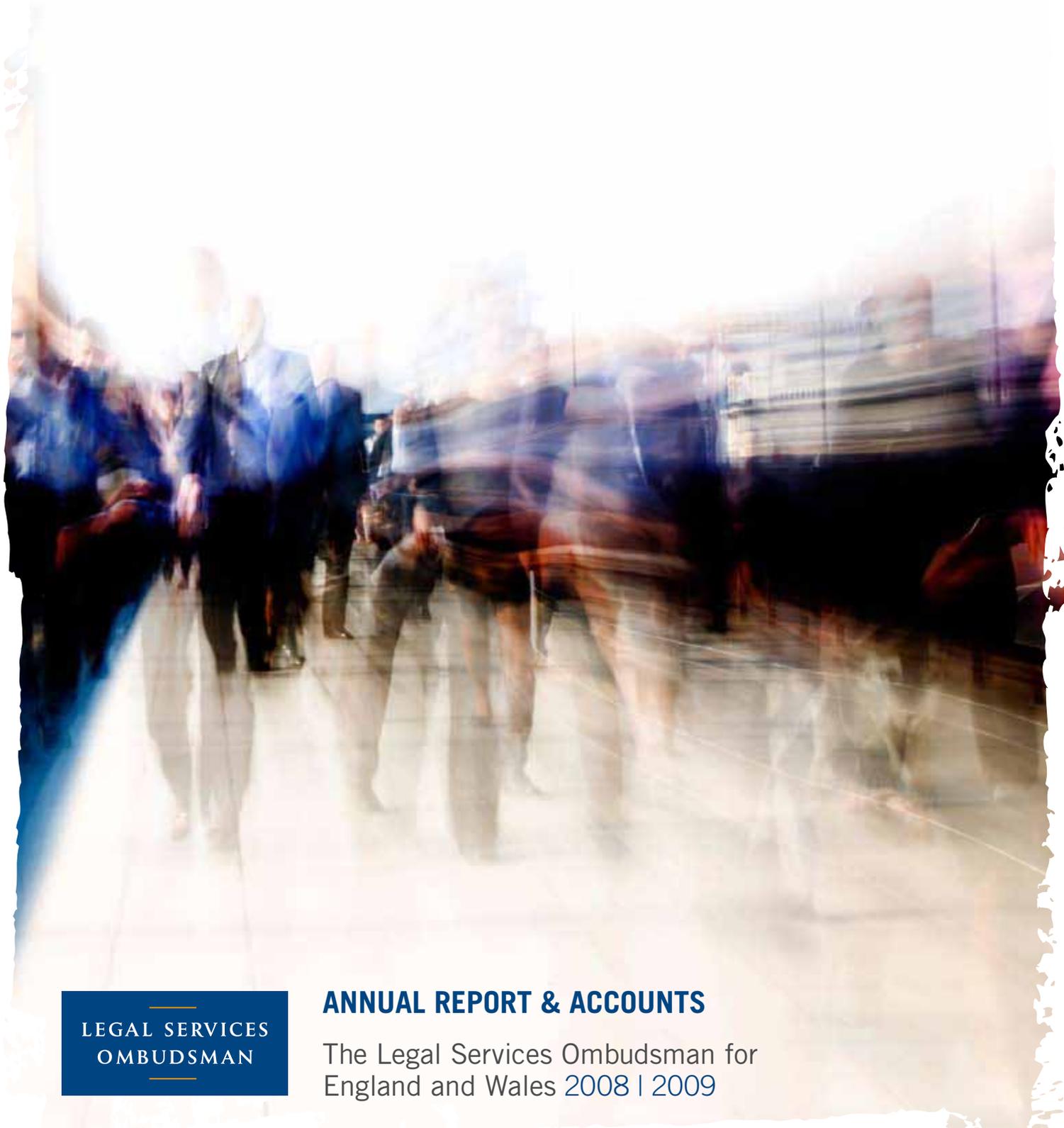


Making Experiences Count



LEGAL SERVICES
OMBUDSMAN

ANNUAL REPORT & ACCOUNTS

The Legal Services Ombudsman for
England and Wales 2008 | 2009

**Office of the Legal Services Ombudsman
Annual Report and Accounts 2008/2009**

HC 650
ISBN 9780102961324

CORRECTION

Page 44, below the second table of the Remuneration Report – Additional Note:

“Note that the CETV figures may be different from the closing figure in last year’s accounts.
This is due to the CETV factors being updated to comply with The Occupational Pension
Schemes (Transfer Values) (Amendment) Regulations 2008”

Page 59, Note 11 to the Accounts:

Delete the words “as restated” from the top of the 2007-08 column.

July 2009

Making Experiences Count

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The Legal Services Ombudsman
for England and Wales 2008 | 2009

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Foreword



Zahida Manzoor CBE
The Legal Services Ombudsman
for England and Wales

“A centre of excellence in complaint handling would restore consumer confidence and stop any perceived public concern about lawyers investigating complaints about lawyers.”

2005/2006 Annual Report

This year has witnessed the first steps towards the implementation of the Legal Services Act (2007). The Act creates two new bodies, the Legal Services Board (LSB) and the Office for Legal Complaints (OLC).

The Act requires the current legal professional bodies to separate their functions as both regulator and representative of their professions and will see the removal of complaint handling from them. The LSB will have oversight of the approved regulators who will have responsibility for the regulation of legal professionals' professional conduct. The LSB will also have responsibility for the new complaints-handling body the OLC. The creation of an independent complaint-handling body is something I have been advocating for many years. It is only right that in the future the legal professional bodies will not undertake the investigation of consumer complaints about their members.

The Chair, Chief Ombudsman and Board of the OLC have now been appointed with formal constitution of the Board scheduled for the 1st July 2009. The creation of the scheme rules that will govern how consumer complaints are handled are pivotal. If formulated appropriately they can help ensure that confidence in the new body is quickly established.

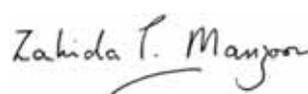
The OLC will need to be accessible (free to use, open and available to all those who need it), transparent (both in terms of its scope and decision-making), proportional (in its process and resolution of complaints) and efficient (striving to meet challenging standards of good administration). It is essential that the new bodies, as a minimum, adopt and discharge these basic functions in order to be successful. I will continue to work with all stakeholders to help ensure that the LSB and the OLC have the confidence of consumers and the legal profession. It is important that there is consultation on different options for the transitional period to minimise the period of parallel running between the current and future complaint-handling organisations.

Looking back to 2008/2009 I am pleased to report that the Bar Standards Board continue to maintain their performance. In the past year I was satisfied with 80% of their investigations. I have noted a slight drop in the performance of the Solicitors Regulation Authority (SRA) – this year I was satisfied with 75% of their investigations. It is critical that the SRA build on this performance. Disappointingly, the Legal Complaints Service (LCS) lags somewhat behind, in that I was only satisfied with 64% of their investigations, although I do note some welcome improvements in turnaround times and service delivery.

Despite the continued uncertainty for my staff, resulting from the impending closure of my Office, and, unsurprisingly in the circumstances, a higher staff turnover than in previous years, in 2008/2009 my Office has again performed to a very high standard. Of particular note is that my Office's 2.2 months average turnaround for investigations significantly exceeds the Ministry of Justice's target of completing 90% of investigations within 6 months.

Of course, speed without quality of investigation is meaningless. Therefore, I am delighted to report that 98% of draft reports achieved the standards set down in our internal Quality Assurance Framework. This performance was achieved whilst working within tight financial constraints and achieving a 6.3% saving on the previous year.

I would like to pay tribute to my staff for this excellent performance.



Zahida Manzoor CBE
Legal Services Ombudsman for England and Wales

1 Office of the Legal Services Ombudsman

“In 2008/2009 my Office has again performed to a very high standard maintaining quality whilst reducing the time taken to carry out our investigations.”

Remit and Powers

The Lord Chancellor and Secretary of State for Justice appoints the Legal Services Ombudsman in accordance with Section 21 of the Courts and Legal Services Act 1990. The Ombudsman cannot be a qualified lawyer and is completely independent of the legal profession.

As Ombudsman, I oversee the handling of complaints about solicitors, barristers, legal executives, licensed conveyancers, patent attorneys and trade mark attorneys by the six professional bodies responsible for setting and maintaining standards of conduct and service within the legal profession.

Consumers of legal services must first make their complaint to the relevant professional body, the:

- Law Society (Legal Complaints Service and Solicitors Regulation Authority)
- General Council of the Bar (Bar Standards Board)
- Council for Licensed Conveyancers.
- Institute of Legal Executives
- Chartered Institute of Patent Attorneys
- Institute of Trade Mark Attorneys.

If consumers are not satisfied with the way the professional body has dealt with their complaint, they may refer the matter to me for investigation. An allegation is 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. I can also investigate the matter to which the complaint relates i.e. conduct an original investigation.

I have the power to recommend that the professional body reconsider the complaint. I may also recommend that the professional body and / or the lawyer complained about pay compensation for loss, distress or inconvenience.

In conducting investigations I have the same powers as the High Court.

Objectives

OLSO is an Associated Office of the Ministry of Justice (MoJ) and supports it in its Departmental Strategic Objectives (DSOs).

My Office has three key objectives:

Objective 1

We will investigate complaints about the professional bodies effectively and efficiently ensuring even-handed investigation, and redress where appropriate; maintaining the confidence of all parties in our impartiality.

Objective 2

We will promote the application of best practice in complaint handling by the legal professional bodies, with a view to raising standards of services for consumers; liaising appropriately with the Office of the Legal Services Complaints Commissioner in relation to the Legal Complaints Service and the Solicitors Regulation Authority.

Objective 3

We will endeavour to be involved in shaping the future of the regulation of legal services in England and Wales, ensuring that the consumer's interest is at the heart of the new regulatory framework.

Operating Plan

The strategic objectives are closely aligned with our more detailed Operating Plan, which is an internal document that outlines how my Office will deliver the strategy at an operational level.

The Office's business cycle ensures the formulation and review of objectives, targets and achievements. This includes feedback to all staff from Senior Management, quarterly casework surgeries, and regular individual appraisals.

Performance is managed on a system of planning, acting, monitoring and analysing in relation to: speed of service, customer satisfaction, quality assurance and value for money.

Targets are set and achievements recorded on an ongoing basis via the Operating Plan; results being made available to stakeholders through the publication of my Annual Report and to the MoJ on a quarterly basis.

Risk Management

A system of risk management is maintained; identifying, evaluating and controlling risks, and recording the process in the Risk Register, which is shared with the MoJ on a regular basis. Each strategic objective is subjected to a risk analysis and monitored in our Business Risk Register. All risks were managed successfully during 2008/2009.

Transitional Planning

The Legal Services Act (2007) will fundamentally change the way that legal services will be regulated in England and Wales, including the formation of the Office for Legal Complaints (OLC), and the consequent closure of OLSO. The current timetable anticipates that OLSO will not close before 2010/2011.

I am looking to ensure that OLSO continues to provide a high level of service to consumers despite the challenges we face

from the uncertain future of my staff. The continued motivation of individual staff is imperative in order to maintain the quality of complaints handling and support services until the OLC scheme is fully up and running. Transition planning is being progressed, and staff, the MoJ and the Trade Unions have been consulted on the initial plan. However, plans cannot be finalised until the OLC have completed their planning. This is not expected to be available until the latter half of 2009.

During the year I increased my panel of self-employed caseworkers to ensure that sufficient capacity is available to investigate cases during this period of transition. Following a rigorous recruitment process three candidates were invited to join the panel. There is no commitment for my Office to allocate cases to self-employed caseworkers and this enables the panel to be utilised as a flexible resource when required. The performance and productivity of the self-employed caseworkers are continually monitored.

Financial management

OLSO's total expenditure in 2008/2009 was £1.790m which included a £0.185m charge for the provision of central services, such as human resources, health and safety, accommodation management and finance which MoJ provide in support of OLSO's functions. As OLSO's total expenditure in 2007/2008 was £1.909m this represents a 6.3% saving on the previous year and demonstrates that we are an efficient and value for money organisation.

The Director General, Access to Justice allocates funding to OLSO on an annual basis. A comprehensive budgeting system is operated with an annual budget agreed and reviewed regularly by MoJ. We monitor and analyse staff resources and associated costs of carrying out our functions so that any appropriate action can be taken to ensure value for money.

Details regarding the treatment of pension liabilities are set out in Note 2 of the Notes to the Accounts.

Audit

As far as I am aware, there is no relevant audit information of which the entity's auditors are unaware; and the Permanent Secretary and I have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information; and to establish that the entity's auditors are aware of that information.

Productivity

As laid down in the Courts and Legal Services Act (1990) consumers of legal services must first make their complaint to the relevant professional body. If consumers are not satisfied with the way the professional body has dealt with their complaint, they may refer the matter to me for investigation. An allegation is 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. I can also investigate the matter to which the complaint relates i.e. conduct an original investigation.

In 2008/2009 my Office investigated 1,817 complaints, this compares to the investigation of 1,864 complaints in 2007/2008.

TABLE 1 – Cases accepted and Reports issued

	2008/09	2007/08	2006/07	2005/06
Cases accepted	1,809	1,837	1,892	1,803
Reports issued	1,817	1,864	1,886	1,909

The top four reasons that consumers complain to me are that the professional body's decision is unreasonable or is poorly explained (45%), that the professional body has not considered all the issues (17%), that the professional body has overlooked information/evidence (17%) and that the professional body has inappropriately rejected the complaint (12%).

The complaints that I receive could be seen as the tip of the iceberg as it should be borne in mind that those consumers who refer their cases to me have already had to run the gauntlet of the regulatory maze. There may be many consumers with meritorious complaints who simply give up the ghost before approaching my Office.

There are some instances where I cannot accept cases for investigation. In 2008/2009 there were 773 cases that I was not able to accept.

The main reason for cases not being accepted for investigation was that the enquiry was premature because the professional body had not yet completed their investigation (263) and the second was that the enquiry was outside my remit (144).

The third most common reason for cases not being accepted for investigation was that the enquiry was outside of our three-month time limit (110). If a consumer misses the three month deadline for applications to this Office, I will not normally consider their case. However, I may extend this deadline if I think that there are 'special reasons' for doing so. 'Special reasons' are reasons outside the consumer's control that prevented them from making an earlier application. For example, if they or a member of their family have been seriously ill, or they have suffered a bereavement.

The professional body must tell the consumer of their right to refer the case to me. If the professional body did not tell the consumer about their right to refer the matter to me, or about the three-month deadline for doing so, this might be a 'special reason'. Finally, if the issues raised by a consumer's complaint are particularly serious, or raise highly sensitive or important issues for the legal profession, I may consider this to be a 'special reason'.

TABLE 2 – Reports issued by Professional Body*

	2008/09
Legal Complaints Service	1,195
Solicitors Regulation Authority	434
Bar Standards Board	169
Council for Licensed Conveyancers	8
OLSO on behalf of the SLCC	11
Total	1,817

This year I undertook 11 investigations on behalf of the Scottish Legal Complaints Commission (formerly the Scottish Legal Services Ombudsman), under an arrangement laid down by the Courts and Legal Services Act (1990) when a potential conflict of interest may arise. In 2 of these cases the Scottish Law Society paid a total of £5,357 in respect of the costs of publishing an announcement stating that they had failed to abide by my recommendations.

I express my thanks to the Scottish Legal Complaints Commission for undertaking 15 cases on my behalf.

OLSO has a MoJ target of completing 90% of investigations within six months of receipt of the professional body's file. Additionally, I have set internal turnaround targets that we strive to achieve. These internal targets are:

- 40% of investigations completed within 2 months
- 90% completed within 4 months
- 100% completed within 6 months.

The internal targets have been achieved. It is pleasing to note that the time my Office takes to turnaround its investigations has reduced from 2.9 months in 2007/2008 to 2.2 months in 2008/2009. However, this excellent performance will be difficult to maintain as staff leave.

TABLE 3 – OLSO Turnaround Times

	2008/09		2007/08	2006/07	2005/06	2004/05
	No.	%	%	%	%	%
Within 2 months	716	40	15	34	11	13
Within 4 months	1,788	99	91	97	96	71
Within 6 months	1,801	100	100	100	97	99
Average Turnaround Time (months)	2.2		2.9	2.4	3.2	3.5

The 15 cases that the Scottish Legal Complaints Commission has investigated on OLSO's behalf have been omitted from the turnaround figures above. However, the 11 reports issued by OLSO on behalf of the SLCC have been included.

Quality

Of course, speed without quality of investigation is meaningless therefore I am delighted to report that 98% of draft reports achieved the standards set down in our internal Quality Assurance Framework. This demonstrates the focus on quality throughout my Office.

As part of the quality process and to ensure consistency in casework my Legal Adviser undertakes audits on 10% of all cases. Higher percentages are audited when new caseworkers are recruited to ensure casework consistency and quality. Any learning points identified are fed back appropriately, in a constructive way, as part of our commitment to the continuous improvement of our service.

Another measure of the quality of my investigations comes through the right of consumers and the legal professional bodies to judicially review my decisions in the courts. This is a review of a decision by a court, authorised and conducted under the Judicial Review Procedure Act. It is

* The Scottish Legal Complaints Commission has completed 15 of these reports on behalf of OLSO.

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. The 3 outstanding applications for Judicial Review referred to in my 2007/2008 Annual Report were unsuccessful. There have been a further 9 applications by consumers to challenge my decisions this year. 5 have been unsuccessful and 4 are outstanding.

Where, for example, a consumer makes an application for Judicial Review, and the High Court refuses the application on written submissions, I will not normally seek an order for costs if the application is unsuccessful. However, I have a duty to protect taxpayers' money, and therefore, if a written application is renewed by way of an application for an oral hearing and if that application is refused, I will seek an order for costs from the court to be made against the applicant. In 4 cases in 2008/2009 costs were paid to my Office by the applicant.

During the year £7,949 has been recouped in costs from complainants due to awards from Courts.

Quotes from Judges when determining Judicial Review cases:

Case 1

"The LSO [Legal Services Ombudsman] acted fairly and thoroughly in considering the Claimant's complaint to the extent that it fell within her jurisdiction. She took account of all relevant considerations and did not take account of any irrelevant considerations. In particular, she was bound to take account of correspondence received from... and correctly did so. She came to conclusions which were clearly open to her on the material before her. This case is considered to be totally without merit".

Case 2

"This was a hopeless case and one which was out of time. The Claimant has been warned about the lack of merit in pre-action correspondence and also about the risk of costs" [the claimant was duly ordered to pay the costs].

Case 3

"The claimant has failed to identify any ground on which the [Legal Services Ombudsman] decision should be subject to review. This claim is totally without merit and an abuse of the process".

Service Standards

Our internal standards define the speed and nature of the service that we aim to achieve for consumers. My Office's performance in 2008/2009 against these standards is reproduced below:

- Respond to all correspondence within 10 days.

In 2008/2009 we received 9,127 pieces of correspondence and achieved the target 97% of the time.

- Answer all telephone calls within 15 seconds.

In 2008/2009 we received 7,823 calls, which were answered within 15 seconds 96% of the time.

- Respond to 95% of consumer applications within 10 days.

In 2008/2009 we responded to 99% of consumer applications within 10 days.

- Advise consumers in 95% of cases within 10 days of receipt of the professional body file whether my Office can accept the case for investigation.

In 2008/2009 we achieved this target 96% of the time.

- Issue 95% of reports within 2 days of approval by the Ombudsman.

In 2008/2009 we achieved this target 99% of the time.

Consumer Feedback

Consumer feedback is critical to my Office in helping us to improve our service. We issue a questionnaire to a random sample of consumers who have raised a complaint with the Office. This provides a useful snapshot of consumer views although many consumers use the form as an opportunity to express their continued dissatisfaction with the legal profession.

My Office also sends out questionnaires with every application to monitor the diversity of our applicants. The monitoring form is also available via our website. In terms of the consumers who complained to me in 2008/2009 63% were male. This compares to 49% of the English and Welsh population in mid-2007 (Office for National Statistics). With regards to where consumers who complain to me live, 16% reside in the South-East of England and 20% in London. When compared to figures for the population as a whole consumers from these areas are over represented whilst consumers in the East of England are underrepresented. In terms of the ethnicity of the consumers who complain to me they very closely reflect the population of England and Wales as a whole.

Internal Complaints

We continue to operate an internal complaints procedure for customers to use should they be dissatisfied with our service.

My Corporate Services Manager investigates any complaint about the quality of service provided by my Office but not complaints about the decisions taken during my investigation. During 2008/2009 a total of 21 complaints were referred to her and dealt with under these procedures.

2 complaints were upheld and apologies given for administrative errors.

10 complaints were not found to have any evidence to support the allegations and were therefore not upheld.

9 complaints did not relate to the service provided by OLSO staff but to my decision in the case and, as such, could not be upheld.

Staffing and Recruitment

As an Associated Office of the MoJ, OLSO is an equal opportunities employer. Policies are in place to guard against discrimination, and to ensure that there are no unfair or illegal barriers to employment or advancement. OLSO recognises, respects and values diversity and strives to serve the interests of people from all sections of society. The Office has a diverse workforce and promotes equal opportunities for all its people.

Our literature and website are reviewed to improve accessibility, clarity and understanding. Our leaflets have been produced in large print and translated into languages other than English. A hearing loop is also available for personal callers.

In addition to the development of the individual skills of staff, regular internal casework surgeries are attended by investigating staff. These update investigating staff on casework trends and discuss issues of interest. The major legal publications are scrutinised and relevant material is circulated. Our internal casework and guidance manuals are reviewed and updated to ensure that caseworkers keep up to date and adopt a consistent approach when undertaking investigations.

OLSO also operates a secure Casework Discussion Forum via the intranet where both my internal staff and self-employed caseworkers can post questions and observations of common interest.

At the end of 2008/2009, staffing levels stood at 23 staff (19.5 full time equivalents). This compares to 24.3 full time equivalents at the end of 2007/2008.

Staff Engagement Survey

During the year MoJ carried out a staff engagement survey, which identified issues important to the personal attachment of staff to their work and to the Ministry overall.

The results for OLSO were very positive particularly with regard to the culture of OLSO, facilitative line management, objectives, motivation and teamwork.

Stakeholder Management

Throughout the year I have continued to communicate with and/or meet with all of OLSO's diverse stakeholders who have an interest in the work of my Office and its outcomes. Those I have met have included consumers of legal services, consumer organisations, Ministry of Justice Ministers and officials, the Lord Chief Justice, the Master of the Rolls, Members of Parliament, the Law Society, the Legal Complaints Service, the Solicitors Regulation Authority, the Bar Council, the Bar Standards Board, the Council for Licensed Conveyancers, the Institute of Legal Executives, the Chartered Institute of Patent Attorneys, the Institute of Trade Mark Attorneys, the Chairs of the Legal Services Board and the Office for Legal Complaints, other Ombudsmen and private sector organisations. Information of common interest has been shared and discussed with the aim of bringing about improvements to the service we offer.

I look forward to maintaining these strong working relationships during 2009/2010.

Amongst the conferences I addressed this year was 'Technical Assistance for Better Access to Justice' in Istanbul, Turkey. This conference was organised by Istanbul Bilgi University and was sponsored by the European Commission. I am pleased to report that we are at the forefront of enabling access to justice but was impressed at the innovative use of mediation by some complaints-handling organisations in other countries.

Information Assurance

My Office is aware of the need for robust measures that ensure the confidentiality, availability and integrity of information. We follow Cabinet Office guidelines on data handling. Processes and controls operating at OLSO are reflected in our Information Risk Policy Statement. Our casework management database has been audited by the MoJ in respect of security controls and procedures and has full accreditation.

Data Protection and Freedom of Information

During 2008/2009 we received 18 requests for information under the Freedom of Information Act 2000. In 7 instances OLSO did not hold the information requested as in most cases it was held by the legal professional bodies. 6 were refused, as the information requested was exempt under the Act. 4 were met in relation to policy, organisation, and Annual Accounts. 1 was referred to the MoJ.

One request, which was originally received and refused by OLSO during 2007/2008, was referred to the Information Commissioner. The Information Commissioner issued a Decision Notice in November 2008 exempting the information from disclosure under the Freedom of Information Act 2000.

Our Publication Scheme is available on our website and in hard copy, ensuring that a significant amount of information is readily available to the consumer. The Scheme has been reviewed to comply with the Information Commissioner's new framework for Publication Schemes.

During 2008/2009 we dealt with 10 requests for information under the Data Protection Act 1998, which were met within the required timescales.

Payments to Suppliers

The MoJ is committed to the prompt payment of suppliers. Payments are normally made as specified in the contract. If there is no contractual provision or other understanding, they are paid within 30 days of the receipt of the goods or services, or on the presentation of a valid invoice or other similar demand, whichever is the later. Statistics on payments to suppliers can be found in the MoJ Resource Accounts. Separate statistics are not available for OLSO.

Health and Safety

My Office is committed to ensuring the health and safety and welfare of its staff, visitors and contractors and all others who may be affected by its activities. I recognise that effective health and safety management provides a significant contribution to business performance. During the year my Operations Manager successfully completed Health & Safety Training for Senior Executives, approved and validated by the Institution of Occupational Safety and Health (IOSH).

My Office has an active and constructive Health and Safety Committee; has appointed co-ordinators to carry out specific risk assessments and general workplace inspections; and suitably qualified first aider and fire wardens. Independent audits are undertaken by the MoJ on a regular basis.

Sustainable Development

OLSO is committed to reducing its impact on the environment and, although it is only a minor occupier in leased accommodation, it has schemes for recycling plastic, glass, cardboard, newspapers and printer cartridges. Used lamps are disposed of via a specialist process. OLSO also continues to look for opportunities to increase its use of recycled stationery and paper products.

2 The Professional Bodies

“It is only right that in the future the legal professional bodies will not undertake the investigation of consumer complaints about their members.”

I oversee the handling of complaints about solicitors, barristers, legal executives, licensed conveyancers, patent attorneys and trade mark attorneys by the professional bodies responsible for setting and maintaining standards of conduct and service within the legal profession.

Following the implementation of the Legal Services Act (2007), the Office for Legal Complaints will assume responsibility for handling consumer complaints about legal professionals. As a consequence the Law Society Legal Complaints Service and my Office will be abolished since complaints handling will no longer be undertaken by any of the legal professional bodies. The Law Society Solicitors Regulation Authority, Bar Standards Board, Council for Licensed Conveyancers, Institute of Legal Executives Professional Standards Ltd, Chartered Institute of Patent Attorneys and Institute of Trade Mark Attorneys will maintain their responsibility for the regulation of legal professionals' professional conduct and will be overseen by the Legal Services Board.

Complaints 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 legal professional body. If the consumer is not satisfied with the response from the professional body they can have the complaint investigated by my Office. Following my investigation my recommendations to the professional body can be a combination of reconsiderations, compensation and formal criticisms. Below I have provided an explanation for each of these:

Reconsideration: If the legal professional body has not adequately investigated the complaint, I can recommend that they reinvestigate either the whole or parts of the complaint. My report clearly indicates the areas that the professional body should reconsider and the reasons why.

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

Formal Criticisms: I record a formal criticism against a legal professional body where I have identified some failing in the investigation and either reconsidering the case or awarding compensation would not be appropriate in the circumstances.

In terms of the reasons that I make a recommendation against the professional body I categorise these as:

Poor decisions: These are cases where I felt that the decision, which the professional body 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 professional body's investigation, although the decision that the professional body reached may have been reasonable. For example, there may have been unnecessary delay during the investigation, or the staff at the professional body may have communicated poorly with the consumer. I would also feel that there was poor service if the professional body 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 professional body'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 professional body for review.

Problems with professional body/lawyer:

These are cases where there have been problems at points within the complaints-handling process at the professional body. For example, where the professional body had decided in favour of the complainant, there may have been a problem with compliance from the lawyer, or the professional body may have not done enough to obtain necessary replies or documents from parties involved in the complaint.

Consumers of legal services must first make their complaint to the relevant professional body:

The Law Society

The Law Society represents solicitors in England and Wales. They aim to help, protect and promote solicitors across England and Wales. They are also responsible for handling complaints about solicitors' service and they regulate the profession. In January 2006, the Law Society created the Legal Complaints Service (LCS) to handle consumer complaints and the Solicitors Regulation Authority (SRA) to oversee the conduct of the profession. Both bodies are part of the Law Society, but operate independently.

The LCS handle complaints about the service received by a consumer from a firm of solicitors. They also handle complaints about solicitors' bills. When a complaint is made about the service of a firm, the LCS conciliate between the consumer and the firm to try to resolve the issue. If no resolution can be reached, the LCS can investigate the

complaint and, should they find in the consumer's favour, they can 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. The LCS receives around 14,000 cases a year. In around 9% of cases consumers ask me to review how their complaints have been handled. This could be seen as the tip of the iceberg as it should be borne in mind that those consumers who refer their cases to me have already had to run the gauntlet of the regulatory maze. There may be many consumers with meritorious complaints who simply give up the ghost before approaching my Office and many others who may not have even complained to the LCS in the first instance. I would expect the new OLC to receive many more complaints than are currently received.

The SRA sets and enforces the Rules of the Solicitors' Code of Conduct. If the consumer raises issues over the professional conduct of a solicitor or evidence of misconduct, the LCS will refer the issues to the SRA. If the SRA considers that a solicitor has breached the Code of Conduct, the SRA has the power to take disciplinary action against the solicitor in question. This ranges from advising the solicitor over their future conduct, to a referral to the Solicitors Disciplinary Tribunal, which could lead to the solicitor being struck off the Roll of Solicitors. I do not have the power to review decisions made by the Solicitors Disciplinary Tribunal.

In addition, the SRA is responsible for issuing Practising Certificates to solicitors. They also offer continuing professional development and accreditation schemes for solicitors; and handle applications from overseas solicitors under the Qualified Lawyers Transfer Regulations 1990.

Where a consumer makes a complaint to the SRA and the SRA makes the decision to refer the complaint to one of their specialist units then my remit covers how the SRA and their specialist unit(s) have dealt with that complaint.

I am keen that when matters are passed to one of these specialist units that the SRA provide a more detailed explanation of why they are making such a referral and how long it will take for any further action to take place. The SRA should, if possible, provide timescales as to when these specialist units will decide whether further action will take place.

It is important to distinguish between a situation where the SRA refers a consumer complaint internally to one of its own specialist units from one where the SRA, of its own volition, and as part of its regulatory functions, investigates a solicitor based on received information. This information can come from a variety of sources including a member of the public, another solicitor, a court or the police. My remit does not extend to cases such as these.

However, in cases where the SRA takes action on received information I am of the view that the SRA, as a matter of good practice, should keep those who have provided them with that information regularly updated where appropriate. This is a necessary step to increase confidence in the SRA that it is taking action against solicitors who have breached the Code of Conduct.

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.

The Bar Standards Board was established in January 2006 when the Bar Council separated its regulatory and representative functions. 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.

Council for Licensed Conveyancers

The Council for Licensed Conveyancers (CLC) is responsible for representing the interests of licensed conveyancers and regulating their professional conduct. Currently, the CLC also handles consumer complaints about the service received from their members. In addition, they issue licences and organise the licensed conveyancers' compulsory training and examinations.

Institute of Legal Executives (ILEX)

ILEX is the professional body that represents trainee and practicing Legal Executives. Under the Courts and Legal Services Act (1990) my remit covers the 47 Legal Executive Advocate members of ILEX, compared to the full membership of 22,533 (as at December 2008).

During 2008 ILEX established a new company, ILEX Professional Standards Ltd (IPS) to take responsibility for the regulation of ILEX members. The Company was formed on the 1 October 2008. IPS and ILEX have agreed protocols that will govern the relationship between the two companies. IPS has embarked on a review of ILEX investigation and disciplinary appeals rules and the code of conduct that applies to ILEX members.

Chartered Institute of Patent Attorneys (CIPA)

CIPA is the professional and examining body for patent attorneys (also known as patent agents) in the UK. Under the Courts and Legal Services Act (1990) my remit covers the 70 holders of Litigator Certificates compared to a full CIPA membership of 1,740 (as at December 2008).

The Chairman of the Institute's Disciplinary Panel has recently been appointed as a member of the Disciplinary Board of Appeal at the European Patent Office, the regulatory body for the European profession of which the British profession forms a significant part.

Institute of Trade Mark Attorneys (ITMA)

The Institute of Trade Mark Attorneys is the professional body representing those qualified to act for the owners of trade mark and other intellectual property rights – in particular, registered designs – both nationally and internationally.

“Complaint-handling systems [need to] deliver a fair, transparent and impartial service, one that inspires confidence rather than apprehension and distrust among consumers.”

2002/2003 Annual Report

“It is to be expected that the new arrangements will...create mechanisms to enable the regulator and practitioners themselves to learn from complaints, so that they can act as an upward driver on quality standards.”

2004/2005 Annual Report

“For some years I have voiced my concerns regarding the dual role of the professional bodies in both representing and regulating their members.”

2006/2007 Annual Report

3

Complaint-handling Performance

“I have been concerned by the LCS approach of suspending investigations concerning Raleys. My view is that each case should continue to be judged on its own merits.”

Law Society Legal Complaints Service

In 2008/2009 I investigated 1,195 cases referred to me by consumers who were unhappy with how the Law Society Legal Complaints Service (LCS) handled their complaints.

The percentage of investigations with which I was satisfied was 64%. In 2007/2008 I was satisfied with 68% of investigations referred by consumers to me. This performance is disappointing.

Therefore, in 431 cases (around 36% of the total) I was not satisfied with the way the LCS had handled the complaint. Formal recommendations (to reconsider and/or compensate) against the LCS were made by me in 346 cases.

In comparison to 2007/2008 I have noted an increase in the number of cases that I have asked the LCS to reconsider.

The LCS's Complaints Acceptance Policy (CAP) replaced the former excluded matters policy for all complaints received on or after the 1st May 2008. The new policy has been published on the LCS website along with Frequently Asked Questions for consumers and guidance for solicitors. The application of the new policy has been the cause of several adverse reports from me. The LCS said that the new policy would take some time to embed.

The LCS accepted that my reports had highlighted issues around the application of the policy by LCS caseworkers. The LCS say that they have already taken steps to ensure that effective application of the policy is monitored and corrective action has been implemented. It concerns me that the LCS has, and may continue to, exclude legitimate complaints. I will monitor, and reflect in my reports, whether this new policy is being properly applied.

In June 2008 the LCS introduced a revised Special Payments Policy to its casework. This policy is used to assess any compensation award due to complainants for the LCS's own service failures. I have reminded the LCS that although they have changed their policy I will continue to review and award compensation in cases strictly on their individual merits.

TABLE 4 – Adverse findings

	2008/09	2007/08
Criticism	85	91
Compensation: LCS to pay	59	102
Reconsider	259	198
Reconsider and Compensation: LCS to pay	28	24
Total	431	415

“Disappointingly, the Legal Complaints Service lags somewhat behind...although I do note some welcome improvements in turnaround times and service delivery.”

TABLE 5 – Reasons for recommendations made against the LCS

	2008/09	2007/08
	%	%
Poor Decision	78	65
Poor Service	14	20
Poor Administration	6	13
Problems with LCS/Lawyer	2	2

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 2008/2009 is less than in 2007/2008. In 2008/2009 I recommended that the LCS pay compensation to consumers let down by their own internal service in 87 cases with the amount totalling £29,380 and therefore an average award of £338. The year before I recommended that the LCS pay compensation in 126 cases with the amount totalling £48,130 and therefore an average award of £382. This reflects an improvement in the service delivery of the LCS as reflected in the reduction in the percentage of cases in which I saw poor service and poor administration.

Greater use of my reports

In my 2007/2008 Annual Report I identified that the LCS could make greater and better use of the findings from my investigations, that are issued in the form of a final report, and of which the professional body, complainant and the solicitor receive a copy. Through more consistent evaluation of the contents of my reports the LCS would understand what it is doing well to learn lessons for other areas where performance is weaker. Additionally, where my reports are positive this allows feedback for staff that can be used in training as well as potentially enhancing morale within the LCS.

I am pleased to report that following my feedback, and the findings of an external audit commissioned by the LCS, the LCS now have a system for extracting feedback from my reports. This is fed back not only to the individual caseworker but also into wider business improvements and training. In addition the LCS now have nominated Casework Advisers who review all reports, including non-recommendations, for their units. This is centrally reviewed and analysed for trends, which the LCS Operational Management Team then considers. Each unit is also producing periodic local bulletins highlighting key areas of concern and feedback, which is used for training and process improvement purposes. This is a welcome initiative by the LCS.

The Miners' Cases

Many former miners who received compensation from the former Department of Trade & Industry, for example for a respiratory disease and/or Vibration White Finger, did not get 100% of the awards they were entitled to. This was because some solicitors deducted their legal fees from awards and deductions were made in respect of trade union fees, insurance premiums and other referral fees.

Following referrals to me by some miners, I formed a team of investigators with responsibility for focussing on miners' complaints. The team began investigating individual cases in 2005. Those investigations raised a number of concerns about the way in which the Law Society had completed original investigations into allegations made by miners and their representatives. In April 2006, I issued a Special Report highlighting those concerns and recommending that the Law Society review its approach to the handling of miners' cases. The Law Society was initially resistant to my recommendations, however

continued pressure and adverse reports has meant significant progress has been made in ensuring miners' cases are investigated appropriately.

During 2008/2009 the LCS have embarked on what they have termed Phase 2. Phase 2 differs from the original complaints-handling scheme in that the law firms, not the LCS, will be contacting their clients direct. The LCS will only contact the clients of those firms that do not agree to write to their clients or do not agree to sign a written undertaking that confirms that they did not make any inappropriate deductions from their clients' compensation payments.

Although I am content for solicitors to take responsibility for righting any wrongs that they may have committed I am concerned about the large element of self-policing that this plan involves. If a legal firm gives an undertaking and then fails to follow through on it, the responsibility for oversight could get lost in the transitional period between the LCS and the OLC. It is also the case that many of these clients are elderly and/or infirm. In the circumstances it is my view that these cases should be expedited as quickly as possible.

The miners' cases raise some of the most important service and conduct issues in the history of legal service complaints handling. Some of those issues attach to specific law firms – for instance a number of solicitors have been prosecuted before the Solicitors Disciplinary Tribunal. Some are generic. In order to build up a full picture from which, hopefully in the future, lessons can be learned by the legal profession, it is crucial that the LCS adopt an inclusive approach to the acceptance of miners' complaints for investigation. The public interest demands this. This underpins the recommendations that I have made in individual cases.

Recently, I have been concerned by the LCS approach of suspending investigations concerning Raleys until the Solicitors Disciplinary Tribunal process has been completed. My view is that each case should continue to be judged on its own merits.

Publication of solicitors' complaints records

In January 2008 the LCS launched a formal consultation with its key stakeholders regarding the publication of solicitors' complaints records. In my 2007/2008 Annual Report I stated that although in principle I am supportive of the proposals to publish the complaints records of law firms its value is dependent on the breadth and detail of the information that is published. Under the LCS's proposals, it was intended to publish only those decisions reached following the LCS adjudication process. Given the very low percentage (4%) of complaints dealt with by adjudication and the even smaller number upheld, I was left wondering what value it would have for consumers of legal services.

In October 2008 the LCS stated that although it still favours the idea it has passed responsibility for any such scheme to the new body for legal complaints the OLC. The LCS blamed practical problems for stopping the plan going ahead – lack of resources and an outdated IT system.

I remain of the view that full publication of all solicitors' complaints and the improvement of client care through training and the introduction of a Charter Mark system would represent a more holistic approach to improving service standards. Law firms achieving Charter Mark status would be recognised for excellence, demonstrating to consumers the high level of service that could be expected.

CASE Studies

Is the evidence of a judge good enough?

Solicitors acted for the complainant and her husband in the sale of one property and purchase of another. The solicitors held the proceeds from the transactions on account. The firm issued a cheque for around £23,500 made payable to both the complainant and her husband.

The complainant's husband contacted the solicitors and asked them to make the cheque payable to him and the solicitors did so, without consulting or informing the complainant. The complainant and her husband later divorced, and during those proceedings the complainant finally discovered what had happened to the proceeds of the property sale.

When the divorce proceedings had concluded, the complainant complained to the LCS about the solicitors. The LCS found that the solicitors' failure to obtain Mrs B's instructions before rewriting the cheque was a 'technical breach' of the rules of professional conduct. The LCS took the view that the complainant had not suffered any detriment and decided not to take any action.

In her review the Ombudsman disagreed with the LCS. The Ombudsman took the view that the complainant had suffered a loss of more than £11,000 and recommended that the LCS reconsider the matter.

When the LCS reconsidered the matter, the complaint was referred to an Adjudicator. The Adjudicator found that the solicitors had given the complainant an inadequate professional service and awarded £1,500 in compensation. The Adjudicator said that the financial loss had been included as part of the divorce settlement. The complainant took the unusual step of contacting the District Judge who had overseen the divorce proceedings. The District Judge replied, stating categorically that the money had not formed any part of the divorce settlement and that the solicitors should be ordered to reimburse the complainant for her loss. The Adjudicator was unmoved and refused to reconsider the decision. The Adjudicator said that the LCS could not consider a detailed assessment of the ancillary relief proceedings and that it was not for a judge to tell the LCS how to execute their statutory powers.

The Ombudsman was wholly dissatisfied with the LCS's handling of the reconsideration. The Ombudsman did not consider that the LCS would need to conduct an assessment of the ancillary relief proceedings at all. The courts are a higher authority than the LCS, and the word of a District Judge that the money was not taken into account in the divorce settlement is evidence enough for the LCS to act upon. The Ombudsman found it quite remarkable that the LCS would disregard the word of a judge in this manner and felt that it reflected poorly on the LCS as an organisation that they had done so. The Ombudsman felt that it was clear that negligence on the part of the solicitors had directly led to Mrs B incurring financial loss of more than £11,000. The LCS has the power to order a firm to pay that amount in compensation and the Ombudsman felt that they should have ordered the solicitors to reimburse the complainant. The Ombudsman recommended that the LCS reconsider the complaint for a second time and that re-investigation is ongoing.

The need to properly investigate

The complainant approached X solicitors through the LCS's Negligence Panel scheme. After an initial meeting, the complainant instructed X solicitors to represent him in negligence proceedings against his former solicitors. After two years, X solicitors ended the retainer. They said that their insurers had advised them to cease acting for the complainant because the claim was time-barred.

The complainant complained to the LCS. He was unhappy with the outcome of his retainer with X solicitors. He had complained to X solicitors but they had not replied. X solicitors confirmed that they had not replied to the complaint and they apologised. X solicitors said that they did not think that the claim was time-barred; but they had had to act on the advice of their insurers. X solicitors offered to write off their outstanding bill, which amounted to around £4000. The complainant had already paid £3,500 to X solicitors.

The complainant rejected the offer. He believed that X solicitors should write off their total bill. The LCS did not agree. They felt that the offer was generous and closed their file on the basis that a reasonable offer had been made.

The Ombudsman was dissatisfied with the LCS's decision. The Ombudsman felt that it was arguable that the complainant had not received any benefit from his retainer with X solicitors because his case had moved no further in the past two years but the complainant had paid £3,500 in fees. Furthermore, the Ombudsman could see no evidence on the LCS's file that they had made any enquiries of X solicitors about the complaint at all.

The Ombudsman surmised that the LCS had decided that the offer was reasonable simply because it was for an amount above the average that complaints to the LCS are conciliated in general. The Ombudsman recommended that the LCS should reconsider whether or not X solicitors should write off their whole bill and, in addition, pay compensation for the distress and inconvenience caused to the complainant. The LCS is re-investigating the complaint.

Poor service – yet still rejected

The complainant submitted a complaint on the 23 April 2008 to the LCS. It was date stamped as being received on the 25 April 2008 and acknowledged by letter by the LCS on that date.

The solicitors complained about replied substantively to the LCS on the 28 May 2008 and in that letter they offered an apology to the complainant. On 30 May 2008 the LCS closed its file applying their new Complaints Acceptance Policy (CAP). The CAP didn't come into force until 1 May 2008, after the complaint had been made. The LCS letter of 30 May made no reference to the solicitors' apology.

The complainant then wrote to the LCS on the 12 June complaining about the way the complaint had been handled and specifically about the application of the LCS time-scales. The LCS replied to the complainant on the 8 July 2008 confirming the decision to close the file on the basis that it was made out of time.

The complainant complained to the Ombudsman who recommended that the LCS should reconsider the decision. The Ombudsman pointed out that the solicitors complained about had accepted that they had provided a poor service when they offered their apology. The LCS agreed to accept the complaint and their investigation into the matter is ongoing nearly a year later.

A complaint from a beneficiary

Solicitors acted for the complainant's mother. She owned a caravan park and an adjoining football field. The solicitors drew up a Deed of Gift (gifting the football field to the complainant and his sister) and the complainant's mother's Will. Under the Will, the complainant and his sister were named as the sole beneficiaries and the solicitors were named as executors.

Upon the complainant's mother's death, the solicitors sold the caravan park in order to pay Inheritance Tax and passed the balance of the proceeds to the complainant and his sister.

It later came to the attention of the complainant that a mistake had been made which meant that 10 metres of the football field had been sold. The complainant and his sister asked the solicitors to rectify the mistake and, in 2003, the firm drew up a Deed of Rectification.

The owners of the caravan park then made an offer of £20,000 to buy the 10 metres of the football field in order to expand the caravan park. The complainant and his sister accepted that offer; but the caravan park owners discovered that the Deed of Rectification was irrelevant and they already owned the land, so the offer was withdrawn. In 2005, the complainant complained to the LCS. He felt that the solicitor's mistake had cost him and his sister £20,000.

The LCS referred the complainant to a member of their Negligence Panel, who advised the complainant that he and his sister might have a claim against the solicitors for negligence. The LCS said that they would close their file until the negligence claim had concluded, and they would consider any further service complaints following the conclusion of the negligence claim.

In July 2007, the complainant contacted the LCS again. The negligence claim had not proceeded and the complainant asked the LCS to investigate the matter. After some confused correspondence, the LCS re-opened their file in December 2007. In May 2008, the LCS informed the complainant that they could not pursue his complaint because, as beneficiaries of the Will, the complainant and his sister were not clients of the solicitors and so did not have the standing to complain.

The Ombudsman was unhappy with the LCS's response to the complaint for two reasons. Firstly, the Ombudsman felt that the LCS could have identified that the complainant and his sister were beneficiaries in 2005, when the complainant first complained (or at the least in July 2007) rather than raising his expectations until May 2008. The Ombudsman recommended that the LCS pay £600 in compensation for the distress and inconvenience this had caused.

Secondly, and more importantly, the Ombudsman felt that the LCS were wrong to conclude that they could not investigate the matter. The LCS have the power to accept complaints from beneficiaries if the firm complained of are the executors of the estate and there are no lay executors. That was the case with the complainant and his sister. The Ombudsman therefore recommended that the LCS reconsider the matter and that re-investigation is ongoing.

Discretion needed in exceptional circumstances

The complainant instructed solicitors in a conveyancing matter in 2005. He paid the firm £30,000 as a deposit for the purchase of a property. The money was forwarded to the vendor's solicitors. However, the sale was abandoned and the property was sold to another party. The complainant tried to secure the return of his money. When he was unable to, he made a complaint to the firm. Following their response he complained to the LCS in July 2007. Having received no response he wrote again to the LCS in December 2007. The LCS rejected the complaint because it had not been made to them within the six-month time limit for doing so. The LCS said that they had not received his first correspondence of July 2007, and so had to treat his letter of December 2007 as his first contact with them.

In her review, the Ombudsman said that it was reasonable for the LCS to apply their time limit using December 2007 as the first date of contact from the complainant in the absence of proof of postage of his original letter. However, the Ombudsman felt that the circumstances of the complaint were of a sufficiently serious nature that the LCS should have exercised their discretion to accept his complaint out of time. The Ombudsman recommended that the LCS reconsider the matter.

The LCS agreed to investigate and found that the firm had provided an inadequate professional service in that they had failed to take reasonable steps to ensure that the money would be protected; failed to advise on the consequences of releasing the deposit money, and failed to advise on the terms of the contract. The firm made an offer of compensation but this was much smaller than the lost £30,000 that the complainant felt that the firm were responsible for. The complainant asked the LCS to close their file so that he could pursue negligence proceedings against the firm for the full amount. The LCS informed the complainant that they could reopen their file once the negligence proceedings have been concluded.

A probate complaint

The complainant's father instructed a solicitor in relation to a property dispute. The complainant's father had been unhappy with the service he had received from the firm but sadly he died shortly after making a complaint to the firm. The complainant was granted probate and so took responsibility for her late father's affairs. The complainant referred her late father's complaint to the LCS. The complainant raised further complaints of her own with the LCS.

The LCS refused to consider the complainant's further complaints. The LCS said that they could not 'second guess' what the complainant's father might have complained about and could only consider complaints that he had made.

In her report, the Ombudsman disagreed with the LCS's assessment. The Ombudsman took the view that the LCS should consider the matters raised by the complainant. The Ombudsman considered that if the solicitor had provided a poor service, that would still be the case, whether Ms G's father had raised it as a complaint or not. The Ombudsman recommended that the LCS reconsider the matter.

The LCS reconsidered the complaint and sent it to adjudication. The Adjudicator considered all of the complaints that had been raised by the complainant and her late father and decided that there had been an inadequate professional service. The Adjudicator ordered that the firm's fees of over £3,200 should be repaid to the estate in their entirety.

The need to exercise discretion sensitively

The complainant instructed solicitors in respect of the purchase of a property. On the day set for completion, the necessary funds were not in place. The vendors threatened the complainant with legal action for recovery of the costs incurred as a consequence of the delay.

The complainant complained to the LCS that his solicitors had failed to put in place mortgage funds to allow completion to take place on time. The LCS replied that complaints should be brought within six months of the end of the retainer with the firm or the client becoming aware of the issues giving rise to the complaint. They pointed out that the complaint was outside that time limit.

The LCS has the discretion to investigate outside their time limit. The complainant asked the LCS to take into account that he had been bereaved of three close family members and had to deal with the serious ill health of another. The LCS replied "whilst I am sorry that you have suffered bereavements...I do not think that this is a sufficiently compelling reason for me to exercise [our] discretion". They closed their file.

The Ombudsman found that the LCS had adopted a clinical approach to the exercise of their discretion on the basis of bereavement and demonstrated no regard to the individual facts of the case or the long-term effect bereavement can have.

The Ombudsman concluded that the complaint was not out of time and that the complainant had demonstrated that he was seeking to pursue the complaint by other means. There were also compelling personal mitigating reasons why the complaint could not have been brought within the usual time limit. Consequently, the LCS had not reached a decision that fell within the bounds of reasonableness in declining to exercise their discretion to investigate out of time. The LCS agreed to investigate the complaint, which is ongoing.

There are matters of professional judgement that can be considered

The complainant instructed solicitors in connection with a personal injury claim against her employer. She complained to the LCS about several aspects of the solicitor's handling of the case, the main complaint being that the solicitors chose to use a specialist hand surgeon as a medical expert, when the injury was actually to the complainant's shoulder.

The LCS said that the matter of choosing a medical expert was an issue for the solicitors' professional judgement, and said that they could not consider that judgement, because to do so would be equivalent to offering their own legal opinion, something which they felt they could not do.

In her review, the Ombudsman said that she accepts that, in principle, the LCS cannot consider complaints about a solicitor's professional judgement. However, the Ombudsman felt that the complainant's case was one where the LCS could make a judgement as to whether or not it was appropriate to use a specialist hand surgeon instead of one who specialises in shoulders.

The Ombudsman also identified that the complainant had accused the solicitors of lying and of pressurising her to sign documents that she knew to be false. These were complaints of misconduct that the Ombudsman would normally expect the LCS to refer to the Solicitors Regulation Authority. She recommended that the LCS reconsider their decision not to make such a referral, and if they chose not to, to explain why. The LCS is reconsidering the complaint.

Law Society Solicitors Regulation Authority

In 2008/2009 I investigated 434 cases referred to me by consumers who were unhappy with how the SRA handled their complaints.

In 75% of cases referred to me I was satisfied with the way in which the SRA handled the complaint. This is down on 2007/2008 when I was satisfied with 80% of the cases I investigated.

In 109 cases (around 25% of the total) I was not satisfied with the way the SRA had handled the complaint. I made formal recommendations (to reconsider and/or compensate) to the SRA in 73 cases.

In comparison to the year before I have noted an increase in the number of cases that I have asked the SRA to reconsider. The main reasons that I have asked the SRA to

reconsider cases are because I disagreed with the reasonableness of their decision; I recommended that they should seek further evidence before reaching a decision; and I considered that they had not made a decision on all aspects of the complaint.

It is pleasing to note that the number of cases and average amount of compensation I recommended that the SRA pay to consumers let down by the their own internal service in 2008/2009 is less than in 2007/2008. In 2008/2009 this was done in 8 cases with the amount totalling £3,120 this represents an average award of £390 In 2007/2008 I recommended that the SRA pay compensation in 27 cases totalling £13,250 therefore the average award was £491. This reflects an improvement in the service delivery of the SRA as reflected in the reduction in the percentage of cases in which I see poor service and poor administration.

TABLE 6 – Adverse findings

	2008/09	2007/08
Criticism	36	31
Compensation: SRA to pay	7	18
Reconsider	65	24
Reconsider and Compensation: SRA to pay	1	9
Total	109	82

TABLE 7 – Reasons for recommendations made against the SRA

	2008/09	2007/08
	%	%
Poor Decision	81	44
Poor Service	13	32
Poor Administration	6	19
Problems with LCS/Lawyer	0	5

CASE Studies

Decisions must be clear

The complainant purchased a property in 2007. Solicitors acted for the vendor. When pre-contract enquiries were made, the vendor's solicitors said that any service charge and ground rent arrears would be discharged on or before completion. That did not happen, and following completion the complainant was forced to pay around £4,000 in service charge arrears. Mr V issued proceedings, and successfully recovered the money from the vendor. He then complained to the SRA because he felt that the vendor's solicitors had failed to comply with an undertaking.

The SRA found that the vendor's solicitors had made, and had breached, an undertaking. That decision was appealed. The Appeal Panel felt that there was sufficient doubt to conclude that a statement made by the vendor's solicitors did not amount to an undertaking, and overturned the original decision.

The Ombudsman was not happy with the Appeal Panel's handling of the complaint. The Ombudsman felt that the reasoning provided by the Appeal Panel was unclear. The Ombudsman was also dissatisfied that the Panel made no reference to the relevant rules of professional conduct. The Ombudsman recommended that the SRA reconsider the matter and provide a fuller explanation as to why the statement made by the vendor's solicitor did not amount to an undertaking. A re-investigation into the complaint continues.

When is a solicitor not a solicitor?

A 'solicitor' wrote a letter about a company infringing a copyright that the complainant owned. The 'solicitor's' practising certificate had been suspended at the time. The 'solicitor's' correspondence bore the name of a registered limited company but the name implied that it was a solicitor's firm. The style of the correspondence was very legalistic and it stated that no action would be taken for 28 days to enable the complainant to take independent legal advice. When questioned about his status, the 'solicitor' wrote to the complainant explaining his status and involvement in the matter.

A complaint was made to the SRA. The SRA decided not to investigate on the grounds that the company was not regulated by the SRA and there was no evidence that the 'solicitor' had held himself out to be a solicitor.

The Ombudsman took the view that the SRA should have considered the complaint because a layperson receiving the letter would reasonably have assumed that it was from a solicitor and that the 'solicitor' would (or should reasonably) have known that a layperson could have interpreted the letter in that way. She noted that the 'solicitor' had informed the SRA that he explained his situation to 'most' of the people that he had dealings with. The Ombudsman awaits the SRA's decision as to whether they will re-investigate the complaint.

All complaints must be addressed and decisions explained adequately

Solicitors acted for the complainant in a personal injury claim against Mr F, which was successful and Mr F was ordered to pay costs. Mr F asked the SRA to review the solicitors' file in relation to the costs they had charged the complainant and the methods they had used in enforcing the costs order.

Mr F provided a copy of the court judgement and copies of correspondence with the solicitors. After considering the documents provided by Mr F, the SRA informed him that there was insufficient evidence of misconduct for them to investigate further.

Mr F asked the Ombudsman to review the SRA's handling of the complaint. He said that he felt that the SRA had not considered the complaint properly.

The Ombudsman was not satisfied with the SRA's response to Mr F's complaint. There were gaps in the documentation provided by Mr F, and the SRA stated that the matter was not clear. The Ombudsman felt that the SRA could reasonably have been expected to make enquiries with the solicitors to clarify issues before reaching their decision. The Ombudsman also felt that the SRA had not adequately addressed an issue about the solicitors' enforcement methods, or adequately explained their decision about costs. These matters are of great concern to a party making a complaint, and the Ombudsman felt that the SRA should have explained their decisions more clearly. The Ombudsman recommended that the SRA reconsider Mr F's complaint. The SRA re-opened their file and the investigation is ongoing.

Regulation and public confidence

A solicitor was instructed by Miss E in 1999 to draft her Will, and in 2001 by her sister, Miss A, to draft a Deed of Variation to Miss A's Will. Under the terms of both, the solicitor and his family benefited from half of both Miss E's and Miss A's estates. Collectively, the solicitor and his family would receive around £500,000.

Following Miss E's death, the other beneficiaries of her Will complained to the SRA. They felt that the solicitor had breached the Guide to the Professional Conduct of Solicitors because where a solicitor is a beneficiary the solicitor must advise the client to seek independent legal advice before proceeding, and if the client refuses to seek such advice, the solicitor must refuse to act.

The SRA sought the solicitor's comments on the allegation. When his comments were received, the SRA caseworker prepared a report, which was sent to the solicitor for his comments. Finally, the solicitor's comments and the report were considered by an Adjudicator. The Adjudicator found that Mr G had breached the Guide and warned the solicitor about his future conduct.

The other beneficiaries complained to the Ombudsman. The Ombudsman was not satisfied that the complainants had not been given the opportunity to comment on the solicitor's submissions. The complainants' only input had been their initial complaint to the SRA, whereas the solicitor had been allowed to offer comment at every stage. The Ombudsman felt that the process that the SRA had followed showed bias towards the solicitor.

The Ombudsman was also dissatisfied with the Adjudicator's decision not to pursue any disciplinary action against the solicitor. Mr G had acted in a situation which the Guide specifically stated that he should not, and in doing so his family had benefited by around £500,000. The Ombudsman recommended that the SRA reconsider their decision not to take any disciplinary action, and that they gain the comments of the complainants during the investigation process. The SRA re-opened their file and their investigation is ongoing.

Bar Standards Board

During 2008/2009 I investigated 169 cases referred to me by consumers who were dissatisfied with the BSB's handling of their complaint.

I was satisfied in 80% of these cases. Adverse findings were recorded in 33 cases (around 20% of the total). I made formal recommendations (to reconsider or compensate) against the BSB in 21 cases.

TABLE 8 – Adverse findings

	2008/09	2007/08	2006/07	2005/06
Criticism	12	7	8	3
Compensation: BSB to pay	3	11	3	1
Reconsider	18	8	16	17
Reconsider and Compensation: BSB to pay	0	1	0	1
Total	33	27	27	22

I am able to recommend that the BSB pay compensation to consumers let down by their own internal service. This was done in 3 cases in 2008/2009, totalling £500 and therefore an average award of £167. In 2007/2008 I recommended compensation be paid in 12 cases with the amount totalling £2,750 and an average award of £229. This reflects an improvement in the service delivery of the BSB.

TABLE 9 – Reasons for recommendations made against the BSB

	2008/09	2007/08	2006/07	2005/06
	%	%	%	%
Poor Decision	58	28	11	4
Poor Service	28	36	71	78
Poor Administration	14	36	14	17

BSB Strategic Review

During 2008/2009 the BSB put in considerable work on improving its complaints and disciplinary processes following a Strategic Review of the processes in 2007. The report of that review recommended 65 improvements to the system and I am pleased that the BSB has been able to commence implementing nearly all of these recommendations. In particular, I welcome the following changes:

- the introduction of clearly stated aims and objectives for the complaints system which are publicly available
- a requirement that, in appropriate cases, complaints which have not previously been considered by a barrister's chambers are referred back to the chambers for investigation prior to the involvement of the BSB
- the introduction to the complaints process of an additional stage requiring that the terms of a complaint are agreed with the complainant before formal investigations are commenced
- the provision of a dedicated 'Information Line' for both complainants and barristers to answer queries about the operation of the complaints system
- the introduction of user satisfaction surveys as an integral part of the complaints system which will allow complainants to provide feedback on the way their complaints were handled
- new printed leaflets providing improved and clear information about the complaints process
- an updated complaints database that will allow for enhanced and more detailed management reporting
- the introduction of an 'Independent Observer' tasked with assessing the efficiency and effectiveness of the BSB's complaints system
- publicly available Sentencing Guidance to help complainants assess what action might be taken against a barrister in the event that their complaint is upheld
- improved training and guidance materials for those involved in making decisions in relation to complaints.

I am also pleased the BSB is actively working on introducing service standards and targets for all aspects of the complaints system. I recognise that such work requires careful consideration but I hope that clear targets will be introduced in the near future and at the very latest by the end of 2009. This work, and the resources necessary for it, needs to be set in the context that, like the other professional bodies, the BSB will be handing its complaint-handling function to the new OLC. The OLC is expected to be fully operational in late 2010.

CASE Studies

The BSB do not necessarily have to take the same view as the Ombudsman, provided their view is reasonable

The complainant instructed Ms S to represent him in an action before the High Court to establish that he had an interest in a property which had been registered solely in his partner's name. He was unhappy with Ms S's handling of the case and complained to the BSB. The BSB asked two sponsor barristers to review the papers. The second sponsor barrister was concerned about Ms S's handling of the case and said that her performance fell short of that which could reasonably be expected of a barrister.

The BSB referred the complaint to an Adjudication Panel. The BSB decided to send an edited version of the sponsor barristers' notes along with the papers. The Adjudication Panel found twenty specific occasions where Ms S had failed to find a specific document, or had been unable to deal with an interjection by the Judge. The Panel decided, however, that none of those instances, taken individually or collectively, were so serious as to amount to a provision of poor service and so the complaint was not upheld.

The Ombudsman recommended that the BSB reconsider the complaint. She felt that the Adjudication Panel should explain the reasons why they felt that the failures of Ms S did not amount to a poor service. The Ombudsman also recommended that the BSB reconsider whether or not to allow the Adjudication Panel to view the unedited notes of the sponsor barristers.

The Adjudication Panel asked to see the sponsor barristers' unedited notes; but the BSB decided that the Panel should explain its reasons for its previous decision before a decision was reached as to whether or not to send the Panel the unedited notes. Once the Panel had provided its explanation, the BSB decided not to send the unedited notes. The BSB felt that the sponsor barristers' opinions may have unfairly influence the Panel's decision had they done so.

The Ombudsman remained of the view that there was no reason why the Adjudication Panel should not see the sponsor barristers' unedited notes. She felt that Adjudication Panel would be capable of dismissing the barristers' opinions if it so chose. The Ombudsman did, however, feel that the BSB's decision was not unreasonable, and she was satisfied with the reasons that the Adjudication Panel gave for their decision not to uphold the complaint. The Ombudsman took the view that the BSB's reconsideration showed a reasonable investigation of the complaint.

The need to give proper consideration to a Chambers' handling of a complaint

The complainant's solicitors instructed Mr W to represent him at a 'special reasons' hearing after the complainant had pleaded guilty to a charge of driving with excess alcohol. The complainant's solicitors informed him that they felt he had a strong case; but on the day of the hearing Mr W said that he felt that the application was unlikely to succeed. Following that advice, the complainant chose not to proceed with the application.

On further advice from his solicitors, the complainant lodged an appeal and obtained a second opinion from another barrister, who agreed with his solicitors and said that the complainant had an arguable case. The complainant chose not to pursue the appeal and took an offer of a reduced disqualification period. He was unhappy with Mr W's advice, and complained to his solicitors in May 2007. The complaint was forwarded to Mr W's Chambers; but no response was received. The complainant and his solicitors chased the matter several times before the complainant complained to the BSB in December 2007.

The BSB wrote to Mr W for his comments. Mr W informed the BSB that the complaint had been received at his Chambers in June 2007 and that two senior members had told him that a disciplinary committee would be convened to consider the complaint. This had never happened. Mr W said that there had been a substantial delay in receiving the files from the complainant's solicitors, to the point that the complainant had already complained to the BSB before the files had been received.

The BSB explained to the complainant that they could not question Mr W's exercise of his own professional judgement. Barristers are entitled to form their own legal opinion and advise accordingly, and the fact that the complainant found a contrary opinion does not in itself mean that Mr W was wrong. The BSB would only take action if the advice given was clearly contrary to the advice that any appropriately qualified and experienced professional would give. The BSB also accepted Mr W's explanation for his Chambers' lack of response to the complaint.

The Ombudsman agreed with the BSB's findings regarding the complaint about Mr W. However, the Ombudsman was dissatisfied with the BSB's acceptance of Mr W's explanation about the Chambers' failure to respond to the complaint. Mr W had not explained why the Chambers had continually failed to respond to the complainant or his solicitors over a period of more than six months, and the Ombudsman noted that the Chambers had only responded at all when the BSB had become involved. Mr W had said that the complaint had been acknowledged when received in June 2007 but could not provide any evidence to support this claim. Furthermore, Mr W had not provided any evidence to suggest that the solicitors' files had ever been requested, yet the BSB accepted this explanation for the excessive delay without further inquiries.

The Ombudsman could not see how the BSB could reasonably accept Mr W's explanation for his Chambers' lack of response without further enquiries, and she recommended that the BSB reconsider the matter.

The complaint went before the BSB's Complaints Committee. The Chambers provided evidence that they had, in fact, confirmed receipt of the complaint and requested the solicitors firm's file, only part of which was received. However, the Committee found that the Chambers had not made any effort to request the remainder of the file, or to inform the complainant of their initial conclusions. The Complaints Committee issued a written warning to the Head of Chambers for failing to comply with Chambers' own complaints procedure.

The Council for Licensed Conveyancers

During 2008 the CLC received 177 complaints compared to 277 in 2007. One practice accounted for 23% of the total complaints received by the CLC in 2008. The CLC have worked closely with this practice to improve the quality of its service and its procedures for resolving complaints. This has been on a number of levels: contact in relation to specific matters, monthly reviews with a senior manager, a preliminary investigation by the Investigating Committee and an accounts and conveyancing inspection. Following these inspections suggestions were made as to practical steps which could be taken to improve the service provided e.g. review of standard form letters.

The CLC's Investigating Committee met 12 times during 2008 and determined 112 complaints. In addition 72 complaints were resolved in correspondence and 19 complaints were referred to insurers.

During 2008/2009 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 7 out of 8 of the CLC's investigations in 2008/2009. In the investigation that I was not satisfied with, I recommended that the CLC pay £200 compensation to the complainant.

Amendment to the Investigating Committee Rules

By autumn 2009 it is envisaged that the CLC's new Investigating Committee Rules will have come into force. These will enable a differently constituted panel to reconsider a complaint where one of the parties has asked for a review of a determination made. This takes forward the suggestion I made in my 2007/2008 Annual Report.

Improved Quality Assurance processes

The CLC have introduced quality assurance monitoring and feedback on individual reports and recommendations prepared by Report Writers. Report Writers also now have regular performance reviews.

Publication of Report Writers recommendations

The CLC's Investigating Committee resolved in January 2009 that the Report Writer's recommendations should be published to the parties. The CLC hope that complaints will be resolved at a much earlier stage if the parties agree the recommendations. Where they are not agreed, the parties will have an opportunity of commenting on the recommendations which can then be taken into account when the Investigating Committee determines the complaint. The CLC anticipate that this will reduce the need for complaints to be referred back to the Investigating Committee.

CASE Studies

An unacceptable, unexplained delay

The complainant instructed a firm in connection with the proposed purchase of an apartment in a property development. The complainant paid £1000 deposit. The firm's legal fees were to be paid by the developer, leaving the complainant only to pay for searches and Land Registry costs. However, the complainant withdrew from the purchase, as she felt unsure of her legal position because the firm had failed to answer queries about the contract to her satisfaction. This resulted in the complainant losing her deposit.

The complainant complained to the CLC in October 2007. She said that the firm had been unprofessional and unhelpful, had not answered enquiries and had failed to explain the transaction adequately; all of which had led her to withdraw, incurring losses of more than £1000. She wanted to have those losses reimbursed by the firm and to be compensated for her distress and inconvenience.

The CLC sought a response to the complaint from the firm, which was provided in January 2008. In June 2008 a formal report was prepared for consideration by the Investigating Committee. The Committee issued their findings in September 2008. They found that the firm had failed to adequately explain relevant documentation to the complainant, and had failed to raise enquiries they could reasonably have been expected to. The CLC awarded £200 in compensation to the complainant for those failings. The CLC considered that the complainant's decision to withdraw had been her own, and that in making her decision she had been aware that she would lose her deposit. The CLC decided that the firm could not be held responsible for all of the complainant's losses in those circumstances.

The Ombudsman felt that the CLC's conclusions were reasonable. However, she was unhappy with the delay between January and June 2008, where no action was taken on the file. The CLC had written to the complainant twice, apologising for the delay; but had given no explanation. The Ombudsman recommended that the CLC pay the complainant £200 in compensation for the distress and inconvenience caused by their delay.

A balanced and fair investigation

The complainant instructed the firm in connection with the purchase of a property. The firm instructed a specialist search company to conduct a local authority search, and this revealed that the property had planning permission to build a conservatory at the rear of the house. The complainant bought the property on that basis. It was subsequently discovered that the planning permission actually related to a different property entirely.

The complainant complained to the CLC. While a separate company had conducted the search, he felt that he had relied on the firm to ensure that the search was correct and so he felt that they should be held accountable.

The CLC reasoned that they could only make a finding against the firm if they had supplied the incorrect information to the search company. After gathering copious documentary evidence from the complainant and from the firm, the CLC found that evidence proved that the firm had given the correct information to the search company, and so the firm could not be held responsible for the search producing information on the wrong property. The CLC explained that the search company did not fall within their jurisdiction. However, documentation considered by the CLC showed that the error had occurred within the local authority's database, and was not the fault of the search company, and informed the complainant of this.

The Ombudsman felt that the CLC's investigation and conclusions were reasonable. She was also pleased that they had informed the complainant of their discoveries about where the error had occurred. Since the CLC's only obligation was to consider the service provided by the firm, the Ombudsman was pleased to see that the CLC were prepared to go further than their immediate obligations in order to clarify the matter for the complainant.

Institute of Legal Executives (ILEX)

ILEX's Investigating Committee considered a total of 26 cases in 2008 where complaints had been made against ILEX members compared to 29 cases considered by them in 2007.

In 2008/2009 I received no cases relating to the handling of complaints by ILEX.

Chartered Institute of Patent Attorneys (CIPA)

At CIPA there were no ongoing cases at the beginning of 2008. In 2008, a total of 6 letters of complaint were received. 1 of these cases was resolved by conciliation between the parties, under the firms' internal complaints procedures, without the need for the cases to be formally considered by the Institute.

The remaining 5 cases were remitted to a Case Manager for consideration. As I reported last year, during late 2007, the Institute revised its disciplinary procedures as a result of 2 appeals which found that the procedures used by Disciplinary Boards were not in accordance with the Human Rights Act. This led to the appointment of a panel of patent attorneys to act as Case Managers to, if necessary, prepare a statement of

case and formal charge for the respondent practitioner to answer before a Disciplinary Board. The Case Manager also has the power in the course of obtaining information from the parties to resolve the dispute informally. Early in 2008 the Institute arranged a training session for the Case Managers and new members of the disciplinary boards to help to ensure a common approach by Case Managers and consistency in the procedures and decisions of the Boards.

In 1 of the 5 cases, the Case Manager conciliated between the parties and the complaint was amicably settled. In another, the Case Manager concluded that there was no evidence submitted to substantiate the complaint and the complaint was dismissed. The remaining 3 cases were ongoing at the end of the year.

In 2008/2009 I received no cases relating to the handling of complaints by CIPA.

Institute of Trade Mark Attorneys (ITMA)

In 2008 ITMA received 2 complaints. 1 of these cases was closed within 2 months whilst the other is ongoing.

In 2008/2009 I received no cases relating to the handling of complaints by ITMA.

4 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.

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Legal Services Ombudsman (the Ombudsman) receives salary increases annually in line with the average award to Senior Civil Service (SCS) employees.

The Ombudsman is not subject to performance pay arrangements, although she discusses her annual appraisal with the Permanent Secretary of the Ministry of Justice.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at: www.ome.uk.com

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Further information about the work of the Civil Service Commissioners can be found at: www.civilservicecommissioners.gov.uk

The Ombudsman is a statutory employee. She holds the position concurrently with that of the Legal Services Complaints Commissioner. She has been reappointed as Legal Services Ombudsman from 3 March 2009 until 2 March 2011 and Commissioner from 3 March 2009 until 2 April 2010.

The Ombudsman's contract gives the Secretary of State discretion to make a compensatory payment in the event of early termination 'should he consider there are special circumstances which make it right that the Office Holder should receive compensation'.

Salary and Pension Entitlements

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

Remuneration		
Member	Salary (£'000)	
	2008/09	2007/08
Zahida Manzoor	115–120	110–115

Salary

'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.

Pension Benefits

Pension Benefits					
Name	Accrued pension at age 60 at 31/03/09 (£'000)	Real increase in pension at age 60 (£'000)	CETV at 31/03/09 (£'000)	CETV at 31/03/08 (£'000)	Real increase in CETV (£'000)
Zahida Manzoor	10–15	0–2.5	180	140	24

The figures shown on the pension benefit relate to Zahida Manzoor's role as both the Ombudsman and Commissioner, as it has not been possible to separate her pension entitlements. Zahida Manzoor is a member of the PCS Premium/C1 Plus part of the Principal Civil Service Pension Scheme (PCSPS).

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 changes in the Retail Prices Index (RPI). 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 pension is uprated in line with RPI. 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).

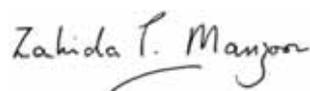
Further details about the Civil Service pension arrangements can be found at the website: www.civilservice-pensions.gov.uk

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, 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.



Zahida Manzoor CBE
Legal Services Ombudsman for England and Wales
24 June 2009



Suma Chakrabarti
Accounting Officer
25 June 2009

5 Annual Accounts

STATEMENT OF ACCOUNTING OFFICER'S AND OMBUDSMAN'S RESPONSIBILITIES

HM Treasury has appointed the Permanent Secretary of the Ministry of Justice (the Ministry) 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 Ministry's assets. He is also responsible for preparing the accounts of the Ministry of Justice (MoJ) and for transmitting them to the Comptroller and Auditor General.

The Secretary of State for Justice and Lord Chancellor has appointed the Legal Services Ombudsman for England and Wales (the Ombudsman) to oversee the daily operations of the Office of the Legal Services Ombudsman (OLSO). Details of the division of responsibilities are set out in a Memorandum of Understanding between the Ministry and OLSO. This appointment does not detract from the Permanent Secretary's overall responsibility as Accounting Officer for the accounts.

Under the Courts & Legal Services Act 1990, the Secretary of State and Lord Chancellor has directed the Ombudsman to produce accounts for the financial year.

These accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of OLSO, the expenditure outturn and cashflow for the financial year.

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

- (a) observe the Accounts Direction issued by MoJ, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- (b) make judgements and estimates on a reasonable basis;
- (c) 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
- (d) prepare the accounts on a going concern basis, unless it is inappropriate to presume that OLSO will continue in operation.

STATEMENT OF INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the Ministry of Justice (MoJ) and the Office of the Legal Services Ombudsman's (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 Ministry's business areas. OLSO operates as a business entity of the Ministry. I delegate financial authority, with internal control and risk management responsibilities, to the Ombudsman via the Director General, Access to Justice Group, in line with the requirements detailed in the Memorandum of Understanding between the Ministry and OLSO.

A system of internal control operates in the Ministry's headquarters. This includes the monitoring of OLSO's performance and compliance with the Memorandum of Understanding through the Director General, Access to Justice Group. To the extent that the document delegates control to the Ombudsman, I place reliance upon the Statements on Internal Control submitted by the Ombudsman to the Director General, Access to Justice Group.

2. 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 Ministry'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 has been in place in OLSO for the year ended 31 March 2009, and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

As Accounting Officer I acknowledge my overall responsibility for the effective management of risk throughout the Ministry.

The Ministry of Justice Risk Management Policy and Framework document was published in July 2008 and is available to all staff on the Ministry's Intranet. This sets out the Ministry's attitude to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk.

Risk management is incorporated into OLSO's day-to-day activities and forward planning.

Risk assessments are carried out by the Senior Management Team in relation to the delivery of business objectives; and a risk register is maintained and reviewed as part of day-to-day management and the business planning and performance reporting process. Significant risks to and arising from the work of OLSO are reported to the Director General, Access to Justice Group on a quarterly basis. Where necessary, such risks and the actions to mitigate are escalated and incorporated into the Corporate Risk Register for consideration by the Corporate Management Board (CMB).

4. The risk and control framework

As OLSO is an Associated Office of MoJ its risk and control framework is part of MoJ policy. The key elements of OLSO's risk management strategy for identifying, evaluating and controlling risk are as follows:

- Systems based on MoJ policy and framework of analysis and reporting which identify risk to objectives, risk impact and likelihood, current and planned mitigating action, risk status, risk judgement or appetite and individual risk owners, form the basis of the Risk Register and are escalated quarterly to the Access to Justice Group;
- Senior Management Team meetings with risk management on the standard agenda, evidenced by minutes of meetings;
- A Risk Register covering all activity and reviewed by the OLSO Senior Management Team. Access to Justice Group review the register, escalating any significant risks for inclusion in the Ministry's Corporate Risk Register;
- Quarterly certification to the Director General, Access to Justice Group, of risk management in the Office;
- The Corporate Services Manager acts as risk co-ordinator in the Senior Management Team;

- Risk identification, evaluation and management as an integral part of the Office's planning process for delivery of its objectives.

Other key elements in OLSO's control system are regular management information, financial regulation, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- Business Planning, which is reviewed, discussed and agreed by the Director General, Access to Justice Group;
- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the CMB;
- Regular reviews by the CMB of periodic and annual financial reports, which are prepared to indicate financial performance against the forecasts;
- Target setting to measure financial and other performance;
- A formal system of financial compliance controls; consisting of risk assessments, core control checks with an audit trail of evidence, and a review and reporting mechanism to provide assurances to the Ministry on a quarterly basis, that internal financial controls are in place and operating effectively;
- A published Ministry fraud policy, with effective capability to investigate incidents of fraud, including a cadre of trained staff;
- A Ministry 'whistle-blowing' policy for confidential reporting of staff concerns;
- A Business Continuity Plan, which continues to be refined to ensure that key activity can continue effectively following a disruption;

- An active and constructive Health and Safety Committee with co-ordinators to carry out specific risk assessments and workplace inspections, making an effective contribution to business performance;

- Compliance with ISO27002, the International Standard for Information Security Management, to assist with achievement of the standard across the Ministry; and including the maintenance of a risk register, an information risk policy statement and schedule of local controls.

In addition to the developments in risk management, the Ministry continues to take steps to improve its corporate governance arrangements.

During 2008–09 OLSO reviewed its Strategic Objectives covering the period 2007–10, particularly in the light of the changes in the regulation of legal services in England and Wales resulting from the Legal Services Act 2007. The objectives will continue to be reviewed to ensure that they remain relevant in the current climate of change.

In-year spending by OLSO was restricted to the limit as allocated by the MoJ Director General, Access to Justice Group.

5. 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 Ministry 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 is also informed by the work of the Ombudsman and her Senior Management Team.

Comprehensive assurance statements on internal controls are made on a quarterly basis by OLSO's Budget Holder to the Senior Budget Holder in the Ministry's Access to Justice Group. The Budget Holder is required to have complied with the provisions of Managing Public Money, the Ministry's Finance Manual and Risk Management Policy and Framework. The key elements of the system of internal control are set out in section 4 above. They are reviewed for effectiveness and any improvements required, and a report made to the Senior Budget Holder.

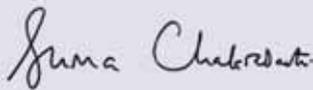
For 2008–09 the OLSO Budget Holder reported that no significant weaknesses were identified with regard to internal controls; reviews of business objectives and performance, the authorisation and recording of transactions, management of the delegated budget and safeguarding of Ministry assets. No breaches of financial authority or incidents of fraud were reported.

In addition, the following bodies also inform my review:

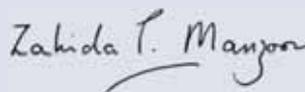
- **Ministry of Justice Board (MoJB) and Corporate Management Board (CMB)** – These Boards approved the Ministry's Framework and Policy Document and have been involved in the development and monitoring of the Corporate Risk Register.
- **Corporate Audit Committee** – The MoJ's Audit Committee is a continuing 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 the MoJB and the Accounting Officer 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.
- **Risk Co-ordinators** – A network of Risk Co-ordinators has been established within the Ministry's headquarters, Agencies and NDPBs, to co-ordinate the reporting and management of risk and control issues within business areas and for the Ministry in reporting to the CMB and the Audit Committee.
- **Internal Audit** – The Ministry has an Internal Audit Division that operates to the Government Internal Audit Standards. It submits regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Ministry's internal controls together with recommendations for improvement.

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

This statement applies to the Office of the Legal Services Ombudsman. The Statement on Internal Control for the Ministry of Justice as a whole will be available from the Stationery Office when the Ministry's 2008-09 Accounts are published later this year.



Suma Chakrabarti
Accounting Officer
25 June 2009



Zahida Manzoor CBE
Legal Services Ombudsman for
England and Wales
24 June 2009

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Office of the Legal Services Ombudsman for the year ended 31 March 2009 under the Courts and Legal Services Act 1990. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement 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

The Ombudsman and Permanent Secretary of the Ministry of Justice, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements in accordance with Schedule 3 of the Courts and Legal Services Act 1990 and directions made thereunder by the Secretary of State and Lord Chancellor with the approval of Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's and Ombudsman's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Courts and Legal Services Act 1990 and directions made

there-under by the Secretary of State and Lord Chancellor with the approval of Treasury. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the section entitled 'Office of the Legal Services Ombudsman', is consistent with the financial statements. I also report whether in all material respects the expenditure has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Office of the Legal Services Ombudsman has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Office of the Legal Services Ombudsman's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Office of the Legal Services Ombudsman's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the section entitled 'Office of the Legal Services Ombudsman'. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices

Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer and Ombudsman in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Office of the Legal Services Ombudsman's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Courts and Legal Services Act 1990 and directions made thereunder by the Secretary of State and Lord Chancellor with the approval of the Treasury, of the state of the Office of the Legal Services Ombudsman's affairs as at 31 March 2009 and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Courts and Legal Services Act 1990 and directions made thereunder by the Secretary of State and Lord Chancellor with the approval of the Treasury; and
- information, included within the Annual Report, which comprises the section entitled 'Office of the Legal Services Ombudsman', is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Paul Keane
Director, Justice Financial Audit for the Comptroller
and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

26 June 2009

OPERATING COST STATEMENT

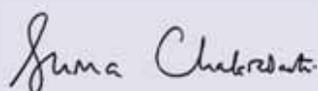
Year ended 31 March 2009				
		2008-09		2007-08
	Notes	£		£
Staff costs	2	1,096,921		1,151,138
Other direct costs	3	182,320		199,219
Accommodation costs	4	301,770		265,000
Ministry's overhead charge		185,420		272,177
Other non-cash costs	5	23,127		21,444
Total		1,789,558		1,908,978

All expenditure is derived from continuing operational activities. There are no other gains or losses for the year. The notes on pages 54 to 59 form part of these accounts.

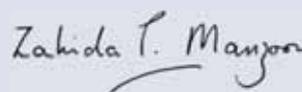
BALANCE SHEET

As at 31 March 2009					
		2008-09		2007-08	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible fixed assets	6	43,847		51,830	
CURRENT ASSETS					
Debtors	7	98,100		59,273	
Cash in hand		150		150	
		98,250		59,423	
CURRENT LIABILITIES					
Creditors	8	(63,381)		(45,375)	
NET CURRENT ASSETS		34,869		14,048	
Total Assets less Current Liabilities		78,716		65,878	
TAXPAYER'S EQUITY					
General Fund	9	78,716		65,878	
Total		78,716		65,878	

The notes on pages 54 to 59 form part of these accounts.



Suma Chakrabarti
Accounting Officer
25 June 2009



Zahida Manzoor CBE Legal Services Ombudsman
for England and Wales
24 June 2009

CASH FLOW STATEMENT

Year ended 31 March 2009		2008–09	2007–08
	Notes	£	£
Net cash outflow from operating activities	10	(1,601,832)	(1,630,949)
Capital expenditure		(114)	(2,138)
Finance from the Ministry of Justice		1,601,946	1,633,087
Increase in cash		–	–

The notes on pages 54 to 59 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 Financial Reporting Manual (FRoM) issued by HM Treasury with the exception that historical cost accounting has been used in place of modified historic cost accounting because of the immaterial difference between the two for OLSO. The accounting policies used to prepare these statements are consistent with those used to prepare accounts for the Ministry of Justice (MoJ). The Ministry's accounts give greater detail on accounting policies.

Going concern. The Legal Services Act 2007 received Royal Assent on 30 October 2007 and will reform the way that legal services will be regulated in England and Wales including the formation of the Office for Legal Complaints, and consequent closure of OLSO. It is not anticipated that OLSO will close before 2010–11. The accounts are prepared on a going concern basis as MoJ settles all of OLSO's financial transactions with funds voted by Parliament and future funding has been agreed with MoJ.

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

Ministry's overhead charges. These are the support services provided to OLSO by MoJ. The Ministry's costs are apportioned on a systematic basis to all the Ministry's Associated Offices, including OLSO. These costs do not include OLSO's share of the costs under contracts that have been awarded by the Ministry 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 an amount agreed with the National Audit Office. The cost of capital charge reflects the cost of capital utilised by OLSO and is calculated at the Government's standard rate of 3.5% of average net assets less liabilities over the year.

The amounts on the expenditure statement are net of recoverable VAT but include irrecoverable VAT. Recoverable VAT is received centrally by the Ministry from HM Revenue and Customs and any amount receivable is not shown as a debtor on the OLSO balance sheet.

MoJ holds the operating lease on the property used by OLSO and also has legal ownership of the non-leased tangible fixed assets used by that Office.

Fixed assets. Tangible assets primarily comprise IT equipment and furniture. IT equipment costing more than £1,000 is capitalised and then depreciated on a straight line basis over 5 years. All furniture is pooled and capitalised, then depreciated on a straight line basis over 20 years. Although OLSO will be closing in the future, the depreciation policy has not changed because it is anticipated that the fixed assets will continue to be used by the MoJ.

Pensions. Past and present employees of OLSO are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependant's benefits. The Ministry 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 Ministry recognises the contributions payable for the year.

2. STAFF COSTS

	Employees	Self employed case workers	Agency staff	Total 2008-09	Total 2007-08
	£	£	£	£	£
Wages, salaries and fees	736,114	164,486	4,197	904,797	972,372
Social security costs	58,287	2,060	-	60,347	51,206
Other pension costs	131,777	-	-	131,777	127,560
Total	926,178	166,546	4,197	1,096,921	1,151,138

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, 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-pensions.gov.uk).

For 2008-09, contributions of £131,777 (2007-08 £127,560) were paid to the PCSPS on behalf of employees at rates determined by the Government Actuary, reviewed every four years following a full scheme valuation. These rates were in the range 17.1% to 25.5% (2007-08 also 17.1% to 25.5%) of pensionable pay, based on salary bands. From 2008-09, the salary bands were revised but the rates remained the same.

All OLSO's staff are employees of MoJ and further details of their pension scheme are given in the MoJ resource accounts.

The average full time equivalent number of personnel during the year was 22.0 employees and 3.9 self-employed (2007-08, 27.8 in total).

Staff costs include the Ombudsman's salary and associated pension contributions made on her behalf. Zahida Manzoor CBE held the post during 2008-09. Please refer to the Remuneration Report for further details.

3. OTHER DIRECT COSTS

	2008-09	2007-08
	£	£
Rentals under operating leases – hire of plant and machinery	1,872	1,872
Travel and subsistence	15,678	13,510
External consultancy	44,298	43,184
Office supplies	13,574	15,999
Printing and reprographics	28,714	29,974
Distribution and postage	29,292	34,220
Telecommunications	13,094	11,918
Fuel and utilities	9,062	8,539
IT costs	10,211	13,763
Other	16,525	26,240
Total	182,320	199,219

Other direct costs for 2007-08 have been restated to separately identify fuel and utilities and IT costs. Also, the cost of printing the Annual Report has been moved from external consultancy to printing and reprographics in line with 2008-09 accounting entries.

4. ACCOMMODATION COSTS

	2008-09	2007-08
	£	£
Rent and service charge	221,759	192,634
Rates	52,910	50,531
Other property costs	27,101	21,835
Total	301,770	265,000

5. OTHER NON-CASH COSTS

	2008-09	2007-08
	£	£
Depreciation	8,097	8,301
Cost of capital	2,530	2,149
External audit fee	12,500	10,500
Loss on disposal	–	494
Total	23,127	21,444

The auditors received no remuneration for any non-audit work. The 2008-09 external audit fee includes an amount of £1,500 for work undertaken for the transition to International Financial Reporting Standards (IFRS) in 2009-10 (2007-08, Nil).

6. TANGIBLE FIXED ASSETS

	Furniture	Computer and other equipment	Total
	£	£	£
COST OR VALUATION			
At 1 April 2008	67,847	26,648	94,495
Additions	114	–	114
Disposals	–	–	–
At 31 March 2009	67,961	26,648	94,609
DEPRECIATION			
At 1 April 2008	32,070	10,595	42,665
Charge for the year	3,397	4,700	8,097
Released on disposals	–	–	–
At 31 March 2009	35,467	15,295	50,762
NET BOOK VALUE			
At 31 March 2009	32,494	11,353	43,847
At 31 March 2008	35,777	16,053	51,830

7. DEBTORS

(a) Analysis by type

	2008–09	2007–08
	£	£
Centrally authorised prepayments	34,765	35,635
Other prepayments	14,152	20,038
Debtors	49,183	3,600
Total	98,100	59,273

(b) Intra-Government balances

	2008–09	2007–08
	£	£
Balances with bodies outside central government	98,100	59,273
Total	98,100	59,273

8. CREDITORS

8(a) Analysis by type

	2008–09	2007–08
	£	£
Centrally authorised accruals	2,437	9,776
Taxes and social security creditor	35,750	–
Other accruals	25,194	35,599
Total	63,381	45,375

8(b) Intra-Government Balances

	2008–09	2007–08
	£	£
Balances with bodies outside central government	27,631	45,375
Balances with central government	35,750	–
Total	63,381	45,375

Note that 2008–09 creditors include payroll items due to HM Revenue and Customs for tax and national insurance payments due at 31 March 2009.

9. RECONCILIATION OF EXPENDITURE TO CHANGES IN THE GENERAL FUND

	2008–09	2007–08
	£	£
Total expenditure for year	(1,789,558)	(1,908,978)
Financing from MoJ	1,601,946	1,633,087
MoJ's overhead charge	185,420	272,177
Cost of capital	2,530	2,149
Auditors remuneration	12,500	10,500
Net increase in General Fund	12,838	8,935
General Fund at start of year	65,878	56,943
General Fund at end of year	78,716	65,878

10. RECONCILIATION OF OPERATING EXPENDITURE TO OPERATING CASH FLOW

		2008–09	2007–08
	Notes	£	£
Total expenditure for year		(1,789,558)	(1,908,978)
Ministry's overhead charge		185,420	272,177
Other non cash costs	5	23,127	21,444
(Increase)/decrease in debtors		(38,827)	437
Increase/(decrease) in creditors		18,006	(16,029)
Net cash outflow from operating activities		(1,601,832)	(1,630,949)

11. OBLIGATIONS UNDER LEASES

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

As at 31 March 2009				
	2008–09		2007–08	
	Land and Buildings	Other	Land and Buildings	Other (As restated)
	£	£	£	£
Within one year	–	1,872	–	–
From one to five years	150,713	–	153,925	1,872
After five years	–	–	–	–
Total	150,713	1,872	153,925	1,872

12. RELATED PARTIES

MoJ is a related party with which OLSO had various material transactions during the year. OLSO's staff have not entered into any material transactions with OLSO or with MoJ. Zahida Manzoor CBE, the Legal Services Ombudsman, also holds the role of the Legal Services Complaints Commissioner. There have not been any material transactions between the two offices.

13. CAPITAL COMMITMENTS

There are no capital commitments.

14. CONTINGENT LIABILITIES

There are no contingent liabilities.

15. POST BALANCE SHEET EVENTS

There were no post balance sheet events affecting OLSO. In accordance with the requirements of FRS21, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate of the Comptroller and Auditor General.

16. FINANCIAL INSTRUMENTS

16(a) 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 large-scale financial risks.

16(b) Liquidity Risk

OLSO has no borrowings, and its net resource requirements are met from resources voted annually by Parliament to MoJ. The cash expended by MoJ to settle OLSO's bills is represented by 'financing from MoJ' of £1,601,946 in note 9 and in the cash flow statement. MoJ then settles all of OLSO's financial transactions. OLSO is not therefore exposed to significant liquidity risk.

16(c) Interest Rate Risk

OLSO has no deposits other than petty cash, 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.

16(d) Foreign Currency Risk

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

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