

SRA Amendments to Regulatory Arrangements (Compensation Fund Eligibility) Rules 2014

Preamble

Rules dated 17 October 2014 made by the Solicitors Regulation Authority Board under sections 36, 36A, 79 and 80 of the Solicitors Act 1974, section 9 of the Administration of Justice Act 1985, section 83(5)(e) of, and paragraph 19 of Schedule 11 to, the Legal Services Act 2007, and the relevant provisions of an Order made under section 69 of the Legal Services Act 2007, SI No 2011/1716, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

Rule 1

The SRA Compensation Fund Rules 2011 shall be amended as follows:

(a) replace rule 3.4 with:

“3.4 For any grant to be made out of the Fund, an *applicant* must satisfy the SRA that the *applicant* is eligible in accordance with rule 3.7, 3.8, 3.9 or 3.10 and (save in respect of a grant made under rule 5) that:

(a) he has suffered or is likely to suffer loss in consequence of the dishonesty of a *defaulting practitioner* or the *employee* or *manager* or *owner* of a *defaulting practitioner*, or

(b) he has suffered or is likely to suffer loss and hardship in consequence of a failure to account for money which has come into the hands of a *defaulting practitioner* or the *employee* or *manager* or *owner* of a *defaulting practitioner*, which may include the failure by a *defaulting practitioner* to complete work for which he was paid;

in the course of an activity of a kind which is part of the usual business of a *defaulting practitioner* and, in the case of a *defaulting licensed body*, the act or default arose in the course of performance of a *regulated activity*.”

(b) insert rules 3.7 to 3.12 as follows:

“3.7 A *person* is eligible under this rule to apply for a grant out of the Fund where the *person*:

(a) is an individual; or

(b) at the time the application is made, is a sole trader, *partnership*, *body corporate*, unincorporated association or mutual association with an annual *turnover* of less than £2 million;

and does not fall within rule 3.8, 3.9(a) or 3.10(a).

3.8 A *person* is eligible under this rule to apply for a grant in the circumstances set out in rule 3.4(a) if at the time the application is made the *person* falls within one or more of the following categories:

- (a) a *charity* with annual income net of tax in the most recent financial year of less than £2 million; or
- (b) a *trustee* of a trust with an asset value of less than £2 million.

3.9 A *person* is eligible under this rule to apply for a grant in the circumstances set out in rule 3.4(b) if the *person*:

(a) at the time the application is made falls within one or more of the following categories:

- (i) a *charity* with annual income net of tax in the most recent financial year of less than £2 million; or
- (ii) a *trustee* of a trust with an asset value of less than £2 million;

and

(b) has satisfied the SRA that its beneficiaries have suffered, or are likely to suffer, hardship if a grant is not made.

3.10 A *person* is eligible under this rule to apply for a grant in the circumstances set out in rule 3.4(a) or (b) if the *person*:

(a) at the time the application is made falls within one or more of the following categories:

- (i) a *charity* with annual income net of tax in the most recent financial year of £2 million or more; or
- (ii) a *trustee* of a trust with an asset value of £2 million or more;

and

(b) has satisfied the SRA that its beneficiaries have suffered, or are likely to suffer, hardship if a grant is not made.

3.11 Having regard to the discretionary nature of the Fund, the SRA may take into account such evidence as it sees fit when determining eligibility under rules 3.7 to 3.10 and may make a broad estimate of any relevant amount.

3.12 The SRA may summarily determine whether a *person* is eligible to apply for a grant.”

Rule 2

The SRA Handbook Glossary 2012 shall be amended as follows:

- (a) after the definition of “**trustee**” insert:

“turnover

in the *SRA Compensation Fund Rules* means the amounts derived from the provision of goods and services in the most recent financial year, after deduction of:

- (a) trade discounts,
(b) value added tax, and
(c) any other taxes based on the amounts so derived.”

Rule 3

These amendment rules shall come into force on 1 April 2015.