

18 November 2022

Economic Crime and Corporate Transparency Bill

Written evidence submitted by the Legal Services Board

About the Legal Services Board

1. The Legal Services Board ('LSB') oversees the regulation of legal services in England and Wales. We are an independent body created by the Legal Services Act 2007 ('the Act'), and we are independent from both the legal profession and government. Our functions include overseeing the performance of the eight regulatory bodies who carry out day-to-day frontline regulation of legal services. In all our work, we consider our duty to promote the eight statutory regulatory objectives set out in the Act.

Key points

- Our interest is primarily with section 155 of the Economic Crime and Corporate Transparency Bill, which would add a new regulatory objective to the Act.
- The LSB supports introducing this new regulatory objective, which would underline the importance of the LSB and other legal services regulators using their powers to prevent the involvement of regulated legal services providers in economic crime.

Lawyers, economic crime and public trust

2. The reality of certain economic crime, such as money laundering and breaching of economic sanctions, is that legal services providers can play an important role in frustrating the attempts of those seeking to break the law. Alternatively, any involvement of regulated legal services providers in economic crime (even inadvertently) is particularly damaging to public trust and confidence, given the central role of the legal profession in supporting and upholding the rule of law.

The LSB's support for a new regulatory objective

3. We consider that it is possible to infer from the existing regulatory objectives in the Act that legal services regulators should be focused on identifying and preventing the involvement, by regulated legal services providers, in economic crime. However, we have found that the lack of explicit reference in the current framework has contributed to a position where the eight legal services regulators are taking different interpretations of the extent to which they should proactively focus on economic crime. For example, following the expansion of the economic sanctions regime we have been doing targeted work to ensure that regulators are doing their bit to ensure compliance by legal services

providers with the sanctions regime. We have seen a wide range of responses, with some regulators far more ready than others to pursue proactive measures.

4. The proposed objective would put beyond doubt that identifying and preventing the involvement of legal professionals in economic crime is within the remit of legal services regulators, including the LSB. This would help to ensure that economic crime receives proper focus and attention and would be of significant benefit to the public interest.
5. The LSB is also supportive of wider measures proposed in relation to extending the Solicitors Regulatory Authority's powers to respond to economic crime, including its fining powers and powers to request information.

Engaging widely to ensure targeted and proportionate implementation

6. If the new regulatory objective were to come into force, the LSB would exercise its powers to ensure that it is understood and implemented within the sector in a targeted and proportionate way. One tool that we could deploy to this end, would be a statutory policy statement. This would establish criteria that regulators would need to take account of when interpreting and implementing the objective.
7. The process for developing a statutory policy statement would include significant engagement and public consultation. This would allow us capture and analyse the issues that stakeholders have in relation to the new objective. For example, we are aware that some stakeholders have expressed concern about the potential scope of economic crime for the purposes of the proposed new regulatory objective. A statutory policy statement could address this by identifying what specific economic crimes legal services regulators should be focused on, in complying with and promoting the new regulatory objective.
8. The LSB is happy to provide further detail or evidence to support the above.