

Consultation response

Legal Services Board consultation: Draft Business Plan 2025/26

20 January 2025

Introduction

The Costs Lawyer Standards Board ("CLSB") is the regulator of Costs Lawyers in England and Wales. We exist to serve the public interest by setting and maintaining the standards of professional conduct by which Costs Lawyers must abide. Our mission is to "provide effective, proportionate regulation of Costs Lawyers in a way that promotes consumer choice and understanding, and engenders justified public trust".

The CLSB is pleased to respond to the LSB's consultation on its draft business plan and budget for 2025/26.

Draft business plan

The CLSB is supportive of the LSB's proposed workstreams and proposed research programme for 2025/26. We agree with the LSB's proposed priority projects (professional ethics and the rule of law; equality, diversity and inclusion ('EDI'); access to justice; discipline and enforcement; and consumer protection). The CLSB will be interested to see the development of - and consultations on - a new policy on EDI and a set of principles for underpinning regulators' discipline and enforcement procedures, as well as the update on the State of Legal Services report when it is published.

Draft budget

As stated in the consultation paper, the LSB's proposed annual budget for 2025/26 is £6.028m. This would represent an increase of 14% (£757k), on the LSB's 2024/25 budget (£5.271m). This increase would add £3.84 onto the practising fees paid by authorised persons, including Costs Lawyers.

The CLSB notes that this is the third consecutive year that the LSB's budget has increased substantially. The proposed 14% increase for 2025/26 follows a 13.9% budget increase last year, and 9.1% the year before. Compounded, this represents a 41.66% budget increase over three years. As the LSB recognises, increases in its budget have a direct impact on authorised persons through a resultant rise in practising certificate fees.

One reason given for the increase is that the LSB needed to seek a higher level of external legal advice in 2024/25 compared to previous years. Consequently the LSB proposes to increase its external legal budget and create a non-pay contingency budget to ensure it can respond to future litigation and other legal matters. If all or part of the contingency sum is not required, it will be returned to the sector via a levy rebate.

The CLSB agrees that in certain circumstances it might be sensible for a budget to allow for some contingency. However, the amount of contingency proposed (£200k) is significant. Further, we note that the LSB's proposed approach does not appear to be in line with the principles underpinning the

Practising Fee Rules (i.e. a regulator cannot collect more funds than it needs for its planned activity in a given year). Whilst the CLSB recognises that the Practising Fee Rules only apply to the regulators of the individual professions, and do not apply to the LSB specifically, we would expect the LSB's approach to be consistent with the principles that it considers appropriate for regulators to follow. The CLSB considers that a more consistent and fair approach would be for the LSB to pay for any contingency, if it occurs, from reserves, and replenish those reserves after the event in the following year.

The CLSB attended the LSB's stakeholder event on 15 January 2025. We understand from that event that the one-off costs in this budget (such as the costs related to the LSB's office move) will not be built into the LSB budget going forward. As a result, and given the impact on authorised persons of three years of cumulative budget increases, the CLSB would expect to see a decrease in the LSB's proposed budget for 2026/27, rather than simply no increase.

We would be happy to discuss our response to the consultation in more detail.