



The Office for Legal Complaints

Annual report and accounts

For the year ending 31 March 2018

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

Ordered by the House of Commons
to be printed on 19 July 2018



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ISBN 978-1-5286-0757-5

CCS0718089008

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

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PERFORMANCE OVERVIEW

Purpose of the Performance Overview

This Performance Report provides information on the OLC, its main objectives and strategies and the principal risks that it faces. We aim to provide a fair, balanced and understandable analysis of our performance. The overview section gives a short summary of relevant information about our organisation, its purpose, the key risks to the achievement of our objectives and how the business as a whole has performed during the year.

Foreword by Chair of the Office for Legal Complaints



2017-18 has been a challenging transitional year for the Office for Legal Complaints and Legal Ombudsman scheme.

During the year we have laid important foundations that must translate into improved performance in 2018-19.

Modernisation has been the key focus in 2017-18, in line with the new three-year strategy launched in April 2017. The priority has been to get the organisation into the right long-term shape to discharge its statutory responsibilities to the highest standards of quality and timeliness.

The Legal Ombudsman has made great progress with modernisation through investment in new processes, a more flexible staffing model, and successful implementation of new Cloud-based IT infrastructure and telephony which addresses historical weaknesses. We launched a new, more robust case management system in April 2018 which facilitates a streamlined business process.

Investment in improved operational forecasting and capacity modelling has informed a more balanced suite of KPIs. Crucially, in line with the recommendations from the Ministry of Justice's 2017 Tailored Review, these emphasise the importance of quality, and the need to view timeliness as one very important element of delivering a high quality service.

Accommodation has been rationalised and has achieved substantial cost savings as a result. Significant time and focus has been given to improving the Legal Ombudsman's employment offer to its staff, particularly through flexible working.

During 2017-18, the organisation has faced simultaneous demand and supply challenges while delivering major organisational transformation. Demand and case complexity have increased in the legal jurisdiction, while at the same time we have seen high levels of staff turnover in a highly competitive recruitment market. The combined effect of these factors has seen a deterioration in operational performance.

The OLC will continue to play its part in the transition of the Legal Ombudsman's claims management jurisdiction to the Financial Ombudsman Service (currently scheduled to take effect no earlier than April 2019) which will remain another key area of focus.

Having delivered the major changes required of the modernisation programme, the focus in 2018-19 will be translating that investment into sustainable improvement in performance against the new KPIs. The OLC has increased its resource allocation for 2018-19 to create sustainable improvements in productivity, performance and quality.

The OLC has agreed a new IT and digital strategy which underpins work to digitise the Legal Ombudsman's service in 2018-19, and improve data systems and tools to mine our business intelligence.

The OLC is under no illusion about the scale of the task and recognises that it will take time to address the Legal Ombudsman's current challenges, particularly if case numbers and complexity continue to increase in the legal jurisdiction.

This year has seen significant changes of leadership, both on the OLC Board and within the Executive team. As new Chair of the OLC, I have been delighted to welcome Rebecca Hilsenrath to the Board, along with Elisabeth Bellamy and Annette Lovell. All bring fresh expertise, insights and perspectives to the Board.

I would also like to pay tribute to the departing Board members – Caroline Coates, Tony King and Jane McCall – all of whom have made significant positive contributions to the OLC, particularly in stabilising the organisation and refocusing on modernisation. I thank them for their service and wish them well for the future.

The Legal Ombudsman has a new Chief Executive, Rob Powell, and a new Chief Ombudsman, Rebecca Marsh, who brings significant experience within the ombudsman sector. The new senior team will drive the organisation to realise the benefits of our modernisation activity in 2017-18, building on the work of Nick Hawkins, Kathryn Stone and Simon Tunnicliffe, all of whom have moved on this year. I am grateful for their positive contributions to the Legal Ombudsman.

I look forward to working with the new OLC Board, our staff and stakeholders as we progress our strategy over the next two years.



Wanda Goldwag
Chair of the Office for Legal Complaints
July 2018

How the OLC has discharged its functions

The Office for Legal Complaints (OLC) is the statutory body responsible for establishing and administering the Legal Ombudsman (LeO) scheme. LeO is not a separate entity to the OLC, which is the legal entity and non-executive board that oversees, establishes and maintains the Legal Ombudsman scheme, as set out in the Legal Services Act 2007.

The OLC Board has discharged its functions by:

- overseeing the performance of the Legal Ombudsman against its key performance indicators and business plan, and requiring development of a more robust forecasting and capacity model to inform future performance trajectories;
- receiving quarterly progress reports on the Modernising LeO programme and any key issues, risks and assurances about programme delivery;
- approving the Legal Ombudsman's response to the Competition and Markets Authority's legal services market study;
- receiving updates on the Ministry of Justice's 2017 Tailored Review;
- approving an estates strategy and IT strategy;
- approving a number of key appointments, including a new Chief Executive, Chief Ombudsman, pool ombudsmen, Level 1 ombudsmen and the appointment of a Service Complaint Adjudicator;
- receiving updates on key elements of the Legal Ombudsman's research programme, including first-tier complaints handling, undertaken jointly with the Solicitors' Regulation Authority, and the language of complaints;
- receiving presentations and having discussions with key stakeholders during Board meetings, including the Legal Services Board (LSB), Ministry of Justice (MoJ), Legal Services Consumer Panel (LSCP) and Solicitors Regulation Authority (SRA);
- approving the 2018-19 business plan and budget for submission to the Legal Services Board, and the 2016-17 Annual Report and Accounts;
- approving an updated scheme of delegation, a schedule of matters reserved to the Board, and agreement to publish Board papers from April 2018;
- approving an update to the OLC's Memorandum of Understanding with the LSB;
- approving the annual report on the Welsh language scheme, and considering reports on preparations for the General Data Protection Regulation;
- considering and approving key elements of the Legal Ombudsman's employee value proposition;
- delegating key governance functions to, and receiving regular reports from, its Audit and Risk Committee (ARAC), Remuneration Committee (RemCo) and Category 1 Publications Committee, whose work is reported in this annual report; and
- receiving the Service Complaint Adjudicator's annual report on her activities and views from her work handling any complaints about the service of the Legal Ombudsman which cannot be resolved internally.

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, active membership of the Ombudsman Association and by taking account of the views of a member of the OLC Board who is a former Pensions Ombudsman and former Chair of the Ombudsman Association. Wider horizon scanning has also been conducted to look at specific practice and recognise developments across the sector.

In discharging its functions, the OLC Board has also had regard to the regulatory objectives. Details of the extent to which the OLC considers that these objectives have been met can be found in Appendix 1 of this report.

The Chief Executive is accountable to the OLC Board for ensuring that the OLC manages its affairs in accordance with all relevant principles of good corporate governance. This obligation has been met in 2017-18 by ongoing work to implement the recommendations of both an independent review of governance and the MoJ's Tailored Review of the OLC and LSB.

Importantly, the new OLC Chair undertook a thorough review of Board effectiveness in the second half of 2017, which produced an action plan; implementation of this has further improved corporate governance. The Legal Ombudsman has developed a new assurance framework in line with HM Treasury good practice.

PURPOSE AND ACTIVITIES OF THE OFFICE FOR LEGAL COMPLAINTS

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

The organisation is structured into three business areas: the legal jurisdiction, the claims management company (CMC) jurisdiction and corporate services. The first two of these conduct our main operational business model of assessing, investigating and determining complaints, and our corporate services division provides support for this. Our strategies and objectives are laid out in detail in our triennial strategy and annual business plan documents.

The Legal Ombudsman is 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, and costs are recovered from legal service providers and CMC's. More detail on this is laid out in the section on unit cost below.

KEY ISSUES AND RISKS

The key issues we have faced this year have been the combined impact of three factors on performance against KPIs and our credibility: our investment in modernisation; pressures on operational staffing arising from higher than anticipated staff turnover in a highly competitive recruitment market; and demand in the legal jurisdiction increasing above forecast and budgeted levels. The key risks are set out in detail in the performance analysis section.

GOING CONCERN

The OLC is a statutory body established by the Legal Services Act, which specifies funding via a levy upon the legal profession. As at 31 March 2018, the OLC has sufficient cash resources to meet anticipated expenditure for the financial year ending 31 March 2019. The MoJ also provides a 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.

Performance Summary: Chief Ombudsman's report



This is my first Annual Report and Accounts since taking up my appointment as Chief Ombudsman in January 2018.

The Legal Ombudsman continues to be a vital part of the legal and claims management landscape, and there is a clear commitment within the organisation to delivering a thorough process that achieves consistently fair outcomes.

The organisation has made significant progress with an ambitious modernisation programme throughout the year. During my first three months I set out my initial priorities to build on the solid foundations of this programme, with an absolute focus on quality and delivery. I will continue to refine these priorities during the forthcoming year.

The OLC Board and the LSB rightly expect us to provide a service that delivers both timeliness and quality, and I am committed to improving performance in these areas throughout the next year. We will be changing the way that we measure performance, with the introduction of a more balanced suite of KPIs and stretching, but realistic, objectives. This will be reflected in the performance reporting within the 2018-19 Annual Report and Accounts.

During 2017-18 the Legal Ombudsman accepted 7,527 cases for investigation within our legal jurisdiction. This is an increase in comparison to the original forecast of 7,000 cases for the year. The nature of cases coming to us has also changed, with a much higher proportion involving a greater degree of complexity. This leads us to believe that the more straightforward matters that we used to see are being dealt with effectively by service providers.

A combination of factors had a significant impact on performance during the year and this will continue into the coming year. These include increased volume and a different case mix, resource challenges of recruiting sufficient numbers of front-line personnel, and delivering a major transformation programme. The impacts are clearly visible in the performance figures – particularly in timeliness.

We have invested in capacity modelling capability alongside the development of a continuous improvement approach. This will provide greater insight into the impact of changes in demand and case mix, as well as the effect of internal process change, and will better support strategic decision making.

We also accepted 1,212 cases within our claims management jurisdiction. In the short period of time that I have been Chief Ombudsman, I have experienced the difference between the challenges in the claims management and legal landscapes.

One of my first decisions was to recommend to the OLC Board that we exercise the powers granted to us under the Legal Services Act to publish information about a claims management company (CMC) where we identified systematic failures in the service provided to their customers. This was not a decision that I took lightly; it was clear that the company posed a significant risk to the public and therefore publication was the right thing to do.

I am committed to working with relevant stakeholders on the transition of the Legal Ombudsman's claims management jurisdiction to the Financial Ombudsman Service, currently scheduled for April 2019. This will ensure that they are well placed to continue the good work already delivered in this sector.

I am acutely aware of the challenges facing this organisation. I look forward to working with the Board, staff, and our stakeholders to build on the solid foundations laid this year and drive improvements in quality and delivery. Trust and confidence in the Legal Ombudsman scheme is crucial to delivering our statutory objectives, and through this, we contribute to the UK's global reputation for excellence in legal and professional services.

A handwritten signature in cursive script that reads "Rebecca Marsh".

Rebecca Marsh
Chief Ombudsman
July 2018

PERFORMANCE ANALYSIS

Operational performance and activity

The following report analyses the performance of the Legal Ombudsman scheme for 2017-18, as part of the performance of the Office for Legal Complaints.

Review of the business

In 2017-18 we have worked hard to maintain the service offering that we have delivered in previous years whilst also pursuing a wide-ranging modernisation programme. The information contained in this section of our report summarises our performance over 2017-18 in relation to complaints about legal and claims management service providers alike.

Below we explore how the Legal Ombudsman has performed against its Key Performance Indicators (KPIs) over the last year. We build our risk framework around key issues in the external landscape, performance and organisational capability, and the level of uncertainty surrounding key strategic factors which may impact on our ability to do so.

***N.B.** This year, our measure of complaints accepted includes both 'internal' and 'external' closures. This means that we are including a small number of complaints where significant work was done on the file before we decided the complaint was outside of our remit. The data below will reflect all cases and so may be slightly different from what we have reported in previous years, as this referred to external closures only.*

LEGAL SERVICE PROVIDERS

During the 2017-18 financial year, within our legal jurisdiction, we saw the number of complaints that we accepted for investigation increase to 7,527 from 7,223 in 2016-17. This is a 4% increase from the previous year which amounted to an 8% increase above budgeted levels.

The combination of this significant increase in demand in the legal jurisdiction in the first half of the year and then very high staff turnover in the second half of the year had a profound effect upon performance.

CLAIMS MANAGEMENT SERVICE PROVIDERS

During this year we accepted 1,212 complaints about CMCs for investigation, which is a reduction on the previous year (2016-17: 2,290). This is probably due to fewer CMCs operating an up-front fee business model, which is where we have seen most complaints historically.

RESOLVING COMPLAINTS

Resolution of complaints by the Legal Ombudsman is a two-step process. Initially an investigator will aim to negotiate an informal resolution, which is one to which both parties agree. However, if an agreement cannot be reached, the case will be sent to an ombudsman who will make a final decision which is binding if accepted by the complainant.

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

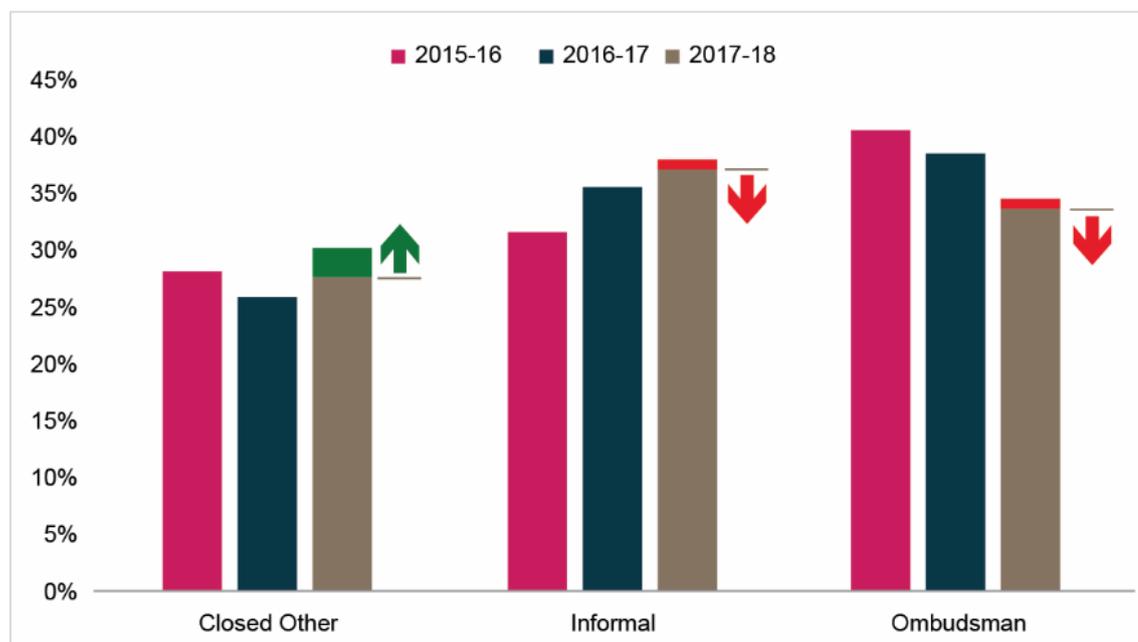
Legal jurisdiction

In our legal jurisdiction, we resolved a total of 6,125 cases in 2017-18 which was a reduction on the number of resolutions achieved in the previous year (2016-17: 6,573 cases).

During this reporting year, 37% of cases were resolved by informal resolution, 33% of cases were resolved by ombudsman decision and the remaining 30% were closed by other means. For example, this includes cases that were unable to proceed or were withdrawn. Figure 1 shows a breakdown of how cases have been closed in the legal jurisdiction.

Figure 1 – How legal jurisdiction cases were resolved and closed

Arrows indicate the percentage change when 'internal' closures are included in the data.



REMEDIES AWARDED 2017-18

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. Furthermore, we can direct other financial remedies such as a refund of fees or a reduction of costs. Refunds and reductions are not subject to any cap.

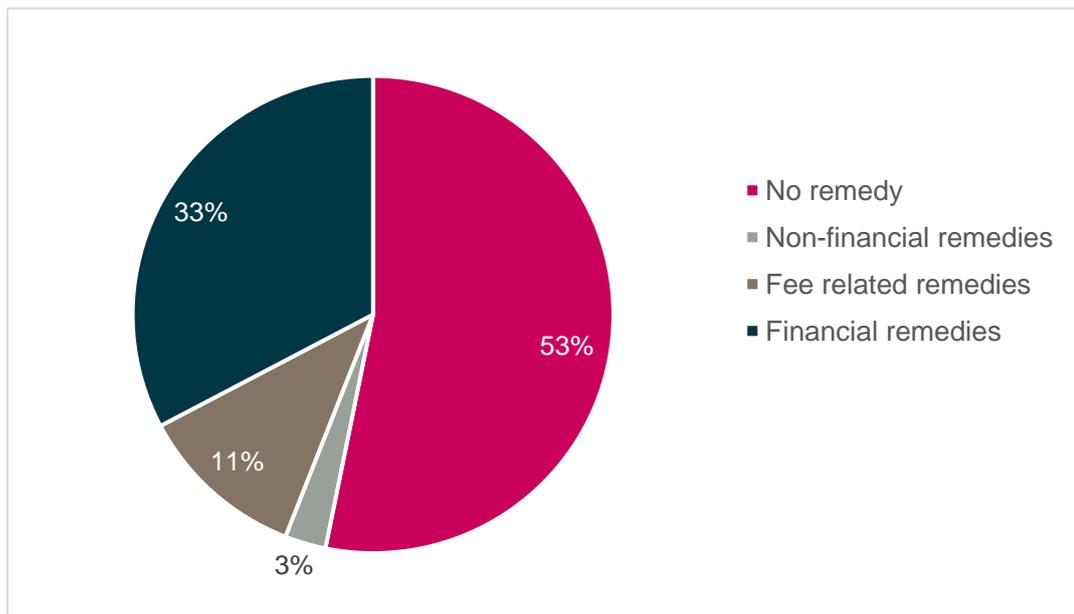
Figure 2 shows a breakdown of the remedy type for those cases which receive an ombudsman decision. As in previous years, financial remedies have been directed in a third of ombudsman decisions. For purposes of analysis, the remedy types for this chart have been grouped as follows:

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)

Figure 2 – Ombudsman decisions and remedy type



The figures are shown as a percentage of all remedy types recorded, as complaints can have numerous remedies directed.

Figure 3 shows that evidence of poor service was identified in 46% of the ombudsman decisions made. A remedy would not necessarily have been required in every case, as there are occasions where we find that the service provided was not reasonable but there was limited or no impact on the complainant.

Figure 3 – Evidence of poor service

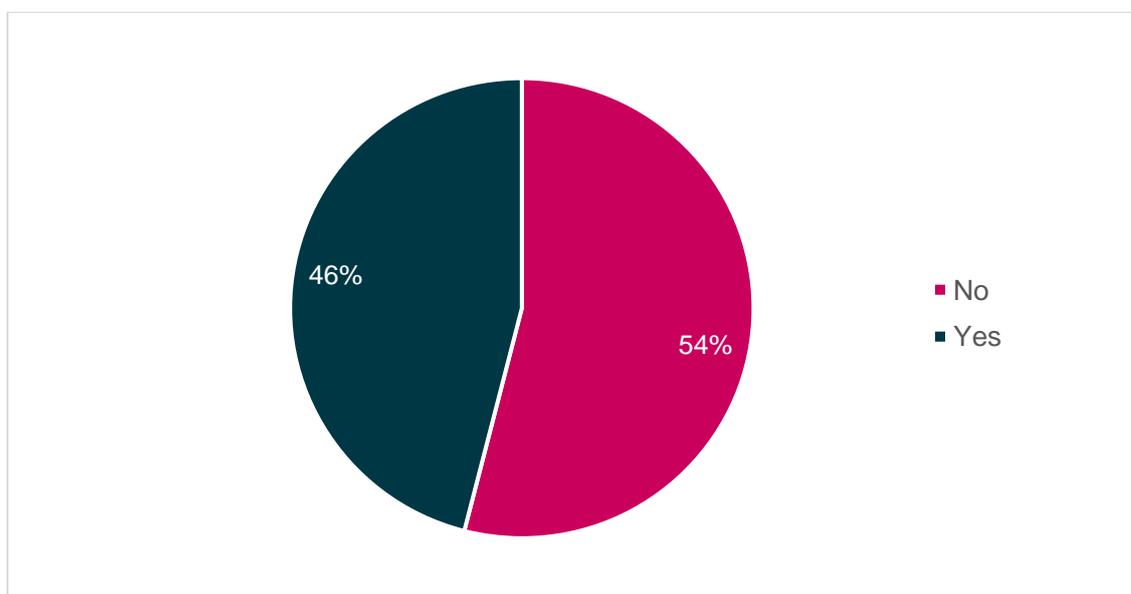
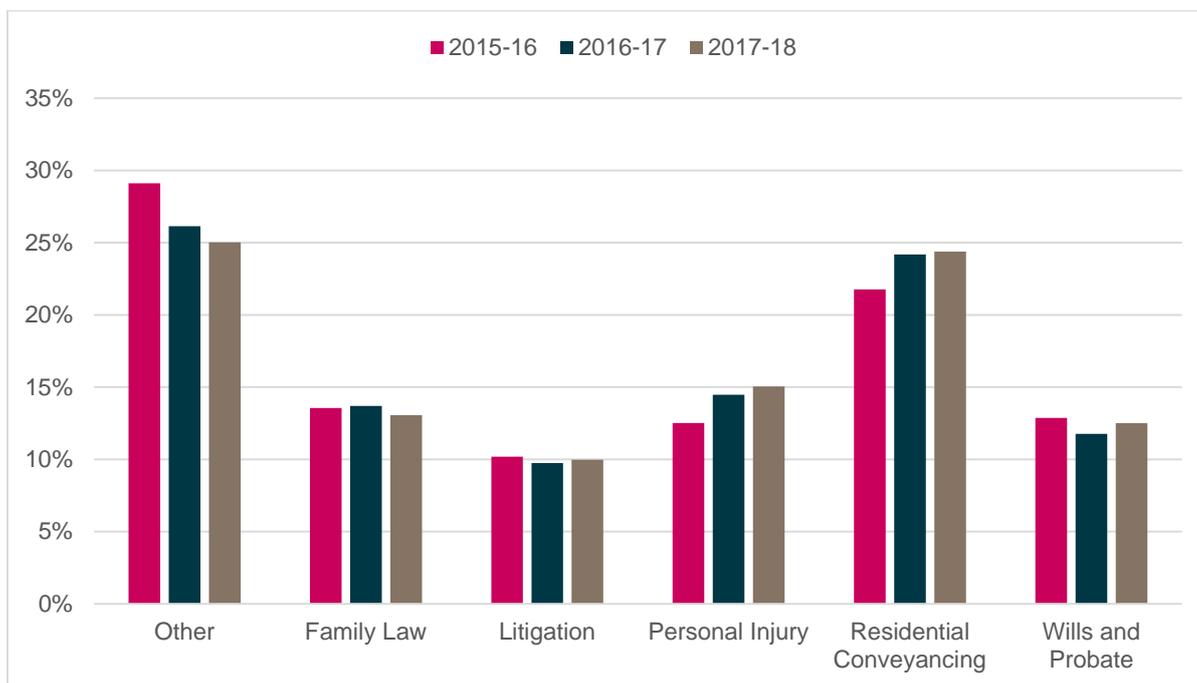


Figure 4 shows that in 2017-18, subject to slight variances, complaint volumes by area of law remained relatively consistent with previous years.

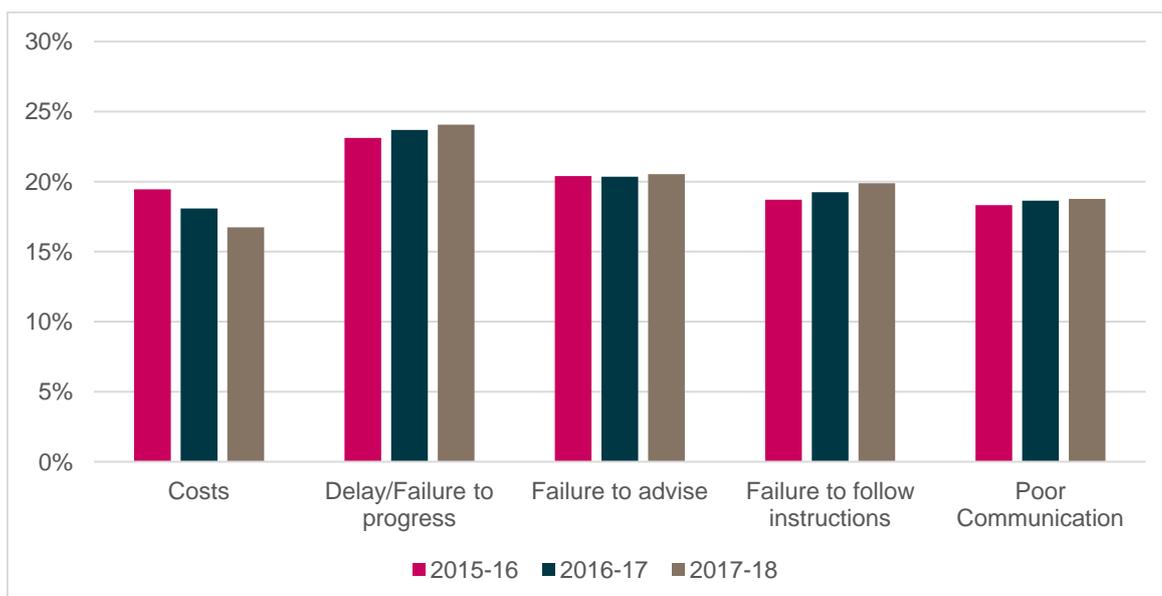
Figure 4 – Complaint volumes by area of law



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

Figure 5 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 three years.

Figure 5 – Top 5 complaint types received



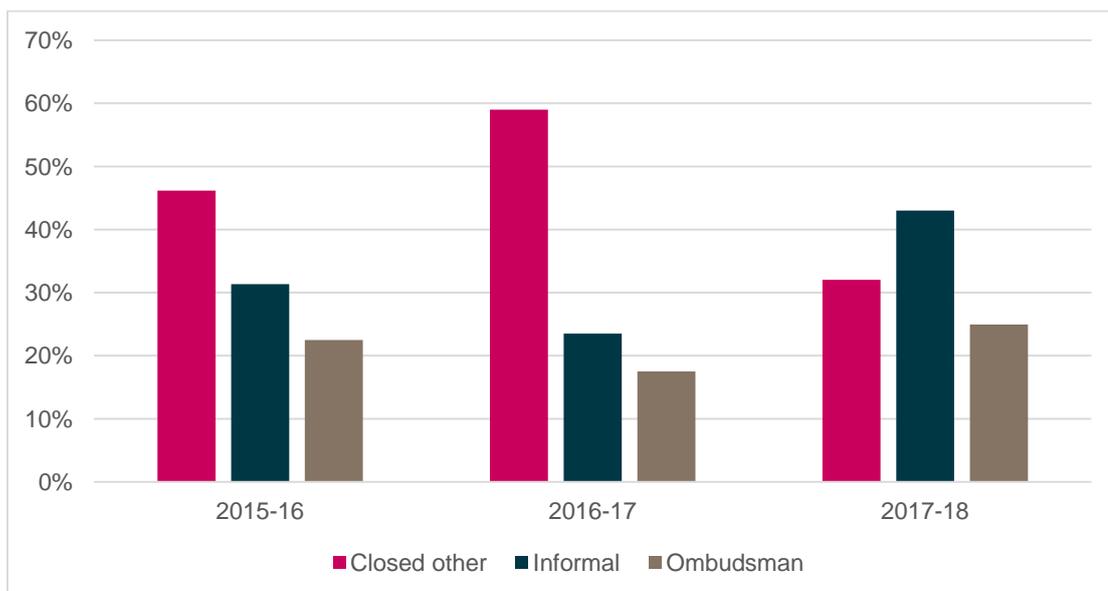
NB: Some complaint types have been combined as the following: costs = costs excessive and cost information deficient; poor communication = failure to keep informed and failure to reply. Percentages are of the top 5 complaints.

Claims management jurisdiction

In our CMC jurisdiction we resolved 1,146 complaints in 2017-18 (2016-17: 2,616). 43% of these were informally resolved and 25% were resolved by way of an ombudsman's final decision. A further 32% were closed by other means, which included some closures through Section 75 claims (where we supported the complainant to make a claim to their credit card provider under Section 75 of the Consumer Credit Act).

Figure 6 illustrates the breakdown of the way that cases in the CMC jurisdiction were resolved during 2017-18. Figures 7 and 8 show respectively the remedies that were awarded, and the percentage of cases where we found poor service.

Figure 6 – How CMC jurisdiction cases were resolved and closed



NB: Cases may also be closed if the complaint is abandoned or withdrawn, or if it has been dismissed as outside of our jurisdiction.

Figure 7 – Ombudsman decisions and remedy type

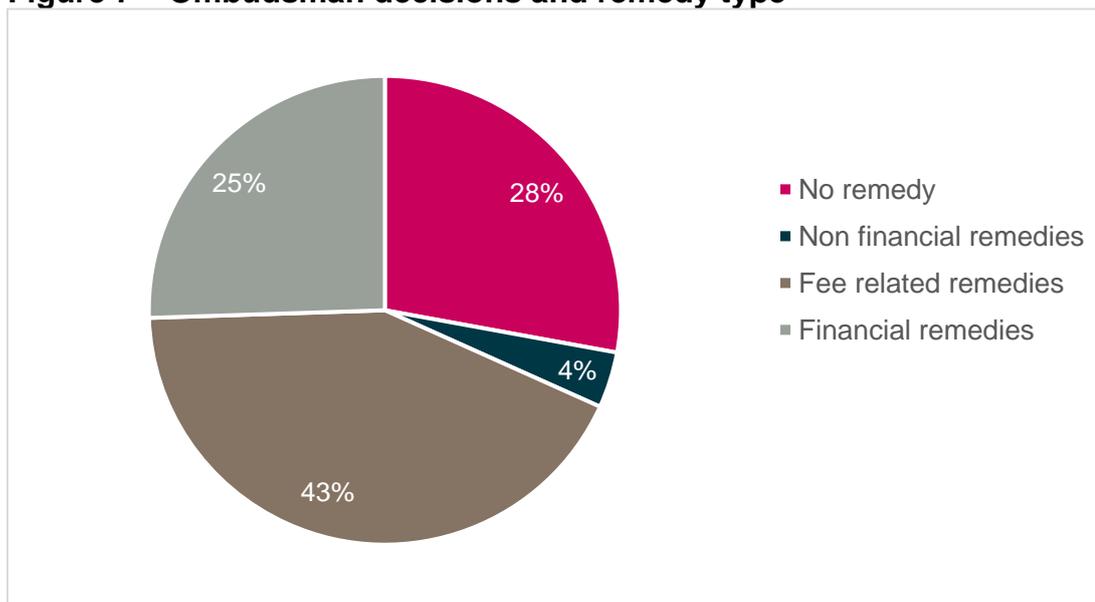
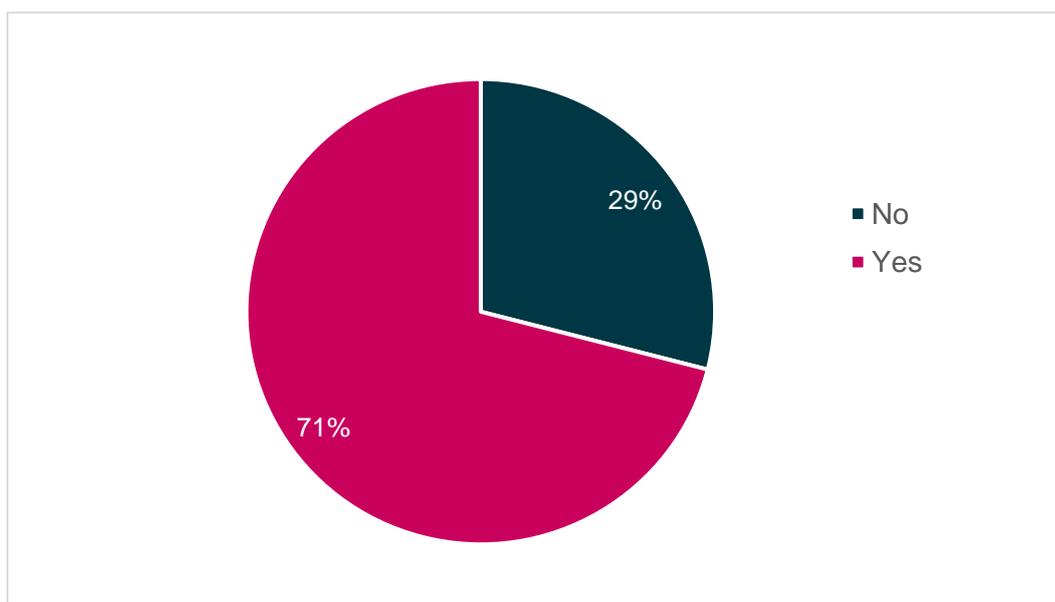
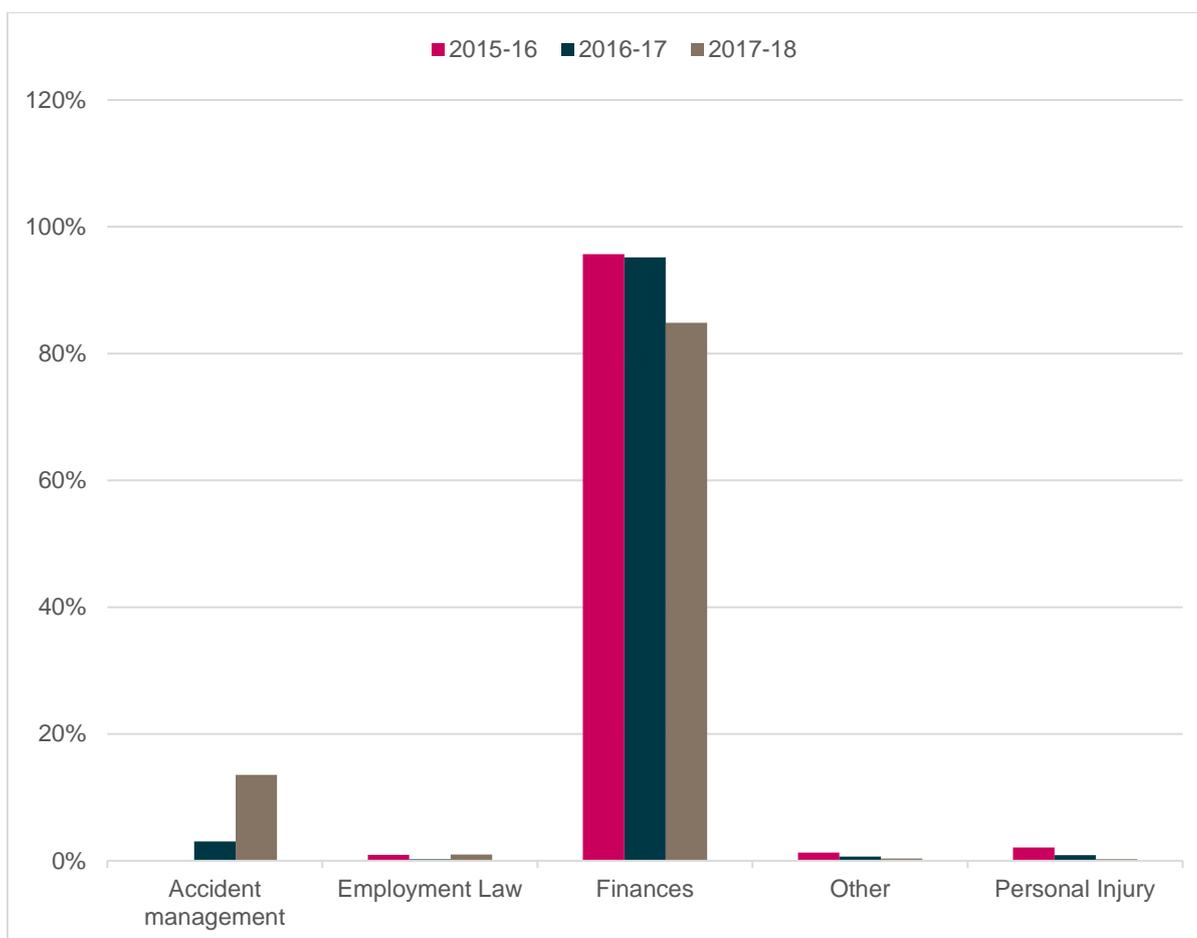


Figure 8 – Evidence of poor service



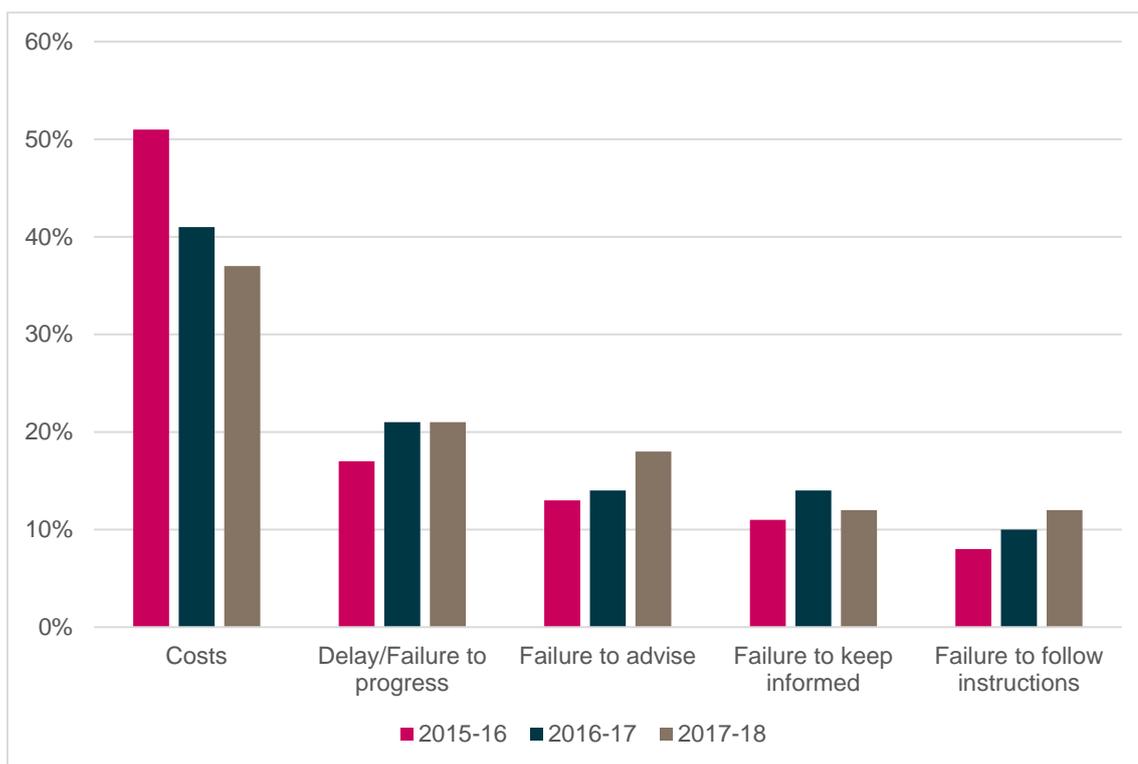
The largest area of complaint continues to be in connection with financial products and services, accounting for almost 86% of the total complaints received. The largest proportion of financial products and service complaints continue to relate to payment protection insurance (PPI) mis-selling. Figure 9 also shows the other areas of complaint received within the CMC jurisdiction.

Figure 9 – Complaint volumes by area of service



NB: “Other” areas of service have been combined for analytical purposes, including criminal injuries and industrial injuries.

Figure 10 – Top 5 complaint types received



NB: Costs = costs excessive and cost information deficient. Percentages are of the top 5 complaints.

Key Performance Indicators (KPIs)

Our Key Performance Indicators (KPIs) for 2017-18 are as follows:

- **Timeliness:** We monitor the percentage of cases resolved within 90 days and 180 days from the date the case is accepted for investigation.
- **Quality:** We measure the percentage of complainants and lawyers within our legal jurisdiction who are satisfied with the service they received, irrespective of case outcome.
- **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 advocacy among customers (complainants and service providers) on an annual basis.
- **Impact:** We undertake an annual survey of members of the public and users of claims management/legal services to assess their awareness of the Legal Ombudsman, and provide learning and development to the legal profession and CMC sector.

TIMELINESS

Timeliness is an important element of delivering a quality service. It is one dimension of how we deal with complaints and must be considered in conjunction with more qualitative measures and customer feedback about achievement of our service principles. We measure how long it takes to resolve a complaint from the point at which it is identified as being within our jurisdiction to the date on 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 somewhat by the parties to the dispute themselves.

Figure 11 shows our timeliness performance across the year in our legal jurisdiction.

KPI: 60% resolved in 90 days; 90% resolved in 180 days; 100% resolved in 365 days.

Figure 11 – Timeliness performance: legal jurisdiction

	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
90 days	49%	48%	44%	39%	37%	42%	36%	40%	39%	36%	16%	9%
180 days	79%	75%	78%	77%	77%	71%	68%	61%	66%	69%	63%	63%
365 days	96%	95%	97%	96%	95%	96%	96%	92%	94%	95%	94%	93%

Performance against our timeliness targets in 2017-18 was impacted by an unexpected increase in demand for our legal jurisdiction’s services in Q1 and Q2. The effect of this increase was made worse by unusually high levels of sickness and turnover in a highly competitive local recruitment market, as well as the lead time for new recruits to become fully productive. Our programme of modernisation also had a negative impact on our operational resource. This resulted in an increase in the amount of time that cases spent waiting for an investigation to commence, with these factors particularly apparent in the figures in February and March 2018. During Q4 we put in place steps to deliver sustainable improvement in performance during 2018-19.

In Q3 and Q4 of 2017-18, demand and resource pressures on the ombudsman team reduced their capacity to process their decision caseload. This impacted on timeliness at the end of our business process but has been mitigated by the recruitment of additional external pool ombudsmen, which provides more flexible capacity to deliver ombudsman decisions.

Timeliness performance within the CMC jurisdiction is shown in the table in Figure 12. As cases are generally less complex in our CMC jurisdiction, we also measure against a 56-day target.

KPI: 60% resolved in 56 days; 70% resolved in 90 days; 95% resolved in 180 days; 100% resolved in 365 days.

Figure 12 – Timeliness performance: CMC jurisdiction

	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
56 days	34%	33%	41%	56%	40%	40%	24%	36%	27%	15%	22%	37%
90 days	62%	62%	63%	76%	77%	62%	56%	37%	47%	40%	36%	44%
180 days	95%	98%	96%	97%	98%	98%	100%	97%	95%	92%	80%	83%
365 days	92%	93%	86%	91%	88%	90%	100%	100%	99%	99%	100%	97%

Performance against timeliness targets in the CMC jurisdiction has generally improved this year.

The average number of cases resolved within 90 days increased from 43% in 2016-17 to 55% in 2017-18, and the average number of cases resolved within 180 days increased from 83% to 94%. However, it has been impacted by a reduction in staff numbers due to attrition, sickness and internal secondments. We chose not to recruit to full headcount as incoming complaint volumes have been lower than budgeted. However, there is a staff baseline figure below which we cannot run the service effectively, regardless of volumes.

As we work toward the transfer in 2019 of regulation to the Financial Conduct Authority and complaints to the Financial Ombudsman Service, we are confident that we can further improve the timeliness of CMC complaint resolution, once resource is back up to establishment.

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.

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 leaders 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 framework enables us to monitor the effectiveness of improvement measures we have taken. Our KPI for quality is a measure based on an independent survey of complainants and service providers within our legal jurisdiction whose case with the Legal Ombudsman has concluded. The data for both years is shown in Figure 13.

KPI: Overall customer satisfaction irrespective of outcome no lower than 40% each quarter in our legal jurisdiction.

Figure 13 – Complainant and service provider satisfaction irrespective of outcome

Quality	Q1	Q2	Q3	Q4	Overall
2016/17	52%	50%	53%	54%	52%
2017/18	57%	52%	54%	49%	53%

UNIT COST

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

KPI: Deliver to our approved budget in each jurisdiction.

Our unit cost is calculated by dividing the total cost of operating the ombudsman scheme by the number of resolved cases. This is laid out in Figures 14 and 15 below, which display ‘all’ cases and ‘external’ cases. External cases are those which fall within our jurisdiction; internal cases are those on which we conducted significant work but eventually closed as out of jurisdiction.

Figure 14 also shows total expenditure on the legal jurisdiction in 2017-18, which was £10.9m (2016-17: £10.4m), against a budget of £11.8m (2016-17: £11.5m). We set our annual budget following public consultation and taking into account expected demand forecasts. This underspend reflects the impact of high staff turnover, the need to control unit cost, and the impact of savings in

ring-fenced non-cash and bad debt elements of the budget.

The net expenditure in respect of the OLC's legal services activities is met with 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 14 – Costs of legal jurisdiction (audited)

Legal Services Activities	2017-18	*2016-17
Budgeted expenditure of the scheme £'m	11.80	11.55
Actual expenditure £'m	10.92	10.44
Less non-ombudsman scheme activity, £'m taxation and interest received £'m	0.02	0.02
Total cost of the ombudsman scheme (A) £'m	10.94	10.46
Year on year cost reduction / (increase)	(4.7%)	10.1%
Total cases resolved during the year (B)	6,125	6,736
Unit cost all cases (A divided by B)	£1,787	£1,552
External cases resolved during the year (C)	5,894	6,574
Unit cost external cases (A divided by C)	£1,857	£1,591
Case Fee / other income received	0.89	0.95
Net – Total Expenditure less income £'m	10.03	9.49

*2016-17 revised to include interest received.

Figure 15 – Costs of CMC jurisdiction (audited)

CMC Activities	2017-18	2016-17
Budgeted expenditure of the scheme £'m	3.04	2.08
Actual expenditure £'m	1.45	1.79
Less non-ombudsman scheme activity, £'m taxation and interest received £'m	0.000	0.000
Total cost of the ombudsman scheme (A) £'m	1.45	1.79
Year on year cost reduction	19%	14%
Total cases resolved during the year (B)	1,146	2,636
Unit cost all cases (A divided by B)	£1,263	£681
External cases resolved during the year (C)	1,122	2,636
Unit cost external cases (A divided by C)	£1,326	£681
Case Fee Received	0.19	0.43
Net – Total Expenditure less income £'m	1.26	1.36

In September 2017 the OLC received £1,364k Grant in Aid relating to the financial year 2016-17 (2015-16: £1,625k received May 2016). Figure 15 shows that net expenditure to continue operating the claims management jurisdiction was £1.3m in 2017-18 (2016-17: £1.4m). The underspend in the CMC jurisdiction related largely to reduced income and associated bad debt from case fee write-offs, and savings on staffing costs in light of reducing volumes.

REPUTATION

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 both jurisdictions 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 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 16 – Legal advocacy measure: the percentage of respondents within the legal jurisdiction who would speak highly of the Legal Ombudsman.

Complainants	Satisfied with outcome	Dissatisfied with outcome
I would speak highly (4-5)	78%	5%
Neutral (3)	16%	12%
Critical (1-2)	6%	80%
Don't Know	0%	3%

Service Providers	Satisfied with outcome	Dissatisfied with outcome
Highly (4-5)	56%	3%
Neutral (3)	36%	30%
Critical (1-2)	7%	65%
Don't know	1%	2%

Figure 17 – CMC advocacy measure: the percentage of respondents within the CMC jurisdiction who would speak highly of the Legal Ombudsman.

Complainants	Satisfied with outcome	Dissatisfied with outcome
I would speak highly (4-5)	95%	9%
Neutral (3)	4%	26%
Critical (1-2)	0%	65%
Don't know	1%	0%

Service Providers	Satisfied with outcome	Dissatisfied with outcome
Highly (4-5)	70%	<i>Base too small to provide any data for this group (<20).</i>
Neutral (3)	30%	
Critical (1-2)	0%	
Don't know	0%	

IMPACT

Our annual awareness survey measures familiarity with the existence of our service among the general public and users of legal and CMC services (Figures 18 and 19). 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?

For members of the general public, Figure 18 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: general public

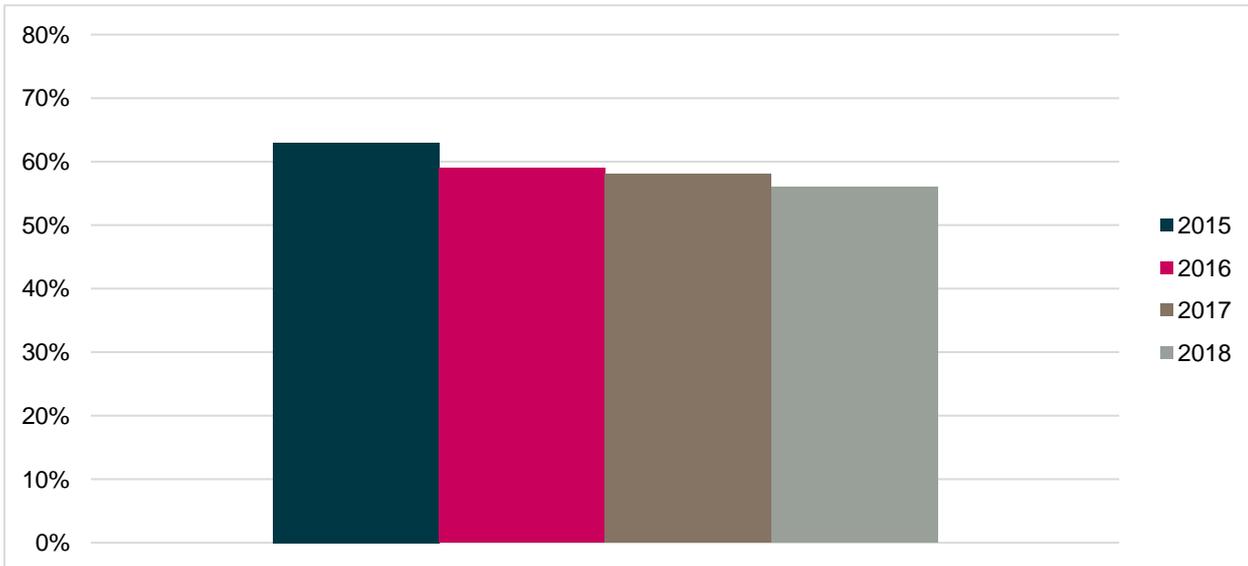


Figure 19 indicates that for those who have used a legal service provider in the past two years, awareness of the Legal Ombudsman has increased, but for those who have used a CMC it has decreased very slightly.

Figure 19 - Awareness of the Legal Ombudsman: users of legal and CMC services

Impact Indicator	2015-16	2016-17	2017-18
Percentage of users of legal services in the last two years that have heard of the Legal Ombudsman	56%	60%	64%
Percentage of users of CMC services in the last two years that have heard of the Legal Ombudsman	62%	56%	55%

STAKEHOLDER ENGAGEMENT & FEEDING BACK TO THE PROFESSIONS

It is important that we work effectively with our stakeholders and provide feedback to the legal and CMC professions based on the lessons we learn from our complaints handling work. This work supports a number of regulatory objectives such as improving access to justice and protecting and promoting the interests of consumers. Feedback will be a particular area of focus going forward, as we recognise that more could be done to improve standards across the professions.

We have continued to meet regularly with the Approved Regulators and professional bodies either on a one-to-one basis, or through other forums, to discuss operational issues and joint areas of work such as research on the Language of Complaints and policy development.

Feeding back to service providers is a vital area of work, as this allows them to learn about the issues raised by complainants, how they can be prevented and how complaints can be resolved when poor service does arise. Over the last year this has included a range of activities including courses to both the legal and CMC sector, presentations at conferences, webinars, and Periscope videos. We also continue to provide trend data, case studies and guidance on our website.

Key relationships

The OLC is directly accountable to the MoJ for its financial management. While the net funding for the Legal Ombudsman comes from a levy on the legal profession and the regulator recovering its costs from claims management companies, the OLC's costs are classified as public expenditure. In addition to financial accountabilities to the MoJ, the LSB approves the OLC's budget and oversees the OLC's discharge of its responsibilities for the Legal Ombudsman.

Along with formal governance relationships, the Legal Ombudsman has a broad range of external stakeholders encompassing regulators, other ombudsman 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, and disseminating learning from the scheme. The professions are the most important referral points into the Ombudsman service. Consumer support bodies are also a key point of referral. 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 in the legal landscape. The Legal Ombudsman has working arrangements in place with all of the Approved Regulators of legal services, which are set out in a series of Memoranda of Understanding (available on the Legal Ombudsman website).

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 our customer service principles, without discrimination, and accessible to all.

Progress against our three equality priority objectives for 2017-18, agreed by the OLC Board, was reported to the Board in April 2018. Driven by our Equality and Diversity Forum, this showed positive developments in our approach to vulnerable customers, inclusive service and reasonable adjustments.

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 published a policy statement on customer inclusivity in December 2017 and developed an internal framework for inclusivity, using the relevant BSI standard, with a measure of inclusive service in our Balanced Scorecard.

The organisation demonstrates its respect for human rights through commitment to its Inclusive Service policy statement and its compliance with the Public Sector Equality Duty. Our Scheme Rules also require issues of human rights to be considered when making certain types of decision.

The Legal Ombudsman has an elected Staff Council which enables its 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. In recognition of the importance of promoting positive mental health we have also signed up to the Time to Change mental health awareness campaign and trained a network of 16 internal Wellbeing Champions.

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.

Social matters

In 2017/18 staff at the Legal Ombudsman voted to support a local charity, Autism West Midlands. A number of events were organised by the Charity and Engagement Committee throughout the year, including participation in the Midland Legal Walk, and a total of £3,180 was raised.

Whistleblowing policy

The Audit and Risk Assurance Committee reviewed our Whistleblowing policy in May 2017 to ensure that it is still robust and effective. Edits were made to improve clarity and structure. There were no reports under the policy during 2017-18.

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 an efficient and ethical approach to the use of resources. We also encourage recycling and minimise waste through effective facilities management. We have improved sustainability by implementing our new estates strategy which reduces our estates footprint by 25% from April 2018.

Capital expenditure

The programme of modernisation continued during 2017-18 when we developed the new CRM system and implemented new Cloud-based IT and telephony infrastructure. Costs of the first phase of the CRM project occurred in 2016-17 (£196k). The remaining costs of £357k are reflected in the current year along with the continuing computer refresh costs, minor infrastructure and other capital expenditure.

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. Ninety-five per cent of invoices were paid within agreed terms in 2017-18 and the average number of days taken to pay creditors was 22.1 days.

Format of accounts

These 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
4 July 2018

ACCOUNTABILITY REPORT

Corporate governance report

This report explains the composition and organisation of the OLC's governance structures and how they support the achievement of our objectives. We present this information in a transparent way to demonstrate good governance and accountability.

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 Board 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 the Chair to cease to hold office, or for another member to receive compensation, the OLC may pay that person such compensation as the LSB determines. Board membership and terms of appointment are set out in the Remuneration and Staff Report.

The OLC is supported by our Management Team, led by the Chief Executive. The OLC Board has delegated relevant day-to-day authority to the Management Team, whose role is to deliver the 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 2017-18 that gave rise to a potential conflict with their responsibilities as members of the Board. Declarations of interest are a quarterly Board item, and recorded at periodic meetings of the OLC.

DATA INCIDENTS

There were no personal data related incidents in 2017-18 that met the threshold for formal reporting to the Information Commissioner's Office (ICO). The Security Forum and Audit and Risk Assurance Committee review all incidents reported internally and any breaches of policy, identify learning to improve the management of personal data, and track improvement. The main risk continues to relate to human error in attaching incorrect documents to correspondence.

MANAGEMENT COMMENTARY

The purpose of the Legal Ombudsman scheme is to provide a single gateway for consumers of legal and claims management services to resolve their complaints. It also drives systemic improvement by feeding back information and insight from running the scheme to the professions. During 2017-18, there was significant activity to implement the new three-year strategy and business plan published in April 2017.

AUDITORS

The MoJ provides internal audit services to the OLC. During the 2017-18 financial year the cost of internal audit work was £38,400 (2016-17: £39,000). The OLC's annual accounts are audited by the Comptroller and Auditor General (C&AG) in accordance with Schedule 15, Section 26(5) of the Legal Services Act. For the year to 31 March 2018 the C&AG has estimated the costs at £31,000 (2016-17: £31,000). The services provided by the C&AG staff relates only to statutory audit work.

Statement of Accounting Officer's responsibility

As Accounting Officer I am personally 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 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 (FRM) 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, and 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.

I have reviewed the risks of fraud, bribery and corruption. I consider that there is a low risk of misstatement due to fraud and that appropriate controls exist to manage fraud risk. A report on assurance regarding these risks was presented to our Audit and Risk Assurance Committee. There are no known instances of fraud to report.

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
4 July 2018

Governance statement

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.

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.

I am responsible in particular for ensuring that the Legal Ombudsman complies with all statutory and administrative requirements on the use of public funds, including the principles and policies of *Managing Public Money* (HM Treasury).

My review of the effectiveness of the system of internal control has been informed by assurance statements from members of the Management Team, independent assurance from internal and external audit, scrutiny and challenge from the Audit and Risk Assurance Committee, review of our assurance map, and various assurance reports submitted to central government.

We have undertaken an annual review of fraud risk – which concluded that the overall level of fraud risk was low – and discussed this with the Audit and Risk Assurance Committee.

We manage information security through an internal Security Forum, which reviews information security incidents and breaches, and oversees security and our compliance with the Government’s Security Policy Framework.

Based on my review of this evidence, I am assured that the OLC has an effective system of internal control to support the delivery of its strategy. There is no complacency and we continue to develop our performance and risk management frameworks as well as our approach to the management of personal information and data.

BOARD PERFORMANCE AND CORPORATE GOVERNANCE

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

OLC Board meetings were fully compliant with all other requirements of its governance arrangements and rules of procedure. Eight OLC meetings took place during 2017-18. Attendance of OLC members is disclosed in the table below.

OLC Attendance	Apr 2017	Jun 2017	July 2017	Sept 2017	Oct 2017	Dec 2017	Jan 2018	Mar 2018	Total
Wanda Goldwag (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	8
Elisabeth Bellamy								✓	1
Caroline Coates	✓	☒	✓	✓	☒	✓	☒	☒	4
Bernard Herdan	✓	✓	☒	✓	✓	✓	✓	✓	7
Michael Kaltz	✓	✓	✓	✓	✓	✓	✓	✓	8
Tony King	✓	✓	✓	✓	☒	☒	☒		4
Annette Lovell								✓	1
Jane McCall	✓	✓	✓	✓	✓	✓	✓		7
Rebecca Hilsenrath	✓	✓	✓	✓	✓	✓	✓	✓	8

Members of the OLC have self-assessed their roles and performance throughout the year, collectively and through individual discussions with the Chair. A Board effectiveness review was conducted during the summer of 2017. It was discussed privately by the OLC Board in September, with the final report and action plan agreed in October 2017. This concluded that the OLC is seen as strong, cohesive and well-chaired with a good mix of skills. The action plan identified a number of areas of activity to enhance the operation of the OLC Board.

The OLC is duty bound to comply with *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 ongoing work to embed improvements in corporate governance in previous years. The OLC Board has overseen the early operation of the tripartite operating protocol, approved changes to the Scheme of Delegation during the year to reflect staffing changes, and reviewed proposals from the Executive for the induction of new members of the OLC. The OLC also approved the publication of Board papers from April 2018.

OTHER COMMITTEES

The OLC is supported in its stewardship by three sub-committees and statements from the Chairs of each are below:

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. This includes appropriate assurance 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 2017-March 2018, five meetings of the Audit and Risk Committee took place. The following table records the attendance of committee members during this period.

ARAC Attendance	May 2017	July 2017	Sept 2017	Nov 2017	Feb 2018	Total
Michael Kaltz (Chair)	✓	✓	✓	✓	✓	5
Rebecca Hilsenrath	✓	✓	✓	✓	✓	5
Tony King	✓	✓	✓	☒	☒	3
Bernard Herdan *					✓	1
Legal Services Board	✓	✓	✓	✓	✓	5
Internal Audit	✓	✓	✓	✓	✓	5
External Audit	✓	✓	✓	✓	✓	5

*To ensure quoracy, Bernard Herdan joined ARAC as a member for the February meeting only.

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. One key element of this work was the Committee’s scrutiny of the Legal Ombudsman’s first assurance map. Developed in line with HM Treasury good practice, this was a significant milestone which will underpin the work of the Committee and that of the internal audit function.

The Committee agreed amended Terms of Reference for OLC approval, aimed at making ARAC more focused and to improve governance.

The Committee focused significant attention on the management of corporate risk during the first full year’s operation of the Legal Ombudsman’s new risk strategy, approved by the OLC Board in January 2017. The Committee reviewed the Strategic Risk Register at each meeting and received updates about any operational risks with a score exceeding a pre-set threshold.

Strategic risk owners presented reviews of the management of their most relevant risks. The Committee was pleased to note improving risk management and reporting. It will continue to work with managers to embed further the culture and practice of risk management within the Legal Ombudsman.

During 2017-18, the Committee completed the process of reviewing and approving amendments to all policies that fall within its remit. This process rationalised the number of policies and simplified their content.

We assured ourselves that cyber security, data protection and information asset management were high on the Executive's agenda, particularly in the context of preparing for the General Data Protection Regulation (GDPR) by:

- at each Committee meeting, considering reports on data handling and breaches;
- holding a workshop on cyber security facilitated by an external expert provided by the National Archives (a valuable exercise which prompted a request for management to provide a self-assessment against the National Audit Office cyber security checklist for Audit Committees for the Committee's discussion); and
- receiving regular reports to assure the Committee of the adequacy of the Executive's preparations for the GDPR.

The Committee also fulfilled the important role of agreeing the annual Governance Statement, overseeing key financial and budgetary matters, and approving draft and final statutory accounts for 2016-17 prior to ratification by the OLC Board. The Committee reviewed an assessment of fraud risk conducted by the Executive, which provided assurance to support the financial statements, and closely monitored financial governance and management to ensure the Executive maintained and enhanced recent progress in these areas.

Michael Kaltz
Chair, Audit and Risk Assurance Committee
July 2018

Remuneration and Nomination Committee

I am pleased to present my third annual report from the Remuneration and Nomination Committee (RemCo). RemCo membership has changed over the year, with Elisabeth Bellamy joining the Committee from March 2018 and Jane Martin joining in May 2018, in place of Jane McCall and Caroline Coates who both made immense and positive contributions to the Committee's work.

Regular attendees from the Executive included the Chief Executive, Head of Human Resources, Chief Ombudsman and Director of Operations. Other senior staff have joined meetings to assist the Committee in dealing with specific topics. Members of the Staff Council have been invited to attend as observers, and when they have attended they have made helpful contributions.

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.

There was a total of four meetings this year, some by teleconference and some devoted to a single urgent topic.

REMCO Attendance	May 2017	Sept 2017	Nov 2017	*Mar 2018	Total
Bernard Herdan (Chair)	✓	✓	✓	✓	4
Caroline Coates	✓	✓	✓	☒	3
Jane McCall	✓	✓	✓		3
Elisabeth Bellamy				✓	1
Chief Executive	✓	✓	✓	✓	4
Head of HR	✓	✓	✓	✓	4
Staff Council observers	✓	☒	☒	☒	1

*To ensure quoracy, the RemCo meeting on 14 March took place after the OLC Board meeting with Wanda Goldwag, Michael Kaltz and Annette Lovell present.

In May 2017, the Committee reviewed its Terms of Reference and made some minor adjustments to match current scope and practice, which were approved by the Board. The Committee also undertook a workshop to map its work against the Legal Ombudsman's new strategy. This allowed the Committee to set a more strategically aligned work programme, and to add value to the significant efforts made by the Executive to address people issues through its modernisation programme.

RemCo members have supported the Chair in recruitment exercises for the new Chief Executive and Chief Ombudsman.

The Committee has overseen the Executive's work on a number of key foundations for the Legal Ombudsman's people agenda. This has included reviewing the new workforce plan, learning and development strategy and employee value proposition. A key focus has been the review and approval of a new flexible working policy, which is central to the organisation's estates strategy and is a lever for new, more modern ways of working.

RemCo has used the Balanced Scorecard to track performance through the year on people aspects of the Legal Ombudsman's work. Particular issues discussed this year have been around level of staff turnover, workloads, sickness absence and wellbeing. 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.

RemCo has been concerned by a deterioration in some of the key people metrics in the context of the organisation's wider problems with performance against KPIs. Workload has been the key theme, and the Committee welcomed the Executive's work to address this by securing increased resources for 2018-19. RemCo has challenged the Executive to maximise the benefits of continuous recruitment, and was pleased to note progress with a significant recruitment campaign to increase staffing in 2018-19. This will need to translate into improved performance.

The Committee also reviewed lessons learned from the organisation's attempts to set up a delivery partner pilot to undertake casework. This highlighted constraints in the Legal Services Act and emphasised the criticality of effective recruitment and retention of Legal Ombudsman staff in improving performance.

Staff surveys have been conducted through the year and have shown some concerning trends, highlighting concerns about workloads and wellbeing in particular. These have been robustly addressed in the second half of the year, with surveys showing an improving position in terms of learning and development. This reflects significant investment and work by the Executive to improve the learning and development offer to staff.

As part of its role in approval of pay arrangements, RemCo has approved the annual pay remit, the 2017-18 bonus scheme, and also proposals for significant changes in the reward and recognition scheme for 2018-19 as part of the wider employee value proposition. It has discussed a number of specific elements of the organisation's pay and benefits package, approved an updated pay policy, and considered proposals about family leave. It also reviewed and approved the organisation's first gender pay gap report.

Bernard Herdan
Chair, Remuneration and Nomination Committee
July 2018

Category 1 Publications Committee

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

Category 1 Committee Attendance	Mar 2018	Total
Wanda Goldwag (Chair)	✓	1
Bernard Herdan	✓	1
Rebecca Hilsenrath	✓	1
Director of Operations	✓	1
Chief Ombudsman	✓	1

The Committee met once in 2017-18 and one publishing decision was discussed. The Chief Ombudsman progressed the approval of the Category 1 publication.

Wanda Goldwag
Chair, Category One Publications Committee
July 2018

OLC OVERSIGHT OF THE LEGAL OMBUDSMAN

The OLC Board met eight times during the year with the Chief Executive, Chief Ombudsman, Director of Corporate Services and Director of Operations in attendance, and other staff attending as requested for specific items. The September meeting involved a half-day strategy and performance management workshop.

The OLC Board receives reports on organisational performance and financial performance, and quarterly updates on progress against the OLC's strategy and on the Modernising LeO programme.

The quarterly strategic update measures performance against external KPIs, strategic risks, and implementation of the Legal Ombudsman's business plan, as well as highlighting key themes and issues for the organisation. The OLC reviews a suite of internal and externally reportable KPIs, and has devoted significant attention during 2017-18 to developing an improved KPI framework for 2018-19, which it approved in March 2018.

Improving performance is the key priority for the OLC. During the year, the OLC Board has focused considerable attention on performance and also the organisation's progress with its ambitious Modernising LeO programme. While progress with the modernisation programme has been extensive, this is yet to translate into improved performance. The other key focus for the

OLC Board has been shaping, scrutinising and ultimately approving the new KPI framework which provides a more balanced and appropriate suite of measures of the organisation's performance and capability.

The new OLC Chair undertook a Board effectiveness review, which was discussed in September and October 2017, and led to significant changes in Board papers and management of the Board agenda. The review also indicated that Board meetings are held in an open, consultative way and that the Management Team are transparent about performance and the organisational issues with which they are dealing.

EXECUTIVE MANAGEMENT OF THE LEGAL OMBUDSMAN

Executive management of the Legal Ombudsman is delegated to the Chief Executive and Chief Ombudsman in accordance with the OLC Scheme of Delegation. During 2017-18, a new Chief Executive and Chief Ombudsman were appointed.

The Chief Executive, Chief Ombudsman and other senior managers form the Legal Ombudsman's Management Team. The Management Team focuses on the effective and efficient running of the Legal Ombudsman. It supports the OLC in setting the Legal Ombudsman's direction, delivering agreed business priorities, ensuring effective stakeholder relationships, and reflecting organisational values and customer service principles across the organisation.

Neither the Management Team nor the Chief Executive are concerned with ombudsman decisions made under the Scheme Rules, which are the independent statutory preserve of the Chief Ombudsman.

RISK MANAGEMENT

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. This framework is consistent with the Ministry of Justice's risk management policy, and ensures that risks are identified and escalated as necessary.

The OLC's risk management framework is based on a risk and opportunities strategy, which sets out the overall approach to managing risks and opportunities and provides a clear risk management framework that is well understood across the organisation.

There are 12 strategic risks, each of which has a risk owner who is a member of the Management Team. The risk owner assesses controls already in place and the current risk (taking account of those controls), and identifies further controls required if the risk is to be brought to the target level set by the OLC. Each risk is given "impact" and "likelihood" scores of one to five to calculate the effect and probability of risk events.

The Strategic Risk Register is reviewed by Management Team on a quarterly basis prior to review by the Audit and Risk Assurance Committee (ARAC). The Management Team reports operational risks with a rating of 16 or more (likelihood x impact) to the attention of ARAC. At each meeting, ARAC considers a more detailed report from the relevant risk owner on the management of a specific strategic risk.

Strategic risks are reported to the OLC Board as part of the quarterly strategic update paper.

RISK APPETITE

The OLC has a dynamic risk appetite, and identifies risks that could hinder or prevent the achievement of its strategy. For each risk the OLC Board sets the risk appetite at the level it is prepared to accept, using a framework based on HMT guidance.

The OLC formally reviewed its risk appetite for 2017-18 as part of the annual strategic risk workshop in January 2017. Quarterly reports on strategic risks enable the OLC to review risk management using the risk appetite as a guide, particularly to assess the effectiveness with which strategic risk is being managed.

KEY RISKS

We have set out below the strategic risks which, when considered for the whole year, had the highest potential to impact performance.

Credibility – scheme loses credibility (through challenge or service failure):

Risk: Loss of credibility or integrity in operating the scheme, for example because of criticism of the service, adverse publicity, breaches, legal challenge, or incorrect ombudsman decisions. Performance levels, delays, and levels of service complaints have seen this risk increase during 2017-18.

Mitigation: We have a quality framework in place, including robust arrangements for handling service complaints and performance reporting. We have mechanisms in place to feed back learning from legal or other challenges of our decisions. At the LSB's request, the OLC has provided it with regular voluntary assurance letters about performance during 2017-18.

Demand – delivery of the scheme compromised by unplanned changes in demand:

Risk: This risk crystallised in the legal jurisdiction and was a significant factor during 2017-18 with incoming case demand running above forecasts. This increased demand, especially in the first half of the year, materially affected performance against KPIs (particularly timeliness) and impacted customer satisfaction, staff workloads and morale.

Mitigation: The Modernising LeO programme has introduced a new, more flexible staffing model. An operational forecasting and modelling tool has been developed which allows the organisation to better understand the impact of changing demand on performance, and to plan accordingly.

Operational resource – insufficient human resource to deliver the scheme effectively:

Risk: Limits to operational resource (whether due to increased demand or other factors) could adversely affect quality of service, operational performance and staff morale. Higher than expected levels of staff turnover in a highly competitive local recruitment market have negatively impacted performance, given the time it takes for staff new-in-role to become fully productive and the need to reallocate existing caseloads when colleagues leave the organisation.

Mitigation: We have adopted a more flexible staffing model as part of wider changes to business processes. The organisation secured a significant increase in its budget for 2018-19 to reflect increasing demand and the lead time for new staff to become productive. Rolling quarterly recruitment has increased staff numbers. The organisation has enhanced its employee value proposition to improve recruitment and retention, committing to a positive culture of workplace wellbeing through the *Time to Change* programme, and introducing a significantly improved flexible working policy.

Modernising LeO – the programme does not deliver benefits to time, cost or quality:

Risk: The Legal Ombudsman's ambitious Modernising LeO programme has been a key focus during 2017-18. The programme has introduced significant process, staffing and IT changes. A key risk has been managing the scale and ambition of the programme largely within existing resources and alongside business as usual.

Mitigation: Programme governance set up in line with good practice, and assured by internal

audit and two external ‘Gateway’ reviews. Dedicated resources in place to manage the programme and each workstream, and third party partners delivering the new case management system and other new elements of the new Cloud-based IT and telephony environment.

PERFORMANCE

MoJ internal audit has delivered five audits for 2017-18. Of the five audits, four provided substantial assurance, and one provided moderate assurance. One audit from this year (ICT infrastructure) will be carried over to 2018-19.

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 2017-18 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.

On the basis of the work completed this year and my knowledge of the governance, internal control and risk management frameworks within the OLC, I am able to provide a **substantial** level of assurance.’

The annual opinion descriptions are shown below, including description of this and the alternative levels of assurance.

Opinion	Description
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.

Remuneration and Staff Report

This report sets out the OLC's remuneration policy for directors and explains how that policy has been implemented. We give details of the amounts awarded to our directors as well as details of remuneration and staff, which is key to our accountability to Parliament.

APPOINTMENT AND TERMINATION OF OLC BOARD MEMBERS

Three members of the OLC left their posts in 2017-18. Of these, Jane McCall and Tony King both resigned before the end of their term of office.

On 13 February 2018, the LSB announced the appointments of Annette Lovell, Elisabeth Bellamy and Jane Martin as new members of the OLC Board. Annette Lovell and Elisabeth Bellamy were appointed from 1 March 2018 and Jane Martin was appointed from 1 May 2018.

BOARD REMUNERATION (audited)

The remuneration of the Board members is shown in the tables below. Only Board members are included in this section. They are the only ones who influence the decisions of the OLC as a whole rather than individual parts.

The Chair and other OLC Board members are remunerated by the LSB and the total remuneration paid to the OLC Board is disclosed in the accounts of that body.

Member	Annual Rate £	Year to March 2018 £	Year to March 2017* £
Wanda Goldwag (Chair)	52,500	52,500	N/A
Elisabeth Bellamy	10,000	833	N/A
Caroline Coates	10,000	10,000	10,000
Bernard Herdan	10,000	10,000	10,000
Rebecca Hilsenrath	10,000	10,000	N/A
Michael Kaltz	10,000	10,000	10,000
Tony King	10,000	9,167	10,000
Annette Lovell	10,000	833	N/A
Jane McCall	10,000	9,167	10,000

*Wanda Goldwag and Rebecca Hilsenrath joined the OLC in April 2017. Elisabeth Bellamy and Annette Lovell joined in March 2018.

STAFF NUMBERS AND RELATED COSTS (audited)

In 2017-18 the OLC employed two members of staff at senior civil service level (three members of staff in 2016-17). These fell within our executive pay band. Full details of executive level remuneration can be found below.

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 2017-18 is below. Chief Executive Nick Hawkins resigned his post and left the organisation on 29 September 2017, and Chief Ombudsman Kathryn Stone resigned her post and left the organisation on 29 December 2017.

Year to 31 March 2018	Salary £'000	Pension £'000	Salary Sacrifice Pension Scheme £'000	Total £'000
N Hawkins <i>Chief Executive</i> (left 29 September 2017)(FTE 120-125)	55 - 60	5 – 7.5	2.5 - 5	65 - 75
K Stone OBE <i>Chief Ombudsman</i> (left 29 December 2017)(FTE 100-105)	75 - 80	7.5 - 10	2.5 - 5	85 - 90
*R Powell <i>Chief Executive</i>	95 - 100	10 – 12.5	7.5 - 10	115 - 120
**S Tunnicliffe <i>Director of Operations</i>	85 - 90	10 – 12.5	2.5 - 5	100 - 105
R Marsh <i>Chief Ombudsman</i> (from 22 Jan 18)(FTE 105-110)	20 - 25	0 – 2.5	0 – 2.5	20 - 25

*R Powell was employed as Director of Corporate Services between 1 April 2017 and 1 October 2017 until his promotion to Chief Executive on 2 October 2017.

**S Tunnicliffe was promoted from Director of Operations to act as Interim Chief Ombudsman for the period from 11 December 2017 until 21 January 2018.

Comparative figures for the previous financial year appear in the table below.

Year to 31 March 2017	Salary £'000	Pension £'000	Salary Sacrifice Pension Scheme £'000	Total £'000
N Hawkins <i>Chief Executive</i>	115 - 120	12.5 - 15	5 – 7.5	135 - 140
K Stone OBE <i>Chief Ombudsman</i>	95 - 100	10 – 12.5	5 – 7.5	110 - 115
R Powell <i>Director of Corporate Services</i> (from 31 Oct 16)(FTE 95-100)	35 - 40	2.5 - 5	2.5 - 5	45 - 50
S Tunnicliffe <i>Director of Operations</i>	65 - 70	7.5 - 10	2.5 - 5	80 - 85

The annualised salary of the highest-paid individual in the Legal Ombudsman in the financial year 2017-18 was £123,636 (2016-17: £122,412). This was 3.7 times (2016-17: 3.8) the median remuneration of the workforce in March 2018, which was £32,907 (2016-17: £32,581).

In 2017-18, no employees received remuneration in excess of the highest paid director (2016-17: none). Remuneration ranged from £7,800 to £123,636 (2016-17: £7,800 to £122,412).

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 upon leaving employment.

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

Staff costs comprise	2017-18			2016-17		
	Total £'000	Permanent Staff £'000	Other Staff £'000	Total £'000	Permanent Staff £'000	Other Staff £'000
Wages and salaries	7,732	7,448	284	7,646	7,527	119
Social security costs	776	750	26	736	727	9
Other pension costs	607	591	16	603	598	5
Exit packages	45	45	-	139	139	-
Total net costs	9,160	8,834	326	9,124	8,991	133

There are no employees who were relevant union officials during 2017-18 and so no hours or associated costs were incurred.

AVERAGE NUMBER OF PERSONS EMPLOYED

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

	Total 2017-18	Permanent Staff 2017-18	Other Staff 2017-18	Total 2016-17	Permanent Staff 2016-17	Other Staff 2016-17
Directly employed	228	222	6	230	222	8
Not directly employed	-	-	-	-	-	-
Total	228	222	6	230	222	8

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

As at 31 March 2018, 69% of the staff complement were women (2016-17: 67%), which amounts to 171 female staff and 78 male. This year we also published our gender pay gap for 2017. There is no difference in the median salary, but the difference in the mean average hourly salary is 10% in favour of men. The reason for the difference is because there are fewer men in lower paid positions and more in higher paid roles.

Four per cent of working days were lost to sickness including absence for planned medical operations (2016-17: 4.3%).

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. Training is continuously reviewed for all staff with their individual line managers, in conjunction with the learning and development strategy.

Health & Safety issues are regularly reviewed by the H&S Committee which includes an elected member of the Staff Council. Regular quarterly Health & Safety returns are made to the MoJ and an annual report provided to the OLC Board. Our pay policy was updated in February 2018 and is consistent with guidelines on public sector pay.

REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION - EXIT PACKAGES *(audited)*

In 2017-18 five exit packages have been agreed (2016-17: eight).

	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Costs Band
< £10,000	2	1	3
£10,000 - £25,000	-	2	2
£25,000 - £50,000	-	-	-
Total Number of Exit Packages	2	3	5
Total Cost 2017-18 / £	6,888	37,595	44,583
Total cost 2016-17 / £	77,165	61,991	139,156

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.

CONSULTANCY

There was no consultancy expenditure in the year.

OFF-PAYROLL ENGAGEMENTS

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

During the financial year 2017-18, we have reviewed this off-payroll engagement using HMRC's guidance and online status indicator, and have concluded that it is not within scope of the intermediaries (IR35) legislation. Our independent Service Complaint Adjudicator also confirmed formally that she is compliant with HMRC requirements.

Parliamentary accountability and audit report (audited)

This report brings together the key parliamentary accountability documents within our Annual Report and Accounts.

The OLC is a statutory body accountable to both the MoJ and the 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 (MoU), 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 MoU, which is publicly available on both the LSB and OLC websites, details the core principles underpinning the relationship, and the 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 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.

During the year, the OLC has complied with a voluntary assurance framework agreed with the LSB in respect of the performance of the scheme, and taken part in regular Board-to-Board discussions about performance and 'what good looks like'.

As an independent Arm's Length Body (ALB) 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 lies for ongoing financial oversight (the MoJ) or OLC performance (the LSB). 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 work in practice.

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.

Regularity of expenditure (audited)

Losses and special payments: There were no losses and special payments in 2017-18. (2016-17: none).

Gifts: There were no gifts exceeding £300,000 made by the organisation in 2017-18.

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 on the legal services sector and case fee income for our cash requirements. Therefore we are not 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 was a small increase relating to the one-off costs of our modernisation programme.

Fees and charges: Analysis of fees and charges is disclosed on page 19.



Rob Powell, Accounting Officer
4 July 2018

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Office for Legal Complaints for the year ended 31 March 2018 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 Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Office for Legal Complaints' affairs as at 31 March 2018 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Legal Services Act 2007 and Secretary of State directions, with the approval of HM Treasury, issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of Office for Legal Complaints mission in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Legal Services Act 2007.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Office for Legal Complaints internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Office for Legal Complaints' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion in other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with directions made under the Legal Services Act 2007 by the Secretary of State directions with the approval of HM Treasury;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Overview and Analysis or the Accountability Report; and
- the information given in Performance Overview and Analysis 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 parts of the Accountability Report 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 Morse
Comptroller and Auditor General
13 July 2018

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 2018

Income	Note	2017-18 £'000	2016-17 £'000
Income from operating activities	4	11,120	10,865
Total		11,120	10,865
Expenditure			
Staff costs	3	(9,160)	(9,124)
Depreciation, amortisation and impairment	5,6	(440)	(387)
Provision expense	11	(37)	(75)
Other operating expenditure	3	(2,764)	(2,665)
Total operating expenditure		(12,401)	(12,251)
Net operating expenditure		(1,281)	(1,386)
Interest receivable		26	26
Taxation		(5)	(4)
Net expenditure after interest and taxation		(1,260)	(1,364)

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

The notes on pages 48 to 56 are part of these financial statements.

Statement of financial position

As at 31 March 2018

Non-current assets	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Property, plant and equipment	5	711		870	
Intangible assets	6	605		443	
Total non-current assets			1,316		1,313
Current assets					
Trade and other receivables	8	352		506	
Cash and cash equivalents	9	16,708		16,734	
Total current assets			17,060		17,240
Total assets			18,376		18,553
Current liabilities					
Trade and other payables	10	286		398	
Provisions	11	186		154	
Other liabilities	10	1,116		1,310	
Total current liabilities			1,588		1,862
Total assets less current liabilities			16,788		16,691
Non-current liabilities					
Provisions / Other payables	11	297		304	
Total non-current liabilities			297		304
Total assets less liabilities			16,491		16,387
Taxpayers' Equity and other reserves					
General Fund			16,387		16,126
Grant In Aid from sponsoring department			1,364		1,625
Net expenditure after interest & taxation			(1,260)		(1,364)
Total			16,491		16,387



Rob Powell, Accounting Officer
4 July 2018

The notes on pages 48 to 56 are part of these financial statements.

Statement of cash flows

For the year ending 31 March 2018

Cash flows from operating activities	Note	2017-18 £'000	2016-17 £'000
Net operating expenditure		(1,281)	(1,386)
Adjustments for non-cash transactions	3	477	462
(Increase)/decrease in trade and other receivables	8	154	7
Increase/(decrease) in trade and other payables	10	(306)	(246)
Use of provisions	11	(12)	(12)
Interest receivable		26	26
Taxation		(5)	(4)
Net cash outflow from operating activities		(947)	(1,153)
Investing activities			
Purchase of property, plant and equipment	5	(68)	(177)
Purchase of intangible assets	6	(375)	(230)
Net cash outflow from investing activities		(443)	(407)
Financing activities			
Grants from sponsoring department		1,364	1,625
Net financing			-
Net increase/(decrease) in cash and cash equivalents in the year	9	(26)	65
Cash and cash equivalents at the beginning of the year	9	16,734	16,669
Cash and cash equivalents at the end of the year	9	16,708	16,734

The notes on pages 48 to 56 are part of these financial statements.

Statement of changes in taxpayers' equity

For the year ending 31 March 2018	Total reserves £'000
Balance at 31 March 2016	16,126
Changes in taxpayers' equity for 2016-17	
Grants of sponsoring department	1,625
Net expenditure for the year after interest and taxation	(1,364)
Revaluation gains and losses/Transfer between reserves	0
Notional transfer to Consolidated Funds	(10,558)
Notional receipts from Sponsor	10,558
Balance at 31 March 2017	16,387
Changes in taxpayers' equity for 2017-18	
Grants of sponsoring department	1,364
Net expenditure for the year after interest and taxation	(1,260)
Revaluation gains and losses/Transfer between reserves	0
Notional transfer to Consolidated Funds	(11,010)
Notional receipts from Sponsor	11,010
Balance at 31 March 2018	16,491

The notes on pages 48 to 56 are part of these financial statements.

NOTES TO THE OFFICE FOR LEGAL COMPLAINTS ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2017-18 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.

1.1.1 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.

1.1.2 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 2018, the OLC has sufficient cash resources to meet anticipated expenditure for financial year ending 31 March 2019. 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 CMC 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 professions. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1.3 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 all complaints we accept as being within our jurisdiction. However, a case fee may be waived in certain circumstances. These are where the complaint was abandoned or withdrawn; or settled, resolved or determined in favour of the authorised person; and an ombudsman is satisfied that the lawyer took all reasonable steps to try to resolve the complaint under their own procedure. Case fee income is recognised in the year that the case is resolved. Amounts charged in respect of case fees correspondingly reduce amounts due in respect of the levy due from Approved Regulators. In accordance with IAS 18 no case fees are recognised where there are no chances of recovery.

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 believe 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 2018 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.

1.1.4 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 2017-18 this was £1,260k (2016-17: £1,364k), and the payment for this was received in September 2017.

1.1.5 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 is shown as financing in the General Reserve, in line with FReM guidance.

1.1.6 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 or 10 years
- Furniture and equipment: three to ten years
- Computer hardware: three to five years.

1.1.7 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 amortisation are applied on a straight line basis over the following periods:

- Software licenses: in equal monthly instalments over three years or the life of the licence
- Information technology: three to five years or in equal monthly instalments over the residual life of the contract.

1.1.8 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.

1.1.9 Leases

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

1.1.10 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 is recoverable where VAT is charged on invoices. 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.

1.1.11 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.

1.1.12 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.

1.1.13 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.

1.1.14 Impending application of newly issued accounting standards not yet effective

There are no new IFRS that are effective for the first time this year that have an impact on our accounts. New standards, amendments and interpretations issued, but not yet effective, are as follows:

Standard	Standard to be adopted by government departments
IFRS 9 Financial instruments	1 April 2019
IFRS 15 Revenue from contracts with customers	1 April 2019
IFRS 16 Leases	1 April 2020

We have completed an assessment and IFRS 9 and IFRS 15 will have no impact on our financial statements.

IFRS 16 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. There is a potential impact on our financial statements which will become clearer pending formal confirmation from the MoJ of our continuation of our current lease after the break clause.

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.

	Legal £'000	2017-18 Claims Management £'000	Total £'000	Legal £'000	2016-17 Claims Management £'000	Total £'000
Gross expenditure after interest and tax	10,928	1,452	12,380	10,435	1,794	12,229
Income	10,928	192	11,120	10,435	430	10,865
Net expenditure	-	1,260	1,260	-	1,364	1,364

3. EXPENDITURE

	Note	2017-18 £'000	2016-17 £'000
Staff Costs			
Wages and Salaries		7,732	7,646
Social Security costs		776	736
Other pension costs		607	603
Exit costs		45	139
Total Staff Costs		9,160	9,124
IT and telecoms		1,261	988
Uncollectible debts		109	307
Facilities services		275	279
External communications		172	188
Staff wellbeing		78	99
Legal and professional fees		18	21
Rentals under operating leases		195	195
Recruitment costs		119	51
Premises costs		312	294
Other running costs		31	55
Training		89	79
External audit fees		31	31
Internal audit fees		38	39
Travel & Subsistence		36	39
Total cash operating expenditure		2,764	2,665
Total cash items		11,924	11,789
Increase in dilapidations provision		(7)	27
Increase in professional provisions		44	48
Loss on disposal of assets		72	-
Depreciation	6	188	147
Amortisation	7	180	240
Total non-cash items		477	462
Total		12,401	12,251

Further analysis of staff costs is located in the Remuneration and Staff report on pages 35 to 38.

4. INCOME

	2017-18 £'000	2016-17 £'000
Levy Income in respect of the Legal Ombudsman Scheme	10,034	9,479
Case Fee Income	1,078	1,386
Other Income	8	0
Total	11,120	10,865

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 2017-18 (see note 1.3).

5. PROPERTY, PLANT AND EQUIPMENT

	Information Technology £'000	Leasehold improvements £'000	Furniture and fittings £'000	Payments on account assets under construction £'000	Total £'000
2017-18					
Cost or valuation					
At 31 March 2017	697	654	541	-	1,892
Additions	66	-	2	-	68
Disposals	(233)	-	(55)	-	(288)
Reclassifications	-	-	-	-	-
Transfer	-	-	-	-	-
At 31 March 2018	530	654	488	-	1,672
Depreciation					
At 31 March 2017	527	142	353	-	1,022
Charged in the year	76	64	48	-	188
Disposal depreciation charge	(231)	-	(18)	-	(249)
Reclassifications	-	-	-	-	-
Transfer	-	-	-	-	-
At 31 March 2018	372	206	383	-	961
Net Book Value at 31 March 2018	158	448	105		711
Net Book Value at 31 March 2017	170	512	188		870

	Information Technology	Leasehold improvements	Furniture and fittings	Payments on account assets under construction	Total
2016-17	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
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
Depreciation					
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

6. INTANGIBLE ASSETS

	Information Technology	Software Licenses	Payments on account assets under construction	Total
2017-18	£'000	£'000	£'000	£'000
Cost or valuation				
At 31 March 2017	1,106	1,187	196	2,489
Additions	18	-	357	375
Disposals	(463)	(591)	-	(1,054)
Reclassifications	-	-	-	-
Transfer	-	-	-	-
At 31 March 2018	661	596	553	1,810
Depreciation				
At 31 March 2017	897	1,149	-	2,046
Charged in the year	169	11	-	180
Disposal depreciation charge	(430)	(591)	-	(1,021)
Reclassifications	-	-	-	-
Transfer	-	-	-	-
At 31 March 2018	636	569	-	1,205
Net Book Value at 31 March 2018	25	27	553	605
Net Book Value at 31 March 2017	209	38	196	443

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

7. IMPAIRMENTS

There were no Impairments in 2017-18 (2016-17: none).

8. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Amounts falling due within one year:	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Case fee receivables	70	243
Deposits and advances	-	9
Other receivables	9	-
Prepayments	236	154
Accrued income	37	100
Total	352	506

9. CASH AND CASH EQUIVALENTS

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Opening balance	16,734	16,669
Net change in cash and cash equivalent balances	(26)	65
Closing balance	16,708	16,734
The following balances at 31 March were held at:		
Government Banking Services	16,708	16,734
Closing balance	16,708	16,734

10. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts falling due within one year	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Trade payables	192	306
Other payables	94	92
Trade and other payables	286	398
Intra-government balances – other taxation and social security	204	186
Intra-government balances – Ministry of Justice	49	13
Accruals	574	830
Deferred Income	289	281
Other liabilities	1,116	1,310
Total	1,402	1,708

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Other £'000	Leasehold dilapidations £'000	Total provisions £'000
Balance as at 1 April 2017	54	404	458
Provided in the year	105		105
Provisions not required written back	(61)		(61)
Provisions utilised in the year	(12)		(12)
Unwinding of discount	-	(7)	(7)
Balance as at 31 March 2018	86	397	483
Expected timing of cash flows			
Not later than one year	86	100	186
Later than one year and not later than five years	-		
Later than five years	-	297	297
Balance as at 31 March 2018	86	397	483

12. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2018 not otherwise included in these financial statements amounted to nil (2016-17: nil).

13. COMMITMENTS UNDER LEASES

Obligations under operating leases for the following periods comprise	2017-18 £'000	2016-17 £'000
Buildings		
Not later than one year	248	248
Later than one year and not later than five years	62	310
Total	310	558

Obligations under operating leases for the following periods comprise	2017-18 £'000	2016-17 £'000
Equipment		
Not later than one year	2	2
Later than one year and not later than five years	1	3
Total	3	5

14. 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 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.

15. 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 Board members, which for the whole reporting period amounted to £121k (2016-17: £122k). The payment for salaries of the OLC Board members for 2017-18 was £113k (2016-17: £113k).

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 2018, £1,364k was received (2016-17: £1,625k).

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

16. 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 during 2017-18.

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. Publishing full details of ombudsman decisions about service providers where we judged that it was in the public interest to alert consumers to a specific pattern of complaints. Research to review the language used in complaints handling and its potential impact on the process, and trends in service providers' first-tier complaints handling and how this can be improved.
e) Promoting competition in the provision of services (provided by authorised persons)	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. Publishing articles, reports and case studies 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. Providing information/signposting through social media channels.
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.

APPENDIX 2:

Service Complaint Adjudicator's report

ROLE OF THE SERVICE COMPLAINT ADJUDICATOR

I represent the third and final stage in the service complaint procedure of the Legal Ombudsman and this report provides a summary of the complaints I have considered this business year.

WORKLOAD

Service complaints received in 2017-18

	Stage 1	Stage 2	Stage 3
Number of complaints	129	42	19

At Stage 1 the complaint is considered by a team leader and at Stage 2 it is considered by a senior manager.

I considered 21 complaints about the Legal Ombudsman's service this business year (four were open at the start of the year and two were open at the end of the year), which included 213 individual issues of complaint about the Legal Ombudsman that were within my remit.

I supported 32 of the 213 individual issues of complaint (15%) in 14 cases I looked at. That is roughly the same as the year end position last year (14.5%).

AREAS FOR SERVICE IMPROVEMENT

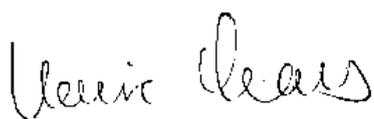
The Legal Ombudsman have agreed to all my recommendations for service improvement set out in my report to the OLC Board.

I particularly highlight here the work the Legal Ombudsman is going to do now to improve its handling of requests for reasonable adjustments and to ensure that customers are updated appropriately about what is happening with their cases.

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, 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, the Legal Ombudsman have apologised for that and have agreed to the remedies I recommended. I am also very pleased that the Legal Ombudsman have been receptive to the service improvements I have suggested, and have taken or are taking those forward.



Claire Evans
Service Complaint Adjudicator

The above is a summary of the Service Complaint Adjudicator's annual report. The full report can be found on the Legal Ombudsman's website.

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