

THE LEGAL SERVICES OMBUDSMAN FOR ENGLAND AND WALES

Report and Accounts for the
period ended 31 December 2011

The Legal Services Ombudsman for England and Wales

Report and Accounts for the period ended 31 December 2011

Report presented to Parliament pursuant to Schedule 3, paragraph 5 (4) and accounts presented to Parliament pursuant to Schedule 3, paragraph 6 (5) of the Courts and Legal Services Act 1990

Ordered by the House of Commons to be printed on 16 May 2012

© **Crown copyright 2012**

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at Ministry of Justice, 102 Petty France, London SW1H 9AJ

This publication is available for download at www.official-documents.gov.uk

ISBN: 9780102976229

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2482171 05/12 20668 19585

Printed on paper containing 75% recycled fibre content minimum.

Looking to the Future - Learning Lessons from the Past

OLSO Annual Report
2011/12

The logo for the Legal Services Ombudsman, featuring the text "LEGAL SERVICES OMBUDSMAN" in white, uppercase letters on a dark blue rectangular background. Two thin horizontal lines are positioned above and below the text.

LEGAL SERVICES
OMBUDSMAN

Report and Accounts

The Legal Services Ombudsman for
England and Wales 2011/12

THE OFFICE OF THE LEGAL SERVICES OMBUDSMAN IS AT:
PO BOX 16079, Birmingham, B309EF
Telephone: 0300 300 3100
E-mail: enquiries@Legalservicesombudsman.org.uk

Contents:	Page:
Foreword	3
Office of the Legal Services Ombudsman - Remit and Powers	5
Office of the Legal Services Ombudsman – Management Commentary	6
The Approved Regulators, Complaint-handling – Performance	11
Remuneration Report	20
Annual Accounts	25

Foreword:

I am delighted to be presenting my second and final Annual Report and Accounts to you. It covers the period 1 April 2011 to the closure of the function on the 31 December 2011.

The Lord Chancellor and Secretary of State for Justice (the Secretary of State) appointed me as Legal Services Ombudsman (LSO) on the 3 March 2011. On my appointment the Lord Chancellor reminded me that I was taking on the role at a crucial time and that it was paramount that complaints that are outstanding are dealt with effectively, speedily and that consumers suffer no detriment.

I have kept the Lord Chancellor's words at the forefront of my actions as I have moved to final closure of the function.



It is over 20 years since the Office of the Legal Services Ombudsman (OLSO) was first established in Manchester after the passing of the Courts and Legal Services Act 1990 (CLSA). That era has now come to an end as legal complaints handling passed to the new Office, known as the Legal Ombudsman based in Birmingham, opening its doors on 6 October 2010.

When I took over the role of the LSO I inherited over 700 cases from the previous regime. This together with a further 75 cases I received during my time as the LSO meant a significant body of work to bring to closure.

Cases not completed by the previous complaint handling bodies by the 31 March 2011 were also transferred to my Office for resolution using my powers to consider first investigations contained within the CLSA. In the case of the Law Society's former Legal Complaints Service this was none and the Bar Standards Board 27 cases. My thanks go out to those bodies, their hard work in keeping cases to a minimum made my role very much easier.

My thanks also go out to all the previous complaint handling bodies for their patience and forbearance whilst what was essentially a totally new team got to grips with the intricacies of complaint handling and we moved the whole regime to a new paperless computer based business process.

I would also like to record my thanks to the Legal Ombudsman in Birmingham who provided me with excellent staff, an excellent environment in which to work and the tools to complete the work of the LSO. The transfer of the function to Birmingham has allowed the remaining work of the OLSO to be dealt with by staff seconded to me from the new Legal Ombudsman. This gave us the opportunity to utilise the latest

developments that the Legal Ombudsman is using to promote efficiency and provide a better customer experience. This quickly paid dividends, as knowledge and experience amongst the investigation staff grew, we very quickly achieved real savings both in the time taken to handle a complaint and the cost of handling those complaints.

My staff whilst following all the best practice developed by the Manchester Office used the skills developed by the Legal Ombudsman to try and informally resolve cases between the parties whilst ensuring the high quality of the work produced by the OLSO remained. Whilst I remained wholly independent from the Legal Ombudsman utilising their case management system and their paperless working has provided real efficiency savings and I hope we have provided sound advice to ensure they have learnt from our experience.

I am delighted to say that the LSO function has now come to a successful conclusion. We completed the majority of cases by the 30 September 2011, some three months before the closure of the function and significantly under our projected budget.



John C Norton
Legal Services Ombudsman for England and Wales
31 December 2011

Office of the Legal Services Ombudsman: Remit and Powers:

The Secretary of State for Justice appointed the Legal Services Ombudsman (LSO) in accordance with Section 21 of the Courts and Legal Services Act 1990 (CLSA). The LSO could not be a qualified lawyer and was required to be completely independent of the legal profession.

On October 6 2010 the Secretary of State, via his powers to issue Directions, removed the power of the LSO to consider conduct complaints. This brought the OLSO function in line with the new Legal Ombudsman who deals exclusively with service complaints. On 1 January 2011 the Secretary of State removed the power to recommend that Approved Regulators reconsider service complaints. The power to reconsider service complaints was a power the LSO frequently used to drive best practice within the complaints handling of the Approved Regulators. However, with all new service complaints handling being undertaken by the new function under the Legal Ombudsman this requirement came to an end and allowed an orderly closure of Approved Regulators business.

As LSO, I oversaw the handling of service complaints about solicitors, barristers, legal executives, licensed conveyancers, patent attorneys, trade mark attorneys and law costs draftsmen by the nine Approved Regulators responsible for setting and maintaining standards of conduct and service within the legal profession.

Under the CLSA, consumers of legal services were first required to make their complaint to the relevant Approved Regulator, the:

- Law Society (Legal Complaints Service and Solicitors Regulation Authority).
- Council for Licensed Conveyancers.
- Chartered Institute of Legal Executives. (ILEX Professional Standards Ltd)
- Chartered Institute of Patent Attorneys.(Intellectual Property Regulation Board)
- Institute of Trade Mark Attorneys.(Intellectual Property Regulation Board)
- Association of Costs Lawyers (Costs Lawyers Standards Board).
- Association of Chartered Certified Accountants
- Institute of Chartered Accountants of Scotland

If consumers were not satisfied with the way an Approved Regulator dealt with their complaint, they were able to refer the matter to me for investigation. I considered an allegation properly made if it is in writing and made by any person affected by what is alleged in relation to the complaint concerned or, in certain cases, by some representative. This accorded with my powers under the CLSA. I was also able to investigate the matter to which the complaint related i.e. conduct an original investigation. In conducting investigations I had the same powers as the High Court.

While I was no longer able to recommend reinvestigation of complaints, I could still recommend that an Approved Regulator and / or the lawyer complained about pay compensation for loss, distress or inconvenience.

My Office was an Associated Office of the Ministry of Justice (MoJ) and supported it in its Departmental Strategic Objectives.

Office of the Legal Services Ombudsman – Management Commentary

Background

The OLSO was established by the CLSA. Following Royal Assent of the Legal Services Act 2007, which established a new oversight regulator, the Legal Services Board (LSB) and a new complaints handling body known as the Office for Legal Complaints (OLC), the OLSO was scheduled to close on 31 December 2011. The final and current LSO was appointed by the Secretary of State for Justice on 3 March 2011 to oversee the closure and completion of residual cases.

The OLC, which administers an Ombudsman scheme known as the Legal Ombudsman, began handling new service complaints on 6 October 2010. From that date all Approved Regulators were given until 1 April 2011 to complete outstanding service complaints. From 1 April 2011 outstanding complaints were redirected to the LSO for resolution. The OLSO had until the 31 December 2011 to complete the outstanding cases.

Transition

In July 2010 Ministers agreed a transitional plan to facilitate closure of the OLSO. This aimed to complete all cases by 31 December 2011, with the minimum of consumer confusion and disruption.

The first stage was the establishment of the new complaints handling body, the OLC, dealing with all new service complaints against lawyers, on 6 October 2010. Directions were issued by the Secretary of State to the LSO, as per his powers conferred under section 21 of, and paragraph 1(1) of Schedule 3 to, the CLSA. The Directions instructed the LSO to no longer consider any new cases where the complaint related to conduct matters. This was in alignment with the powers of the new OLC who can only consider service matters, leaving conduct issues to be dealt with by the respective Approved Regulator. It also enabled a timely closure of the OLSO, since conduct matters usually have longer timescales to resolution than service complaints and any uncompleted cases could not be dealt with by the OLC as their powers are restricted to service only.

Stage two of the transitional plan saw the permanent office based in Manchester, staffed by civil servants, close on 31 March 2011. This was precipitated by the appointment of John Norton as the final LSO on 3 March 2011, and the establishment of a small team of seconded OLC staff within, but independent of, the OLC. This relationship was governed by a Memoranda of Understanding between the MoJ, LSO and OLC, which determined responsibilities, oversight and agreed expenditure limits.

From this point new cases were directed for resolution within the new independent but temporary team based at the OLC. The civil service staff at the old OLSO in Manchester, overseen by the LSO, finished remaining cases and assisted in the disposal of assets owned by the MoJ and the orderly closure of the Office. During this period the LSO divided his time between the Manchester and Birmingham

Offices. From 31 May 2011 the function moved in its entirety to the Birmingham based temporary team set up within the OLC. Remaining civil servants based at the former Manchester Office were then brought within the MoJ's Justice Policy Group and sought other projects within the portfolio or voluntary redundancy.

The final stage covered the period to the final closure of the function on 31 December 2011. At that point 4 cases were incomplete due to external factors and were therefore redirected for resolution within the new OLC and its Legal Ombudsman scheme. This aligned with the Statutory Instrument laid on 20 August 2010 which set out the legislative transitional arrangements - Commencement No. 8, (Transitory and Transitional Provisions) Order 2010. The majority of cases were complete by the end of September 2011 and at that point the temporary seconded staff were returned to their permanent posts within the OLC, leaving a small contingent to complete residual work. The Memoranda of Understanding between the MoJ, LSO and OLC was amended to allow for their return to their permanent roles within the OLC and Legal Ombudsman scheme. This included the LSO, who reduced his full time hours working on LSO work.

Business Strategy

The focus for this financial year has been the management of an historic workload within a fixed timescale as the function approached closure. The staff continued to follow the strategic objectives set for the organisation of impartiality, fair and consistent decision making in the processing of complaints; where appropriate promoting best practice in complaint-handling by the new scheme and legal service providers; ensuring accessibility and transparency of procedures at OLSO; influencing the approved ability to maintain and improve standards of legal services; and drawing attention to issues within the legal system arising from the work of the Office.

Quality Assurance Framework

A new quality assurance process was developed for the function, more suitable to staff new to the function and using the efficiencies a computerised management system provides. It incorporated the Manchester framework but was enhanced by the computerised system. The cases dealt with in Manchester under the old system were quality assured under Manchester's established 10% audit process.

Cases handled in Birmingham were subject to a similar review. Initially a 100% check of all files was undertaken reducing to a minimum of 10% as the staff became familiar with the demands of the role.

The framework demonstrated the focus on quality throughout my Office; and laid down the standards to be achieved in report writing. Any learning points identified were fed back appropriately, in a constructive way, as part of our commitment to the continuous improvement of our service.

I have seen, reviewed, agreed and signed every final report that left the OLSO.

Judicial Reviews and other Legal Challenges

Another measure of the quality of my investigations comes through the right of consumers, legal practitioners and the Approved Regulators to judicially review my decisions. This is a review of a decision by a court, authorised and conducted under the Judicial Review Procedure Act. It is primarily concerned with the fairness of the procedures used to make a decision, whether or not the decision maker was acting within his or her jurisdiction, and errors of law. I am pleased to record that all applications to challenge decisions in the court have to date been unsuccessful. At the cessation of my powers there were 5 outstanding applications for Judicial Reviews; responsibility for dealing with those applications has passed to my sponsorship team within the MoJ.

Turnaround times

I received 761 cases from complainants to complete. OLSO had a MoJ target of completing 90% of investigations within six months of receipt of the Approved Regulator's file. Additionally, my predecessor set internal turnaround targets which were:

- 90% completed within 4 months
- 100% completed within 6 months

Since I took over as LSO we have achieved turnaround targets of:

- 88.7% within 60 days
- 95.4% within 90 days
- 98.3% within 4 months
- 99.7% within 6 months

There were two cases which were not closed within 6 months. They were both cases where my Office undertook a full re-investigation where the previous Office would have closed it and returned it to the Approved Regulator for re-investigation. They were cases where further information was provided after a decision was issued and I decided it was fair and reasonable to re-open the cases and consider the further information.

I am therefore delighted that we were able to continue to deliver the high standards set by my predecessor, whilst undertaking the additional work of the re-investigations.

Service standards & Internal Complaints

It has not been possible to monitor service standards in the same way as my predecessor, due to working as a stand-alone function housed by the Legal Ombudsman and sharing their services. However, to ensure we reached the same high standards staff were specifically allocated to respond to telephone calls as a priority and as can be seen from our turnaround times our focus throughout was providing a quality service as efficiently as possible

In order to ensure all service complaints were dealt with as quickly and efficiently as possible an e-leaflet was produced which, on request, was sent to all complainants who used our service. This explains what a service complaint is, how we will deal with it and what time parameters we aim to hit in dealing with the complaint. Due to the age of some of the cases transferred from Manchester, which were already beyond the closure targets set by the MoJ when I was appointed, it was impossible to maintain service standards in all cases. I wrote to all outstanding complainants to explain the situation and to apologise for any inconvenience the delay caused.

Financial Management

The Director General, Justice Policy Group delegated budget control to the Director of Access to Justice at the MoJ. As the Office was winding down, I was not formally given a delegated budget and financial management remained the responsibility of the MoJ. However, upon my appointment I agreed indicative costings for the life of my Office between myself, MoJ and the OLC as the supplier of staff from their Legal Ombudsman scheme. As set out in the Memoranda of Understanding I was allowed certain thresholds of spending around staffing and administration to fulfil the function. I reported against this on a regular basis to MoJ and any further spending outside that defined in the Memoranda I sought MoJ agreement and approval. In reporting to the MoJ I monitored and analysed staff resources and associated costs of carrying out the functions so that any appropriate action could be taken to ensure value for money.

The LSO is directed to produce annual accounts which are prepared by the MoJ. The Permanent Secretary is the Accounting Officer

Staffing and Recruitment

The OLSO Manchester Office formally closed on the 31 March 2011. From the 31 March to 31 May 2011 the remaining MoJ staff at Manchester assisted in finishing cases remaining in the Office, the disposal of MoJ assets and the orderly closing of the Manchester Office. During this period I divided my time between the Birmingham and Manchester Offices until on the 31 May 2011 the function moved in its entirety to Birmingham.

From the 1 April 2011 the OLSO function in Birmingham consisted of 15.65 Investigators, 50 % of an Operations Manager (seconded staff from the Legal Ombudsman) and 1 agency staff in addition to me as LSO. That is a total of 18.15 full time equivalents.

During the year this reduced as one team leader and one investigator left the organisation and three investigators moved to part time working. We employed one additional agency staff in July when the investigator left.

From September when the majority of cases were completed a skeleton staff of two investigators, a team leader and an Operations Manager remained to complete the final cases and respond to post decision correspondence, recording and charging to the MoJ only the time they spent on LSO duties. As I returned to my duties with the Legal Ombudsman I also recorded the time I continued to spend on LSO duties.

Information Assurance

We have followed Cabinet Office guidelines on data handling. From the 3 March 2011 the function in Birmingham used an adapted version of the Legal Ombudsman's Case Management system which is RMADS compliant.

Data Protection and Freedom of Information

There is a legal requirement for OLSO to comply with requests under the Freedom of Information Act (FOIA) and the Data Protection Act.

During the period of this report I have received 14 requests under the Data Protection Act all of which were dealt with within the requisite time scale.

I have received two requests under FOIA, one of which was in relation to energy consumption by the function which the Legal Ombudsman responded to on behalf of both organisations and one in relation to expenditure on a Government Procurement Card.

I also had two cases where the Information Commissioner had received complaints and had made requests on behalf of complainants. Both cases were dealt with to the Commissioners and my Office's satisfaction.

Health and Safety

I am committed to ensuring the health and safety and welfare of staff, visitors and contractors and all others who may be affected by the work of OLSO. I recognise that effective health and safety management provides a significant contribution to business performance. As we share premises with the Legal Ombudsman we have been included in the frequent audits that they conduct on a regular basis to ensure compliance and I am satisfied that there were no differing needs in OLSO to the main Legal Ombudsman business.

Sustainable Development

OLSO has been committed to reducing its impact on the environment and, although it is only a minor occupier in leased accommodation, it supports the Legal Ombudsman schemes for recycling plastic, glass, cardboard, newspapers and printer cartridges. Used lamps are disposed of via a specialist process. The transfer of the function to Birmingham has allowed us to reap further environmental benefits. We have a city centre location, which means the majority of our employees use public transport – this was a conscious choice to promote green values as part of the ethos of the service. The Office is designed to be paperless – this is not only an efficient approach, but given the volumes of paper that lawyers and their clients can generate is a responsible and ethical view to the use of resources. We also do the small, but important things, such as actively encourage recycling and minimisation of waste through any catering and facilities management.

The Approved Regulators, Complaint-handling –Performance

OLSO oversees the handling of complaints about solicitors, barristers, legal executives, licensed conveyancers, patent attorneys, trade mark attorneys, law costs draftsmen and probate practitioners as regulated by ACCA and ICAS, by the Approved Regulators responsible for setting and maintaining standards of conduct and service within the legal profession.

Complaints under the old function, about legal professionals in England and Wales must first be referred to the firm or individual that provided the service. If the consumer is not satisfied with the response from the supplier of the service, a complaint can be made to the relevant Approved Regulator. If the consumer is not satisfied with the response from the Approved Regulator they can have the complaint investigated by my Office. Following my investigation my recommendations to the Approved Regulator can be a combination of compensation and formal criticisms. Below I have provided an explanation for each of these:

Compensation: I can recommend that either the Approved Regulator and / or the legal practitioner involved pay compensation to the consumer.

Formal Criticisms: I record a formal criticism against an Approved Regulator where I have identified some failing in the investigation and awarding compensation would not be appropriate in the circumstances.

In terms of the reasons that I make a recommendation against the Approved Regulator I categorise these as:

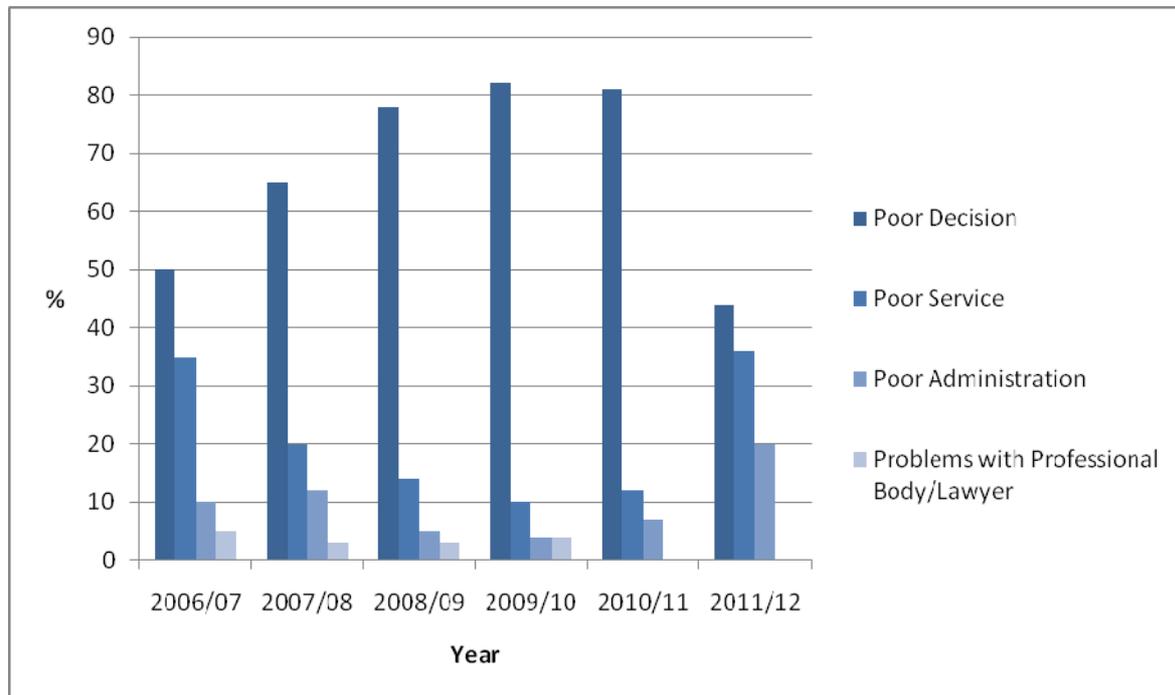
Poor decisions: These are cases where I felt that the decision, which the Approved Regulator reached in the matter, was unreasonable. For example, complaints may have been rejected unfairly, or evidence may have been overlooked in reaching the decision, or I may have felt that the conclusion reached was inappropriate.

Poor service: These are cases where I felt that there was poor service or inefficiency during the Approved Regulator's investigation, despite the decision that the Approved Regulator reached may have been reasonable. For example, there may have been unnecessary delay during the investigation, or the staff at the Approved Regulator may have communicated poorly with the consumer. I would also feel that there was poor service if the Approved Regulator had failed to inform the consumer about their right to complain to me.

Poor administration: These are cases where I felt that there was maladministration during the Approved Regulator's investigation. For example, if correspondence or files had been lost, or if there had been unnecessary delay in my Office receiving a file, having requested it from the Approved Regulator for review.

Problems with Approved Regulator / lawyer: These are cases where there have been problems at points within the complaints-handling process at the Approved Regulator. For example, where the Approved Regulator had decided in favour of the complainant, there may have been a problem with compliance from the lawyer, or

the Approved Regulator may have not done enough to obtain necessary replies or documents from parties involved in the complaint.



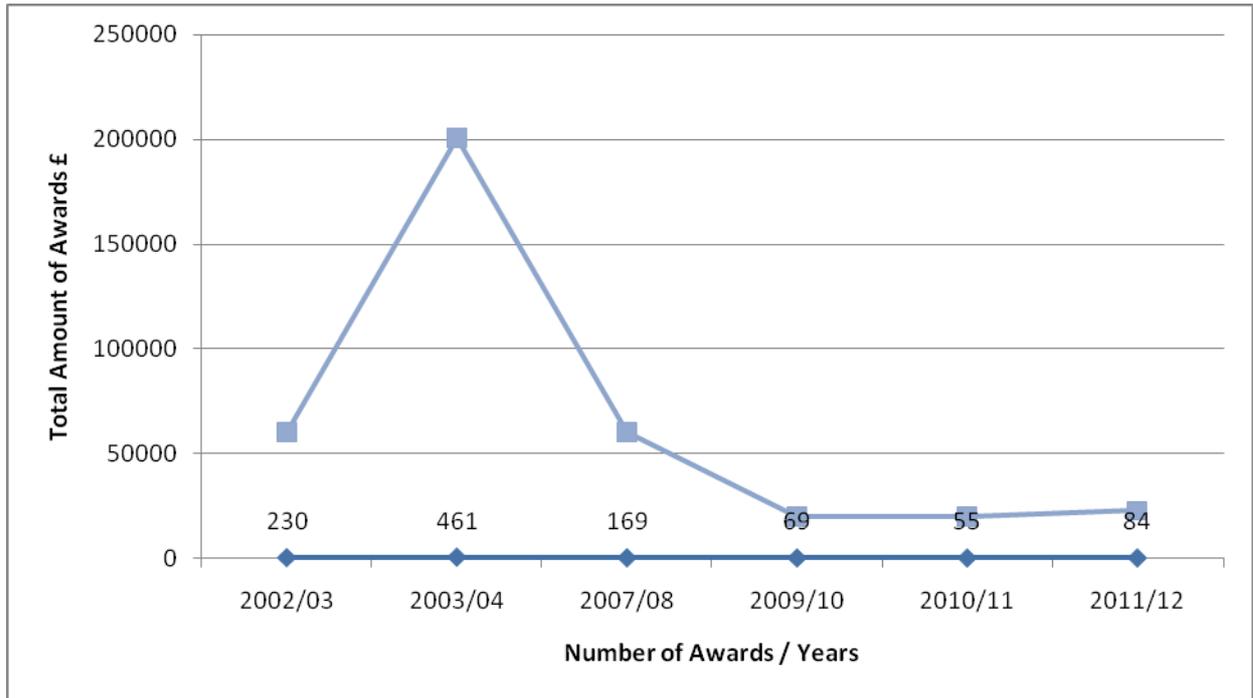
There has been a change in the breakdown of complaints with a more even spread of reasons for referring the case to my Office, this may be because of the impending closure of the complaint handling functions utilising outsourced complaint handlers.

The following gives an indication of how performance has improved since 2002/03.

Year	2002/03	2003/04	2007/08	2009/10	2010/11	2011/12
Number of awards	230	461	169	69	55	84

Whilst I accept that awards have increased since last year as I have mentioned above the impending closure of the LCS, which forced the transfer of files between their offices and the increased use of outsourced firms to handle complaints may have been a factor.

My Office was handling all re-investigations of complaints during this time, which, in the past would have been returned to the complaints handlers and therefore would not have presented as an award. This may also have impacted on the number of awards. I am content that although there is an increase in awards it is not significant and the complainants concerns and issues have been addressed by my Office.



Law Society - Legal Complaints Service (LCS)

In January 2006 the Law Society created the LCS to handle consumer complaints and the SRA to oversee the conduct of the profession. 2007/08 was the first year that my Office was able to report separately on performance, and therefore figures prior to 2007/08 relate to the Law Society as a whole and not to the separate entities.

The LCS handled complaints about the service received by a consumer from a firm of solicitors. They also handled complaints about solicitors' bills. When a complaint was made about the service of a firm, the LCS conciliated between the consumer and the firm to try to resolve the issue. If no resolution could be reached, the LCS could investigate the complaint and, should they find in the consumer's favour, they could require the firm to reduce their bill, to pay compensation to the consumer, or to correct a mistake at the firm's own expense. If a consumer is unhappy with the LCS investigation they can refer their case to my Office.

Over a number of years there was a downward trend in the number of complaints and the level of complaints where I had concerns with the LCS investigation. This suggests that the work of the OLSO has contributed to a general improvement in the handling of complaints by the LCS and I applaud the Law Society for its efforts to continually improve the service it provided even during the difficult closure period.

I made formal recommendations against the Law Society/ LCS in the following number of cases.

Adverse Findings	2003/04	2004/05	2005/06	2006/07	2007/08
Criticism	151	72	79	118	91
Compensation: LS/LCS to Pay	449	245	254	177	102
Reconsider	106	104	164	189	198
Reconsider and Compensation: LS/LCS to Pay	0	59	73	52	24
Total	706	480	570	536	415

Adverse Findings	2008/09	2009/10	2010/11	2011/12
Criticism	85	64	40	54
Compensation: LS/LCS to Pay	59	31	21	66
Reconsider	259	191	156	12
Reconsider and Compensation: LS/LCS to Pay	28	17	8	18
Total	431	303	225	150

My power to ask the Approved Regulators to reconsider a complaint was removed on 1 January 2011.

It is pleasing to note that the number of cases and average amount of compensation I recommended that the LCS pay to consumers let down by their own internal service in 2011/12 once again is less than in 2010/11. In 2011/12 I recommended that the LCS pay compensation to consumers let down by their own internal service in 84 cases with the amount totalling £22,800.00 and therefore an average award of £271.

Average amounts of compensation that I have recommended should be paid by the Law Society/LCS to consumers let down by their own internal services.

2003/04	2004/05	2005/06	2006/07	207/08	2008/09	2009/10	2010/11	2011/12
£431	£408	£435	£409	£382	£338	£307	£369	£271

The reasons for my recommendations are set out below.*

Reasons for Recommendations	2007/08	2008/09	2009/10	2010/11	2011/12
Poor Decision	65%	78%	83%	81%	44%
Poor Service	20%	14%	10%	12%	36%
Poor Administration	13%	13%	6%	5%	20%
Problems with LCS/Lawyer	2%	2%	2%	2%	0%

General Council of the Bar (The Bar Council)

The General Council of the Bar (known as the Bar Council) is the governing body for the Bar. Its role is to promote and improve the services and functions of the Bar, and to represent the interests of the Bar on all matters relating to the profession.

At the beginning of 2006 the Bar Council split into 2 bodies, the Bar Council and the Bar Standards Board (BSB). The BSB, which oversees the regulation of barristers, was established in January 2006 to run the regulatory work of the Bar Council.

Within the structure of the Bar Council, the Bar Standards Board takes decisions independently and in the public interest. The Bar Standards Board is responsible for:

- setting the education and training requirements for becoming a barrister
- setting continuing training requirements to ensure that barristers' skills are maintained throughout their careers
- setting standards of conduct for barristers
- monitoring the service provided by barristers to ensure quality
- Handling complaints against barristers and taking disciplinary or other action where appropriate.

The Bar Standards Board passed 27 cases to my Office on the cessation of their powers to handle poor service complaints. I am grateful to the BSB for the smooth handover of those cases and the close working relationship that was forged as we ensured that the consumer received the very best service we could provide.

We have closed 25 of these cases the two remaining were suspended due to medical or legal issues and the Legal Ombudsman has agreed to consider these when the legal or medical issues have been completed. All cases are included within the statistics below.

The Bar Council has consistently complied with and acted on the recommendations I have made.

I made formal recommendations against the BSB in the following number of cases:

Adverse Findings	2003/04	2004/05	2005/06	2006/07	2007/08
Criticism	7	12	3	8	7
Compensation: BSB to Pay	9	8	1	3	11
Reconsider	14	16	17	16	8
Reconsider and Compensation: BSB to Pay	0	1	1	0	1
Total	30	37	22	27	27

Adverse Findings	2008/09	2009/10	2010/11	2011/12
Criticism	12	8	13	9
Compensation: BSB to Pay	3	4	8	6
Reconsider	18	13	8	0
Reconsider and Compensation: BSB to Pay	0	2	1	0
Total	33	27	30	15

The table shows average amounts of compensation that I have recommended that the BSB pay to consumers let down by their own internal service. This was done in 6 cases in 2011/12, totalling £1,416 and therefore an average award of £236. A reduction in the average amount in previous years

2003/04	2004/05	2005/06	2006/07	207/08	2008/09	2009/10	2010/11	2011/12
£522	£385	£175	£183	£229	£167	£325	£369	236

Over the last few years the main reasons for my recommendations have been poor decisions and poor service.

Reasons for Recommendations	2006/07	207/08	2008/09	2009/10	2010/11	2011/12
Poor Decision	74%	28%	58%	74%	81%	33%
Poor Service	11%	36%	28%	16%	12%	67%
Poor Administration	11%	36%	14%	10%	7%	0%
Problems with BSB/Lawyer	4%	0%	0%	0%	0%	0%

Once again the reasons for recommendations have altered but I do not accept that this is significant as the overall level of complaints has once again reduced.

Council for Licensed Conveyancers

The Council for Licensed Conveyancers (CLC) is the regulatory body for Licensed Conveyancers who are qualified specialist property lawyers. The CLC;

- organise the training which all Licensed Conveyancers are required to undertake before they are eligible for a licence
- set examinations
- issue annual licences
- set rules
- regularly monitor the profession by way of a Compliance Department
- discipline Licensed Conveyancers when necessary
- organise insurance and compensation funds so that the public do not suffer from a Licensed Conveyancers negligence or fraud

I am pleased to record that the CLC are working with the Legal Services Board to agree what changes need to be made to its Rules and Guidance to signpost clients to the Office for Legal Complaints and to collect evidence of compliance.

During 2011/12 I investigated 8 cases referred to me by complainants who were unhappy with the CLC's handling of their complaint. I am pleased to report that I was satisfied with 6 of these cases.

I made formal recommendations against the CLC in the following cases.

Adverse Findings	2003/04	2004/05	2005/06	2006/07	2007/08
Criticism	0	0	2	1	0
Compensation: CLC to Pay	1	0	6	2	3
Reconsider	2	6	2	8	1
Reconsider and Compensation: CLC to Pay	0	0	4	1	1
Total	3	6	14	12	5

Adverse Findings	2008/09	2009/10	2010/11	2011/12
Criticism	0	0	0	1
Compensation: CLC to Pay	1	1	0	1
Reconsider	0	2	3	0
Reconsider and Compensation: CLC to Pay	0	0	0	0
Total	1	3	3	2

Over the last few years the main reasons for my recommendations have been poor decisions and poor service.

The following table shows the average amounts of compensation that I have recommended that the CLC pay to consumers let down by their own internal service. I made no recommendations in 2010/11, and only one case resulted in an award in 2011/12.

2003/04	2004/05	2005/06	2006/07	207/08	2008/09	2009/10	2010/11	2011/12
£250	£0	£325	£400	£350	£200	£150	£0	125

Other Approved Regulators

I have not received any complaints relating to the handling of complaints by the remaining 6 Approved Regulators.

OFFICE OF
THE LEGAL SERVICES OMBUDSMAN

Remuneration Report

Period Ended 31 December 2011

REMUNERATION REPORT

Auditable Sections

In accordance with the requirements of Schedule 7A of the Companies Act 1985 (as amended), only certain sections of the Remuneration Report have been subject to full external audit. These comprise the paragraphs on salary and pension entitlements.

Service Contracts

The Legal Services Ombudsman was appointed by the Secretary of State on 3 March 2011 as a Public Appointee to oversee the closure of the Office of the Legal Services Ombudsman (OLSO) and the completion of any outstanding cases by 31 December 2011. The appointment is formalised by a Memorandum of Appointment to the OLSO. The Ombudsman is a statutory employee of Office for Legal Complaints (OLC) with pension benefits, but the OLC granted him leave of absence from his employment at OLC for the duration of his appointment as Ombudsman.

Remuneration Policy

The Memorandum of Appointment states that the Ombudsman is subject to the OLC's remuneration policy for the duration of his appointment as Ombudsman. Further details on this can be found within the OLC's 2011-12 Annual Report and Accounts.

Remuneration and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Ombudsman.

Salary

Member	2011-12 £'000		2010-11 £'000	
	Salary	Full year equivalent	Salary	Full year equivalent
John Norton	40-45	85-90	5-10	85-90

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the OLSO and thus recorded in these accounts.

John Norton's salary was paid by OLC and recharged to OLSO. For part of the period to 31 December 2011, he divided his time between OLSO and OLC matters. Only the salary attributable to time spent on OLSO matters was recharged. He receives no additional remuneration in his role as Ombudsman. His terms and conditions of employment remain with OLC throughout his secondment to OLSO.

Benefits in kind

During his time as Ombudsman, John Norton received a total of £7,200 (2010-11: £800) in respect of the OLC's flexible benefits scheme and travel remuneration supplement.

Bonuses

The Ombudsman is a Public Appointee and so not entitled to bonuses in relation to his appointment as Ombudsman.

Pension Benefits

Name	Accrued pension at pension age as at 31/12/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/12/11 ¹	CETV at 31/03/11 ¹	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
John Norton	15-20 Plus lump sum of 50-55	0-2.5	292	275	-

¹ The actuarial factors used to calculate CETVs were changed in 2011/12. The CETVs at 31/12/11 and 31/03/11 have both been calculated using the new factors, for consistency. The CETV at 31/03/11 therefore differs from the corresponding figure in last year's report which was calculated using previous factors.

John Norton's pension and CETV figures refer to his PCS Classic pension entitlements, part of the PCSPS. These are not associated with his employment as Ombudsman or at the OLC. The OLC scheme employer contributions are for his current OLC pension. The Memorandum of Appointment states that the Ombudsman will continue in the OLC pension scheme for the duration of his appointment as Ombudsman. Further details on the OLC pension scheme can be found within the OLC's annual report and accounts.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a

'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued with Pension Increased legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach the pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over the pension age. Pension age is 60 for classic, premium and classic plus and 65 for nuvos members.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

Cash Equivalent Transfer Values

Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



John Norton
Legal Services Ombudsman for England and Wales

Date: 19 April 2012



Suma Chakrabarti
Accounting Officer

Date: 23 April 2012

OFFICE OF
THE LEGAL SERVICES OMBUDSMAN

Accounts

Nine month period ended 31 December 2011

STATEMENT OF ACCOUNTING OFFICER'S AND OMBUDSMAN'S RESPONSIBILITIES

Under the Courts & Legal Services Act 1990, the Secretary of State and Lord Chancellor has directed the Legal Services Ombudsman for England and Wales (LSO) to produce accounts for the financial period. These accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Office of the Legal Services Ombudsman (OLSO), the expenditure outturn, changes in taxpayers' equity and cashflow for the financial year.

The Secretary of State for Justice and Lord Chancellor has appointed the LSO to oversee the daily operations of the OLSO. Details of the division of responsibilities are set out in Memoranda of Understanding between the Ministry of Justice (MoJ), the OLSO and the Office for Legal Complaints (OLC) as the supplier of resources. This appointment does not detract from the Permanent Secretary's overall responsibility as Accounting Officer for the accounts.

In preparing the accounts the LSO is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by MoJ, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual (FReM) have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Secretary of the MoJ as Principal Accounting Officer. The Principal Accounting Officer's responsibilities are defined in chapter three of Managing Public Money (MPM), a publication of HM Treasury.

The Accounting Officer has responsibility for the regularity and propriety of the public finances for which he is answerable, for keeping proper records and for safeguarding the MoJ's assets. He is also responsible for preparing the accounts of the MoJ and for transmitting them to the Comptroller and Auditor General.

GOVERNANCE STATEMENT

The role of the Accounting Officer and the Legal Services Ombudsman

As the Permanent Secretary of the Ministry of Justice (MoJ), I am the Accounting Officer for the Office of the Legal Services Ombudsman (OLSO) and have responsibility for maintaining a sound system of internal control that supports the achievement of the MoJ and OLSO policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

As Accounting Officer, I agree with Ministers the plans and allocation of resources to the MoJ's business areas. OLSO operates as a business entity of the MoJ. I delegate financial authority, with internal control and risk management responsibilities, to the budget holder for the OLSO, in line with the requirements detailed in the Memoranda of Understanding and its revisions between the MoJ, the Office for Legal Complaints (OLC) and the LSO, in place from 3 March 2011 until closure. The budget holder for the period to 31 December 2011 was Catherine Lee, the Director of the Access to Justice Directorate within Justice Policy Group.

A system of internal control operates in the MoJ's headquarters. This includes the monitoring of OLSO's performance and compliance with the Memoranda of Understanding through the Director of Access to Justice Directorate via the sponsorship team. This monitoring also incorporates agreement to any additional expenditure outside the agreed limits in the memoranda, and monitoring of all expenditure to ensure value for money and spending prudence.

The Legal Services Board (LSB) and the OLC were formally constituted on 1 January 2009 and 1 July 2009 respectively. The OLC, which operates the new Legal Ombudsman scheme, opened its doors to new complaints on 6 October 2010. From this date the Approved Regulators, such as the Law Society, no longer received any new service complaints and had until 31 March 2011 to complete their remaining cases. Any cases not completed by 1 April 2011 were redirected to the LSO for resolution.

On 3 March 2011 John Norton was appointed LSO and was responsible for concluding the work in progress of the OLSO function by 31 December 2011. Full detail about the transitional arrangements dealing with the conclusion of this work in progress and facilitating the closure of the OLSO during the period to 31 December 2011 can be found in the Management Commentary in the Annual Report.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the MoJ's policies, aims and objectives,

to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control was in place in OLSO for the period ended 31 December 2011 and accords with HM Treasury guidance.

Governance Framework

On 3 March 2011 the MoJ, OLC and LSO signed a Memoranda of Understanding setting out the oversight and agreed thresholds for activity. This included staffing levels and estimated costs. This document and its revisions governed the relationship between the three parties delivering the OLSO function. In combination with this document there were three points of scrutiny that allowed the office to be monitored, both on its performance and on its adherence to the principles set out in the memoranda. The three points of scrutiny were me (as Accounting Officer), Catherine Lee (as delegated budget holder) and the LSO. The LSO reported via the sponsorship team within the MoJ.

The following bodies also inform my review in so far that OLSO matters are referred to them, via the sponsorship team, or considered by them:

- **The Departmental Board (DB) and Executive Management Committee of the Board (EMCB)**

The DB has overall responsibility for the MoJ's strategic direction, including delivering the structural reform plan and the new public services transparency framework. The Secretary of State chairs the DB and membership includes the Ministerial Team, all Directors General and the Departmental Non-Executive Board Members. The DB meets, on average, every other month.

To support the DB, to manage the day-to-day business of MoJ, and to support my duties as Accounting Officer and Principal Advisor to the Secretary of State, I chair the EMCB. The EMCB meets weekly and is attended by all Directors General.

It is not considered relevant to provide information on the performance of, or the attendance of, either of these Boards in this Statement due to that fact that no OLSO matters were referred to them, via the sponsorship team, during the period ended 31 December 2011. For the same reason, it is not considered relevant to include highlights of Board committee reports for either Board. This information will be available in the Departmental Governance Statement when the MoJ's 2011-12 Annual Report and Accounts are published.

- **MoJ Audit Committee (AC)**

The MoJ's Audit Committee is a continuing source of advice and assurance on the effectiveness of the risk management process. The Committee meets a minimum of four times each year and has a non-executive Chairman, who

reports directly to me and to the DB twice a year. The Committee advises on the Internal Audit work programme and considers key recommendations from Internal Audit Reports and reports made by the National Audit Office.

The following body informs the LSO in his decisions over referral of issues to the sponsorship team:

- **The LSO Senior Management Team (LSO SMT)**

The LSO SMT was responsible for monitoring performance of the casework team, identifying and managing risks and making effective decisions to guide the LSO function in the most cost efficient and customer focused way. Membership consisted of the LSO, the Operations Manager and the Team Leader and the team met fortnightly. Every effort was made to ensure that all three members were available for each meeting and non attendance was unusual. In addition to the formal fortnightly meetings, ad hoc meetings were held if an issue arose that required immediate attention. The team continued to meet fortnightly throughout January to deal with exit policy and closure issues and the final LSO SMT meeting was held on 1 February 2012.

The OLSO is a very small associated office of the MoJ and its activities were wound down up to 31 December 2011. Under the circumstances I have applied the Corporate Governance Code proportionately where deemed relevant. As a result, there are several areas of non-compliance with the Code, although I am satisfied that adequate oversight and control was maintained at OLSO throughout this period.

Risk Assessment and Management

As Accounting Officer I acknowledge my overall responsibility for the effective management of risk throughout the MoJ. The MoJ's Risk Management Policy and Framework document was published in July 2008 and was updated in July 2010. It sets out the MoJ's approach to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk. The policy and framework is available to all staff on the MoJ's Intranet, and is supported by guidance and targeted training in the form of seminars and workshops.

In addition, a network of Risk Co-ordinators has been established within the MoJ's headquarters, Agencies and Non Departmental Public Bodies, to co-ordinate the reporting and management of risk and control issues within business areas. This ensures that significant risk and control issues are reported to the EMCB, the DB and the AC where appropriate.

During the period ended 31 December 2011, the LSO and his LSO SMT (also known as the LSO function management team) maintained and updated the LSO Corporate Risk Register and appropriate actions were taken to mitigate the risks. To inform and assist with this maintenance, LSO SMT meetings were held to monitor the performance of the casework team and to proactively manage risks as they were identified.

The control environment has continued to change as the function has wound down and the casework transferred to Birmingham. The key elements of OLSO's risk management strategy for identifying, evaluating and controlling risk for the year were as follows:

- Assurance Statements completed by the LSO, submitted quarterly to the Director of Access to Justice, Justice Policy Group;
- Out of committee updates by the MoJ sponsorship team to the OLSO Closure and Transition Board, to govern and control overall risks to transition and business continuity planning up to the end of December 2011;
- Daily Management Information Reports from the OLC Case Management System to manage the cases to be cleared;
- Fortnightly meetings of the LSO SMT to monitor the performance of the casework team and manage any risks that were identified;
- Regular updates of the LSO Corporate Risk Register by the LSO SMT;
- Regular reporting of significant risks to the Director of Access to Justice, Justice Policy Group, via the sponsorship team and, where appropriate, the OLC Board as the supplier of resources;
- Regular reporting by the LSO's office to stakeholders, including the sponsorship team in Justice Policy Group;
- OLC Board meetings which include OLSO risk management on the standard agenda;
- An agreement on indicative costings with the sponsorship team in the MoJ to ensure that spending is within the limit as allocated by the MoJ Director of Access to Justice, Justice Policy Group;
- Provision of monthly invoices to the MoJ and scrutiny of those invoices by the sponsorship team within the MoJ;
- Adoption of the OLC's fraud policy, Health and Safety policies and "whistle-blowing" policy for confidential reporting of staff concerns;
- Adoption of the OLC policies for Information Security Management. The OLC has not yet achieved compliance with ISO27001 but is striving towards it; and
- Reliance upon OLC disaster recovery and IT recovery plans and OLC controls.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the MoJ who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

My review was also informed by the work of the LSO and his SMT and the OLC Board as the supplier of resources. Regular reporting on risks and internal controls was undertaken by the OLSO to the Director of Access to Justice, via the sponsorship team. In addition, the OLSO was required to comply with the provisions of Managing Public Money.

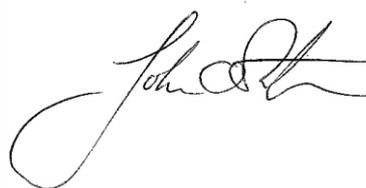
For the period to 31 December 2011 the OLSO reported that no significant weaknesses were identified with regard to internal controls; reviews of business objectives and performance, the authorisation and recording of transactions, management of the delegated budget and safeguarding of MoJ assets. No breaches of financial authority, incidents of fraud or significant information security breaches were reported.

I can confirm that no significant control issues, as defined by HM Treasury guidance, have been highlighted.

The Departmental Governance Statement will be available from the Stationery Office when the MoJ's 2011-12 Annual Report and Accounts are published.



Suma Chakrabarti
Accounting Officer
Date: 23 April 2012



John Norton
Legal Services Ombudsman
Date: 19 April 2012

THE INDEPENDENT AUDITOR'S REPORT TO THE HOUSES OF PARLIAMENT

I have audited the financial statements of the Office of the Legal Services Ombudsman for the period ended 31 December 2011 under the Courts and Legal Services Act 1990. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer, Ombudsman and auditor

As explained more fully in the Statement of Accounting Officer's and Ombudsman's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Courts and Legal Services Act 1990. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office of the Legal Services Ombudsman's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Office of the Legal Services Ombudsman; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Office of the Legal Services Ombudsman's affairs as at 31 December 2011 and of its net expenditure for the period then ended; and
- the financial statements have been properly prepared in accordance with the Courts and Legal Services Act 1990 and directions issued thereunder by the Secretary of State .

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with directions issued by the Secretary of State under the Courts and Legal Services Act 1990; and
- the information given in Office of the Legal Services Ombudsman Remit and Powers and the Management Commentary sections of the Annual Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

*Sajid Rafiq
Director, for and on behalf of the Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
3 May 2012*

STATEMENT OF COMPREHENSIVE NET EXPENDITURE
PERIOD ENDED 31 DECEMBER 2011

	Notes	To 31 December 2011 £	2010-11 £
Staff costs	2	346,217	1,004,717
Administrative costs	3	117,987	169,498
Accommodation costs	4	4,130	387,512
MoJ's overhead charge		-	17,000
Other non-cash costs	5	16,143	32,641
NET EXPENDITURE		<u>484,477</u>	<u>1,611,368</u>

All expenditure is derived from continuing operational activities. No other comprehensive expenditure has been incurred during the year.

There are no other gains or losses for the period.

The notes on pages 39 to 49 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	As at 31 December 2011		As at 31 March 2011	
		£	£	£	£
NON-CURRENT ASSETS					
Property, Plant and Equipment	6		-		27,031
CURRENT ASSETS					
Trade and other receivables	7	1,968		51,316	
TOTAL CURRENT ASSETS					
			1,968		51,316
<hr/>					
			1,968		78,347
TOTAL ASSETS					
CURRENT LIABILITIES					
Trade and other payables	8	(25,738)		(135,795)	
TOTAL CURRENT LIABILITIES					
			(25,738)		(135,795)
<hr/>					
NON-CURRENT ASSETS LESS NET CURRENT LIABILITIES					
			(23,770)		(57,448)
NON-CURRENT LIABILITIES					
Provisions	9		-		(79,500)
ASSETS LESS LIABILITIES					
			(23,770)		(136,948)
TAXPAYERS' EQUITY					
General Fund			(23,770)		(136,948)
			(23,770)		(136,948)

The notes on pages 39 to 49 form part of these accounts.



Suma Chakrabarti
Accounting Officer
Date: 23 April 2012



John Norton
Legal Services Ombudsman
Date: 19 April 2012

STATEMENT OF CASH FLOWS
PERIOD ENDED 31 DECEMBER 2011

	To 31 December 2011	2010-11
	£	£
Cash flows from operating activities:		
Net expenditure	(484,477)	(1,611,368)
Departmental overhead charge	-	17,000
Other non-cash transactions	16,143	32,641
Increase in/(utilisation of) provisions	(79,500)	79,500
Decrease in receivables	49,348	3,856
Increase/(decrease) in payables	(110,057)	39,767
Net cash outflow from operating activities	(608,543)	(1,438,604)
Net cash outflow from investing activities	-	-
Cash flows from financing activities		
Funding from MoJ	608,543	1,438,604
Net financing	608,543	1,438,604
Net decrease in cash and cash equivalents during the period	-	-
Cash and cash equivalents at the beginning of the period	-	-
Cash and cash equivalents at the end of the period	-	-

The notes on pages 39 to 49 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

PERIOD ENDED 31 DECEMBER 2011

	To 31 December 2011	2010-11
	£	£
Taxpayers' equity at start of year	(136,948)	(6,184)
Financing from the MoJ	15b 608,543	1,438,604
Non-cash charges - auditor's remuneration	15,000	25,000
Non-cash charges - MoJ overhead charge	-	17,000
Net expenditure	(484,477)	(1,611,368)
Fixed asset transfer	(25,888)	-
Taxpayers' equity at period end	(23,770)	(136,948)

The notes on pages 39 to 49 form part of these accounts

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of accounting.

These accounts for the Office of the Legal Services Ombudsman (OLSO) have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Going concern.

The Legal Services Act 2007 received Royal Assent on 30 October 2007 and reformed the way that legal services will be regulated in England and Wales. As part of the reforms the Office for Legal Complaints was established to take forward a new Ombudsman scheme providing a single gateway for consumers of legal services to channel their complaints. Previously there had been a two stage process where by a complainant, unhappy with their treatment by the Approved Regulators, could refer the matter to the OLSO. The creation of the single gateway prompted the closure of OLSO.

The OLSO was an associated office of the Ministry of Justice (MoJ) and OLSO's expenditure was settled directly by the MoJ; this continued to be the case until 31 December 2011 when most of the outstanding casework was completed. There were only four outstanding cases at 31 December and these were transferred to the OLC as per the 'The Legal Services Act 2007 (Commencement No. 8, Transitory and Transitional Provisions)' Order 2010. OLSO's assets and liabilities remaining at the point of closure continued to be owned by the MoJ. These accounts have therefore been prepared on a going concern basis.

Income.

OLSO did not recover its costs through charging fees but, under Paragraph 23(10) of the Courts and Legal Services Act 1990, could recover reasonable expenditure on publicising the failure of a lawyer or professional body to comply with a recommendation. However, OLSO did not generate income in the normal course of its business activities.

On rare occasions complainants have taken legal action against OLSO that has resulted in legal costs being awarded against them. The income receivable following the reward of costs is offset against expenditure on solicitors' costs.

Bad debts and recoveries.

Since OLSO did not generate income in the normal course of business, bad debts were rare. In those instances where complainants have taken legal action against OLSO and had legal costs awarded against them then a debtor was created. Where the complainant has been unable to pay the resulting debt the amount has been written off through the Statement of Comprehensive Net Expenditure. Recoveries of outstanding amounts were handled by Weightmans solicitors (formerly Mace and Jones) transferring to the Treasury Solicitor's Department (TSOL) from January 2012.

During the period to 31 December 2011, £13,461 was written off. The original court orders were awarded in favour of the Office of the Legal Services Ombudsman, a body that no longer exists. To pursue the debts and have the orders transferred to the MoJ would be uneconomic, costing more in solicitors fees than the potential benefits.

Funding.

The funding of the OLSO is provided by the MoJ who pay all relevant expenses. No cash was held by OLSO itself.

MoJ's overhead charges.

These are the support services provided to OLSO by MoJ. The MoJ's costs are apportioned on a systematic basis to all the MoJ's Associated Offices, including OLSO. These costs do not include OLSO's share of the costs under contracts that have been awarded by the MoJ under the Government's Private Finance Initiative (PFI) for the provision of accounting and IT services. The PFI contract is managed centrally by MoJ and is included in the MoJ's resource accounts.

Other non-cash costs.

Non-cash costs are included to show the full cost of operating OLSO. The audit fee is a notional amount agreed with the National Audit Office.

Expenditure

Expenditure is stated net of recoverable Value Added Tax but includes irrecoverable VAT. Recoverable VAT is received centrally by the MoJ from HM Revenue and Customs and any amount receivable is not shown as a receivable on the OLSO Statement of Financial Position.

Non-current assets.

Historical cost accounting has been used in place of modified historic cost accounting because of the immaterial difference between the two for OLSO.

Property, plant and equipment are mainly IT equipment and furniture. IT equipment costing more than £1,000 was capitalised and then depreciated on a straight line basis over 5 years. All furniture was pooled and capitalised, then depreciated on a straight line basis over 20 years. The OLSO office in Manchester closed in May 2011. However the depreciation policy has not changed because the non-current assets will continue to be used by MoJ. The assets were transferred to the MoJ at net book value on 31 May 2011.

MoJ held the operating lease on the property used by OLSO in Manchester which expired on 8 July 2011. MoJ also have legal ownership of the non-leased property, plant and equipment used by that Office.

Pensions.

The majority of employees at the former OLSO in Manchester were covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This defined benefit scheme is unfunded and non-contributory except in respect of dependant's benefits. The MoJ recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services

by payment to the PCSPS of amounts, calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the MoJ recognises the contributions payable for the year.

Provisions.

OLSO recognises provisions in line with IAS 37 Provisions, contingent liabilities and contingent assets. They represent liabilities of uncertain timing or amount and are recognised when the OLSO has an obligation for which it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the real rate set by HM Treasury currently 2.2% (2010-11: 2.2%).

The provisions for liabilities and charges reported in note 9 reflect judgements about the likelihood that a future transfer of economic benefits will arise as a result of past events. Where the likelihood of a liability occurring is deemed probable and where it is possible to quantify the effect with reasonable certainty, a provision is recognised. Where a liability is possible, a contingent liability is disclosed in note 13.

Operating Leases.

Under operating leases the lessor retains the risks and rewards of leased items. Assets provided under operating leases are not included in the Statement of Financial Position. Rentals payable under operating leases are charged to the Statement of Comprehensive Net Expenditure on an accruals basis.

2. STAFF NUMBERS AND RELATED COSTS

	Employees £	OLC Staff £	Agency staff £	Total To 31 Dec 2011 £	2010-11 Total Restated £
Wages, salaries and fees	46,941	218,978	31,595	297,514	881,683
Social security costs	2,504	27,672	-	30,176	46,658
Other pension costs	5,136	13,391	-	18,527	100,057
Recoveries for secondees	-	-	-	-	(23,681)
	<u>54,581</u>	<u>260,041</u>	<u>31,595</u>	<u>346,217</u>	<u>1,004,717</u>

The costs of staff seconded from the OLC were included in wages, salaries and fees in the 2010-11 accounts. These have been restated above to separate them into the

three categories of wages, salaries and fees; social security costs and pension costs.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and OLSO is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For the year 2011-12, employers' contributions of £5,136 were payable to the PCSPS (2010-11: £98,098) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

The average full time equivalent number of personnel during the year was 15.1 (2010-11: 20.9).

OLSO staff who remained were then redeployed following the office closure and transferred to the MoJ Justice Policy Group from 1 April 2011. Where these staff had not found other posts they continued to work on outstanding OLSO casework until 31 May 2011. Their costs during the first two months of 2011-12 have been included in these accounts.

From 3 March 2011 John Norton was appointed to the role of LSO. Mr Norton was also an employee of the Office for Legal Complaints (OLC), however his role as LSO was wholly independent and time spent as LSO was recharged to the OLSO function.

During the period to 31 December the remaining OLSO cases were dealt with by a small team set up by the LSO using seconded OLC staff, and utilising the OLC office and systems in Birmingham. OLSO was recharged for their services by the OLC. The remuneration element including pension contributions of Mr Norton and the seconded OLC staff working on the residue of OLSO cases are therefore included in these accounts. However the OLC staff and the LSO are part of the OLC pension scheme and are not in the PCSPS.

3. ADMINISTRATIVE COSTS

	To 31 Dec 2011 £	2010-11 £
Travel and subsistence	3,216	8,393
Legal costs	41,672	51,319
Office supplies	-	3,405
Printing and reprographics	2,628	6,103
Scanning for paperless office	27,505	840
Distribution and postage	975	28,775
Telecommunications	6,420	7,110
Fuel and utilities	1,274	8,694
IT costs	18,771	12,861
Other	2,065	41,998
Bad Debt Written off	13,461	-
Total	<u>117,987</u>	<u>169,498</u>

Income of £1,090 from the recovery of legal costs has been offset against legal costs in note 3 (2010-11: £13,058). Bad debts written off are for judicial review debtors, individuals who have taken legal action against the OLSO and have had legal costs awarded against them.

4. ACCOMMODATION COSTS

	To 31 Dec 2011 £	2010-11 £
Rent and service charge	2,689	256,255
Rates	1,441	43,117
Other property costs	-	88,140
Total	<u>4,130</u>	<u>387,512</u>

A provision was made for outstanding accommodation costs in the 2010-11 accounts. This provision has been utilised in 2011-12. Expenditure recognised here represents amounts incurred above the provision value.

5. OTHER NON-CASH COSTS

	To 31 Dec 2011 £	2010-11 £
Depreciation	1,143	6,856
Loss on disposal of assets	-	785
External audit fee	15,000	25,000
Total	<u>16,143</u>	<u>32,641</u>

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture	Computer and Other Equipment	Total
	£	£	£
Cost or valuation At 1 April 2011	65,919	20,953	86,872
Additions	-	-	-
Disposals	-	-	-
At 31 May 2011	<u>65,919</u>	<u>20,953</u>	<u>86,872</u>
Depreciation At 1 April 2011	40,864	18,977	59,841
Charge for the period	549	594	1,143
Released on disposals	-	-	-
At 31 May 2011	<u>41,413</u>	<u>19,571</u>	<u>60,984</u>
Net book value at 31 May 2011	<u>24,506</u>	<u>1,382</u>	<u>25,888</u>
Transfer to MoJ on 31 May 2011	(24,506)	(1,382)	(25,888)
Net book value At 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2011	<u>25,055</u>	<u>1,976</u>	<u>27,031</u>

All remaining assets were transferred to the MoJ at 31 May 2011.

PROPERTY, PLANT AND EQUIPMENT (PRIOR YEAR)

	Furniture	Computer and Other Equipment	Total
	£	£	£
Cost or valuation At 1 April 2010	67,158	21,942	89,100
Additions	-	-	-
Disposals	(1,239)	(989)	(2,228)
At 31 March 2011	<u>65,919</u>	<u>20,953</u>	<u>86,872</u>
Depreciation At 1 April 2010	38,022	16,406	54,428
Charge for the period	3,296	3,560	6,856
Released on disposals	(454)	(989)	(1,443)
At 31 March 2011	<u>40,864</u>	<u>18,977</u>	<u>59,841</u>
Net book value At 31 March 2011	<u><u>25,055</u></u>	<u><u>1,976</u></u>	<u><u>27,031</u></u>
At 31 March 2010	<u><u>29,136</u></u>	<u><u>5,536</u></u>	<u><u>34,672</u></u>

7. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

7 (a) Analysis by type

	At 31 Dec 2011	2010-11
	£	£
Amounts falling due within one year:		
Prepayments and accrued income	1,934	36,277
Other receivables	34	15,039
	<u>1,968</u>	<u>51,316</u>

7 (b) Intra-Government Balances

	At 31 Dec 2011	2010-11
	£	£
Balances with other central government bodies	34	-
Balances with bodies outside central government	1,934	51,316
	<u>1,968</u>	<u>51,316</u>

8 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

8 (a) Analysis by type

	At 31 Dec 2011	2010-11
	£	£
Amounts falling due within one year:		
Taxation, social security and pension contributions	-	22,282
Accruals and deferred income	25,738	68,543
Dilapidation costs	-	44,970
	<u>25,738</u>	<u>135,795</u>

8 (b) Intra-Government Balances

	At 31 Dec 2011	2010-11
	£	£
Balances with bodies outside central government	2,834	58,001
Balances with central government	22,904	77,794
	<u>25,738</u>	<u>135,795</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

A provision of £79,500 was recognised in the financial statements in 2010-11. This included an amount in respect of a lease which has become onerous since the first available break date falls after the final date of use by OLSO and an amount in respect of a employment issue. As permitted by IAS 37, a breakdown between these two categories was not provided.

The lease provision covered expected rent, business rates, service charges, water rates, maintenance and insurance costs for the property from 1 April 2011 until the lease expired on 8 July 2011. Commitments under leases are disclosed in note 10.

The utilisation of both provisions occurred in 2011-12.

Provisions are shown in total below:

	2011-12	2010-11
	£	£
Balance at start of period	79,500	-
Provided in the period	-	79,500
Utilised in the period	(79,500)	-
Balance at end of period	<u>-</u>	<u>79,500</u>

10. COMMITMENTS UNDER LEASES

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

The lease for accommodation at Sunlight House in Manchester expired on 8 July 2011.

	2011-12		2010-11	
	Buildings	Other	Buildings	Other
	£	£	£	£
Within one year	-	-	42,521	-
From one to five years	-	-	-	-
After five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>42,521</u>	<u>-</u>

11. RELATED PARTY TRANSACTIONS

MoJ is a related party with which OLSO had various material transactions during the period. OLSO's staff have not entered into any material transactions with OLSO or with MoJ.

The Office for Legal Complaints (OLC) is a related party that has provided support to complete the remaining OLSO cases following the closure of the Manchester office. OLC charged £336,173 including VAT for this service during 2011-12. During 2010-11 the charge was £55,512 although this only covered the month of March 2011.

12. CAPITAL COMMITMENTS

There are no capital commitments.

13. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

There are no contingent liabilities.

14. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of IAS10 “Events after the reporting period”, post reporting period events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date the Comptroller and Auditor General certifies the accounts. There are no such events to report.

As noted elsewhere within this report the OLSO closed on 31 December 2011. All remaining assets and liabilities included in these financial statements have been transferred to the MoJ for final settlement.

15. FINANCIAL INSTRUMENTS

OLSO has no financial instruments under the definition of IAS 32 “Financial Instruments: Presentation”. IFRS 7 “Financial Instruments: Disclosure” requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

15a Risk Management Objectives and Policies

OLSO does not use financial instruments to create or change risk in undertaking its activities. The largely non-trading nature of its activities and the way it is financed mean that OLSO is not exposed to financial risks.

15b Liquidity Risk

OLSO has no borrowings, and its net resource requirements are met from resources voted annually by Parliament to MoJ. MoJ then settles all of OLSO’s financial transactions. The cash expended by MoJ to settle OLSO’s bills is represented by “financing from the MoJ” of £608,543 (2010-11: £1,438,604) in the Statement of Changes in Taxpayers’ Equity. OLSO is not therefore exposed to significant liquidity risk.

15c Interest Rate Risk

OLSO has no deposits, since cash at bank is held in MoJ's bank accounts and not included in these accounts, so OLSO is not exposed to interest rate risk.

15d Foreign Currency Risk

All material assets and liabilities are denominated in sterling, so OLSO is not exposed to currency risk.

15e Credit Risk

OLSO is exposed to minimal credit risk. The maximum exposure to credit risk is the risk from potential default of debtors and is equal to the total amount of outstanding receivables. OLSO has no collateral to mitigate against credit risk.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-297622-9

