



The Office for Legal Complaints

# **Annual report and accounts**

For the year ending 31 March 2017

Presented to Parliament pursuant  
to Section 118 of the Legal  
Services Act 2007.

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# PERFORMANCE OVERVIEW

## Overview – Foreword by Chair of the Office for Legal Complaints



**I'm pleased to present this, my last, Annual Report and Accounts prior to stepping down as Chair of the Office for Legal Complaints.**

Over the past three years, the Office for Legal Complaints (the OLC) and Legal Ombudsman have travelled a difficult and challenging journey but are now established as much stronger and more customer focused bodies. Without a doubt, all newly formed organisations benefit from a process of punctuating their setup phase by robustly challenging both their founding assumptions and original ethos. In this regard, we have been no different from many other new public bodies.

Over the past 12 months, the OLC has continued with the process of building strong foundations for LeO and ensuring that its key strategic building blocks are being firmly established. The OLC operates in an atmosphere of constructive challenge and OLC members have a robust understanding of how LeO's core business is delivered. LeO now benefits from a strong leadership team, which operates as a coherent body and sets an excellent example to their staff. There is now clear investment in the development of members of staff and a positive change in the organisation's culture. The performance regime now more accurately reflects the real experience of users of the service. The Chief Legal Ombudsman has re-established the legitimacy of the service in the eyes of stakeholders in both of our jurisdictions. A comprehensive plan is being implemented to resolve the IT challenges of the past couple of years and this now forms part of an ambitious strategy called 'Modernising LeO', which is being energetically implemented.

The OLC has worked closely with the new LeO leadership team's endeavours to improve performance. Both the OLC and team have shared the frustration that, by the end of the reporting year there remained a backlog of cases at a time when it had not been possible to spend the whole of the approved budget. The OLC has challenged the team to overcome the impediments of the past, supported the development of their skills and experience and welcomed their innovative responses, such as the development of the triage process, the drive to increase the level of informal resolutions and the more proactive approach to resourcing. The journey is not yet complete but the process has been impressive and progress is extremely promising.

The OLC welcomed participation in the MoJ's Tailored Review which will be an important reference to establish what progress has been made to date and what more now remains to be done. The OLC was impressed by the insight demonstrated by the Review Team and the lengths to which they were willing to go in order to ensure that they truly understood our organisation.

In the last year we made progress with our governance partners in managing the division of oversight responsibilities between two separate bodies (one of which is also accountable to the other), the Ministry of Justice and Legal Services Board. A tripartite operating protocol was signed by the OLC, the LSB and MoJ in June 2017. Alongside implementation of the recommendations of the Tailored Review, this should herald improved management of the risks inherent in what is a complex governance structure through more coherent management of shared risks, unified performance management and proportionate external governance of the OLC.

Finally, nothing could have been achieved without the wise governance of my colleagues on the board, the inspirational leadership of the executive and the dedication of all of the staff and for that I am extremely grateful.

It has been a privilege to chair the Board of the OLC at such an important time in its development and I wish the Board under Wanda Goldwag's leadership and everyone at LeO every success for the future.



**Steve Green,**  
**Chair of the Office for Legal Complaints**  
**March 2017**



## **This is my first Annual Report and Accounts since my appointment as Chair of the Office for Legal Complaints in March 2017.**

Although these annual report and accounts relate to the 2016-17 financial year when Steve Green was Chair of the OLC, I have added this supplementary foreword (in addition to Steve's main foreword) as the publication of this annual report and accounts takes place after the summer recess. I would like to take this opportunity to pay tribute to Steve's leadership of the OLC during a difficult period for the organisation, and for the solid foundations he put in place.

A lot has happened since I appeared before the Justice Select Committee in March as part of my appointment process. At that point, I set out my initial priorities, and have spent my early months as Chair refining these.

That has involved meeting external stakeholders and getting to know my fellow OLC members and Legal Ombudsman staff, all of which confirmed to me that the new three-year strategy takes the Legal Ombudsman (LeO) in the right direction.

We can now draw a line under the past and move forward quickly with renewed confidence and I am satisfied that this organisation has dealt with legacy compliance matters, as reflected by this being the first set of unqualified accounts since 2012/13.

Looking ahead, changes taking place will enable our excellent, committed staff to provide an impartial service we can all be proud of, while continuing to put our customer service principles at the heart of everything we do.

Modernisation is key to getting the organisation in the right shape to play its part with the sectors we work with. As the legal and CMC sectors evolve at pace, we need to ensure we are in good shape to respond quickly by developing the Scheme and our service.

We need to deliver the Modernising LeO programme rapidly to improve performance and deliver the customer service principles and necessary efficiencies, especially as it is a huge personal priority to improve performance for those using our services by reducing backlogs and queues, minimising delays and maintaining high quality, impartial outcomes that are fair to all parties.

The Board is also overseeing major changes that will deliver a more flexible staffing model along with more integrated processes. These will be supported by a fit for purpose IT network, better use of the web to deliver our services, and significantly improved data quality through implementation of our new case management system.

On a final note, before my arrival, LeO's Chief Executive Nick Hawkins, informed the Board of his intention to step down once he had helped with the transition to a new Chair. Meanwhile, Chief Legal Ombudsman Kathryn Stone has now been appointed as the new Parliamentary Commissioner for Standards, and will take up her post in early 2018.

Nick has been a great asset and stabilising influence to the Legal Ombudsman and has put the organisation back onto a firm footing. In turn, Kathryn has successfully rebuilt our external profile and reputation, and driven improvements by embedding the customer service principles into everything we do.

So, as LeO moves forward, it will continue to deliver the new strategy under a new leadership team but build on the strong foundations that Nick and Kathryn have laid.

The LeO staff have given me a warm welcome and I would like to thank them for that and their commitment to our role in the sectors. I look forward to working with all of them, along with the senior team, OLC members and our stakeholders as we progress our strategy in the years to come.



**Wanda Goldwag**  
**Chair of the Office for Legal Complaints**  
**October 2017**

## How the OLC has discharged its functions

The Office for Legal Complaints has discharged its functions including as follows:

- the OLC approved the new 2017-20 strategy and business plan for the Legal Ombudsman, adopted and proposed its 2017-18 budget for the approval of the Legal Services Board, approved the risk strategy and approved the 2015-16 annual report and accounts;
- building on the reinstatement of Accounting Officer status in June 2016, it has approved an updated scheme of delegation of key functions and decisions to the Chief Executive, Chief Ombudsman and other members of Legal Ombudsman staff;
- it has overseen the performance of the Legal Ombudsman service in both the legal and claims management jurisdictions, and against its business plan;
- it has delegated key governance functions to its Audit and Risk Committee (ARAC), Remuneration Committee (RemCo) and the Category 1 Publications Committee, whose work is reported in this annual report;
- it received the Service Complaints Adjudicator's annual report on her activities and views from her work handling any complaints against the service of the Legal Ombudsman which cannot be resolved internally;
- it has engaged with the MoJ Tailored Review team and received updates on the progress of this exercise; and
- it has received the annual report of the Chief Ombudsman, which is contained within this report.

In discharging its functions the OLC has had regard to good practice in the administration of ombudsman schemes. This obligation has been met by receiving advice, from time to time, from the Chief Ombudsman and by taking account of the views of a member of the OLC, who is a former Pensions Ombudsman and former Chair of the Ombudsman Association.

In discharging its functions, the OLC has also had regard to the regulatory objectives and the extent to which the OLC considers that these objectives have been met has been included in this report (Appendix 1).

Finally, the Chief Executive is accountable to the OLC for ensuring that the OLC manages its affairs in accordance with all relevant principles of good corporate governance. This obligation has been met in 2016-17 by the work to implement the recommendations of an independent review of governance, which has been implemented with energy and resolve, allowing the Chair of the OLC and Chairs of RemCo and ARAC to sign final implementation of the outstanding recommendations into business as usual.



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# PERFORMANCE OVERVIEW

## Overview – Chief Ombudsman’s report



**As Chief Ombudsman I am responsible for overseeing the Legal Ombudsman’s operational work - from our assessment centre all the way through to our ombudsmen - while ensuring that we use the insights from this work to inform better complaints handling by legal providers and claims management companies.**

The work of the Legal Ombudsman is an established part of the legal landscape. My colleagues are professional, knowledgeable, skilled and experienced. They want to make a difference and they want to deliver thorough and fair outcomes.

My ambition is to deliver thorough and fair outcomes without unnecessary delay. This overview highlights our progress towards that ambition.

Our Customer Service Principles, which were newly agreed at the time of our last annual report, are now firmly embedded as the framework for all our work and are clearly linked to our values.

These values and principles matter to us, to legal service providers, to claims management companies and to members of the public. We know because we asked them. It is our responsibility therefore to promote them.

### **CUSTOMER SERVICE PRINCIPLES AND STANDARDS**

#### **VALUE: OPEN**

**Customer Service Principle** – *“we will always be clear with you”*

**Customer Service Principle** – *“we will be understanding and approachable”*

#### **VALUE: FAIR AND INDEPENDENT**

**Customer Service Principle** – *“we will be impartial, thorough and base our work on facts”*

#### **VALUE: EFFECTIVE**

**Customer Service Principle** – *“we will make good use of everyone’s time”*

**Customer Service Principle** – *“we will make a difference”*

We have used these values and principles to inform our complaints investigations.

In the last year we have accepted 7,223 legal complaints for investigation and resolved 6,573.

Residential conveyancing\*, family law, personal injury, wills and probate and litigation were the most complained about areas of law.

I have been struck by the complexity of the complaints that come to us for investigation. These are invariably the consequence of a life event (divorce, bereavement, family matters, moving house) which as we all know are very stressful times in themselves. If the legal service provider is perceived to have provided a poor service, then not handled the complaint well, by the time the complaint reaches the Legal Ombudsman, emotions are running high on both sides.

By taking the emotion out, focusing on facts and being impartial we are able to bring a resolution to a seemingly intractable problem.

My colleagues take great pride in their work and want to do the best job they can.

In the same time period we have accepted 2,290 complaints for investigation and resolved 2,616 about claims management companies. The majority of these were about claims relating to financial products and services. Examples included mis-sold payment protection insurance.

These complaints are invariably more transactional in nature although no less emotional as a result. Where people have invested large sums of money and received no service, or very poor service, it is our job to investigate and, where appropriate, help to put them back to the situation they were in before they experienced poor service.

Our work goes above and beyond resolving complaints. Feeding back to legal services and claims management providers is a very important part of our work. Through professional learning and development courses, webinars, reports, guidance documents, periscope videos and attendance at events and conferences, we inform the developments of improved complaints handling.

We have also been determined to provide better information for members of the public about what to do when things go wrong. Our guide for first time buyers continues to be a valuable tool for providers and the public alike.

## OUR PERFORMANCE

There has been a lot of discussion with the Board of the OLC in the past year about our performance. The OLC sets Key Performance Indicators (KPIs) for the Legal Ombudsman. We have discussed performance against these KPIs with the Legal Services Board throughout the year.

We continue to drive down costs and improve efficiencies. A restructure of the senior team within the legal jurisdiction has resulted in greater efficiency and contributed to a cost saving in 2016-17 of £1.2m in the legal jurisdiction compared with 2015-16.

\*The Legal Ombudsman receives more complaints about residential conveyancing than any other area of law. However, residential conveyancing is often referred to as the most used area of law by consumers. It follows that the busier a service is, the more potential there is for complaints when compared with other less used areas of law

The total costs of the legal jurisdiction in 2016-17 were £10.4m (down from £11.6m in 2015-16). The unit cost is £1,587 (down from £1,813 in 2015-16).

We have completed the closure of the employee flexible benefits scheme and are introducing other measures to promote efficiency.

It is true to say that in the past there has been an over-emphasis on speedy resolutions with quality perhaps being sacrificed as a result.

I am clear that we are a public service. Both the OLC and LSB rightly expect us to deliver a service that delivers both timeliness and quality. It is not a binary choice - complainants and providers want us to deliver a high quality service without unnecessary delay.

In terms of performance we have work to do. The KPIs on timeliness will be revised in consultation with OLC and LSB to account for the complexity of the complaints and to promote fairness to providers and complainants.

In our drive to meet time targets, we impose time targets on others. Again, a thorough and fair outcome without unnecessary delay is our shared ambition.

In terms of customer satisfaction we are very pleased to have delivered above and beyond what was expected of us. We achieved 52% of complainants and lawyers satisfied with our service in the past year irrespective of the outcome of their case, against a KPI that this figure should not fall below 40%.

Complainants want thorough and fair outcomes and they want updates throughout. We have introduced new initiatives to deliver improved customer experience and to improve effectiveness.

For example, we introduced a triage team in November 2016. This team reviews the complexity of cases and identifies and resolves cases which are assessed as low in complexity. They also assess any issues of vulnerability for our customers and where cases are more complex they provide a summary of the case for the investigator and request tailored evidence so that the investigation can be started as soon as the investigator is ready. This has a positive impact on the customer experience and helps to maintain our timeliness performance.

We now use the phone much more when communicating with complainants and providers. This has led to an increase in informal resolutions.

We have introduced a pilot of varied working hours with some colleagues working up to 8pm. This has proved successful with people who work during the day, or who aren't able to discuss their complaint during the day.

## PROMOTING OUR SCHEME

It has been important to me in my first year of office to get out and meet as many providers, representative bodies, consumer bodies and regulators as I can. This has been successful and I am confident we now have positive, collaborative and open relationships with all key organisations and groups.

We need to do more in terms of public awareness and I'm confident that with support from the Legal Services Consumer Panel, Citizens Advice Bureau and others we can achieve improved awareness.

## THE FUTURE

The Legal Ombudsman continues to be an established part of the legal landscape. We exist to promote redress and to feedback to the profession.

Our 2017-2020 strategy is ambitious and challenging. We know we need to improve our IT systems and processes along with shifts in our business process. We must do this while driving down costs and driving up efficiencies. The UK has a global reputation for excellence in legal and professional services. The Legal Ombudsman is proud to play its part in this and will continue to do so fairly, thoroughly and without delay.

A handwritten signature in black ink, appearing to read 'Kathryn Stone'.

**Kathryn Stone OBE,  
Chief Ombudsman**

**October 2017**

## STATEMENT OF THE PURPOSE AND ACTIVITIES OF THE OFFICE FOR LEGAL COMPLAINTS

The Legal Ombudsman for England and Wales was set up by our Board, the Office for Legal Complaints, under the Legal Services Act 2007.

We are independent and impartial. This means that when we receive complaints, we will look at the facts in each case and weigh-up both sides of the story. We are not consumer champions or part of the legal profession, and we are also independent of government. Our service is free to consumers to use, and its costs are recovered from legal service providers and claims management companies. We will also look to align our strategy to the findings of the ongoing Tailored Review of the OLC and Legal Services Board (LSB)

## KEY ISSUES AND RISKS

Over the year ongoing issues with the quality of the IT environment continued to affect us, although the performance of our systems was stabilised during the year. A continuing programme of essential IT infrastructure improvement is progressing well. New computer hardware has been rolled out to staff, a new infrastructure provider has been procured and a new case management system is in development.

A restructure of senior posts and the impact of recruitment controls have seen operational staffing levels consistently falling below our budgeted staff numbers. Resource levels have made it more difficult to achieve organisational goals.

## GOING CONCERN

The OLC is a statutory body established by the Legal Services Act 2007, which specifies funding via a levy upon the legal profession. As at 31 March 2017, the OLC has sufficient cash resources to meet anticipated expenditure for the financial year ending 31 March 2018. The MoJ also provides Grant in Aid where required to meet the net cash needs of the OLC and to fund the OLC's Claims Management Company jurisdiction. The OLC has assurances from the MoJ that, in the unlikely event that this is necessary, Grant in Aid will continue to be provided to meet the other cash needs of the organisation.

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# PERFORMANCE ANALYSIS

## Operational performance & activity

### Review of the business

In 2016–17 our focus has been to build on the solid foundations that have been put in place following a significant period of change, and we are now looking forward towards modernising our organisation and the way we work. The information within this section of our report provides a summary of the complaints we have seen about legal service providers and claims management service providers during 2016-17.

#### LEGAL SERVICE PROVIDERS

During this year within our legal jurisdiction we received 64,932 contacts (calls, letters and e-mails) (2015-16: 59,082), and accepted 7,223 complaints for investigation (2015-16: 7,033). There has been a slight increase in the number of cases accepted for investigation in comparison to the previous year. This is in part due to there being an increased workload at the assessment stage of our process during the last quarter of 2015-16 which resulted in some complaints not being processed until 2016-17.

#### CLAIMS MANAGEMENT SERVICE PROVIDERS

The Legal Ombudsman began dealing with complaints about Claims Management Companies (CMCs) on the 28 January 2015, which makes this our second full year of dealing with complaints against claims management service providers. During the 2016-17 financial year we received 22,261 contacts (calls, letters, emails and web chat contacts). We accepted 2,290 cases for investigation.

## Resolving complaints

There are two ways in which a case can be resolved by the Legal Ombudsman. An informal resolution means that our investigator has been able to negotiate a resolution to which both parties agree. However, if agreement cannot be reached, the case will be sent to an ombudsman who will make a final decision.

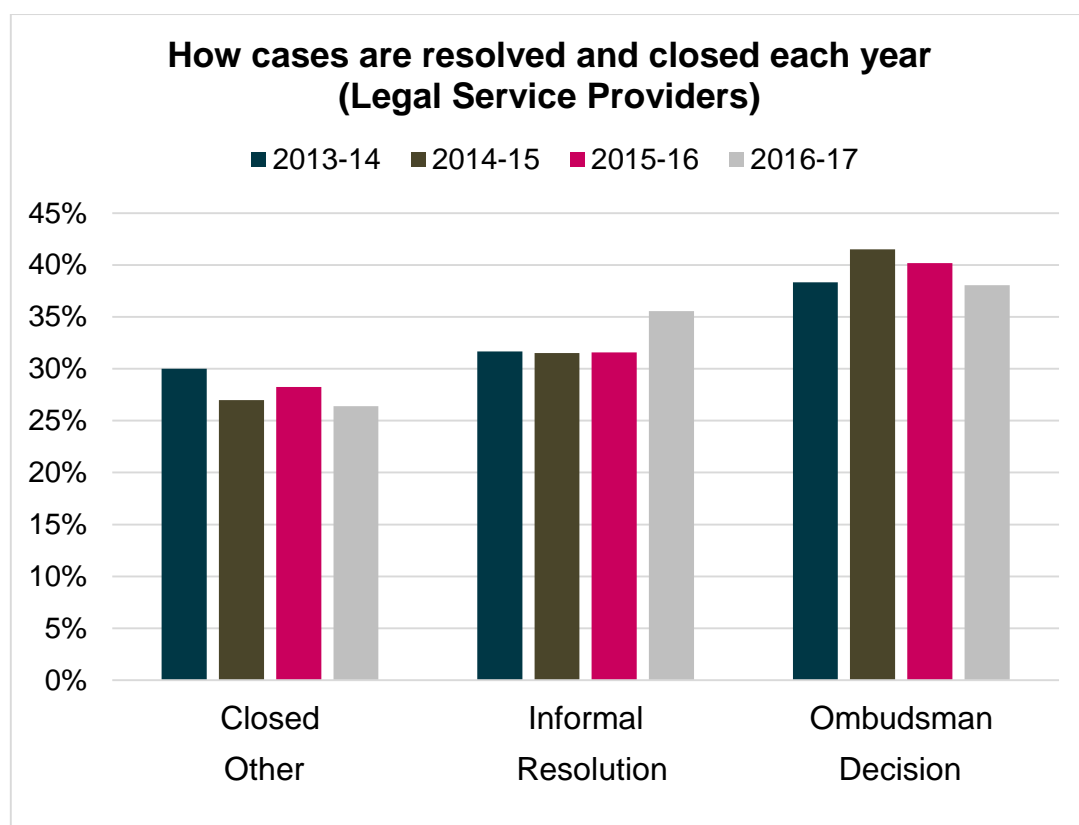
In addition, a case may be closed if the complaint is abandoned, withdrawn, or if it has been dismissed as outside our jurisdiction or for other compelling reasons.

## Legal service providers

In our legal jurisdiction, a total of 6,573 cases were resolved, which is an increase on the previous year (2015-16: 6,416 cases).

During this reporting year, there has been an increase in cases resolved by informal resolution (from 31.5% to 36%). This is following several initiatives that have been implemented in order to improve performance, the overall customer experience and to ensure that we make best use of everyone's time. 38% of cases were resolved by ombudsman's decision and the remaining 26% were closed by other means. Figure 1 shows a breakdown of how cases have been closed in the legal jurisdiction.

**Figure 1 – How cases are resolved and closed each year**



### REMEDIES AWARDED 2016-17

The Legal Ombudsman has the power to award a wide range of remedies. We can direct practical remedies such as asking the service provider to complete or re-do work and apologise for the service they have provided. We can also direct awards for compensation up to a maximum of £50,000, which covers compensation for both financial loss and emotional impact, and recommend other financial remedies such as a refund of fees or a reduction of costs which are not limited to £50,000.

Figures 2 and 3 show a breakdown of the remedy type for informal resolutions and ombudsman decisions.

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For purposes of analysis, the remedy types for the charts below have been grouped as the following:

**Non-financial remedies** = to apologise, to complete work for the complainant, to improve procedures to prevent the problem happening again and to return papers.

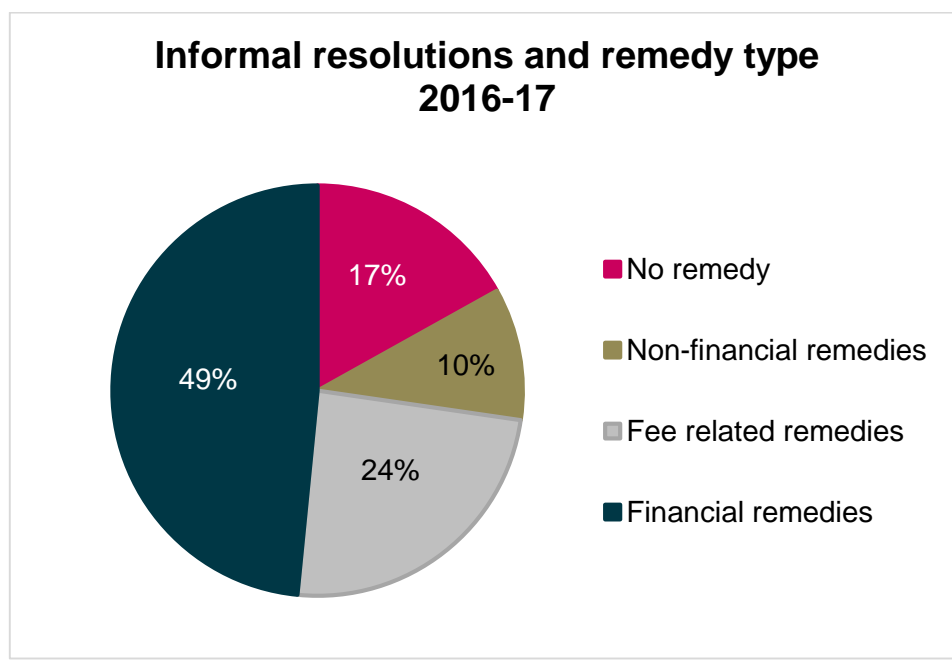
**Financial remedies** = to pay a specified amount for expenses the complainant incurred in pursuing the complaint, to pay compensation for emotional impact and/or disruption caused, to pay compensation of a specified amount for loss suffered, to pay for someone else to complete the work, to pay interest on compensation, to pay interest on monies held and to take (and pay for) any specified action in the interests of the complainant.

**Fee related remedies** = to waive fees, limit fees and refund fees.

The figures are shown as a percentage of all remedy types recorded, as complaints can have numerous remedies such as to apologise and award compensation.

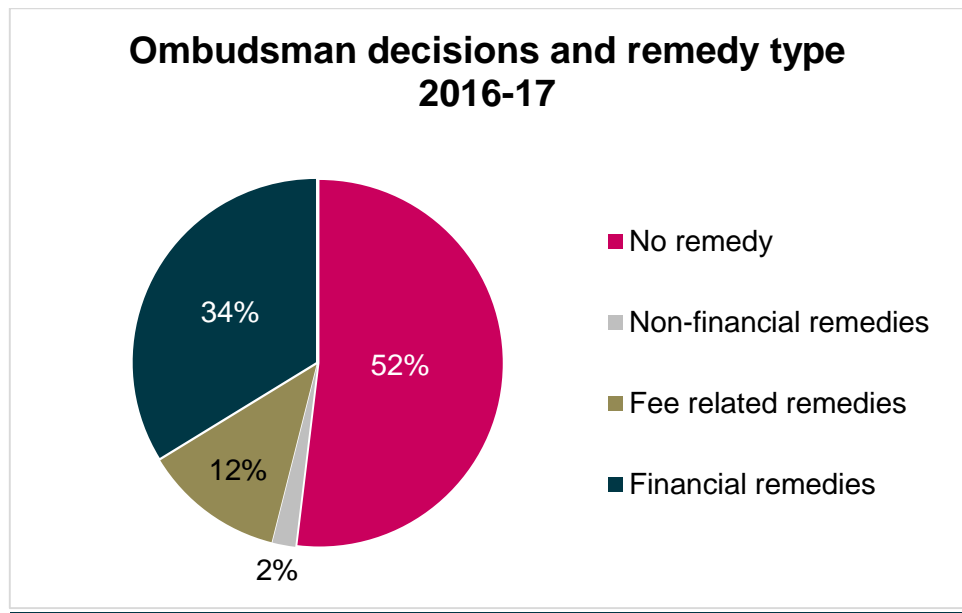
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**Figure 2 – Informal resolutions and remedy type**





**Figure 3 – Ombudsman decisions and remedy type**



As in previous years, financial remedies have been determined in a third of ombudsman's decisions. Figure 4 shows that in 2016-17 a remedy of under £1,000 was determined in around 63% of decisions requiring a financial remedy, which is a reduction from 70% in 2015-16. 37% of ombudsman decisions required a remedy of over £1,000 (an increase from 30% in 2015-16).

Evidence of poor service was identified in 54% of the ombudsman decisions made. A remedy would not have been required for every case, as there will be occasions where the service provided was unreasonable but the impact did not justify a financial remedy.

**Figure 4 – Ombudsman decisions and financial remedies**

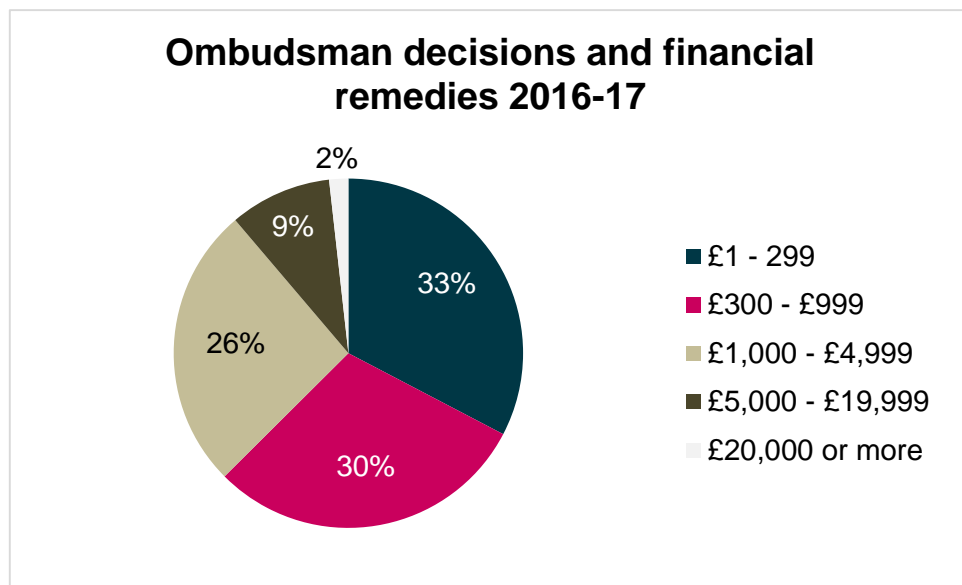
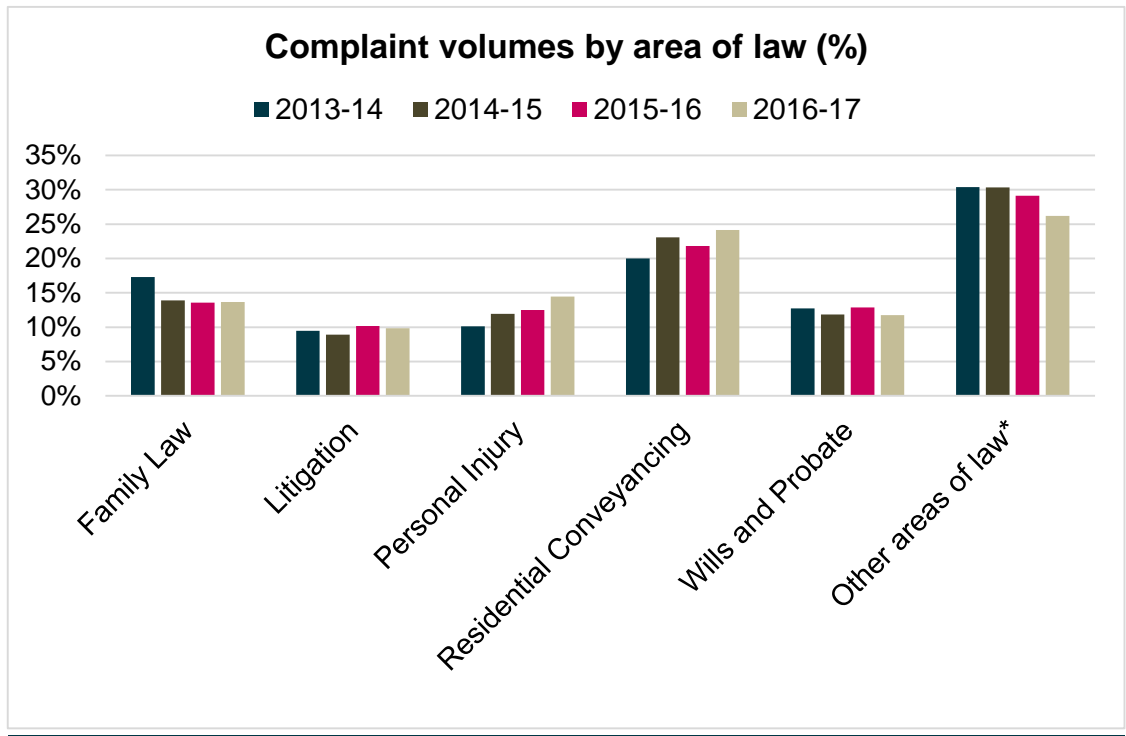


Figure 5 shows that in 2016-17 complaint volumes by area of law remained relatively consistent with previous years.

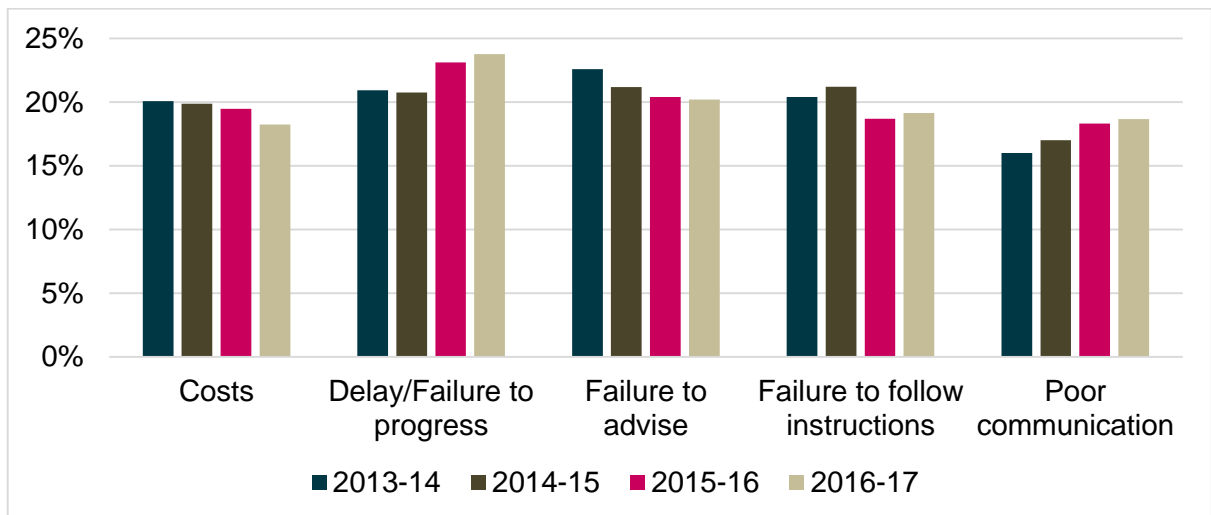
**Figure 5 – Complaint volumes by area of law**



\*Other areas of law have been grouped for analysis purposes: commercial conveyancing, commercial law, consumer law, crime, employment law, finances, immigration and asylum, other, property and social welfare.

Figure 6 shows the top five types of complaints received against legal service providers. There has been minimal change in respect of the types of complaints we have received over the past 4 years.

**Figure 6 – Top 5 complaint types received**



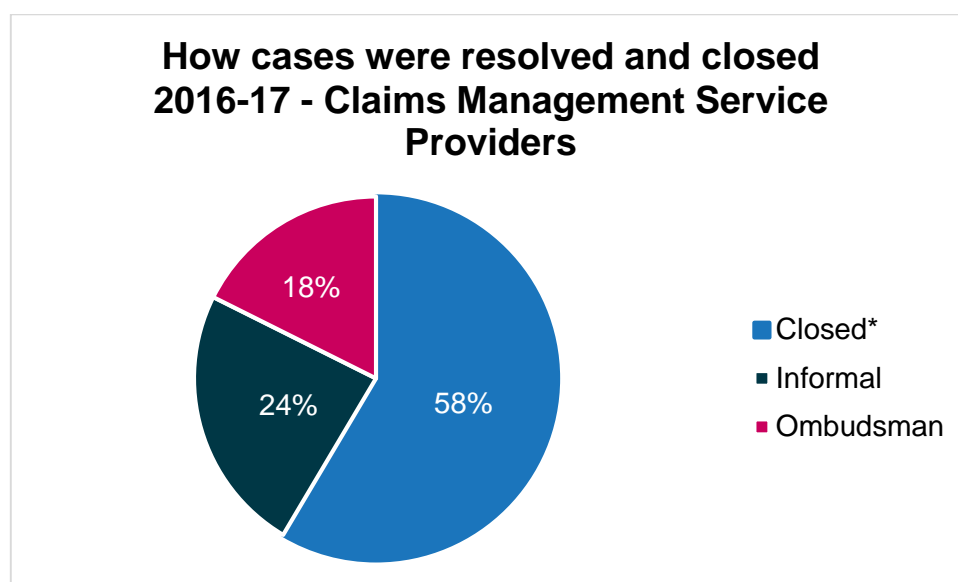
\* Some complaint types have been combined as the following: Costs = Costs excessive and Cost information deficient, Poor communication = Failure to keep informed and Failure to reply.

## Claims Management service Providers

In our CMC jurisdiction we resolved 2,616 complaints in 2016-17. 24% of these were informally resolved and 18% were resolved by way of an ombudsman's final decision. A further 58% were closed by way of other means, which included some through Section 75 claims. This is where we supported the complainant to make a claim to their credit card provider under Section 75 of the Consumer Credit Act and the provider has subsequently refunded the payment. The majority of these claims were able to be made as a result of advice we had given complainants. There was also a large proportion of cases where complainants registered with the liquidator as creditors.

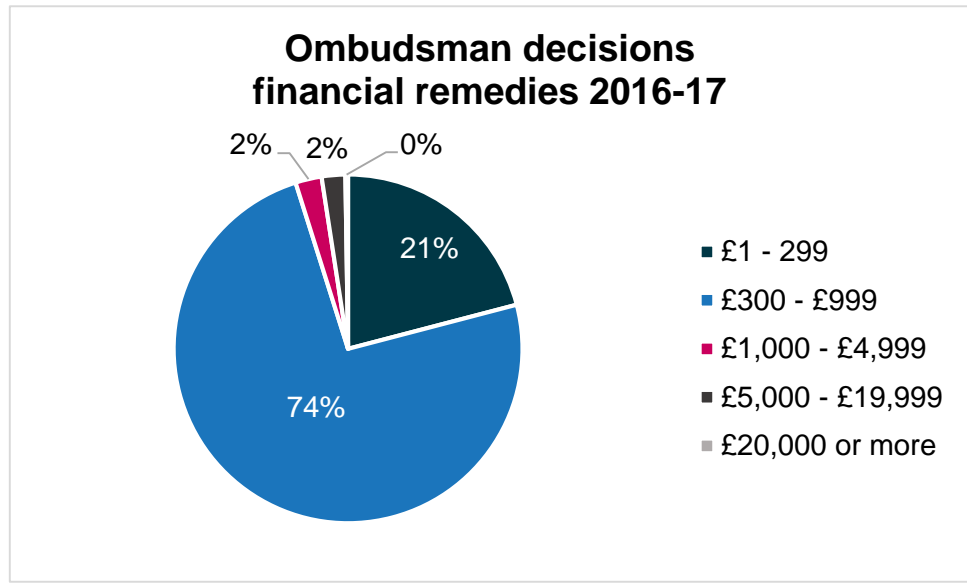
Figures 7 and 8 illustrate (as with the legal jurisdiction) the breakdown of how cases in the CMC jurisdiction were resolved during 2016-17.

**Figure 7 – How CMC cases were closed**



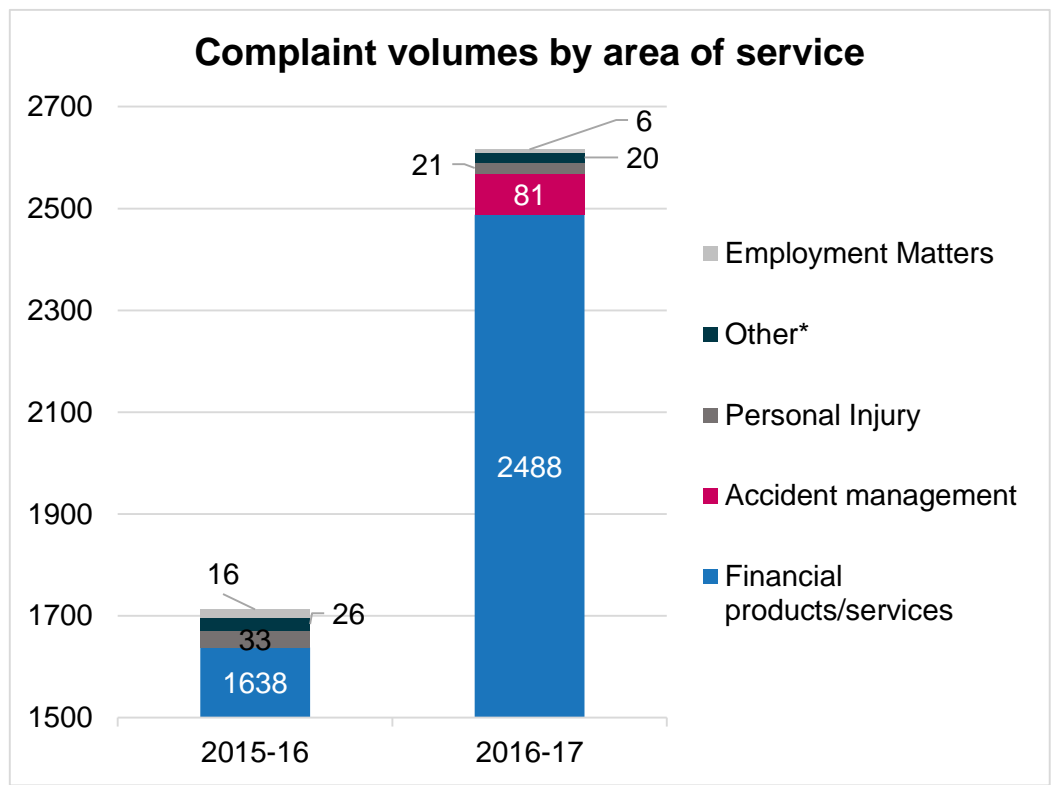
\*Cases may also be closed if the complaint is abandoned or withdrawn, or if it has been dismissed as outside of our jurisdiction. Section 75 complaints are included in closed cases.

**Figure 8 – Ombudsman decisions financial remedies**



The largest area of complaint continues to be in connection with financial products and services, accounting for 95% of the total complaints received. The largest proportion of financial products and service complaints continue to relate to payment protection insurance mis-selling. The graph in figure 9 shows the other areas of complaint received within the CMC jurisdiction.

**Figure 9 – Complaint volumes by area of service**



\*Other areas of service have been combined for analytical purposes. This includes: accidental management, criminal injuries and industrial injuries.

## Key Performance Indicators (KPIs)

The LSB agreed our budget on the basis of our scheme being measured against the following Key Performance Indicators (KPIs) for 2016-17.

These KPIs are:

- **Timeliness:** The percentage of cases resolved within 90 days and 180 days from the date the case is accepted for investigation.
- **Quality:** The percentage of complainants and lawyers, within our legal jurisdiction, satisfied with the service they received, irrespective of case outcome, must not fall below 40% in any quarter.
- **Unit cost:** We track the unit cost of our work by reporting the annual cost of the organisation averaged according to the number of cases resolved.
- **Reputation:** We commission external, independent measurement of satisfaction levels among customers (consumers and service providers) on an annual basis.
- **Impact:** We undertake an annual survey of members of the public and users of CMC / legal services to assess their awareness of the Legal Ombudsman.

### TIMELINESS

Timeliness provides just one dimension of measurement in respect of how we deal with complaints and must be considered in conjunction with more qualitative measures and customer feedback against our service principles. We measure how long it takes to resolve a complaint from the point at which it is identified that the complaint falls within our jurisdiction to investigate to the date at which the case is resolved. The only exception to this rule is where the complainant requests, and we agree, to suspend an investigation. In these cases, the period for which the case is suspended is not counted. The time it takes to resolve a complaint is determined to a large extent by the parties to the dispute themselves. If a case can be resolved informally, it takes less time than a lengthy investigation or when an Ombudsman's decision is needed.

Figure 10 shows our timeliness performance across the year in our legal jurisdiction:

**Figure 10 – Timeliness performance – Legal jurisdiction**

<b>Timeliness Legal</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Resolve 60% of cases within 90 days	45%	47%	51%	48%	54%	49%	44%	43%	47%	50%	47%	46%
Resolve 90% of cases within 180 days	89%	87%	83%	81%	83%	87%	85%	88%	85%	80%	78%	80%
Resolve 100% of cases within 365 days	99%	100%	100%	100%	100%	100%	100%	100%	99%	99%	99%	99%

Performance against our timeliness targets has been impacted by an increased workload between June and August 2016 following a build-up of work at the assessment stage of our process. We accepted over 30% more cases during this period than originally forecast. This has impacted on timeliness due to the increased wait time before cases are allocated to an investigator. However, initiatives implemented in Quarter 3 of 2016-17 have helped to minimise the impact of this increased workload and stabilised our performance.

Timeliness performance within the CMC jurisdiction is shown in the table in Figure 11.

**Figure 11 – Timeliness performance – CMC jurisdiction**

<b>Timeliness CMC</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Resolve 70% of cases within 90 days	34%	35%	58%	46%	39%	24%	26%	36%	34%	62%	80%	47%
Resolve 95% of cases within 180 days	100%	96%	90%	85%	73%	85%	81%	78%	76%	82%	72%	79%
Resolve 100% of cases within 365 days	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

In April and May 2016, the CMC jurisdiction received its second bulk incident: around 180 new complaints about the same firm. In December and January we received our third and fourth bulk incidents, totaling around 400 complaints. The second bulk incident occurred when we were still processing complaints relating to and resulting from the first. At its height we had over 600 complaints awaiting allocation.

We have learned through our work with CMC complaints that this sector is very different from the legal services market and changes can take place very quickly. As a result we have developed new working relationships with liquidators and the Insolvency Service to explore all opportunities for resolution. We have also needed to ensure that our business process is flexible enough to react quickly and protect customers' interests.

These multiple complaints have clearly affected our timeliness achievement but through working closely with the regulator, our own legal team and external bodies we are confident that we have taken the correct action to protect consumers and promote good practice across the CMC industry.

## QUALITY

Ensuring that we deliver a high quality ombudsman service is what matters most to our customers and stakeholders. We are committed to identifying how we can continuously improve the service we offer. To achieve this we have a quality framework which enables us to monitor and evaluate our performance against our customer service principles:

- We will always be clear with you.
- We will be understanding and approachable.
- We will make good use of everyone's time.
- We will be impartial, thorough and base our work on facts.
- We will make a difference.

Our quality assurance framework includes:

- senior staff assuring the quality of technical decision making to ensure we achieve fair and reasonable outcomes for those using our service;
- our team managers assuring the level of customer service delivery;
- seeking direct feedback from those who use our service both during our process and after cases have concluded; and
- monitoring any complaints we receive about our own service.

This range of data about the quality of the service we are delivering enables us to accurately identify areas where we can improve our performance; and to make evidence-based decisions about how we can improve what we do, prioritised according to an assessment of risk. This framework also enables us to monitor the effectiveness of improvement measures we have taken. As well as our quality data being an integral part of managing operational performance, we have a Service Improvement Group, which enables representatives from different areas of our organisation to work collaboratively in implementing improvements to what we do.

Further work this year on developing our use of customer satisfaction surveys during our process has enabled us to become more responsive to customer feedback. We are now able to act on feedback before cases have closed. This is something we know our customers value.

Our KPI for quality within our legal jurisdiction is a measure based on an independent survey of complainants and service providers whose case with the Legal Ombudsman has concluded. We first introduced this measure in the financial year 2015-16. We identified an issue with our sampling methodology, which was corrected for in 2016-17. Therefore a direct comparison between the two sets of results is not possible. The data for both years is shown in Figure 12:

## Figure 12 – Complainant and service provider satisfaction irrespective of outcome

KPI: Percentage of complainants and lawyers satisfied with the service they received, irrespective of case outcome, must not fall below 40% in any quarter

Quality	QTR 1 (Apr-Jun)	QTR 2 (Jul-Sep)	QTR 3 (Oct-Dec)	QTR 4 (Jan-Mar)	Overall
2016/17	52%	50%	53%	54%	52%
2015/16	58%	55%	62%	66%	60%

### UNIT COST

Figure 13 shows that unit costs have fallen against all measures during 2016-17. The total unit cost for 2016-17 is £1,587 (2015-16: £1,813). The total unit cost is calculated by dividing the total cost of operating the ombudsman scheme by the number of resolved cases that fall within our jurisdiction, which was 6,573 in 2016-17 (2015-16: 6,416).

The KPI unit cost for the legal jurisdiction is measured by cost per complaint (this measures the cost of the work at the assessment stage of our process). In 2016-17 the cost per legal complaint was £51 (2015-16: £53) and our cost per investigation (the cost of the resolution stage of our process) was £765 in 2016-17 (2015-16, £844).

### Figure 13 – Legal jurisdiction unit cost

Unit Cost	2013-14	2014-15	2015-16	2016-17
Contacts	69,500	59,000	59,082	64,932
Complaints	19,450	18,185	18,126	17,220
Total costs of complaints (£k)	n/a	n/a	970.0	883.6
Unit cost per complaint (£)	n/a	n/a	53.5	51.3
Complaints accepted for investigation	8,323	7,635	7,033	7,223
Investigations resolved (in jurisdiction)	8,055	7,440	6,416	6,573
Investigations resolved	n/a	n/a	6,760	6,842
Total costs of investigations (£k)	n/a	n/a	5,706	5,236
Unit cost per investigation (£)	n/a	n/a	844.1	765.3
Ombudsman Decision	3,059	3,054	2,560	2,510
Cost (£m)	15.7	12.8	11.6	10.4
Unit Cost (£)	1,950	1,716	1,813	1,587



CMC unit cost is measured on the basis of costs per investigation and includes the total costs of assessment and investigation due to the different business process and staffing model. It is therefore not comparable to the legal jurisdiction. Figure 14 shows that the CMC unit cost for 2016-17 is £681 (2015-16: £1,210).

**Figure 14 – CMC jurisdiction unit cost**

Unit Cost	2013-14	2014-15	2015-16	2016-17
Contacts	n/a	n/a	n/a	22,261
Complaints accepted for investigation	n/a	n/a	2,436	2,290
Complaints resolved (in jurisdiction)	n/a	n/a	1,713	2,616
Complaints resolved *	n/a	n/a	1,739	2,636
Ombudsman Decision	n/a	n/a	390	457
Cost (£m)	n/a	n/a	2.1	1.8
Unit Cost (£)	n/a	n/a	1,210	681

\* The complaints resolved in jurisdiction remove cases accepted for investigation which further investigation subsequently confirmed that the cases should not have been accepted as cases.

## REPUTATION AND IMPACT

The objective of our reputation measure is to assess how users of our service regard the Legal Ombudsman. We commission an independent survey of a sample of service users within our legal jurisdiction to gather this data. Our key measure is an **Advocacy** measure assessing the proportion of service users who would recommend us to others.

As is to be expected, the likelihood of service users within our legal jurisdiction recommending the Legal Ombudsman is heavily influenced by complainants' satisfaction with the outcome of our investigation. This measure has been developed to account for this unavoidable bias by separately reflecting levels of advocacy for service users satisfied with the outcome of their case, and those who are not satisfied. Together these two factors give a more meaningful indication of our performance.

**Figure 15 - Advocacy measure:** Shows the percentage of respondents within the legal jurisdiction who are satisfied with the outcome of their case and would speak highly of the Legal Ombudsman.

Complainants	Satisfied with outcome	Dissatisfied with outcome
I would speak highly (4-5)	83%	10%
Neutral (3)	10%	10%
Critical (1-2)	7%	78%
Don't Know	0%	2%

Service Providers	Satisfied with outcome	Dissatisfied with outcome
Highly (4-5)	51%	7%
Neutral (3)	37%	18%
Critical (1-2)	10%	75%
Don't know	2%	0%

**Figure 16 – Advocacy measure:** The percentage of respondents within the CMC jurisdiction who are satisfied with the outcome of their case and would speak highly of the Legal Ombudsman.

Complainants	Satisfied with outcome	Dissatisfied with outcome
I would speak highly (4-5)	92%	22%
Neutral (3)	6%	24%
Critical (1-2)	2%	53%

Service Providers	Satisfied with outcome	Dissatisfied with outcome
Highly (4-5)	92%	32%
Neutral (3)	8%	0%
Critical (1-2)	*	68%
Don't know	0%	0%

\*Insufficient sample size to provide meaningful data.

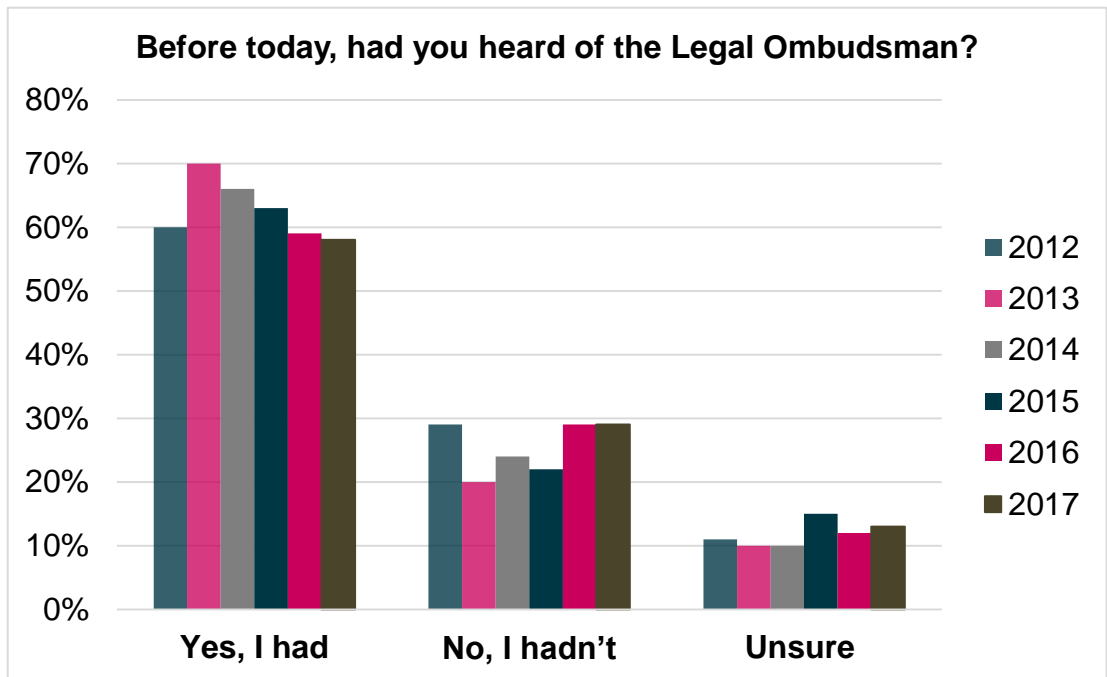
Broadly, the level of satisfaction reported for both complainants and service providers within our legal jurisdiction has remained at a similar level to that reported for the financial year 2015-16. Across all reported categories, there has been a small increase in those willing to speak highly of the Legal Ombudsman and a corresponding decrease in those reporting a neutral response, as compared to the previous financial year. There has been an increase in service providers who are dissatisfied with the outcome of their case who would be critical. This may in part be due to sampling methodology adjustments made in 2016/17.

### AWARENESS MEASURE

Our annual awareness survey measures familiarity with the existence of our service among the general public and users of legal and CMC services (Figures 17 and 18). We use this data to benchmark the effectiveness of the signposting activity required by bodies within our jurisdiction. It also enables us to track the impact of our communications activity and to identify any demographic trends in relation to awareness.

We look at two key measures in assessing awareness of the Legal Ombudsman – “Have you personally used and / or paid for a legal service / CMC service in the past 2 years?” and “Before today, had you heard of the Legal Ombudsman?”

**Figure 17 – Awareness of the Legal Ombudsman – General public**



For members of the general public, Figure 17 illustrates a further small decrease in the level of awareness of the Legal Ombudsman as compared to the previous financial year.

**Figure 18 - Awareness of the Legal Ombudsman - Users of legal services and CMC services**

Impact Indicator	2013-14	2014-15	2015-16	2016-17
Percentage of users of legal services in the last two years that have heard of the Legal Ombudsman	78%	77%	56%	60%
Percentage of users of CMC services in the last two years that have heard of the Legal Ombudsman	*	77%	62%	56%

\*No data available

This year has seen a small increase in the level of legal service users and a decrease in the level of CMC service users who are aware of the Legal Ombudsman. These results will be used to track the impact of signposting for users of legal and CMC services and to inform our communication and media activity over the coming year.

### STAKEHOLDER ENGAGEMENT & FEEDING BACK TO THE PROFESSIONS

We have maintained our engagement with stakeholders within the legal and CMC jurisdictions over the last year to ensure that we are feeding back insights and learning from our work. This year that has included:

- speaking at conferences and practitioner groups;
- hosting a stakeholder event for our CMC jurisdiction;
- hosting webinars covering key topics for our stakeholders;
- hosting online live chat sessions for service providers;
- presenting Periscope videos to support best practice in complaints handling;
- sharing key messages via social media;
- delivering six professional development courses nationally over the year;
- providing trend data and guidance to selected service providers via relationship management; and
- sharing data and insights with regulators.

We continue to meet regularly with the approved regulators and to share data with them. Figure 19 shows the misconduct referrals we made to the relevant regulatory bodies in 2016-17.

**Figure 19 – Referrals to regulatory bodies**

	Bar Standards Board	Council for Licensed Conveyancers	Solicitors Regulation Authority	Claims Management Regulator
2016-17	17	7	268	134

In previous years we have completed a survey of our stakeholders to assess their overall satisfaction with our level of engagement. The response rate to this survey had declined significantly over time to the extent that an independent survey no longer represented value for money. We will be exploring alternative ways of capturing annual feedback from stakeholders about our engagement.

### COST

We remain committed to achieving and demonstrating value for money in the way we run our service.

Figure 20 shows that the total expenditure on the legal jurisdiction in 2016-17 was £10.4m (2015-16: £11.6m), against a budget of £11.5m (2015-16: £12.2m). We set our annual budget following public consultation and taking into account expected demand forecasts.

The net expenditure in respect of the OLC's legal services activities is met from levy funds received from Approved Regulators on behalf of HM Treasury. Levy funds are paid directly to the OLC annually in arrears in March of each year.

**Figure 20 – costs of legal jurisdiction**

Legal Services Activities	2015-16	2016-17
Budgeted expenditure of the scheme £'m	12.207	11.545
Actual expenditure £'m	11.640	10.439
Less non Ombudsman Scheme activity, £'m taxation and interest received £'m	0.006	0.004
Total cost of the ombudsman scheme (A) £'m	11.634	10.435
Year on year cost reduction	8.8%	10.3%
Cases resolved during the year (B)	6,416	6,574
Unit cost (A divided by B)	£1,813	£1,587
Year on year unit cost reduction	(6%)	12%
Case Fee Received	0.956	0.946
Net Expenditure	10.678	9.485

In May 2016 the OLC received £1,625k Grant in Aid relating to the financial year 2015-16 (2014-15: £915k received March 2015). Figure 21 shows that net expenditure to continue operating the Claims Management Company jurisdiction was £1.4m in 2016-17 (2015-16:1.7m).

**Figure 21 – costs of CMC jurisdiction**

<b>CMC Activities</b>	<b>2015-16</b>	<b>2016-17</b>
Budgeted expenditure of the scheme £'m	2.030	2.079
Actual expenditure £'m	2.079	1.794
Less non Ombudsman Scheme activity, £'m taxation and interest received £'m	0.000	0.000
Total cost of the ombudsman scheme (A) £'m	2.079	1.794
Year on year cost reduction	n/a	14%
Cases resolved during the year (B)	1,718	2,636
Unit cost (A divided by B)	£1,210	£681
Year on year unit cost reduction	n/a	44%
Case Fee Received	0.380	0.430
Net Expenditure	1.699	1.364

## **Capital expenditure**

In 2016-17 a process of refreshing computer hardware has been completed and rolled out to all staff (£176k).

The programme of modernisation is taking place including a new CRM system and IT infrastructure. Costs of the first phase of the project occurred in 2016-17 (£195k). The remaining costs are reflected in the capital budget 2017-18.

There was a much lower level of capital expenditure in 2015-16 (£35k) which related to minor facility and legal costs of the relocation of our head office.

## **Key relationships**

The OLC is directly accountable to the MoJ for its financial management. This is because while the net funding for the Legal Ombudsman comes ultimately from a levy on the legal profession, it is routed through Government and is therefore classified as public spending. Along with our relationship with the MoJ, the OLC must also report our performance to the LSB, which also agrees our budget.

Along with our formal governance relationships, the Legal Ombudsman has a broad range of external stakeholders encompassing regulators, other ombudsmen schemes and complaint handling bodies, professional associations, service providers, consumer groups/charities and government and judicial bodies.

The success of the Legal Ombudsman hinges in large part on raising the awareness of customers, lawyers, CMCs, consumers, and the bodies that communicate with them. Our success is not simply to exist; we must continuously raise awareness of our services and disseminate what we have learnt. The profession itself is the most important referral point into the Ombudsman service. Consumer support bodies are also a key point of referral, particularly for complainants who require support to prepare their complaint. These two groups are the key audiences for explaining coming changes and the role of the Ombudsman scheme. A core part of our commitment is to make sure that the Legal Ombudsman is accessible to a diverse range of the population.

Gaining profile and exposure in professional circles continues to be essential – both for the reputation of the scheme and to enable the scheme to prepare for the coming changes to the legal landscape. The Legal Ombudsman has working arrangements in place with all of the Approved Regulators of legal services. These are set out in a series of Memoranda of Understanding (all available on the Legal Ombudsman website).

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# PERFORMANCE ANALYSIS

## Environmental matters

The OLC is committed to working with its suppliers and employees to ensure that it takes proper account of the impact of all of its activities on the environment. Our office design, location and infrastructure are designed to ensure sustainability. Our office is designed to be paperless – this is not only an efficient approach, but given the volumes of paper that lawyers and their clients can generate, is also an acknowledgement that as our service grows and develops, we must take a responsible and ethical view to the use of resources. We also do the small but important things such as encouraging recycling and minimising waste through effective facilities management.

## Equality, diversity and inclusion

The Legal Ombudsman provides an independent and impartial service to its customers, underpinned by a commitment to promoting diversity, equality and inclusion. That commitment includes providing a fair and flexible service delivered in accordance with the Legal Ombudsman's customer service principles, without discrimination and accessible to all.

We use insight and analysis about our customers to understand their individual needs and preferences, and we continue to work towards eliminating barriers and ensuring that our service is designed to meet the needs of all customers. We are currently reviewing our approach to ensuring that the service we deliver is inclusive, including assessing our own performance against the British Standard for inclusive service provision.

The Legal Ombudsman has an elected Staff Council enabling members, as representatives of their colleagues, to bring significant issues to the direct attention of the management team and to enable consultation on employment matters. The staff council also helps to ensure regular communication between the management team and staff representatives.

We have also continued to support our staff by providing training on issues including reasonable adjustments, mental health awareness, equality and diversity essentials and unconscious bias. Additional activities have included a thriving Women's Network. In addition, 20 LeO volunteers have signed up to be 'No More Hate Speech' volunteers with Stop Hate UK. This is an MoJ funded project promoting a counter narrative to hate speech via Twitter. In recognition of the importance of promoting positive mental health, a number of staff meet regularly in 'Time to Talk' sessions to promote self-help and support in terms of mental health.

Our equality data collection work has allowed us to monitor uptake and satisfaction levels for staff across all equality categories and we act on any trends seen in the staff survey. We benchmark the diversity profile of our workforce against the economically active populations of the West Midlands from which we draw most of our staff.



## **Payment of creditors**

The OLC is committed to paying supplier invoices by the due date or within 30 days of receipt if no due date has been agreed, and to dealing with payment queries promptly and ensuring any undue delay is notified to the supplier in a timely fashion. 94% of invoices were paid within agreed terms in 2016-17 and the average number of days taken to pay creditors was 16.2 days.

## **Format of accounts**

The accounts have been prepared in a form directed by the Lord Chancellor and Secretary of State for Justice with approval of HM Treasury and in accordance with the Legal Services Act 2007.

A handwritten signature in black ink, appearing to read 'Rob Powell', with a horizontal line extending to the right.

**Rob Powell,  
Accounting Officer**

**12 October 2017**

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# ACCOUNTABILITY REPORT

## Corporate governance report

### Directors' report

#### BOARD MEMBERS' REPORT

Members of the OLC are appointed by the Legal Services Board (LSB). They may be appointed for a fixed term of up to five years and may then be re-appointed for one further fixed term of up to five years. OLC members may be removed by the LSB only under the circumstances set out in Schedule 15.8 (2) of the Legal Services Act 2007, and the Chair may only be removed with the agreement of the Lord Chancellor. If the LSB thinks there are circumstances that make it right for a person ceasing to hold office as Chair or another member to receive compensation, the OLC may pay that person such compensation as the LSB may determine. Board membership together with the terms of appointment are set out in the Remuneration report.

The OLC is supported by a Management Team, led by the Chief Executive. The OLC has delegated relevant day-to-day authority to the Management Team, whose role is to deliver day-to-day operation of the Legal Ombudsman scheme. Further information about governance arrangements, including the report of the Remuneration and Nomination Committee, is set out in the Governance Statement.

#### REGISTRATION OF INTERESTS

The OLC members' register of disclosable interests is available on our [website](#). There were no examples of company appointments, consultancy arrangements or other significant interests held by OLC members during 2016-17 that gave rise to a potential conflict with their responsibilities as members of the Board. Declarations of interest are quarterly Board items, and recorded at periodic meetings of the OLC.

#### MANAGEMENT COMMENTARY

The purpose of the Legal Ombudsman scheme is to provide a single gateway for consumers of legal and claims management services, and to channel their complaints while at the same time driving systemic improvement by feeding information and methods to improve back to the profession.

During 2016-17, there was significant activity to analyse the strategic environment, consult stakeholders and work with the OLC to develop and agree a new three year strategy and business plan for 2017-20 which was published in April 2017. This sets out a clear vision and direction for the organisation over the next three years.

## AUDITORS

The Ministry of Justice provided internal audit services to the OLC. During the 2016-17 financial year the cost of internal audit work was £39,000, (2015-16: £31,000).

The OLC's annual accounts are audited by the Comptroller and Auditor General (C&AG) in accordance with the Legal Services Act Schedule 15, Section 26(5). For the year to 31 March 2017 the C&AG has estimated the costs at £31,000 (2015-16, £35,000 including £5,000 for 2014-15 Annual Report). The services provided by the C&AG staff relates only to statutory audit work.



**Rob Powell,  
Accounting Officer**

**12 October 2017**

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# ACCOUNTABILITY REPORT

## OLC and Accounting Officer's responsibility

As Accounting Officer I am responsible for the propriety and regularity of the public finances for which I, as Accounting Officer, am answerable, for keeping proper records, and for safeguarding the OLC's assets. These responsibilities are set out in the Accounting Officer Memorandum issued by the HM Treasury (published in Managing Public Money).


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

- observe the Accounts Direction issued by the Lord Chancellor with the approval of HM Treasury, including the relevant accounting and disclosure requirements, apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Director General, Justice and Courts Policy Group of the Ministry of Justice acted as interim Accounting Officer until June 2016. From 1 October 2017, Rob Powell, the Legal Ombudsman's new Chief Executive, was designated the OLC's Accounting Officer.

In June 2016 the Principal Accounting Officer designated Nick Hawkins, the previous Chief Executive, as Accounting Officer.

I confirm that I have taken all reasonable steps to make myself aware of any required audit information, and so far as I am aware, there is no relevant audit information which has not been disclosed to the auditors. I confirm that the annual report and accounts as a whole are fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that they are fair, balanced and understandable.



**Rob Powell,  
Accounting Officer**

**12 October 2017**

## Governance statement

As Accounting Officer, I am responsible for the governance, decision making and financial management of the OLC. I am personally responsible and accountable to Parliament for the Legal Ombudsman as an organisation, its management, use of public money and stewardship of public assets. My review of the effectiveness of the system of internal control was informed by independent assurance from internal and external audit and my own review of strategic risks and corporate governance.

Following the regularisation in March 2016 of historical staff payments deemed novel and contentious, I have assured myself that all staff payments are in accordance with Managing Public Money.

### THE OLC'S GOVERNANCE FRAMEWORK

The governance statement sets out the basis on which the OLC is governed and managed; and how it is accountable for what it does. It identifies the risk management processes, major risks and the effectiveness of the governance and risk arrangements.

### BOARD PERFORMANCE AND CORPORATE GOVERNANCE

Schedule 15.1 of the Legal Services Act 2007 requires that the OLC is to consist of a Chair and at least six but no more than eight other persons. It must have a lay majority and reflect the experience and knowledge set out in Schedule 15.4.

OLC meetings were fully compliant with the other requirements of its governance arrangements and rules of procedure. Eight OLC meetings took place during 2016-17. Attendance of OLC members is disclosed in the table below.

OLC Attendance	Apr 16	Jun 16	Jul 16	Sep 16	Oct 16	Dec 16	Jan 17	Mar 17	Total
Steve Green (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	8
Caroline Coates	✓	✓	✓	✓	✓	✓	✓	✓	8
Bernard Herdan	✓	✓	✓	✓	✓	☒	✓	✓	7
Michael Kaltz	✓	✓	✓	✓	✓	✓	✓	☒	7
Tony King	✓	☒	✓	✓	✓	✓	✓	✓	7
Jane McCall	✓	✓	✓	✓	✓	✓	✓	✓	8
Philip Plowden	✓	☒	✓	✓	☒	✓	✓	✓	6

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# ACCOUNTABILITY REPORT

Members of the OLC have self-assessed their roles and performance throughout the year, both collectively and through individual discussions with the Chair, and have concluded as a result that the OLC has been, and remains, effective. This activity will be ongoing to allow members to enhance their future contribution to the stewardship of the OLC.

The OLC is duty bound to comply with the Corporate Governance in central government departments Code of Good Practice 2011. As a statutory body the OLC complies with the Code where it is deemed practical and relevant to its circumstances.

During this year, the OLC has received assurance from the organisation's independent internal auditors. Details of the work undertaken and the internal auditor's opinion are set out later in this statement.

There has been significant work to strengthen corporate governance during the year, building on the work that led to regaining Accounting Officer status in June 2016. In particular, the OLC has reviewed and updated its Operating Framework, Rules of Procedure, Scheme of Delegation and developed a tripartite operating protocol with the MoJ and LSB which was signed in June 2017.

The OLC has also undertaken a detailed review of progress implementing the recommendations of an independent external review of corporate governance which reported in December 2015. In December 2016, the OLC Chair and Chairs of ARAC and RemCo signed off the final outstanding actions into business as usual.

## OTHER COMMITTEES

The OLC is supported in its stewardship by three sub-committees:

### **Audit and Risk Assurance Committee**

The overall objective of the Audit and Risk Committee is to support the OLC and the Accounting Officer by providing independent oversight and advice to give appropriate assurance to them in relation to risk management, financial reporting and controls, overall governance and the work of internal and external audit. The Committee is responsible for reviewing the establishment and maintenance of an effective system of integrated management control of risk across the whole of the organisation's activities. During the period April 2016 to March 2017 four meetings of the Audit and Risk Committee took place - the following table records the attendance of committee members during this period.

ARAC Attendance	Apr 16	Jul 16	Oct 16	Jan 17	Total
Michael Kaltz (Chair)	✓	✓	✓	✓	4
Tony King	✓	✓	✓	☒	3
Philip Plowden	✓	✓	✓	✓	4
Legal Services Board	✓	✓	✓	✓	4
Internal Audit	✓	✓	✓	✓	4
External Audit	✓	✓	✓	✓	4

In addition, the members of ARAC undertook meetings and telephone conferences outside of the Committee some of which involved either internal or external auditors.

During this financial year the Committee agreed internal and external audit plans and received regular updates from both auditors on the effectiveness of the organisation's internal control systems. The work plan for Internal Audit was reshaped to ensure focus on critical areas and the nature of scoping and reporting was substantially improved.

The Committee drafted amended Terms of Reference for OLC approval aimed at making us more focused and improving governance.

The Committee focused significant attention on the management of corporate risk. The Committee commented on a risk strategy for the Legal Ombudsman, which was subsequently approved by the OLC in January 2017. This led to the OLC setting a formal risk appetite for the revised set of strategic risks under the new three year strategy. The Committee reviewed the Corporate Risk Register at each meeting and specific strategic risks presented by risk owners. The Committee continues to work with management to ensure ongoing improvement and evolution of the culture and practice of risk management within the Legal Ombudsman.

During 2016-17, the Committee also reviewed the status of those LeO policies which impact on financial and risk matters and approved amendments to several. The Committee also discussed wider improvements to the management of corporate policies and management plans to rationalise the number of policies and simplify their content.

We assured ourselves that cyber security and information asset management were high on the Executive's agenda and, at each Committee meeting, we considered reports on data handling incidents.

The Committee also fulfilled the important role of agreeing the annual Governance Statement, overseeing key financial and budgetary matters and draft and final statutory accounts prior to ratification by the OLC. The Committee also maintained a strong focus on Managing Public Money to ensure that the executive built on recent progress to improve financial controls and this was considered at each Committee meeting together with the status of MoJ financial approvals.

Audit and Risk Committee members and attendees completed a self-assessment review of its effectiveness based on the January 2012 National Audit Office publication “The Audit Committee Self-Assessment Checklist”. The Committee agreed the outcome in January 2017 and concluded that most questions could be answered confidently in the positive and that significant progress had been made in the two years since the new Committee membership had been in place.

It is appropriate to acknowledge the contribution of the former Chair, Steve Green, in bringing about a culture of strong governance which has empowered ARAC and the new Management Team to work together to put in place robust management of risk and financial processes. The emphasis on good governance continues with Wanda Goldwag as OLC Chair.

**Michael Kaltz**  
**Chair, Audit and Risk Assurance Committee**  
**October 2017**

**Remuneration and Nomination Committee**

I am pleased to present my second annual report from the Remuneration and Nominations Committee (RemCo). The RemCo membership has remained unchanged from last year. Regular attendees from the Executive have now become the Chief Executive, Director of Corporate Services and Head of Human Resources. Other senior staff have joined meetings to assist the Committee in dealing with specific topics. Members of the Staff Council have been present as observers at every meeting and made a helpful contribution. Attendance at some meetings, or elements of meetings, dealing with sensitive topics has been restricted to the Non-Executive Directors (NEDs) only and/or NEDs plus the Chief Executive.

REMCO Attendance	May 16	Jun 16	Nov 16	Feb 17	Total
Bernard Herdan	✓	✓	✓	✓	4
Caroline Coates	✓	✓	✓	✓	4
Jane McCall	✓	✓	✓	✓	4
Chief Executive	✓	✓	✓	✓	4
* Director of Corporate Services	☒	☒	✓	✓	2
Head of HR	✓	✓	✓	✓	4
Staff Council observers	✓	✓	✓	✓	4

\* The Director of Corporate Services joined the Legal Ombudsman on 31 October 2016.

There was a total of four meetings this year, some by teleconference and some devoted to a single urgent topic. The Committee reviewed its terms of reference and made some minor adjustments to match current scope and practice, and these changes were approved by the Board. The Committee conducted a self-appraisal towards the end of the year and from this exercise a number of actions were identified aimed at improving its performance and effectiveness, and the Board has been informed of this.



Early in the year, RemCo reviewed proposals for adjustments to the senior structure and staffing to improve efficiency and effectiveness and to contribute to savings sought by the Ministry of Justice. Later in the year it approved further changes in structure involving disbanding and reallocation of the Operational Insight and Engagement Team. RemCo members have supported the Executive in recruitment exercises for appointment of senior staff during the year.

RemCo has supervised the development of a Balanced Scorecard for the people aspects of the Legal Ombudsman and has used this to track performance through the year. Particular concerns which have been highlighted this year have been around level of sickness absence and staff turnover, and RemCo has sought to understand how these can be improved given their adverse impact on organisational performance. It has also reviewed the results of exit surveys.

Staff surveys have been conducted through the year and have demonstrated a general improvement in staff morale and engagement. Benchmarking with other relevant Arm's Length Bodies across the Civil Service has mostly shown that LeO is doing well in this respect. However, RemCo has also highlighted areas where there is room for improvement and sought to review action plans as part of a culture of continuous improvement.

RemCo has maintained oversight of learning and development.

As part of its role in approval of pay arrangements, RemCo has approved the annual pay remit and also proposals for the parameters and design of the 2016/17 performance incentive scheme.

Given ongoing issues around the Legal Ombudsman's performance against Key Performance Indicators, RemCo has been particularly exercised to ensure the organisation is fully staffed by well trained, motivated and productive front line staff. There were recruitment delays in the first half of the year due mainly to delays in obtaining MoJ approvals to recruit. This shortfall was compounded by higher than normal staff turnover and levels of long term sickness absence. The situation is now being rectified by continuous recruitment aiming to ensure that staffing levels are always at the desired full complement.

RemCo has also reviewed the result of a pilot 'twilight shift' and discussed the possibility of an 'evening shift' as ways to enhance efficiency, tap different sources of recruits, and enhance customer service for those who would prefer to engage with us during the evenings. Results to date have been encouraging.

At the end of the year, RemCo has been involved in the review of proposals for a major change to the operational staffing model to enable transformation of the LeO business processes and of the IT systems to achieve objectives set by the Modernising LeO Programme.

**Bernard Herdan,**  
**Chair, Remuneration and Nomination Committee**  
**October 2017**

### Category 1 Publications Committee

The OLC has established a Category 1 Publications (Cat 1) Committee to fulfill the functions of the OLC, as detailed in its Publishing Decisions Policy, which is intended to guide the OLC in the exercise of its discretion under Section 150, Legal Services Act 2007.

Cat 1 Attendance	Jul 16	Total
Steve Green	✓	1
Caroline Coates	✓	1
Tony King	✓	1
Head of Operational Insight & Engagement	✓	1
Head of Operations	✓	1
Chief Legal Ombudsman	✓	1

The committee met once in 2016-17 and one publishing decision was discussed. The Chief Legal Ombudsman progressed the approval of the Category 1 publication.

**Steve Green,**  
**Chair, Category One Publications Committee**  
**March 2017**

### OLC OVERSIGHT OF THE LEGAL OMBUDSMAN

The OLC met together eight times during the year with the Chief Executive, Chief Ombudsman, Director of Corporate Services and Head of Operations in attendance, with other staff attending as requested for specific items. One of the meetings is specifically dedicated to considering strategy. Meetings are held in an open, consultative way and the management team are transparent about the organisational issues with which they are dealing and with the performance of the organisation. The OLC is briefed on matters of strategic importance and materiality and asked to verify or make decisions in these areas.

The OLC receives reports on organisational performance and financial performance and quarterly updates on key issues for the business such as risk, human resources and legal challenges. The OLC reviews a suite of internal and externally reportable KPIs. These external KPIs provide stakeholders with an effective overview of the Legal Ombudsman's performance.

OLC members shadow key areas of the business and form links with relevant Legal Services Board members.

Improving data quality, particularly as a result of the ongoing modernisation agenda, is a key priority for the OLC. During the year, the OLC has sought assurances about data integrity and quality, and interim mitigations for risks inherent in our current systems. While there are routine reports provided to the OLC, the format and content of information evolves to include new issues as these arise, or to continually improve the content and relevance of information provided.

Board papers are reviewed by executive management prior to distribution to ensure that these are of appropriate quality.

## EXECUTIVE MANAGEMENT OF THE LEGAL OMBUDSMAN

Executive management of the Legal Ombudsman is delegated to the Chief Executive in accordance with the OLC Scheme of Delegation. Following the departure of the first Chief Ombudsman, the roles of Chief Executive and Chief Legal Ombudsman were separated.

The Chief Executive is supported by a Management Team which comprises the Chief Legal Ombudsman and other senior managers responsible for each of the core functions of the organisation.

The Management Team is a strategic forum which focuses on the effective and efficient running of the Legal Ombudsman and its organisational development. It provides effective day-to-day leadership for the Legal Ombudsman and supports the OLC in setting the organisation's direction. It ensures that the organisation has the capabilities to deliver the business priorities and plans agreed by the OLC. It also provides a forum for discussion of key relationships with external stakeholders and committees of the OLC.

Management Team focuses on strategic issues which include:

1. strategy and planning;
2. leadership;
3. performance;
4. strategic workforce issues;
5. internal control and assurance frameworks; and
6. reporting.

Management Team has a critical leadership role in helping the OLC shape organisational values and customer service principles. It provides leadership to ensure those values and Customer Service Principles are embedded across the organisation.

Management Team is not concerned with ombudsman decisions made under the Scheme Rules, which are the independent statutory preserve of the Chief Legal Ombudsman.

## RISK MANAGEMENT AND KEY RISKS

The OLC operates a risk management framework which follows guidance in HM Treasury's 'Managing Public Money' and 'Management of Risk – Principles and Concepts', as well as other official guidance that may be issued from time to time. The framework is also consistent with the Ministry of Justice's (MoJ) risk management policy, and ensures that risks are identified and escalated as necessary.

In January 2017 the OLC strengthened its risk management framework by agreeing a risk strategy. This sets out our overall approach to managing risks and opportunities, and aims to support a culture of effective risk management and provide a clear risk management framework that is well understood across the organisation.

Our strategic risk register has been streamlined during 2016-17 to focus on nine strategic risks. We have also developed a new set of strategic risks for the 2017-20 strategy. The rationalisation of our strategic risks has helped focus the organisation's risk management on risks to the delivering the strategy.

Each strategic risk has a risk owner who is a member of the Management Team. They assess the controls already in place, and the current risk taking account of those controls, and identify further controls required if the risk is to be brought to the target level of risk which has been set. Each risk is given a one to five "impact" and "likelihood" score to calculate the effect and probability of risk events.

The risk register is reviewed by Management Team on a quarterly basis. The risk register is also reviewed by the Audit and Risk Assurance Committee (ARAC), which meets four times a year, and key issues reported to the OLC. ARAC also considers more detailed reports on individual strategic risks from the relevant risk owner. This process provides accountability for and visibility of risk whilst providing effective reporting of action plans in place to manage risks. As a result, risk assessment and mitigation is embedded into our financial and non-financial management processes.

The Management Team regularly assesses operational risk at a more detailed level. The team brings operational risks with a rating of 15 or more (Likelihood x Impact) to the attention of ARAC.

### **Risk appetite**

The OLC has a dynamic risk appetite, the OLC identifies risks that could hinder or prevent the achievement of our strategy, and for each risk sets the risk appetite at the level of risk we are prepared to accept using a framework based on HMT guidance.

In line with the new risk strategy, the OLC formally reviews risk appetite annually as part of the annual strategic risk workshop, the first of which took place in January 2017. Quarterly reports on strategic risks enable the OLC to review risk management with the risk appetite as a guide, particularly to assess the effectiveness with which strategic risk is being managed.

### **Key risks**

Key strategic risks are summarised below:

#### Credibility:

**Risk:** Loss of credibility or integrity for operating the scheme, for example because of criticism of the service, adverse publicity, breaches, legal challenge, incorrect ombudsman decisions.

**Mitigation:** We have a quality framework in place, including robust arrangements for handling service complaints. This is supported by performance reporting systems and our work to comply with the Legal Services Board's reporting requirements. We have mechanisms in place to feedback learning from legal or other challenge of our decisions.

Operational resource:

**Risk:** Limits to operational resource (whether due to increased demand or other factors) could adversely affect quality of service, operational performance and staff morale.

**Mitigation:** We have adopted changes to our working practices which include more flexible working arrangements, the introduction of triage and a re-focus of our attention to focus on queues and bottlenecks in the process. We have implemented rolling quarterly recruitment and have initiated a pilot of extended working hours.

Information Technology:

**Risk:** LeO's Information Technology (IT) infrastructure, telephony and our case management system fail to enable the business to function effectively, compromising customer service, performance and operational efficiency, as well as adversely affecting staff morale.

**Mitigation:** during 2016-17 we have made good progress with an ambitious programme to redevelop our IT infrastructure and hardware and build a new case management system. The successful completion of the programme, which runs throughout 2017-18, is the key mitigation for the IT risks we face. In the short-term, we have mitigated the worst impacts by stabilising our current case management system and providing staff new hardware.

Influencing the external environment:

**Risk:** Risk of failing to influence the external environment by providing effective feedback and insight. The level of risk and opportunity is high as a result of the Competition and Markets Authority's (CMA) review of the legal services market. We will also need to manage carefully the implications of the decision to transfer - at a date to be confirmed - of the CMC jurisdiction to the Financial Ombudsman Service, which reflects changes in the sector's regulation.

**Mitigation:** The 2017-20 strategy has a much stronger external focus, including explicit consideration of strategic choices and our response to the CMA's report, with a strong focus on the need to understand the external landscape and to engage and influence our external stakeholders. This builds on significant progress in mitigating the risk in 2016-17 as a result of intensive and effective external engagement activity led by the Chief Legal Ombudsman.

## PERFORMANCE

MoJ internal audit has delivered five audits and one advisory project for 2016-17, plus one audit carried forward from 2015-16. Of the six audits, five provided moderate assurance, and one (performance data) provided limited assurance. The Audit and Risk Assurance Committee initially agreed to an input of 81 days in total. In total 71.7 days have been delivered for 2016-17.

Implementation dates have been agreed for all recommendations as part of the reporting protocol. In addition, management report progress on the implementation of recommended improvements on a regular basis to the Audit and Risk Assurance Committee.

Internal Audit have issued the following assurance opinion for 2016-17 to the OLC:

Our opinion is based primarily on the work conducted during the year but also takes into account our observations during attendance at Audit and Risk Assurance Committee meetings. It also takes into account our confidence in the extent to which agreed actions to remedy weaknesses are implemented by due dates. The annual opinion descriptions are shown below.

On the basis of the work completed to date and my knowledge of the governance, internal control and risk management frameworks within the OLC, I am able to provide a moderate level of assurance. The description of this and the alternative levels of assurance are provided below.

<b>Opinion</b>	<b>Description</b>
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

# ACCOUNTABILITY REPORT

## Remuneration and Staff Report

### APPOINTMENT AND TERMINATION OF OLC MEMBERS

Two members of the OLC left their posts in 2016-17. Steve Green, the Chair of the OLC, completed his term on 31 March 2017. One non-lay member of the OLC, Professor Philip Plowden, completed his term on 31 March 2017.

The LSB approved a new chair on 29 March 2017. Wanda Goldwag started her 3 year term on 1 April 2017. On 23 March 2017 the LSB announced the appointment of Rebecca Hilsenrath as a new non-lay member of the OLC from 1 April 2017.

Member	Appointed	Terminates
Steve Green (lay chair)	01-Apr-14	31-Mar-17
Philip Plowden	01-Apr-14	31-Mar-17
Tony King (lay)	01-Apr-15	31-Mar-18
Bernard Herdan (lay)	01-Apr-15	31-Mar-19
Jane McCall (lay)	01-Apr-15	31-Mar-19
Caroline Coates	01-Apr-15	31-Mar-18
Michael Kaltz (lay)	01-Apr-15	31-Mar-19
Wanda Goldwag (chair)	01-Apr-17	31-Mar-20
Rebecca Hilsenrath	01-Apr-17	31-Mar-20

### BOARD REMUNERATION

The remuneration of the Board members is shown in the table below and has been subject to audit.

The Chair and other OLC members are remunerated by the LSB and the total remuneration paid to the OLC is disclosed in the accounts of that body. The OLC members do not receive pension contributions. The Chief Legal Ombudsman is remunerated by the OLC.

The Chair's remuneration reflects the higher proportion of time which the Chair is contracted to spend on OLC matters. Details of expenses claimed by the OLC are published and publicly available on the Legal Ombudsman website.

Board Remuneration	Annual Rate £	Year to March 2017 £	Year to March 2016 £
Steve Green (Chair)	52,500	52,500	52,500
Philip Plowden	10,000	10,000	10,000
Bernard Herdan	10,000	10,000	10,000
Michael Kaltz	10,000	10,000	10,000
Tony King	10,000	10,000	10,000
Jane McCall	10,000	10,000	10,000
Caroline Coates	10,000	10,000	10,000
Karen Silcock	-	-	3,334

## STAFF NUMBERS AND RELATED COSTS

The OLC operates a salary sacrifice pension scheme which allows employees to elect to sacrifice a proportion of their basic pay in return for correspondingly increased contributions to their pension scheme.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid individual in their organisation (excluding pension contributions) and the median remuneration of the organisation's workforce. The remuneration of the Management Team in 2016-17 is below. The Chief Executive Nick Hawkins has resigned from his post and will leave the organisation on 29 September 2017.

Year to 31 March 2017	Salary £	Pension £	Salary Sacrifice Pension Scheme £	Total £
N Hawkins - Chief Executive	116,291	13,086	6,121	135,498
K Stone OBE – Chief Legal Ombudsman	98,363	11,068	5,177	114,608
R Powell - Director of Corporate Services (from 31 Oct 16)	37,706	4,551	3,279	45,536
* S Tunnicliffe - Director of Operations	69,096	7,775	3,637	80,508

\* Head of Operations S Tunnicliffe promoted to Director of Operations on 21 March 2017

Comparative figures for the previous financial year appear in the table below. Ian Brack was in place at the commencement of the 2015-16 financial year, initially on an interim contract. This individual was appointed and paid through payroll from 8 June 2015 contractually until 31 December 2015 and the OLC incurred in total expenditure of £113,888. A table of the CEO remuneration is shown below.

Year to 31 March 2016	Interim contract £	Salary £	Pension £	Salary Sacrifice Pension Scheme £	Other Benefits £	Total £
N Hawkins (From October)	-	56,832	5,982	2,991	-	65,805
I Brack (until December)	48,600	61,763	2,402	1,123	-	113,888
K Stone OBE - Chief Ombudsman (from January)	-	19,044	2,103	1,051	-	22,343
P Partridge – Interim Director of Corporate Services	-	66,930	8,326	7,073	8,943	91,272
K King – Interim Chief Ombudsman (Until January)	-	62,855	5,100	7,234	1,878	77,067



The annualised remuneration of the highest-paid individual in the Legal Ombudsman in the financial year 2016-17 was £122,412 (2015-16: £121,200).

This was 3.8 times (2015-16: 3.8) the median remuneration of the workforce in March 2017, which was £32,581 (2015-16: £32,259).

In 2016-17, no employees received remuneration in excess of the highest paid director (2015-16: none). Remuneration ranged from £7,800 to £122,412 (2015-16: £7,800 to £121,200).

Total remuneration includes salary but not employer pension contributions and the cash equivalent transfer value of pensions. All employees are eligible for interest free season ticket loans, which are repayable over 10 months or on leaving employment.

### STAFF RELATED COSTS

The remuneration of the OLC is paid by the LSB. The Chief Executive is remunerated by the Legal Ombudsman and is included within the staff costs below.

Staff costs comprise	2016-17			2015-16		
	Total £000	Permanent Staff £000	Other Staff £000	Total £000	Permanent Staff £000	Other Staff £000
Wages and salaries	7,646	7,527	119	8,818	7,948	870
Social security costs	736	727	9	821	821	-
Other pension costs	603	598	5	607	607	-
Exit packages	139	139	-	-	-	-
<b>Total net costs</b>	<b>9,124</b>	<b>8,991</b>	<b>133</b>	<b>10,246</b>	<b>9,376</b>	<b>870</b>

In 2015-16 Wages and Salary costs were inclusive of staff wellbeing (£90k), these costs have been re classified as Staff Wellbeing in Other Expenditure in 2016-17 (97k).

### AVERAGE NUMBER OF PERSONS EMPLOYED

The average number of whole-time equivalent persons employed during the year was as follows.

	Total 2016-17	Permanent Staff 2016-17	Other staff 2016-17	Total 2015-16	Permanent Staff 2015-16	Other Staff 2015-16
Directly employed	230	222	8	228	221	7
Not directly employed	-	-	-	6	-	6
<b>Total</b>	<b>230</b>	<b>222</b>	<b>8</b>	<b>234</b>	<b>221</b>	<b>13</b>

Proposed performance related pay changes and any revalorisation of pay for senior managers and for the OLC as a whole is reviewed and approved by the Remuneration and Nomination Committee.

## REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION - EXIT PACKAGES (Subject to audit)

In 2016-17 eight exit packages have been agreed (2015-16: None).

	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Costs Band
< £10,000	2	2	4
£10,000 - £25,000	1	1	2
£25,000 - £50,000	1	1	2
Total Number of Exit Packages	4	4	8
<b>Total Cost / £</b>	<b>77,165</b>	<b>61,991</b>	<b>139,156</b>

## PENSIONS

The OLC has a defined contribution group personal pension scheme to which the OLC makes fixed contributions but has no other liabilities. During the year the OLC allowed employees to elect to sacrifice a proportion of their basic pay in return for correspondingly increased contributions to their pension scheme. The OLC makes matching contributions of twice the amount contributed by individual employees up to a maximum of 10%. Reductions in Employer National Insurance contributions resulting from this salary sacrifice arrangement are also contributed into the employee pension scheme as part of this arrangement.

## EMPLOYEES AND SOCIAL COMMUNITY ISSUES

As at 31 March 2017, the Legal Ombudsman had 213 full time employees (2015-16: 199) and 40 part time employees (2015-16: 30). 67% of the staff complement were women (2015-16: 67%). 4.3% of working days were lost to sickness including absence for planned operations (2015-16: 3.6%).

## STAFF POLICIES APPLIED DURING THE YEAR

The OLC supports the Two Ticks scheme regarding the employment, retention, training and career development of disabled employees. The Legal Ombudsman therefore guarantees to interview those who consider themselves to have a disability and meet the criteria set out in the job description, and will appoint on merit.

Reasonable adjustment requests are agreed in consultation with an individual's line manager and the Human Resources team.

Ongoing training is continuously reviewed for all staff with an individual's line manager, in conjunction with the corporate knowledge strategy.

## CONSULTANCY


There was no consultancy expenditure in the year.

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# ACCOUNTABILITY REPORT

One individual is considered an off payroll engagement due to the independent requirement of the role. The Service Complaints Adjudicator is contracted on the basis of work delivered and is not paid a salary.

The OLC and its employees strive to ensure that the Legal Ombudsman has a positive impact on the local community. We are also committed to meeting the different needs of the legal community and users of legal services, as well as our employees and suppliers. To this end we facilitate and encourage our employees' charitable fundraising initiatives as well as building links with the broader West Midlands community.



**Rob Powell,  
Accounting Officer**

**12 October 2017**

## **Parliamentary accountability and audit report**

The OLC is a statutory body accountable to both the MoJ and the Legal Services Board (LSB).

The LSB has a number of responsibilities in respect of the OLC:

- with the consent of the Lord Chancellor, to appoint and if necessary remove the OLC Chair;
- after consultation with the Chair, to appoint and if necessary remove the other members of the Board;
- remunerate the OLC Chair and members of the Board;
- give consent to scheme rules made by the OLC, and where necessary, direct the OLC to take steps to modify its scheme rules;
- make rules in consultation with the OLC providing for the imposition of a levy on leviable bodies; and
- approve the annual budget of the OLC, and any subsequent variations to it.

The relationship between the LSB and OLC is governed by a Memorandum of Understanding, which reflects the respective bodies' independent and separate functions, and facilitates constructive communication, co-operation and co-ordination of the performance of the bodies' respective responsibilities. The Memorandum of Understanding, which is publicly available on both the LSB and OLC websites, details the core principles underpinning the relationship, and the detailed arrangements for:

- budget management;
- scheme rules;
- performance monitoring and reporting;
- information exchange; and
- communication.

In respect of the annual budget approval, the OLC provides a budget submission to the LSB with the Accounting Officer and appropriate Board members or Legal Ombudsman employees attending LSB meetings to provide assurance about the appropriateness of the proposed budget.

The scheme rules and any changes to them must be approved by the OLC and receive the consent of the LSB. In order to provide assurance that any rules are appropriate and provide a framework for the scheme to operate fairly, impartially and reasonably and to adhere to good practice of Ombudsman schemes the OLC undertakes consultation with key stakeholders including the legal profession and consumer groups.

Information exchange and communication is facilitated by the executive teams of both bodies. This is augmented by the Chairs and Chief Executives of the LSB and OLC meeting on a regular basis to discuss issues of common interest and to ensure that the LSB can secure assurances during the course of the year as to the discharge of the OLC's duties. Both the LSB and OLC meet jointly on a regular basis.

As an independent Arm's Length Body of the MoJ, the OLC also has responsibilities directly to that Department. Both the LSB and the OLC's Framework Documents make reference to these so that there is no confusion over where responsibility for ongoing financial oversight (the MoJ) or OLC performance (the LSB) lies. This framework has been improved by significant work during the financial year to develop a tripartite operating protocol, which provides more detail about how the complex governance arrangements will work in practice. The organisations agreed and signed the final protocol in June 2017.

Members of the OLC are required to abide by key elements of the LSB's Governance Manual, including the Code of Practice, and policies on expenses, gifts and hospitality and conflicts of interest.

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# ACCOUNTABILITY REPORT

## Regularity of expenditure

**Losses and special payments:** There were no losses and special payments in 2016-2017.

Items identified in previous year's annual reports for payments deemed as novel and contentious for the Flexible Benefit scheme and the Total Remuneration Supplement allowance scheme have now been fully regularised and no such payments were made during 2016-17.

**Remote contingent liabilities:** There are no remote contingent liabilities to report.

**Financial Instruments:** The OLC does not have borrowings; we rely primarily on a levy to the legal services sector and case fee income for our cash requirements. We are not, therefore, exposed to significant liquidity risks.

**Long term expenditure trends:** the OLC's initial budget in the first full year of operation was £17m in the legal jurisdiction. This reduced in each subsequent operating year until 2017-18 when there is a forecasted small increase relating to the one off costs of our modernisation programme.

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# ACCOUNTABILITY REPORT

## 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 for Legal Complaints for the year ended 31 March 2017 under the Legal Services Act 2007. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports as having been audited.

### **Respective responsibilities of the Board, Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Legal Services Act 2007. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

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

### **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Office for Legal Complaints' affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Legal Services Act 2007 and Lord Chancellor directions, with the approval of HM Treasury, issued thereunder.

## **Opinion on other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with directions made under the Legal Services Act 2007 by the Lord Chancellor directions with the approval of HM Treasury; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

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

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

## **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**17 October 2017**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

# FINANCIAL STATEMENTS

## Statement of comprehensive net expenditure

For the year ended 31 March 2017

<b>Income</b>	<b>Note</b>	<b>2016-17 £'000</b>	<b>2015-16 £'000</b>
Income from operating activities	5	10,865	12,014
Other Operating Income	5	-	-
<b>Total</b>		<b>10,865</b>	<b>12,014</b>
<b>Expenditure</b>			
Staff costs	3	9,124	10,246
Depreciation and impairment	6,7	387	410
Provision expense	12	75	99
Other operating expenditure	4	2,665	2,983
<b>Total operating expenditure</b>		<b>12,251</b>	<b>13,738</b>
<b>Net operating expenditure</b>		<b>(1,386)</b>	<b>(1,724)</b>
Interest receivable		26	31
Taxation		(4)	(6)
<b>Net expenditure after interest and taxation</b>		<b>(1,364)</b>	<b>(1,699)</b>

All expenditure is derived from continuing activities. There has been no other comprehensive expenditure in the year.

The notes on pages **59 to 71** are part of these financial statements.



# Statement of financial position

As at 31 March 2017

<b>Non-current assets:</b>	<b>Note</b>	<b>2017 £'000</b>	<b>2017 £'000</b>	<b>2016 £'000</b>	<b>2016 £'000</b>
Property, plant and equipment	6	870		841	
Intangible assets	7	443		452	
<b>Total non-current assets</b>			<b>1,313</b>		<b>1,293</b>

<b>Current assets:</b>					
Trade and other receivables	9	506		513	
Cash and cash equivalents	10	16,734		16,669	
<b>Total current assets</b>			<b>17,240</b>		<b>17,182</b>
<b>Total assets</b>			<b>18,553</b>		<b>18,475</b>

<b>Current liabilities</b>					
Trade and other payables	11	398		644	
Provisions	12	154		120	
Other liabilities	11	1,310		1,308	
<b>Total current liabilities</b>			<b>1,862</b>		<b>2,072</b>
<b>Total assets less current liabilities</b>			<b>16,691</b>		<b>16,403</b>

<b>Non-current liabilities</b>					
Provisions / Other payables	12	304		277	
<b>Total non-current liabilities</b>			<b>304</b>		<b>277</b>
<b>Total assets less liabilities</b>			<b>16,387</b>		<b>16,126</b>

<b>Taxpayers' Equity and other reserves</b>					
General Fund			16,126		17,825
Grant In Aid from sponsoring department			1,625		
Net expenditure after interest & taxation			(1,364)		(1,699)
<b>Total</b>			<b>16,387</b>		<b>16,126</b>



**Rob Powell,**  
Accounting Officer  
12 October 2017

The notes on pages **59 to 71** are part of these financial statements.

# FINANCIAL STATEMENTS

## Statement of cash flows

For the year ending 31 March 2017

<b>Cash flows from operating activities</b>	<b>Note</b>	<b>2016-17 £'000</b>	<b>2015-16 £'000</b>
Net operating cost		(1,386)	(1,724)
Adjustments for non-cash transactions	4	462	509
(Increase)/decrease in trade and other receivables	9	7	90
Increase/(decrease) in trade and other payables	11	(246)	96
Use of provisions	12	(12)	(48)
Interest receivable		26	31
Taxation		(4)	(6)
<b>Net cash outflow from operating activities</b>		<b>(1,153)</b>	<b>(1,052)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(177)	(17)
Purchase of intangible assets	7	(230)	(18)
<b>Net cash outflow from investing activities</b>		<b>(407)</b>	<b>(35)</b>
<b>Cash flows from financing activities</b>			
Grants from sponsoring department		1,625	-
<b>Net financing</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b>65</b>	<b>(1,087)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	10	<b>16,669</b>	<b>17,756</b>
<b>Cash and cash equivalents at the end of the year</b>	10	<b>16,734</b>	<b>16,669</b>

The notes on pages 59 to 71 are part of these financial statements.

## Statement of changes in taxpayers' equity

For the year ending 31 March 2017	Note	Total reserves £'000
<b>Balance at 31 March 2015</b>		<b>17,825</b>
<b>Changes in taxpayers' equity for 2015-16</b>		
Grants of sponsoring department		-
Comprehensive net expenditure for the year		(1,699)
Revaluation gains and losses/Transfer between reserves		-
Notional transfer to Consolidated Funds		(11,573)
Notional receipts from Sponsor		11,573
<b>Balance at 31 March 2016</b>		<b>16,126</b>
<b>Changes in taxpayers' equity for 2016-17</b>		
Grants of sponsoring department		1,625
Comprehensive net expenditure for the year		(1,364)
Revaluation gains and losses/ Transfer between reserves		-
Notional transfer to Consolidated Funds		(10,558)
Notional receipts from Sponsor		10,558
<b>Balance at 31 March 2017</b>		<b>16,387</b>

The notes on pages **59 to 71** are part of these financial statements.

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# NOTES TO THE OFFICE FOR LEGAL COMPLAINTS ACCOUNTS

## 1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy has been selected which is judged to be most appropriate to the particular circumstances of the OLC for the purpose of giving a true and fair view. The particular policies adopted by the OLC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, and inventories.

### 1.2 Going concern

The OLC is a statutory body established by the Legal Services Act 2007. Under the Legal Services Act 2007, the OLC is funded by a levy upon the legal profession. Levy funding is provided by the Approved Regulators annually in arrears. As at 31 March 2017, the OLC has sufficient cash resources to meet anticipated expenditure for financial year ending 31 March 2018. The MoJ also provides Grant in Aid where required to meet the net cash needs of the OLC. The MoJ provides Grant in Aid to fund the OLC's Claims Management Company complaint related activities. The OLC has assurances from the MoJ that, in the unlikely event that this is necessary, Grant in Aid will continue to be provided to meet the other cash needs of the organisation. The OLC continues to have the support of Ministers and the legal profession. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### 1.3 Income

The OLC is funded by a combination of a levy on the legal profession and case fees. The levy is collected from the legal profession's Approved Regulators. Amounts due in respect of the levy are recognised as income in the year to which related expenditure is recognised in the statement of comprehensive net expenditure.

The Legal Services Act 2007 requires the Legal Ombudsman to set charges (case fees) for complaints we accept. A case fee is potentially chargeable on closure of the case. Where a complaint is resolved "in favour of the lawyer", and an Ombudsman is satisfied that the lawyer took

all reasonable steps to try to resolve the complaint under their own procedure, the case will not be treated as chargeable. Case fee income is therefore recognised in the year that the chargeable case is closed and the fee becomes chargeable. Amounts charged in respect of case fees correspondingly reduce amounts due in respect of the levy due from Approved Regulators.

We have reviewed the application of our accounting policy regarding case fees chargeable under our Scheme Rules. Following a review and discussion with our external auditors, ARAC agreed that it was not appropriate under IAS 18 (the relevant International Accounting Standard) to recognise income for chargeable cases where recovery was not probable. Such income was offset by corresponding bad debt expenses. In addition to the income disclosed above, in the legal jurisdiction we did not charge 54 respondents a total of £38k which we were unable to recover from the respondent due to the fact that the respondent no longer existed at the point at which they became liable for the charge under the Scheme Rules.

The LSB, in conjunction with the MoJ and HM Treasury, is seeking to identify a suitable legislative vehicle to make an amendment to s175 of the Act. This is to confirm the current practice whereby the OLC retains all amounts received through the levy and any prescribed fees rather than passing this over to the Consolidated Fund and then having the same amounts returned to it by the MoJ. The LSB and OLC believes that this was the intention of Parliament when debating the Bill to set up the LSB and OLC, although some of the drafting of s175 does not capture this intent correctly.

To comply with the requirements of s175 for the year ended 31 March 2017 the MoJ will be responsible for making a payment on behalf of the OLC to the Consolidated Fund equivalent to the income received by the OLC for the year from the levy and prescribed fees. Accordingly, a notional transfer to the Consolidated Fund has been shown in the Statement of Changes to Taxpayers' Equity. An equal amount is shown as a notional receipt from the sponsoring department.

#### **1.4 CMC income and expenditure**

CMC complaints are handled by the OLC as an entity. All amounts due from operating activities are funded by Grant in Aid minus collection of case fee income, in 2016-17 this was £1,364k (2015-16: £1,625k, the payment for this was received in May 2016).

We have reviewed the application of our accounting policy regarding case fees chargeable under our Scheme Rules. Following a review and discussion with our external auditors, ARAC agreed that it was not appropriate under IAS 18 (the relevant International Accounting Standard) to recognise income for chargeable cases where recovery was not probable. Such income was offset by corresponding bad debt expenses. In addition to the income disclosed above, in the CMC jurisdiction we did not charge 12 respondents a total of £174k which we were unable to recover from the respondent due to the fact that the respondent no longer existed at the point at which they became liable for the charge under the Scheme Rules.

## **1.5 Government grants**

The net cash needs of the OLC are financed by the MoJ through the Grant in Aid regime. Grant in Aid is not shown as income, but in line with FReM guidance, is shown as financing in the General Reserve.

## **1.6 Property, plant and equipment**

The OLC recognises property plant and equipment under International Accounting Standard (IAS) 16 as adapted by the FReM and writes off in the year of acquisition any individual expenditure of less than £1,000 on capital equipment and furnishings. Capital assets with a purchase cost of at least £1,000 are depreciated to their residual value over their useful economic life in equal monthly instalments. The first instalments are charged in the month of bringing the asset into use and no charge is made in the month of disposal.

The following rates of depreciation are applied on a straight line basis over the following periods:

Leasehold improvements: over the residual life of lease 10 years.

Furniture and equipment: from five to ten years

Computer hardware: three to five years

## **1.7 Intangible assets**

Expenditure on major information technology projects is capitalised. This also includes expenditure on software, and any professional service costs exceeding £1,000 for up-front development and configuration costs establishing and developing the OLC's IT assets for use. The following rates of depreciation are applied on a straight line basis over the following periods:

Software licenses: in equal monthly instalments over three years; and

Information technology: in equal monthly instalments over the residual life of the contract.

## **1.8 Impairment and revaluation policy on non-current assets**

Impairment is required to ensure that assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through the use or sale of the assets. An impairment reflects a permanent diminution in the value of an asset.

## **1.9 Leases**

Operating lease payments are recognised as an expense and charged on a straight-line basis over the lease term.

## **1.10 Finance leases**

The OLC treats contracts which transfer substantially all the risks and rewards incidental to ownership to the OLC in accordance with IAS17 as adapted by the FReM.

### **1.11 Value Added Tax**

The OLC is registered for VAT. VAT incurred on the provision of training and other services provided to the legal and CMC jurisdictions where VAT is charged on invoices is recoverable. The OLC is unable to recover VAT on expenditure relating to its primary service of complaints and therefore all expenditure and the capitalised value of non-current assets includes this irrecoverable VAT.

### **1.12 Pensions**

The OLC has established a defined contribution group personal pension scheme to which the OLC makes contributions but has no other liabilities. The OLC makes matching contributions of twice the amount contributed by employees up to a maximum of 10% of the employee's salary.

### **1.13 Corporation tax**

The OLC earns interest on cash deposits held with the Government Banking Service. This interest is subject to corporation tax in the normal manner.

### **1.14 Provisions**

The OLC provides for financial liabilities in the statement of financial position in accordance with IAS37 as adapted by FReM where: there is a legal, constructive or contractual obligation as a result of a past event; where it is probable that financial resources will be required to settle the obligation; and where a reasonable estimate can be made of the amount of the obligation.

### **1.15 Impending application of newly issued accounting standards not yet effective**

There is no anticipated material impact to the OLC of IFRSs that have been issued by the International Accounting Standards Board but are not yet effective at the end of the reporting period.

## 2. ANALYSIS OF NET EXPENDITURE BY SEGMENT

The OLC's principal operation is the provision of an independent and impartial Ombudsman scheme to resolve consumers' disputes involving their lawyer or claims management company. No other income or expenditure was received or incurred during the year to 31 March 2017.

	2016-17			2015-16		
	Legal £'000	Claims Management £'000	Total £'000	Legal £'000	Claims Management £'000	Total £'000
Gross expenditure	10,435	1,794	12,229	11,634	2,079	13,713
Income	10,435	430	10,865	11,634	380	12,014
<b>Net expenditure</b>	<b>-</b>	<b>1,364</b>	<b>1,364</b>	<b>-</b>	<b>1,699</b>	<b>1,699</b>

All OLC assets have been allocated to the operation of the Legal Ombudsman as a whole. Depreciation charges for the use of those assets, together with other central overheads, are included within a recharge of shared overheads to the two jurisdictions.

## 3. STAFF COSTS

Staff costs comprise	2016-17			2015-16		
	Total £000	Permanent Staff £000	Other Staff £000	Total £000	Permanent Staff £000	Other Staff £000
Wages and salaries	7,646	7,527	119	8,818	7,948	870
Social security costs	736	727	9	821	821	-
Other pension costs	603	598	5	607	607	-
Exit packages	139	139	-	-	-	-
<b>Total net costs</b>	<b>9,124</b>	<b>8,991</b>	<b>133</b>	<b>10,246</b>	<b>9,376</b>	<b>870</b>

In 2015-16 Wages and Salary costs were inclusive of staff wellbeing (£90k), these costs have been reclassified as Staff Wellbeing in Other Expenditure in 2016-17 (97k).



#### 4. OTHER EXPENDITURE

	Note	2016-17 £'000	2015-16 £'000
IT and telecoms		988	1,032
Uncollectible debts		307	442
Facilities services		279	294
External communications		188	213
Staff Wellbeing		99	90
Legal and professional fees		21	179
Rentals under operating leases		195	199
Recruitment costs		51	179
Premises costs		294	154
Consultancy		-	39
Other running costs		55	32
Training		79	46
External audit fees		31	35
Internal audit fees		39	31
Travel & Subsistence		39	18
<b>Total cash items</b>		<b>2,665</b>	<b>2,983</b>
Increase in dilapidations provision		27	71
Increase in professional provisions		48	28
Write off of assets		-	27
Depreciation	6	147	175
Amortisation	7	240	208
<b>Total non-cash items</b>		<b>462</b>	<b>509</b>
<b>Total</b>		<b>3,127</b>	<b>3,492</b>

## 5. INCOME

	2016-17 £000's	2015-16 £000's
Levy Income in respect of the Legal Ombudsman Scheme	9,479	10,688
Case Fee Income	1,386	1,326
<b>Total</b>	<b>10,865</b>	<b>12,014</b>

Levy income represents amounts due in respect of the annual levy due for Approved Regulators (see note 1.3). Case fee income represents amounts due in respect of case fees chargeable in respect of cases closed in 2016-17 (see note 1.3).

## 6. PROPERTY, PLANT AND EQUIPMENT

	Information Technology	Leasehold improvements	Furniture and fittings	Payments on account assets under construction	Total
2016-17	£000's	£000's	£000's	£000's	£000's
<b>Cost or valuation</b>					
At 31 March 2016	525	654	545	-	1,724
Additions	175	-	1	-	176
Disposals	(3)	-	(5)	-	(8)
Reclassifications	-	-	-	-	-
Transfer	-	-	-	-	-
At 31 March 2017	697	654	541	-	1,892
<b>Depreciation</b>					
At 31 March 2016	500	77	306	-	883
Charged in the year	30	65	52	-	147
Disposal depreciation charge	(3)	-	(5)	-	(8)
Reclassifications	-	-	-	-	-
Transfer	-	-	-	-	-
At 31 March 2017	527	142	353	-	1,022
Net Book Value at 31 March 2017	170	512	188	-	870
Net Book Value at 31 March 2016	25	577	239	-	841

	Information Technology	Leasehold improvements	Furniture and fittings	Payments on account assets under construction	Total
2015-16	£000's	£000's	£000's	£000's	£000's
<b>Cost or valuation</b>					
At 31 March 2015	797	641	600	20	2,058
Additions	4	13	-	-	17
Disposals	(102)	-	(55)	-	(157)
Reclassifications	(194)	-	-	-	(194)
Transfer	20	-	-	(20)	-
At 31 March 2016	525	654	545	-	1,724
<b>Depreciation</b>					
At 31 March 2015	613	12	300	-	925
Charged in the year	52	65	57	-	174
Disposal depreciation charge	(78)	-	(51)	-	(129)
Reclassifications	(87)	-	-	-	(87)
Transfer	-	-	-	-	-
At 31 March 2016	500	77	306	-	883
Net Book Value at 31 March 2016	25	577	239	-	841
Net Book Value at 31 March 2015	184	629	300	20	1,133

## 7. INTANGIBLE ASSETS

	Information Technology	Software Licenses	Payments on account assets under construction	Total
2016-17	£000's	£000's	£000's	£000's
<b>Cost or valuation</b>				
<b>At 31 March 2016</b>	<b>1,071</b>	<b>1,203</b>	-	<b>2,274</b>
Additions	35	-	196	231
Disposals	-	(16)	-	(16)
Reclassifications	-	-	-	-
Transfer	-	-	-	-
<b>At 31 March 2017</b>	<b>1,106</b>	<b>1,187</b>	<b>196</b>	<b>2,489</b>
<b>Depreciation</b>				
<b>At 31 March 2016</b>	<b>676</b>	<b>1,146</b>	-	<b>1,822</b>
Charged in the year	221	19	-	240
Disposal depreciation charge	-	(16)	-	(16)
Reclassifications	-	-	-	-
Transfer	-	-	-	-
<b>At 31 March 2017</b>	<b>897</b>	<b>1,149</b>	-	<b>2,046</b>
<b>Net Book Value at 31 March 2017</b>	<b>209</b>	<b>38</b>	<b>196</b>	<b>443</b>
<b>Net Book Value at 31 March 2016</b>	<b>395</b>	<b>57</b>	-	<b>452</b>

	Information Technology	Software Licenses	Payments on account assets under construction	Total
2015-16	£000's	£000's	£000's	£000's
<b>Cost or valuation</b>				
<b>At 31 March 2015</b>	<b>3,005</b>	<b>1,294</b>	<b>12</b>	<b>4,311</b>
Additions	18	-	-	18
Disposals	(2,158)	(91)	-	(2,249)
Reclassifications	206	-	(12)	194
Transfer	-	-	-	-
<b>At 31 March 2016</b>	<b>1,071</b>	<b>1,203</b>	-	<b>2,274</b>
<b>Depreciation</b>				
<b>At 31 March 2015</b>	<b>2,568</b>	<b>1,208</b>	-	<b>3,776</b>
Charged in the year	179	29	-	208
Disposal depreciation charge	(2,158)	(91)	-	(2,249)
Reclassifications	87	-	-	87
Transfer	-	-	-	-
<b>At 31 March 2016</b>	<b>676</b>	<b>1,146</b>	-	<b>1,822</b>
<b>Net Book Value at 31 March 2016</b>	<b>395</b>	<b>57</b>	-	<b>452</b>
<b>Net Book Value at 31 March 2015</b>	<b>437</b>	<b>86</b>	<b>12</b>	<b>535</b>

## 8. IMPAIRMENTS

There were no Impairments in 2016-17 (2015 -16, none).

## 9. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Amounts falling due within one year:	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Case fee receivables	243	190
Deposits and advances	9	65
Other Receivables	-	-
Prepayments and accrued income	254	258
<b>Total</b>	<b>506</b>	<b>513</b>

Accrued income of £100,400 relating to unbilled case fees is included in prepayments and accrued income (2015-16: £21,600).

## 10. CASH AND CASH EQUIVALENTS

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Opening balance	16,669	17,756
Net change in cash and cash equivalent balances	65	(1,087)
<b>Closing balance</b>	<b>16,734</b>	<b>16,669</b>
<b>The following balances at 31 March were held at:</b>		
Government Banking Services	16,734	16,669
<b>Closing balance</b>	<b>16,734</b>	<b>16,669</b>

The Legal Ombudsman does not use petty cash and holds all of its cash in the Government Banking Service. It does not have any cash equivalents.

## 11. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts falling due within one year	Note	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Trade payables		306	384
Other payables		92	260
<b>Trade and other payables</b>		<b>398</b>	<b>644</b>
Intra-government balances – other taxation and social security		186	365
Intra-government balances – Ministry of Justice		13	-
Accruals and deferred Income		1111	943
<b>Other liabilities</b>		<b>1,310</b>	<b>1,308</b>
<b>Total</b>		<b>1,708</b>	<b>1,952</b>

## 12. PROVISIONS FOR LIABILITIES AND CHARGES

	Other £'000	Leasehold dilapidations £'000	Total provisions £'000
<b>Balance as at 1 April 2016</b>	<b>20</b>	<b>377</b>	<b>397</b>
Provided in the year	56	10	66
Provisions not required written back	(10)	-	(10)
Provisions utilised in the year	(12)	-	(12)
Unwinding of discount	-	17	17
<b>Balance as at 31 March 2017</b>	<b>54</b>	<b>404</b>	<b>458</b>
<b>Expected timing of cash flows</b>			
Not later than one year	(54)	(100)	(154)
Later than one year and not later than five years	-	-	-
Later than five years	-	(304)	(304)
<b>Balance as at 31 March 2017</b>	<b>(54)</b>	<b>(404)</b>	<b>(458)</b>

Leasehold dilapidation in respect of anticipated costs required to reinstate the OLC's office premises at the end of the leasehold. The costs anticipated have been determined by an independent assessment of the potential liability less amounts incurred on dilapidations work during the year.

## 13. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2017 not otherwise included in these financial statements amounted to Nil (2015-16: Nil).

## 14. COMMITMENTS UNDER LEASES

### 14.1 Operating leases

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

Obligations under operating leases for the following periods comprise	2016-17 £'000	2015-16 £'000
Buildings		
Not later than one year	248	145
Later than one year and not later than five years	310	559
<b>Total</b>	<b>558</b>	<b>704</b>

### 14.2 Finance leases

The OLC has a contract for staff refreshment vending machine over a five year and three month period. Payments are made quarterly.

Obligations under finance leases for the following periods comprise	2016-17 £'000	2015-16 £'000
Not later than one year	2	2
Later than one year and not later than five years	3	6
<b>Total</b>	<b>5</b>	<b>8</b>

The present value of obligations under finance leases for the following periods comprise	2016-17 £'000	2015-16 £'000
Not later than one year	2	2
Later than one year and not later than five years	3	6
<b>Total</b>	<b>5</b>	<b>8</b>

## 15. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

Given the nature of the Legal Ombudsman scheme it is inevitable that we will be challenged on some of our Ombudsman's decisions. The OLC has a small number of ongoing challenges to decisions where Judicial Review proceedings have been started. These challenges are at an early stage in proceedings and management does not currently believe that these have a realistic prospect of success.

## 16. FINANCIAL INSTRUMENTS

As the cash requirements of the OLC are met through Grant in Aid provided by the MoJ, through levy funding provided by Approved Regulators of the legal profession, and through case fees charged to individual law firms and claims management companies, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The OLC is exposed to little credit, liquidity or market risk.

## 17. RELATED-PARTY TRANSACTIONS

The OLC has a direct relationship with the LSB. The LSB has certain oversight responsibilities in relation to the OLC and its responsibilities to administer the scheme. Under the Legal Services Act 2007 the LSB is responsible for appointing and paying the salaries and expenses of the OLC members, which for the whole reporting period amounted to £122k (2015-16; £126k). The payment for salaries of the OLC members for 2016-17 was £113k (2015-16:£116k).

The MoJ is the OLC's parent body and provides working capital financing to the OLC through Grant in Aid. During the year to 31 March 2017 £1,625k was received (2015-16: none).

No Board member, manager or other related party has undertaken any material transactions with the OLC during the year.

The OLC, in conjunction with the LSB, MoJ and HM Treasury, is seeking to identify a suitable legislative vehicle to make an amendment to s175 of the Legal Services Act 2007. This to confirm the current practice whereby the OLC retains all amounts received through the levy and any prescribed fees rather than passing this over the Consolidated Fund and then having the same amounts returned to it by the MoJ. This was the intention of Parliament when debating the Bill setting up the LSB although some of the drafting of s175 does not capture this intent correctly.

## 18. EVENTS AFTER THE REPORTING PERIOD

In accordance with IAS10 (events after the Reporting Period) events after the reporting period are considered up to the date on which the accounts are authorised for issue. These Financial Statements were authorised for issue by the Accounting Officer as at the date of the Certificate and Report of the Comptroller and Auditor General.

There were no post reporting period events.



# APPENDIX 1:

## Regulatory objectives

The table below outlines the eight regulatory objectives, as outlined in Section 1(1) of the Legal Services Act 2007, and how the Legal Ombudsman has contributed to them.

Regulatory objective	OLC/ Legal Ombudsman met the objective by:
(a) Protecting and promoting the public interest;	Providing access to a quality dispute resolution scheme, guided by a robust Quality Framework and clear Service Principles.
(b) Supporting the constitutional principle of the rule of law;	Promoting confidence in the legal system, and the standard of legal representation, by providing a safety net for legal and claims management service users.
(c) Improving access to justice;	Discharging our core jurisdiction over legal and claims management service providers, resolving complaints as outlined in the annual review.
(d) Protecting and promoting the interests of consumers;	Providing access to a quality dispute resolution scheme, guided by a robust Quality Framework and clear Service Principles.  Publishing focus reports and guidance notes, which highlight specific issues and risks affecting consumers.
(e) promoting competition in the provision of services within subsection (2) [defined as services such as are provided by authorised persons (including services which do not involve the carrying on of activities which are reserved legal activities)];	Publishing open data regarding the number and type of complaints resolved by our scheme each year.  Publishing details of all ombudsman decisions including number of decisions made against service providers and remedy types.
(f) Encouraging an independent, strong, diverse and effective legal profession;	Promoting continuous professional development via training on effective complaint handling.  Delivering a CMC relationship management programme, in which we work with service providers to promote best practice.  Publishing focus reports and case study publications to feedback lessons learnt from complaints.  Regularly attending and speaking at relevant stakeholder events.
(g) Increasing public understanding of the citizen's legal rights and duties;	Promoting awareness of our scheme via an industry signposting pack, which is made available to service providers.
(h) Promoting and maintaining adherence to the professional principles.	Making referrals to the relevant regulatory bodies where we feel there may be evidence of professional misconduct.

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## APPENDIX 2:

### Service complaint adjudicator's report

This is my second report as Service Complaint Adjudicator, having been appointed in April 2015.

#### THE ROLE OF THE SERVICE COMPLAINT ADJUDICATOR

I represent the last stage in the Legal Ombudsman's service complaints procedure. The service complaints procedure has three stages. First the complaint is considered by the Team Manager responsible for the area the complaint arose, second it is considered by a senior member of staff, usually an Ombudsman or an Operations Manager and then finally, if necessary, the complaint comes to me. I act completely independently of Legal Ombudsman and once I have completed my investigation and made a decision there is no further right of appeal.

Under my terms of reference my remit is to investigate complaints about Legal Ombudsman's service. It specifically excludes me from looking at complaints about LeO's decisions. And so, I can consider complaints about the conduct of staff, delays or the way a case has been handled but not the decision Legal Ombudsman made on the case.

If I uphold a service complaint I may recommend to Legal Ombudsman that an appropriate remedy be provided. That could include an apology and / or that appropriate compensation be paid for damage, distress or inconvenience caused by the shortfall in the level of service given.

In addition, I am also able to use my unique position to suggest service improvements to Legal Ombudsman to help prevent specific service issues from arising again and / or to improve the service more generally.

This report sets out the outcome of the complaints I have considered in the 2016-2017 this business year.

#### 2016-17 WORKLOAD

There were a total of 118 service complaints received by Legal Ombudsman at Stage 1 of the service complaints procedure; 51 were referred to Stage 2 for consideration by an Ombudsman or Operations Manager; and 21 complaints were referred to me. I had two open complaints at the beginning of the business year and four open at the end and so in total I have completed my investigations in 19 service complaints this business year. That represents quite a significant increase in the cases coming to me. I received 10 service complaints in the last business year.

It is not entirely clear the reasons for the increase but the most frequent complaint to me has been about delay and I will return to that in more detail later. I have also seen a number of complaints about the timescales given to respond to requests for information.

The 19 service complaints I considered raised in total 169 individual issues of complaint about Legal Ombudsman. 17 of those issues were outside of my remit and I let the customers know about that. And so in all I reviewed 152 individual issues of complaint. I supported 22 of the 152 individual issues of complaint (14.5%) in 14 of the service complaints I looked at. That represents a reduction of 7.5% from last year. I did not support 85.5% of the individual issues of complaint that were put to me.

In terms of my impression of the service complaint responses provided by Legal Ombudsman at Stage 1 and 2 of the complaints process, overall I have again found those responses to be detailed with full explanations given for the decisions reached. They have also included appropriate apologies where service issues have been identified. I have supported the decisions taken earlier in the complaints process in the vast majority of individual issues of complaint put to me.

Where we have differed has mainly been in relation to issues of compensatory payments for the frustration and inconvenience caused by Legal Ombudsman's delays. However, this improved significantly in the second half of the year.

I am pleased to see that in the second half of the business year the Operations Managers have tended to contact customers at Stage 2 to clarify their concerns. That has led to fuller and more in-depth consideration of complainants' concerns. Generally the Operations Managers' responses tend to be less formal and more customer-focussed and that is a welcomed improvement to the Stage 2 service complaint response.

## SERVICE ISSUES

As I set out above, in 14 of the 19 cases I looked at I found areas where Legal Ombudsman's service could have been better and an appropriate remedy for that had not been offered earlier in the complaints process. They can be grouped under four themes delay, level of redress, correspondence handling and attention to detail.

## DELAY

As I reported last year on the whole I have been impressed with the way that cases progress through the various parts of the Legal Ombudsman organisational structure. The drive to progress cases and to keep them moving is commendable.

Despite that drive there have been times where cases have been delayed by Legal Ombudsman and those delays have been significant. I have supported the following complaints about delay this year:

- the Legal Ombudsman delayed advising a complainant for five months about how they intended to deal with one specific aspect of the complaint;

- the Legal Ombudsman delayed answering the complainant's direct question about whether they could submit a specific complaint for five months;
- the Legal Ombudsman delayed providing a decision on a complaint for three and a half months;
- the Legal Ombudsman delayed acknowledging the service complaint for one month;
- the Legal Ombudsman delayed the Stage 2 service complaint response;
- the Legal Ombudsman delayed issuing the Stage 2 complaint response and it was dated eight days before it was issued;
- the Legal Ombudsman delayed sending a service complaint to me for one and a half months and incorrectly told the customer it was with me; and
- the Legal Ombudsman delayed sending a service complaint to me for 13 months.

The complaints I have upheld about delay in the main predate this business year. The reason for some were human error and for others there were issues with the computer system. For example, the reason for the 13 month delay in a case being forwarded to me for consideration was because the correspondence was uploaded into Workpro instead of the CRM and the person it was addressed to was no longer using the Workpro system. I am pleased that at my suggestion the Legal Ombudsman has developed a work around to ensure all open tasks are reviewed so that delays of this nature cannot happen again.

It is worth noting, however, that I have only upheld one complaint about delay in the second half of the business year. That does not mean that I have not seen cases where delays have been an issue, it is because I have been satisfied that appropriate apologies and redress have been provided for those delays earlier in the complaints process.

What has concerned me this business year is that in the cases where delays have been an issue Legal Ombudsman has not taken action to update the parties during the periods of delay. That featured as an issue in six of the cases I investigated and is especially relevant where the case is awaiting an Ombudsman's decision. Delays occur in any organisation but the key is how they are managed and the importance of updating the parties so that they are aware that work is going on even if the final decision is not yet ready.

I was very pleased to see that some of the lessons I have identified around managing delays have been shared with staff via a knowledge alert on avoiding service complaints. Following that Legal Ombudsman has provided feedback to all staff both over the intranet and face to face about the importance of being clear with customers about delays and updating them. Going forward this will form a continued part of Legal Ombudsman's modernisation and improvement to ensure customers know what is happening with their cases.

I urge Legal Ombudsman to ensure that as part of this more emphasis is placed on ensuring the parties are updated while they await an Ombudsman's decision.

## LEVEL OF REDRESS

I have found myself in the unusual position this year of dealing with a number of cases where the vast majority of the service issues in the cases had already been accepted and apologised for, as you would expect. The complainants had referred the case to me in the main either because they were not satisfied with the compensatory award they had received or because they were unhappy that a financial award had not been made and because they had new issues to raise. I recommended further financial redress in nine of the cases I investigated this business year.

However, there has been a definite shift in the second half of the business year to offering financial redress earlier in the service complaints process. This is to be commended. As evidence of that I recommended further financial redress in seven of the twelve cases I considered in the first half of the business year but in only two of the seven cases I considered in the second half. And so, it seems to me that Legal Ombudsman are now taking a more pragmatic approach to financial redress. I am especially pleased to see this change in approach as it reflects the feedback I gave to Legal Ombudsman at the mid-year point.

## CORRESPONDENCE HANDLING

During this business year I have seen a number of cases where there has been an issue with the way Legal Ombudsman have handled correspondence. Those were:

- that Legal Ombudsman failed to answer the complainant's question about whether they could submit a specific complaint and provided the complainant with the wrong address to send the service complaint to;
- failed to answer the complainant's direct questions about whether they should await Legal Ombudsman's decision or request compensation from the firm in line with an ICO report;
- failed to answer the complainant's direct question about where to get assistance in terms of retrieving the barrister's reports relating to their father's legal case;
- failed to let the complainant know when the case had passed to an ombudsman despite the complainant's request to be told;
- failed to deal with the complainant's request for access to Legal Ombudsman's referral to the Solicitors Regulation Authority;
- set an unrealistic deadline for the provision of information; and
- mistakenly sent correspondence twice to the complainant's neighbour's address.

Failure to take action is unnecessarily frustrating for a complainant and is clearly to be avoided. In the vast majority of these cases it was not recognised that the complainant was asking a direct question that needed to be answered. I suspect part of the reason for that is because the questions fell outside of Legal Ombudsman's remit. But whatever the reason, questions should be answered and requests for access to information should be processed. I am pleased the staff concerned have been reminded about that.

In terms of the issue with the incorrect address, Legal Ombudsman sent a complainant's correspondence to the wrong address twice as a result of the address being manually inputted into the Stage 1 complaint response incorrectly. The issue with the address was not noted until I became involved. I am pleased that Legal Ombudsman thoroughly investigated this matter as soon as I referred it to them and understand how this error happened. They have also reminded staff of the importance of checking information when manually inputting that into the computer system.

I would particularly highlight the issue of unrealistic deadlines being set to provide information. I have upheld one complaint about that this business year but in the second half of the business year I have seen it increasingly being raised and addressed as an issue earlier in the complaints process. Concerns about the deadlines are being raised as an issue for firms as well as for complainants. I have discussed this directly with the Chief Ombudsman and I am pleased that staff are being encouraged to set realistic deadlines that take into account the level and depth of information being requested and to be open to reasonable requests for extensions.

### ATTENTION TO DETAIL

Nothing undermines a customer's confidence in a decision more than when basic information is incorrect and / or where action is taken without appropriate explanation or in contradiction with what has been suggested before.

I supported the following complaints in this category:

- Legal Ombudsman failed to notice the seriousness of the issues raised in the Stage 1 service complaint in a timely way and so missed an opportunity to deal with those service issues and to take action to resolve the complaint at a much earlier stage;
- Legal Ombudsman failed to apologise for the factual errors in their preliminary decision;
- Legal Ombudsman incorrectly calculated the costs information in the preliminary decision and this impacted on their decision about the adequacy of the remedy provided by the firm;
- Legal Ombudsman failed to pick up that part of the complaint was out of its remit and so the complainant was left for five months believing Legal Ombudsman were investigating a complaint that they were not able to;
- Legal Ombudsman prematurely referred a solicitor to the Solicitors Regulation Authority before the relevant deadline to do so had passed.

I am pleased that Legal Ombudsman have accepted my comments about these errors and apologised for them and as I will set out below Legal Ombudsman have also taken action to remind staff of the importance of avoiding these issues going forward.

### SERVICE IMPROVEMENTS

I am pleased to report that I have again found Legal Ombudsman to be very receptive to my suggestions for service improvements and have taken action to implement them or to remind staff about policies and procedures already in place.

Legal Ombudsman have either agreed to the following changes in service or reminded staff about policies and procedures already in place. The recommendations for service improvement do not necessarily link with complaints I have supported but are separate issues I have noted as part of my review.

<b>Recommendations for service improvement</b>	<b>Legal Ombudsman's actions following recommendation</b>
Where there are two joint complainants, ensure letters are addressed to both complainants and not just the one the system has identified as the default lead complainant.	Staff have been reminded to check and amend letters to ensure communications are addressed to both.
Ensure the dates on letters are amended to date sent and not date written.	Feedback provided to all concerned.
Ensure regular updates are provided to the parties.	Feedback has been provided to those who worked on the cases where this was an issue and it was included in a knowledge alert on avoiding service complaints.
To manage delays and avoid communication issues.	Feedback provided to those who worked on this case.
Take time to read and understand what the complainant is saying.	Knowledge alert sent to staff highlighted need to understand parties' position before expressing Legal Ombudsman's view on a complaint.

Ensuring incoming post on closed cases is not missed and ensure controls are in place to monitor delay.	In the short term measures have been put in place for the Compliance and the Resolution Co-Ordination Team to monitor open tasks on closed cases so that work is not missed. In the medium term Legal Ombudsman envisage service complaints moving to CRM (within next 6 months). In the long term a purpose built CRM service complaint case management tool will be in place within CRM. Once on CRM there will be greater controls to track incoming post. Team leaders are also now required on a weekly basis to review cases 76 days or older - checking for any gaps with no activity.
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Process vs People – to ensure that Legal Ombudsman are flexible and able to adapt approach and standard letters for customers to ensure quality of service does not drop.	Legal Ombudsman provided feedback to those who worked on the case. Team Leaders have also been encouraged to discuss with investigators any cases where a different approach to the norm is required and to help manage that.
Legal Ombudsman should manage expectations but in a way to ensure Legal Ombudsman is not seen as pre-judging the case.	Legal Ombudsman view managing expectations as a key skill of an investigator and part of ongoing training and development. Feedback was provided to those who worked on case and the issue was highlighted to all staff via the intranet.
In this case there was a significant delay in the Team Leader dealing with the Stage 1 service complaint. I discussed the reasons for that with the Team Leader and invited the Chief Ombudsman to review the Team Leaders' capacity to deal with the complaints.	Legal Ombudsman reminded Team Leaders to approach Compliance and their line managers when capacity may affect the timely response to a service complaint.
Ensure issues are addressed promptly and process does not hinder that.	Legal Ombudsman provided feedback to those who worked on the case.
Use the term "an ombudsman" not "the Ombudsman" as this gives the incorrect impression there is a single very senior official considering the complaint. Rather than as at Legal Ombudsman where it refers to a job grade.	Legal Ombudsman provided feedback to staff.
Adopt a more flexible approach to standard letters, ensuring they are adapted to add appropriate explanations or apologies where necessary.	Legal Ombudsman explained that they would expect standard letters to be used as a template only and modified to fit the needs of the case. They have provided feedback to those who worked on the case and the issue was highlighted to all staff via the intranet.
In one case the ombudsman who advised on the case later provided the Stage 2 complaint response. I invited Legal Ombudsman to think about the possible perception of bias in taking that approach.	Feedback has been provided to the Lead Ombudsman, who will consider whether improvements that can be made.
Responses to service complaints should deal with all the issues complained about and not leave the option of returning to the author. All information should be sought and considered as part of the complaint investigation.	Legal Ombudsman provided feedback to all who handle service complaints.
Unless there is a good reason why not Legal Ombudsman should try to have the same investigator dealing with a complainant who submits more than one complaint.	Legal Ombudsman said that this was their preferred approach and reminded the Team Leaders about this when allocating cases.
Check the person's address on the system if the person has said they did	Legal Ombudsman provided feedback to those who worked on case and the issue has been highlighted to



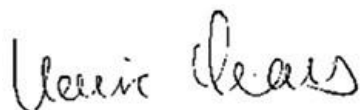
not receive post from Legal Ombudsman.	all staff via intranet.
Ensuring timely progression through service complaint procedure	Leo is developing a new case management system which will aid better monitoring of service complaints. Handling requests to progress between stages to ensure there is no delay formed part of a wider review being undertaken on handling service complaints.
Ensuring there is good knowledge across Legal Ombudsman on how requests for information should be dealt with.	Legal Ombudsman provided a Knowledge alert to staff on handling requests for information. In addition, a new Access to Information policy is going before the Audit and Risk Committee for approval. Once it goes live it will be followed by a wider knowledge piece across Legal Ombudsman.
Ensuring Legal Ombudsman is clear with people up front about what and what is not going to be included in the investigation.	This message has been fed back to all staff both over the intranet and face to face by Team Leaders in team meetings. In addition this will form part of a wider Legal Ombudsman modernisation project which includes communications and expectation setting. Investigator-led workshops have also taken place on sharing best practice in case management.
Being flexible on deadlines where appropriate.	Feedback has been provided to Team Leaders that deadlines should be reasonable and that there is discretion to extend. In addition a reasonable approach must be adopted in all cases where a customer asks for more time.
Enhanced supervision of referrals to regulators	The Legal Ombudsman guidance note on referrals to the regulators is currently being redrafted and will take into account the lessons from the relevant service complaint. In the meantime a Knowledge Alert has been provided to Team Leaders who are required to review all referrals to ensure content of referrals is substantiated by the facts. A wider knowledge piece will take place once the new guidance note goes live.
To reinforce the messages of Legal Ombudsman's core value of 'Open – we will always be clear with you.' In doing so, ensuring people are told about any delays and updated accordingly.	Legal Ombudsman have provided feedback to all staff both over the intranet and face to face by Team Leaders in team meetings about the importance of being clear with customers about delays and updating them. Going forward this will form a continued part of Legal Ombudsman's modernisation and improvement to ensure customers know what is happening with their cases.
To ensure that the information in the standard letters are appropriately tailored to provide context and appropriate explanation.	Staff have been reminded about this through discussion and communications both on the intranet and in team meetings. Template letters are also being reviewed to ensure they are fit for purpose and provide flexibility in approach.
To ensure the feedback from service complaints is passed to the case handlers.	This is now being provided in all cases.
To provide clarity for complaint handlers about the remedies available to remedy the impact of poor service.	A new guidance note will be going live in Q1 of 2017/2018 to address this issue.

Consider further training on managing more challenging customers.	Legal Ombudsman will be reviewing the policy and resources available in this area in 2017/2018 but it is likely there will be workshops and training for staff.
To ensure support is provided to investigators where firms are not cooperating with the investigation.	Legal Ombudsman's Legal Team will be providing a Knowledge Alert setting out their approach and options available when investigating a complaint where the firm is being uncooperative

## CONCLUSION

The majority of complaints are resolved at the first two stages of the complaints process and do not come to me. While I have not upheld the full decision made in 14 of the cases I have seen (on 22 individual issues), overall the decisions and explanations provided at the first two stages of the complaints process are appropriate.

I am pleased that where I have had concerns about the service provided that LeO have apologised for that and have issued financial compensation where I considered that was appropriate. I am also very pleased that LeO have been receptive to the service improvements I have suggested and have taken or are taking those forward.



**Claire Evans,**  
**Service Complaint Adjudicator**  
**3 April 2017**

