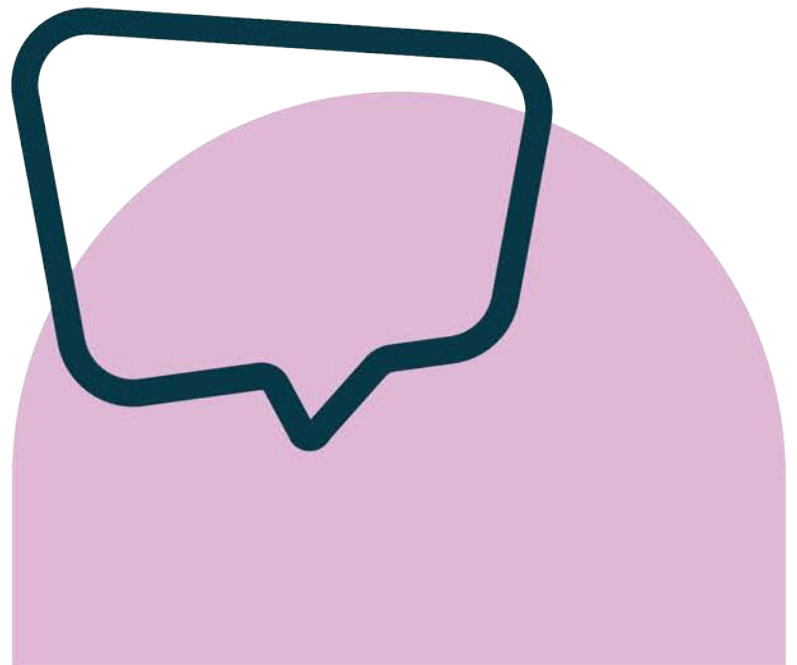


Proposed changes to the Legal Ombudsman's Case Fee Structure

July 2025



Introduction



At the heart of the Legal Ombudsman scheme is a commitment to fairness, independence, and accountability – values that underpin public confidence in legal services. For many consumers, knowing that there is an impartial body they can turn to if something goes wrong is not just reassuring – it's essential.

Importantly, the Legal Ombudsman's services are free to consumers. As a scheme it is primarily funded by the legal sector, by way of a levy contribution, however, case fees also play an important role in its financial model. These fees - set at £400 since 2010 - are payable on a case-by-case basis by those service providers who are found to have delivered poor service and those who have not taken all reasonable steps to resolve the complaint themselves. This structure ensures that those who place the greatest demand on the Legal Ombudsman's time and resources contribute more towards the cost of delivering the scheme than those who do not.

Over the past few years, the Legal Ombudsman has made significant strides in improving how it operates and delivers its services. However, the way case fees are charged – both in terms of amount and structure – have remained unchanged. In the Office for Legal Complaints' (OLC) most recent consultation on the 2025/26 budget and Business Plan, we asked whether the time was right to change the approach to the case fees in terms of the amount charged and the way it was charged. The response was clear: while it was pleasing to see broad support of increasing case fee, stakeholders emphasised the need for any change to be proportionate, transparent, and reflective of the challenging economic climate we all find ourselves in.

We also heard encouraging support for exploring alternative charging models, including a "polluter pays" approach. At the same time, respondents rightly raised concerns about the potential impact on access to justice, particularly in areas where legal services are already stretched and under-resourced.

We've taken feedback seriously. After reflecting carefully on the consultation responses, the Legal Ombudsman now believes that the time is right to modernise the case fee regime. What we are now proposing is a balanced change – one that brings fees in line with inflation and helps to mitigate the risk to the future of the sector.

This is not just about updating a number; it's about ensuring the scheme continues to deliver independent, high-quality redress in a way that is fair to both consumers and providers.

Elisabeth Davies

Chair of the Office for Legal Complaints

Rationale for change

When the Legal Ombudsman was established the case fee was set at £400 per case and that level has not been reviewed since that time. Consequently, the OLC would argue that the relative value of its case fee has fallen behind inflation and the cost of living and has, as a result, lost much of the intended impact that it had when it was first introduced.

The OLC would contend that the case fee was intended to serve a number of key purposes:

- The case fee recoups some of the administrative costs of delivering the Legal Ombudsman scheme and as a result reduces the amount of the costs that are chargeable to the sector by way of the levy contribution.
- The existence of the case fee also meant that those providers who delivered a poor service and a poor first tier complaint would have to bear a greater share of the cost of running the Legal Ombudsman scheme by way of the standard contribution to the levy and the added case fee implication.
- The case fee is intended in part to incentivise service providers to handle the complaints appropriately at first tier. The cost of the case fee should exceed the cost to the provider of delivering a sound first tier complaint handling process, thereby making good complaint handling more cost effective.

The proportion of cases that Legal Ombudsman investigates each year and which result in a case fee being payable remains broadly consistent with previous years. However, with the introduction of Early Resolution, the number of cases that now require an investigation and have the potential to generate a case fee has reduced. Consequently, the revenue generated by case fee income has declined over time. This, in turn, means that more of Legal Ombudsman's operating costs are borne by way of the levy contribution.

The OLC would also argue now, some 14 years after the level of the case fee was first set, that the cost for service providers delivering a robust first tier investigation outweighs the case fee and therefore the incentive that the case fee was initially intended to provide has been significantly diminished.

Although the OLC appreciates that the pressures on the legal profession are as strong as ever, if not stronger, it also hears anecdotal feedback from consumers of legal services that the fees charged by the legal profession have increased significantly over time. The OLC would argue that consumers would have an expectation that the level of the case fee should also have increased over time to reflect that increase in providers' fees.

The Legal Ombudsman's operating costs have increased over time as a result of continued increasing demand for its services. The cost of that increase is borne primarily by increase in the sector's levy contribution. An increase to case fee generated income would help to mitigate increases to the levy and ensure that more of the cost of the scheme is borne by providers who make the greatest demand on the Legal Ombudsman's time and resource by delivering a poor service or not addressing complaints in a reasonable manner.

Taking all the above into consideration, the OLC believes that the time is right to review the level of the case fee to ensure that it remains capable of delivering on the above goals

Options for change

As part of its recent consultation on its 2025/26 Budget and Business Plan, the OLC proposed that its case fee should be increased from £400 to £800 and also reflected on the merits of the following alternative ways of structuring its case fee regime:

- adopting a tiered structure charging a standard £800 case fee but increasing that to £1000 for cases that could only be resolved by way of ombudsman determination. It was argued that this approach would encourage more proportionate and quicker resolutions, improve the overall customer journey time, and reduce reliance on ombudsman determinations; or
- adopting a framework based on the “polluter pays” principle, where the standard £800 case would apply but, once a specified number of upheld cases was exceeded the level of the case fee would increase to £1000. This would again incentivise providers to resolve cases either at first tier or at the earliest possible opportunity once a complaint has been accepted for investigation.

The feedback to the Budget and Business Plan consultation showed a general level of support for reviewing the level of the case fee. However, those who responded expressed a concern that an increase to £800 might be too large and could have a detrimental impact on providers operating in markets where margins are tight or where access to funding is limited. It was suggested that an increase of the order originally proposed might discourage providers from providing legal services in these sectors which might have an adverse impact on consumer’s access to justice.

In relation to alternative case fee structures the feedback to the consultation showed some support for options that had the potential to reduce the levy contribution by ensuring that providers who have more complaints upheld by Legal Ombudsman pay more towards its costs. However, it was also noted that the proposals could again bring the risk of a disproportionate hit on access to justice, impacting providers operating in areas of law with small profit margins or those providers operating in the volume services areas, and it was also argued that a tiered system could possibly drive negative behaviours that seek to prevent a complaint being referred to Legal Ombudsman.

The proposed change

Whilst the OLC can still see the benefits of introducing a case fee regime which is weighted more heavily to a polluter pays principle or which is structured to incentivise improved first tier complaint handling, it has also reflected seriously on the feedback received through its earlier consultation.

Consequently, the OLC will **not now** pursue the adoption of a tiered approach, or the polluter pays principle but will focus instead on the level of the case fee payable under the existing structure.

The OLC can see that a higher case fee provides a greater incentive to deliver a quality first tier complaint investigation and could have a positive impact on the reduction of the levy contribution. However, a lower increase, that reflects in real terms how the value of £400 has increased over time, delivers some of the aforementioned positive impacts but at the same time mitigates the risk of an adverse financial impact on service providers whilst putting the Legal Ombudsman and the profession in the same position that it was when it opened in 2010.

Given the noted pressures on the legal services sector, the desire to maintain a level of fairness and to not create any perception of case fees being in any way punitive the Legal Ombudsman now proposes to pursue an inflationary only increase and to reposition the case fee at £600 instead of the increase to £800 proposed in the earlier Budget and Business Plan consultation.



Question 1- The case fee will increase. To what extent do you agree or disagree that the proposed inflationary increase to £600 (rather than the £800 originally proposed) balances the need to increase the Legal Ombudsman's case fee whilst mitigating the risk of an adverse impact on the sector or individual providers?

Impacts of the proposed changes

Impacts on the legal sector

The OLC is aware that any changes to the case fee will have an impact on the legal services sector at a time when pressures on the sector are high, where the number of providers closing is on the increase, and where cuts in public funding mean that some providers are having to give serious consideration to their future and business models.

It clearly therefore does not wish to put further pressure on providers that runs the risk of forcing them to reflect on their business models or their long-term future existence.

However, when considering the impact on the sector it is impossible to speculate with any degree of certainty which providers will receive complaints, which of those will be upheld and which of those will attract a case fee. Therefore, it is difficult to forecast with any certainty and confidence the impact any change will have on the sector.

The OLC believes that the proposed approach of an inflation only increase to the case fee mitigates the level of increase and in doing so therefore goes some way to mitigating the impact that will be experienced by legal service providers.

It is important to note that where service providers make thorough, considered and genuine attempts to resolve complaints the likelihood of a resolution at first tier increases and the likelihood of the complaint being referred to the Legal Ombudsman at all reduces. Additionally, complaints where a genuine reasonable attempt has been made at resolution at first tier are more likely to be suited to the Legal Ombudsman's Early Resolution initiative and cases resolved by that initiative do not attract a case fee. The Legal Ombudsman already takes a proportionate approach to whether complaints are suitable for investigation, with those that are frivolous, vexatious or do not have a reasonable prospect of success being dismissed where it is appropriate to do so. It is important to reflect therefore that the circumstances where a case fee is chargeable or likely to be payable will be limited to those where a provider has delivered a poor service to its customer and has not taken reasonable steps to try to resolve that directly with the customer.

Of the 8,270 cases that the Legal Ombudsman resolved in 2024/25 49% were resolved by way of Early Resolution and therefore did not attract a case fee. The remaining 51% were passed for an investigation and of those cases where an investigation was completed a case fee was charged in 2,364 instances (representing around 56% of all investigated complaints).

Based on the Legal Ombudsman's data for cases closed following an investigation from 2022/23 to 2024/25, on average, around 1,180 service providers are charged case fees in each year and (although the number has increased in 2024/25) on average around 2,200 case fees are charged in total each year.

In each of these years, around 70% of all service providers who were charged a case fee only received one case fee; over 85% of providers received no more than two case fees in a year, increasing to over 90% receiving no more than 3 case fees in any year. In total, each year over 98% of providers who were charged a case fee received less than 10 in any year.

The Legal Ombudsman's evidence shows that a very small number of providers received over 10 case fees in any year and of those that did it is evident that they are providers that tend to operate in the volume services areas of expertise (like conveyancing or personal injury) and as such, although the number of case fees they receive each year is high this should be seen as a proportion of the very high numbers of cases they handle each year.

The Legal Ombudsman will look to give constructive insight and feedback to all providers around the standard of the service they provided and their complaint handling processes. For those providers who incur over 10 case fees in a year and for the very small few providers that incur significantly more than that in a year the Legal Ombudsman will be looking to engage with them to support with improvements to their service and complaint handling with initiatives like Tailored Support and the Model Complaints Resolution Procedure. These initiatives will help reduce the number of cases that require escalation to the Legal Ombudsman or for those that are escalated to the Legal Ombudsman increase the proportion that can be resolved by way of Early Resolution and therefore not attract a case fee. It is anticipated that this level of additional proactive support will help mitigate the financial implication of any change to the case fee.

The Legal Ombudsman doesn't have access to data which provides context as to the size or financial circumstances of service providers. Therefore, short of the observation that providers operating in the volume services sector incur a higher number of case fees than those that do not operate in those sectors, it is difficult for the Legal Ombudsman to assess whether case fees are being incurred by smaller rather than larger providers or what the impact of any increase would be on those providers. The Legal Ombudsman is actively engaging with the relevant regulators to draw further insights from the available data and will use that insight to guide the support it provides to the sector. Moving forwards the Legal Ombudsman will continue to engage with the regulators, representative bodies and the sector generally to understand the impact that the changes have had on the sector and use that insight to inform any future plans or changes.

Impact on the Legal Ombudsman's funding

The Legal Ombudsman's operating costs are in part funded by the income generated through case fees, although it is important to note that the Legal Ombudsman does not make a profit through the collection of case fee revenue.

Based on previous years' the Legal Ombudsman expects that, if current trends continue, case fees will be payable in around 56% of the cases it investigates in 2025/26 and onwards.

Case fee income (£945,600) covered just over 5% of the Legal Ombudsman's operating costs in 2024/25. As the proposed increase to the case fee level will not be introduced until 2026/27, the impact of any changes will not be felt in this current financial year and case fee income will still account for around 5% of the Legal Ombudsman's operating costs.

Given the significant number of variables that can impact operational performance in any year, it would be premature to try to forecast the levels of case fee income that would be generated in 2026/27 if the new charges went live as of 1 April 2026.

However, by way of an illustration, (based on the performance assumptions that are already in place for 2025/26) if all cases that were charged a case fee were charged at the proposed £600 then the increased case fee would increase case fee revenue from £1,081,200 to £1,621,800 and that would in turn equate to around 8% of the Legal Ombudsman's budgeted operating costs for 2025/26.

This kind of increase will not be experienced in the first year of launch, however, as the new fee could not be applied retrospectively and therefore complaints received by the Legal Ombudsman prior to 1 April 2026 would still need to be charged at the current case fee rate. Although the Legal Ombudsman is working to reduce wait times for cases requiring an in-depth investigation, it is unlikely that the new case fee level could be applied to all cases closed after an in-depth investigation before 2028 at the earliest.

Future increases

The OLC maintains that the level of its case fees needs to be reviewed more frequently in the future to ensure that it remains more suitably positioned to deliver against the purposes outlined above. It is also believed that regular incremental increases in the case fee level will have a less disruptive effect than infrequent significant increases.

With this in mind the OLC is proposing the introduction of a scheduled review of the level of the case fee.



Question 2 - To what extent do you agree or disagree that a regular review of the level of the case fee level should be introduced?

The OLC understands that changes to the level of the case fee will bring uncertainty and could cause confusion in the sector as to the level of case fee that might be payable on a specific case, particularly when there is a queue of cases waiting for an investigation to commence. As the new case fee provisions would not be retrospective, it will mean that there will be a period of dual running (under two different case fee regimes) as cases chargeable under the existing structure are cleared through and new cases are received and charged under the new structure.

The OLC had considered the benefits of an annual review of the case fee but considers that not only would the level of likely increase on an annual basis be minimal, but it could also increase the risk of confusion and uncertainty across the sector.

The OLC is also aware that reviewing over a longer-term period is likely to mean that any increases that are proposed would be more substantial which brings an increased risk of adverse financial implication for service providers. However, a long-term review would mitigate the risk of short-term economic volatility when assessing the level of a proposed increase. It would also ensure that there is a longer period of certainty and continuity around case fees which would minimise the disruptive impact on any change on the sector.

The OLC therefore proposes that the level of the case fee should be reviewed every five years.



Question 3 - To what extent do you agree or disagree that every five years is an appropriate level of frequency for a review of the case fee arrangements?

Regulatory and legal considerations

It is important to note that the OLC cannot change the level of the case fee of its own volition.

S.155 Legal Services Act is clear that any changes to the case fee can only be made with the approval of the Legal Services Board and the Lord Chancellor. To secure that approval the OLC will ensure that it has considered the views of the sector and key stakeholders provided in response to this consultation and the earlier consultation on the 2025/26 budget and business plan for the Legal Ombudsman.

The current Scheme Rules stipulate at Rule 6.3 that the case fee is set at £400 and therefore any changes to the level of the case fee will need to be reflected in the Scheme Rules. Any change to the Scheme Rules can only be made with the approval of the Legal Services Board

As part of this consultation therefore the OLC intends to propose that the wording of Scheme Rule 6.3 is changed as follows:

“6.3 The case fee is £600 for all chargeable complaints”



Question 4 - Do you agree to the proposed change to the Legal Ombudsman Scheme Rules?

Implementation and transitional arrangements

The OLC proposes that, subject to the responses to this consultation and approval from Legal Services Board and Lord Chancellor, any changes to its existing case fee will be introduced as of 1 April 2026.

Any cases received by the Legal Ombudsman prior to 1 April 2026 will be subject to the current case fee arrangements.

Consultation questions

Question 1 - The case fee will increase. To what extent do you agree or disagree that the proposed inflationary increase to £600 (rather than the £800 originally proposed) balances the need to increase the Legal Ombudsman’s case fee whilst mitigating the risk of an adverse impact on the sector or individual providers?

Question 2 - To what extent do you agree or disagree that a regular review of the level of the case fee level should be introduced?

Question 3 - To what extent do you agree or disagree that every five years is an appropriate level of frequency for a review of the case fee arrangements?

Question 4 - Do you agree to the proposed change to the Legal Ombudsman's Scheme Rules?

Next steps

This consultation will run for a period of **six weeks from 30 July – 10 September 2025**

Once the consultation has closed the legal ombudsman will analyse all response and will then decide how to proceed

Please note that unless otherwise stated we will publish responses to our consultation

How to respond

The OLC welcomes views and comments on all aspect of the consultation by **12pm on 10 September 2025**.

Our online consultation questionnaire is a convenient, flexible way to respond. You can save a partial response online and complete it later. You can print a copy of your response after you submit.

[Start your online response now](#)

You can also submit your response to:

Email: **consultations@legalombudsman.org.uk**

Post: Legal Ombudsman
PO Box 6167
Slough
SL1 0EH

If you have any questions regarding this publication or how to engage with us on this consultation, please email: **consultations@legalombudsman.org.uk**

