

3 July 2014

Dear Regulators

In January 2014 the Legal Ombudsman published a [Complaints in focus report](#) on “no win, no fee” agreements.

In the report we highlighted the key issues that the Legal Ombudsman has seen following investigations into complaints funded by Conditional Fee Agreements (CFA) and sought responses from the regulators. In the report we concluded that:

- the use of ‘no win, no fee’ agreements should be monitored and reviewed by regulators to ensure that they do not lead to consumer detriment,
- it is essential that lawyers take care to explain the conditions attached to ‘no win, no fee’ agreements and make clear the circumstances where the customer may end up incurring legal costs, and
- lawyers should exercise due care before agreeing to take on a case to ensure that the cases are well founded, minimising risk to themselves and their customer.

Since publishing the report the number of cases we have investigated relating to CFA’s continues to account for just over 8% of our complaints. While this is not a widespread problem, when something does go wrong the impact on consumers is substantial. The “no win, no fee” report looks at several case studies where lawyers broke the terms of their CFA and left consumers with huge and unexpected bills to pay, in one case as much as £30,000. But the impact is not limited to consumers; if we find poor service a lawyer can find themselves having to refund or waive a substantial amount of their costs.

We also asked whether it is appropriate to continue to use the term “no win, no fee” as it is clearly a term which has the potential to lead to confusion and misunderstanding with consumers.

The logo for the Legal Ombudsman features the word "LEGAL" in a pink, serif font with a decorative flourish above the letters. Below it, the word "OMBUDSMAN" is written in a black, sans-serif font.

LEGAL
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As we have stated on a number of occasions complaints about the transparency of costs information account for almost a third of the complaints that we investigate, so it is clear that this continues to be an area where consumers feel they are not receiving clear information from their legal provider. As the legal market continues to evolve we need to be confident that consumers can access services with confidence and understand the financial risks that are involved, however the work is funded. When we published the “no win, no fee” report we asked regulators to review and monitor the issues in the report and propose ways to ensure there is greater consistency in the standards in this area. Having not heard anything in response from you, I am writing directly to ask what plans you have for addressing the issues raised in the report.

We look forward to hearing from you on this issue.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adam Sampson', written in a cursive style.

Adam Sampson
Chief Executive and Chief Ombudsman