendation 9: The LSB should strengthen its corporate governance by ensuring the board remains focused on strategic oversight, outcomes, and delivery, with a clear distinction between governance and executive responsibilities. A refined scheme of delegation and clearer articulation of matters reserved to the board would empower the executive team, promote organisational agility, reduce unnecessary board workload, and ensure clear accountability. As part of this work, the LSB should undertake annual BERs, including a full external review every three years, conducted in line with Cabinet Office guidance. This will enhance transparency and accountability both internally and externally, supporting effective oversight.

Lead: LSB.

Timescale: Within one year.

8 Board effectiveness reviews: principles and resources for arm's-length bodies and sponsoring departments - GOV.UK

Board skill set

Consideration should be given to how the MOJ can support the LSB in securing the non-executive leadership that it will require to drive the recommendations made as part of this review.

It is critical that the LSB has the capability required to meet its objectives, including individuals with strong understanding and experience of regulation (not just within the legal services sector), organisational transformation in a complex setting, and greater understanding of technology and law tech (given recent and rapid market changes). There is an opportunity to strengthen capability through a more diverse board composition and the co-option of members with specialist or regional expertise. Where experience is limited internally, support from the department or wider system partners may be appropriate.

Organisational capability and strategic alignment

The strategic priorities recommended by this review will require a redesigned, more agile organisation with renewed expertise in the regulatory supervision of markets, a new data and analytics capacity, and a smaller policy function. This implies a different use of the existing budget envelope for the LSB, rather than additional resources.

While the LSB is a relatively small organisation, it remains important that it clearly demonstrates how it delivers value for money. As referenced throughout this review, this will require a sharper focus on priority areas, stopping non-priority or less urgent activity, and making more effective use of wider sector resources where appropriate (for example, through mechanisms such as shared data pools).

In this context, the LSB should consider how its organisational design can be reshaped to support the recommendations of this review, with a stronger emphasis on strategic focus, risk, and organisational agility. This will require careful alignment of skill sets, resources, and structures to ensure the organisation is well equipped to deliver its priorities over the coming years, including ensuring that expertise and capacity are deployed flexibly in response to emerging risks and changing market conditions.

There is scope to also draw on, and better utilise, the capability and talent of current LSB staff. For example, while the LSB is widely seen as having a positive culture, the review identified a lack of formal mechanisms for staff below senior levels to escalate suggestions or concerns, particularly in relation to prioritisation, to senior leadership or the board. This may limit the extent to which insights from across the organisation are consistently captured and reflected in decision-making.

It is important that staff at all levels feel empowered to contribute to discussions on priorities, especially those with close engagement with regulators who can provide valuable soft intelligence. These insights can complement formal data and help ensure that decisions are informed by a well-rounded understanding of the regulatory landscape. Establishing clearer and more structured channels for input would support more inclusive decision-making and strengthen the overall evidence base for prioritisation.

Recommendation 10: The LSB should urgently rethink its organisational design and rebalance its use of existing funding requirements to ensure it has the necessary capabilities, aligned to the recommendations in this review.

Lead: LSB.

Timescale: Within six months.

Conclusion and Next Steps

The review identifies a clear opportunity for a collective reset and a new oversight approach to legal services regulation. While longer-term legislative reform is needed, this should not prevent the LSB, MOJ, and frontline regulators working together to strengthen how the system operates in the interim. This reset should focus on clearer priorities, stronger oversight, better use of evidence and risk, and a sharper focus on outcomes for consumers, the market, and the wider justice system.

Consumer protection should sit at the heart of this new approach. This means looking beyond the prevention of consumer detriment alone, and taking a broader view that includes effective redress, access to legal services, support for underserved consumers, and preparation for future consumer needs, including the impact of technology and AI. It also requires clearer accountability across the profession, particularly in response to the rising number and nature of consumer complaints.

The review also recognises the importance of maintaining the LSB's operational independence, which is essential to preserving impartiality, public confidence, and the integrity of regulatory decision-making. However, operational independence must sit within clear accountability for delivery, impact, and value for money as an NDPB. This presents an opportunity for a more transparent and strategically focused relationship between the LSB and the MOJ, underpinned by greater clarity around priorities, measurable outcomes, and the respective roles of the department and the regulator. In practice, this should support stronger assurance and accountability arrangements, while avoiding unnecessary operational interference.

The immediate next step should be for the LSB to define and sequence a smaller number of strategic priorities for the next three years, setting out what success looks like and how progress will be measured. This should be followed by an organisational reset, aligning capability, governance, data, risk, and engagement activity behind those priorities. Over the longer term, the LSB should develop a more integrated and forward-looking model of oversight, supported by stronger horizon scanning, clearer risk tolerance, and a more proportionate approach to working with frontline regulators.

Taken together, these steps would help rebuild confidence, improve accountability, and ensure the LSB is better positioned to use the existing framework to its full potential while preparing the ground for any future reform.

Annex A – Background

Terms of reference

A public bodies review is undertaken to provide assurance to the public, the sponsoring department's Principal Accounting Officer and ministers that a public body's functions remain useful and necessary, and to assess whether there are more effective and efficient alternatives to deliver the government's objectives.

The review was led by an independent lead reviewer, Richard Lloyd. Richard is the Chair of the Independent Parliamentary Standards Authority and a former non-executive director of the Financial Conduct Authority and the Advertising Standards Authority. He has also worked as a special adviser to the Prime Minister (2008 to 2010), has extensive experience of government operations and regulatory frameworks and an understanding of public bodies along with a deep understanding of policy making and governance. Richard also has a wealth of consumer experience and a strong background in consumer rights. He was awarded the OBE in 2019 for services to the economy and consumer rights.

Richard was supported by the MOJ's Public Bodies Centre of Expertise review team.

A review of the LSB is timely given that it has been several years since the last public bodies review of the LSB (2017).[9] It is important for departments to regularly review their public bodies to ensure they are operating effectively and efficiently with strong governance and accountability frameworks in place. Following the Prime Minister's announcement on a new approach to regulation, it is important that we have robust systems in place to oversee the regulation of our legal services.

Since the last review of the LSB in 2017 there have been several developments in the legal services sector. These have included (but are not limited to) the greater use of law tech, issues relating to some frontline legal services regulators' performance and concerns about consumer protection, concerns about poor ethical practice (e.g. law firm collapses), and challenges in dismantling barriers to a diverse and inclusive profession.

The review's terms of reference outlined that this review would consider the LSB's:

- **strategic clarity –** whether the LSB appropriately prioritises its regulatory objectives and if the scope of its work is suitably defined to achieve them – this should include consideration by the LSB of clarity of outcomes and the impact of its activities

9 Tailored Reviews of the Legal Services Board and Office for Legal Complaints

- whether the LSB has effective relations with its key stakeholders (including the approved regulators and regulatory bodies) and organisations that represent the interests of consumers –this should include the LSB's transparency, including in relation to its regulatory performance assessment process, its regulatory policy making process, and its processes for approval of alterations to regulatory arrangements
- **statutory remit –** how the LSB interprets the extent of its statutory responsibilities and whether its interpretation is sufficiently focused on its statutory obligations including the promotion of the regulatory objectives, assisting in the maintenance and development of standards and ensuring the separation of functions
- whether the LSB's interpretation and application of its statutory remit has led to any duplication of work with other organisations, for example, the frontline regulators, representative bodies or the department (to note, the focus of this review is on the operation of the LSB as a public body within the existing statutory framework established by the Legal Services Act 2007, rather than on wider legislative reform)
- **governance and accountability –** whether the LSB operates with an appropriate degree of independence from the department in relation to its accountability for its use of public money and its obligations regarding its transparency and accountability
- if the department has proportionate oversight of the LSB's governance arrangements to ensure these standards are being met while preserving an appropriate level of independence.
- whether the LSB can show the positive effects its oversight regulation has on the sector and how it can demonstrate value for money
- **driving capability –** if the LSB has an appropriate staffing structure, appropriate levels of resourcing, and if staff have the necessary expertise and technology to deliver the LSB's role, responsibilities and objectives.
- whether sufficient measures are being implemented to retain talent and ensure long-term capability

The review also took into consideration the broader principles that are consistently applied across public bodies reviews. These include identifying opportunities to improve efficiency, enhancing the LSB's overall effectiveness, assessing the robustness of control and governance arrangements and assessing whether the LBS's culture supports its ability to deliver its goals.

The review also looked at how the LSB and the MOJ adhere to recognised standards of good governance, fulfil their legal obligations, and deliver strong performance.

Process and methodology

The review undertook wide-ranging stakeholder engagement through a Call for Evidence, interviews, workshops, roundtables, and visits.

The stakeholders that the review engaged with were drawn from across the legal services sector, MOJ (including the Minister with responsibility for legal services, senior officials and functional experts), wider government, the third sector, regulators, academics, charities, members of the criminal justice system, non-government organisations and individuals with an interest in the sector.

To test the review's methodology, conclusions and proposed recommendations, a Challenge Panel was convened and met with the lead reviewer and the review team on two occasions. The Challenge Panel acted as a 'critical friend' to the review but did not have a role in leading the direction of travel of the review.

Background to the LSB

Overview

The LSB is the oversight regulator of legal services, overseeing the nine approved regulators (ARs) collectively responsible for regulating over 197,000 lawyers practising in England and Wales. The LSA outlines the roles and responsibilities of the LSB which include:

- regulation of approved regulators (in relation to their regulatory functions) and an oversight role in relation to the Solicitors Disciplinary Tribunal
- oversight of the OLC[10]
- making recommendations to amend the list of reserved legal activities
- setting up voluntary arrangements to improve standards (if required)
- approval of alterations to the frontline regulators' regulatory arrangements and alterations to the Solicitors Disciplinary Tribunal's rules.

The LSA 2007 also requires the LSB to establish and maintain the LSCP to represent the interests of consumers. The role of the LSCP is to provide independent research and advice, however, it does not have a distinct legal identity from the LSB. The LSB also has several powers, functions and duties relating to the OLC, including appointing the OLC's board members. The OLC has accountabilities to the LSB including a requirement to seek the LSB's approval for its annual budget and consent to its Scheme Rules. Finally, the LSB has certain functions in relation to the Solicitors Disciplinary Tribunal.

---

[10] The OLC administers the Legal Ombudsman scheme.

Regulatory objectives

The LSB must also consider how best to promote nine regulatory objectives set out in the Act. These are:

1. protecting and promoting the public interest
2. supporting the constitutional principle of the rule of law
3. improving access to justice
4. protecting and promoting the interests of consumers
5. promoting competition in the provision of services in the legal sector
6. encouraging an independent, strong and diverse legal profession
7. increasing public understanding of citizens' legal rights and duties
8. promoting and maintaining adherence to the professional principles of independence and integrity
9. promoting the prevention and detection of economic crime

Budget

The LSB's 2025 to 2026 budget was £5.715 million. This is funded by, but wholly independent of, the legal profession. As such, it sets its own budget, following consultation with the sector. The LSB's costs are recovered from a statutory levy on the approved legal regulators. The Lord Chancellor must agree the level of levy to cover the LSB's budget.

Staffing

The LSB's budgeted staffing is for 46.5 full-time equivalent employees in 2026 to 2027.[11] These staff are employed as public servants.

The Board

The LSB's Board sets the strategic direction of the LSB and is solely responsible for the decisions taken by the LSB. The LSA sets out that the Board is to consist of:

- a chairman appointed by the Lord Chancellor
- the chief executive of the board
- at least seven, but no more than 10, other persons appointed by the Lord Chancellor

In line with the Act, the board has a lay chair and lay majority.

[11] LSB business plan 2026 to 2027

Questions asked as part of the review's call for evidence

As part of the review's evidence gathering, an online call for evidence was issue between 10 February 2026 and 9 March 2026. This sought views answers to the following questions:

- To what extent do you think the LSB's statutory objectives reflect the current needs and priorities of the public and the legal services sector? Please provide example of where the LSB's strategy or activities have supported/or could better support its aims.
- To what extent do you agree with this statement 'the LSB is sufficiently focussed on its statutory obligations as set out under the LSA 2007'?
- In your opinion, how clear and easy are the LSB's statutory objectives to understand?
- How well do you feel the LSB engages and collaborates with key stakeholders e.g. regulators, professional bodies, and consumer representatives?
- How well do you feel the LSB holds frontline regulators to account?
- What evidence is there that the LSB's oversight has had a positive impact on the sector, or improved outcomes for consumers of legal services? Please give a reason for your answer.
- To what extent do you feel the LSB demonstrates that its oversight delivers positive outcomes and provides value for money? Please give a reason for your answer.
- Do you feel the LSB has a suitable level of independence from both government and the organisations it oversees? Please give a reason for your answer.
- Do you feel there is sufficient clarity about how the LSB's role differs from and complements other bodies in the sector?
- To what extent do you agree with the statement 'the LSB has the capacity, skills, and technology needed to deliver its role effectively'?
- Are there any improvements or future priorities that you feel the LSB should consider to strengthen its performance and adapt to emerging challenges?

Annex B – Map of Legal Services Regulation