

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT LEGAL SERVICES ACT 2007 (CLAIMS
MANAGEMENT COMPLAINTS) (FEES)
(AMENDMENT) REGULATIONS 2016

Thursday 7 January 2016

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not later than

Monday 11 January 2016

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY
FACILITATE THE PROMPT PUBLICATION OF
THE BOUND VOLUMES OF PROCEEDINGS
IN GENERAL COMMITTEES

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The Committee consisted of the following Members:

Chair: MRS CHERYL GILLAN

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| † Atkins, Victoria (<i>Louth and Horncastle</i>) (Con) | † Selous, Andrew (<i>Parliamentary Under-Secretary of State for Justice</i>) |
| † Carmichael, Neil (<i>Stroud</i>) (Con) | Sharma, Mr Virendra (<i>Ealing, Southall</i>) (Lab) |
| † Doyle-Price, Jackie (<i>Thurrock</i>) (Con) | † Trevelyan, Mrs Anne-Marie (<i>Berwick-upon-Tweed</i>) (Con) |
| † Ghani, Nusrat (<i>Wealden</i>) (Con) | † Turner, Karl (<i>Kingston upon Hull East</i>) (Lab) |
| Goodman, Helen (<i>Bishop Auckland</i>) (Lab) | Umunna, Mr Chuka (<i>Streatham</i>) (Lab) |
| Jenrick, Robert (<i>Newark</i>) (Con) | Warman, Matt (<i>Boston and Skegness</i>) (Con) |
| † Kennedy, Seema (<i>South Ribble</i>) (Con) | Katy Stout, <i>Committee Clerk</i> |
| † Lynch, Holly (<i>Halifax</i>) (Lab) | † attended the Committee |
| † Mercer, Johnny (<i>Plymouth, Moor View</i>) (Con) | |
| † Rees, Christina (<i>Neath</i>) (Lab) | |

The following also attended (Standing Order No. 118(2)):

Walker, Mr Robin (*Worcester*) (Con)

Second Delegated Legislation Committee

Thursday 7 January 2016

[MRS CHERYL GILLAN *in the Chair*]

Draft Legal Services Act 2007 (Claims Management Complaints) (Fees) (Amendment) Regulations 2016

11.30 am

The Parliamentary Under-Secretary of State for Justice (Andrew Selous): I beg to move,

That the Committee has considered the draft Legal Services Act 2007 (Claims Management Complaints) (Fees) (Amendment) Regulations 2016.

May I say what a pleasure it is to serve under your chairmanship, Mrs Gillan? I have been at an all-party group meeting chaired by you before, but not a Delegated Legislation Committee, and I am sure it will be an equally pleasurable experience.

In January 2015, the legal ombudsman began considering complaints from consumers about claims management companies. The Legal Services Act 2007 (Claims Management Complaints) (Fees) Regulations 2014 enable the Lord Chancellor to charge fees to regulated claims management companies to recoup the costs of the legal ombudsman's work in handling such complaints. It is right that the costs of handling such complaints fall on the claims management sector and not on the taxpayer.

The draft regulations before us amend the level of fees set out in the 2014 regulations for the financial year beginning 1 April 2016 and for subsequent years. Revising the level of fees will ensure that the Lord Chancellor can recover the full costs of the legal ombudsman dealing with complaints about the claims management industry in the 2016-17 financial year. In the first nine months of operation of the complaints scheme, the legal ombudsman dealt with fewer cases requiring an ombudsman decision than expected. However, the number of initial consumer contacts and inquiries to the scheme has been substantially more than envisaged, and the legal ombudsman has been working to raise awareness and assist claims management companies in better complaints handling procedures.

In light of its experience so far, the legal ombudsman has revised downwards its estimate for the number of cases that will require ombudsman resolution during the next financial year and therefore its expected costs. However, in addition to the legal ombudsman's expected costs for 2016-17, we also need to recover a shortfall in the amount invoiced in 2014-15 and 2015-16. That was the result of greater numbers of market exits than estimated in the fee model. That means that the total

cost to be recovered from the market for 2016-17, which is around £2.3 million, remains broadly similar to that for 2015-16. However, due to the contraction in the market, fees have had to be increased.

The claims management sector has acquired a poor reputation as a result of a small number of companies engaging in poor business practices. The legal ombudsman provides redress for consumers of regulated claims management companies, including the potential for awards of compensation, and will continue to assist the claims management regulator in driving out poor standards and practices in the market.

Members may be aware that a fundamental review of the regulation of claims management companies is being undertaken. It is considering the powers and resources that are required for a strengthened regulatory regime and what other reforms may be necessary, and the review is due to be completed in early 2016. As such, I cannot say any more at the present time.

I know that Members welcome the fact that the legal ombudsman can now deal with complaints about claims management companies. It is therefore right that the legal ombudsman's costs relating to regulated claims management complaints continue to be met by the claims management sector, in the same way that the costs relating to complaints about the legal services sector are met by that sector. I commend the draft regulations to the Committee.

11.34 am

Karl Turner (Kingston upon Hull East) (Lab): It is always an absolute pleasure to serve under your chairship, Mrs Gillan. The Opposition do not take issue with the regulations; on the contrary, we welcome them. The only criticism we might have had is that they seemed to take a long time to be implemented in the first place. If memory serves, they were first discussed in February 2012 and were implemented in August last year.

I have only one question for the Minister: given the shortfall of £500,000 in the first year, what steps will he take to ensure that we do not see a continuous shortfall and a ratcheting effect, requiring us to come back to Committee, perhaps annually, to increase fees? With that said, we have nothing further to add.

11.35 am

Andrew Selous: I am grateful for the shadow Minister's support for the measure. To answer his question, we will do our best to estimate as accurately as we can the correct level of fees to cover any shortfalls. We think we have done that as accurately and carefully as we can for the next financial year, but we will keep the matter under review and keep looking at what happens within the sector.

Question put and agreed to.

11.36 am

Committee rose.