

Statement

Response to Legal Services Board's (LSB) review of events leading up to our intervention into Axiom Ince

29 October 2024

At the heart of this issue is a suspected complex and well-hidden fraud by a solicitor, which we uncovered, with an [ongoing criminal investigation by the Serious Fraud Office](https://www.sfo.gov.uk/2023/11/14/serious-fraud-office-launches-investigation-into-suspected-fraud-at-axiom-ince-with-nine-raids-and-seven-arrests/) [<https://www.sfo.gov.uk/2023/11/14/serious-fraud-office-launches-investigation-into-suspected-fraud-at-axiom-ince-with-nine-raids-and-seven-arrests/>].

The suspected fraud was not spotted until we picked it up, even though a number of other bodies, including external accountants and auditors were involved with the firm. [The report acknowledges](https://legalservicesboard.org.uk/news/enforcement-action-begun-against-sra-following-axiom-ince-review) [<https://legalservicesboard.org.uk/news/enforcement-action-begun-against-sra-following-axiom-ince-review>] 'the excellent work by the SRA in uncovering and investigating the alleged fraud'. Tackling dishonesty is a challenge for everyone involved in the legal sector.

Of course, we acknowledge the impacts that this case has had on the public and the profession, which is why we moved quickly last year to identify lessons learned from this case. We have already tightened-up our investigation and intervention processes. We also agree more will be needed in future to check firms are complying with our Accounts Rules. We are taking forward these changes.

However, there is a lot in the report that we do not agree with, including the headline conclusions. In particular, it is by no means clear that a different approach would have uncovered the issue sooner. With hindsight, the report has highlighted things that we could - rather than just should - have done. But in our view, it is unrealistic to expect regulation to prevent all harms.

We have collaborated fully with the LSB's process, and are keen to continue to work with them, but we do not understand the basis for its decision to move to enforcement action.

Tackling future challenges and protecting client's money

While we accept there are things we might, in retrospect, have done differently, in our view they don't go to the heart of the matter. More important in this respect are the wider issues the report raises, including how we better protect clients' money. We launched the 'Consumer



Protection Review' at the start of this year, asking fundamental questions about how we should do this going forward.

We agree it is time to explore reforms, including more radical solutions such as considering stopping law firms holding clients' money. No solution will be risk-free, but there are alternative options that could mean clients' money is safer. We will be exploring this issue and will be consulting shortly on these and other proposals to protect the public.

We think it is important to focus on those future changes, working with the LSB and others to tackle the emerging challenges in the legal sector.

Identifying risks in the legal sector more effectively

Whether it's an increase in large firms failing, the emerging risks around bulk litigation work, or the rise of online legal services, the legal market has changed and is changing.

In order to respond to this, we need to develop the way we identify new risks in the sector, so we can step-in sooner to manage them. We are committed to that work. In particular, we want to improve how we use our data about law firms and complaints to spot patterns – for instance, where certain types of firm or areas of work present higher risks to the public. This work will take time, but we are increasing investment in technology and resource so we can move as quickly as possible to improve how we do this.

Getting the balance right

The report seems to equate more regulation with more effective regulation. Protecting consumers is absolutely key. We must make sure the right checks and balances are in place, but also consider how our approach affects access to services for all consumers. For instance, one of our regulatory objectives is to promote a competitive market, which can improve services for all and help people to access expert legal help more easily.

We will continue to focus on delivering the best overall outcomes in the public interest, which means delivering proportionate, targeted and effective regulation.