



# The Law Society Gazette

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## SOCIETY CONDEMNS NEW RULES ON IFAs



How to: release an app **p18**

### 14

Party animals: Why solicitors and litigation funders are about to get a lot closer



They were only 'traditional' in the sense that nothing else was permitted

**Feedback, p11**

### 23

My legal life: Margaret Owen on her crusade to help widows access the justice system

10 Comment  
20 In Practice  
25 Jobs

### SRA leaving solicitors 'ill-equipped' as it prepares to open up the market

**By John Hyde** » The Law Society has taken the unprecedented step of urging solicitors to 'disregard' their regulatory handbook, as a row brews over liberalisation of referrals for financial advice.

As the *Gazette* went to press, the Solicitors Regulation Authority was expected to confirm that it will change the rules to allow solicitors to refer clients to any financial adviser – regardless of whether the adviser is 'tied' to a particular institution. At present solicitors must refer only to independent financial advisers (IFAs).

The move sparked an outspoken attack from Desmond Hudson, chief executive at Chancery Lane, who accused the regulator of leaving the profession 'ill-equipped' to advise clients on which adviser to use.

He added: 'The inevitable consequence will be that solicitors become more open to negligence claims based on that recommendation or referral, or that the profession as a whole becomes embroiled in the type of mis-selling scandal that has plagued the

financial services industry in recent times. The provision of independent advice has historically been one of the fundamental tenets of the profession. We would urge solicitors to disregard the liberalisation of the *Handbook* in this area and continue to only recommend IFAs.'

Hudson's fears were partially echoed by Ian Muirhead, chairman of solicitor IFA trade body SIFA, who said: 'It is unfortunate that solicitors, who are in no position to distinguish between the respective merits of different categories of adviser, are to be subjected to approaches by those whose advice is conflicted by self-interest. There is a substantial risk that the reputation of the profession will suffer, and that the claims for mis-selling which are repeatedly hitting the Financial Services Compensation Scheme will in future also be directed against the solicitors' compensation fund.'

Hudson also questioned the credibility of the consultation process.

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Muirhead: 'substantial' risk to profession's reputation

## Fears over civil justice system 'meltdown'

**By John Hyde** » A six-month hiatus on sweeping personal injury reforms is necessary to avert a 'meltdown' of the civil justice system, Chancery Lane has said.

The Law Society fears that an entirely new funding system, proposed last week by the Ministry of Justice, will be too much for law firms to bear.

Fees for low-value RTA claims will be slashed by £700, with higher-value

RTA cases, and employer and public liability claims also subject to fixed fees from next April.

The new system would come on top of the Jackson reforms, the referral fee ban and swingeing cuts to legal aid for civil cases.

The Association of Personal Injury Lawyers has already started action that could lead to a judicial review of the process, while the Law Society

has called for a delay to prevent what it believes could be a disaster.

A spokesman said: 'While there are merits in judicially reviewing that process, we consider that the most appropriate course of action would be for the MoJ to delay implementation for at least six months thereby giving more time for full engagement with stakeholders so that all reforms can be implemented as smoothly as possible.'

'As things stand at the moment, implementation of the reforms in April 2013 may cause meltdown in the civil justice system.'

The call comes as firms warn that the reforms will cause harm to injury victims, either through making it impossible for them to find representation or by increasing the risk of negligence.

→ *News Focus, page 4*