

The Office for Legal Complaints

Annual report and accounts

For the year ending 31 March 2020

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

Ordered by the House of Commons to be
printed on 14 July 2020

LEGAL
OMBUDSMAN





The Office for Legal Complaints

Annual report and accounts

For the year ending 31 March 2020

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

Ordered by the House of Commons
to be printed on 14 July 2020



© Crown copyright 2020

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at support@legalombudsman.org.uk or Legal Ombudsman, PO Box 6806, Wolverhampton, WV1 9WJ

ISBN 978-1-5286-2019-2

CCS0320378892

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

Contents

Performance overview	1
PURPOSE OF THE PERFORMANCE OVERVIEW	1
FOREWORDS BY CHAIR OF THE OFFICE FOR LEGAL COMPLAINTS	1
HOW THE OLC HAS DISCHARGED ITS FUNCTIONS.....	3
PERFORMANCE SUMMARY: CHIEF OMBUDSMAN'S AND CHIEF EXECUTIVE'S REPORT	5
Performance analysis	7
KEY PERFORMANCE INDICATORS (KPIs).....	16
CHARACTERISTICS OF OUR CUSTOMERS	23
KEY RELATIONSHIPS	24
EQUALITY, DIVERSITY AND INCLUSION	24
SOCIAL MATTERS.....	29
COUNTER-FRAUD, CORRUPTION AND BRIBERY	26
ENVIRONMENTAL MATTERS.....	26
CAPITAL EXPENDITURE	26
PAYMENT OF CREDITORS	27
FORMAT OF ACCOUNTS.....	27
Accountability report	28
CORPORATE GOVERNANCE REPORT.....	28
DIRECTORS' REPORT	28
STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITY	29
GOVERNANCE STATEMENT.....	31
REMUNERATION AND STAFF REPORT	42
PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT (<i>AUDITED</i>)	46
REGULARITY OF EXPENDITURE (<i>AUDITED</i>)	47
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT	48
STATEMENT OF COMPREHENSIVE NET EXPENDITURE	51
STATEMENT OF FINANCIAL POSITION	52
STATEMENT OF CASH FLOWS	53
STATEMENT OF CHANGES IN TAXPAYERS' EQUITY	54
Notes to the Office for Legal Complaints accounts	55
APPENDIX 1:.....	65
REGULATORY OBJECTIVES.....	65
APPENDIX 2:.....	66
SERVICE COMPLAINT ADJUDICATOR'S REPORT	66

Performance overview

PURPOSE OF THE PERFORMANCE OVERVIEW

This Performance Overview provides information on the Office for Legal Complaints (OLC), its main objectives and strategies and the principal risks and issues that it faces. We aim to provide a fair, balanced and understandable analysis of our own performance. The overview section gives a short summary of relevant information about the organisation, its purpose, the key risks to the achievement of our objectives and how the business as a whole has performed during the year. More detailed information is then set out in the sections that follow.

FOREWORDS BY CHAIR OF THE OFFICE FOR LEGAL COMPLAINTS



2019-20 marked the last year of my term as Chair of the Office for Legal Complaints (OLC), which delivers the Legal Ombudsman scheme.

It was during this past year that the changes in our process became business as usual, and some key areas of customer experience improved significantly, while others were identified for further development. We recognise that we have not achieved the overall performance we were striving for, and particularly that delays faced by some complainants and service providers have fallen short of the standard of service we want to offer.

The challenges with our staff have also been greater than had been envisaged, due to the scale of change alongside performance demands. This has meant a tougher environment for recruiting and developing our people, and we still need to improve the resilience of our workforce.

The full roll-out of the Quality and Feedback model has also given much greater oversight of work undertaken across the organisation and allowed us to raise quality standards internally too.

We have also been able to improve the internal reporting, making it easier to understand how cases move through the process, and how the Legal Ombudsman is performing as a business. This has allowed the organisation to take more strategic decisions for the future about where to allocate resources.

These past three years have been a real challenge for the organisation, but one I believe has been met with great determination. It is because of the tenacity and work ethic of the staff that I feel confident the organisation will continue to move forward under the stewardship of the newly appointed Chair of the OLC, Elisabeth Davies.

I want to thank my colleagues on the OLC Board, the staff and our stakeholders as I move on from the organisation and wish them all every success in the future.

Wanda Goldwag,
Chair of the Office for Legal Complaints,
March 2020



This is my first Annual Report and Accounts since my appointment as Chair of the Office for Legal Complaints in April 2020.

As the incoming Chair of the Office for Legal Complaints I could not be joining at a more unsettling or uncertain time and I am acutely aware of this.

Like all organisations, the Legal Ombudsman is adjusting as it seeks to understand what Covid-19 means in the short and longer term. This is about the impact on what staff can deliver alongside the ability of the legal services sector to handle complaints.

In addition, I have joined when there are a number of high profile and difficult issues facing the Legal Ombudsman. I am confident I have a Board with a clear focus on the right areas and thanks to Wanda's oversight, and the work of Rebecca Marsh and her team, there has been some good progress made on removing legacy cases and waiting times for decisions, and in year reductions in the pre-assessment pool and the length of time people wait to access our service. Nonetheless the Legal Ombudsman is not yet where it needs to be and that position is set out in this Annual Report.

The OLC will need to continue to be open and transparent about the issues currently facing the Legal Ombudsman in order to rebuild the confidence of service users and the wider sector. This will be all the more important as we oversee the appointment of a new Chief Ombudsman and Chief Operating Officer, when Rebecca moves to become the new Property Ombudsman in the autumn.

In addition to working closely with the sector and those who use the services, the Board's focus this year will be on seeking assurance around three key areas:

Confidence in the modelling system: To ensure predictions are realistic and to get a grip on performance and operational delivery.

Confidence in operational leadership, capability and capacity: No matter how good its processes and systems unless the Legal Ombudsman has the right skills and experience across its people, for the challenges it faces, it will not be able to deliver the quality of service that is necessary.

Confidence in ability to respond to the people issues: Despite the revised budget, we must deliver the People Plan and ensure we increase both the number of cases closed and have sufficient staff to deliver this.

One of my immediate priorities has been to review the budget for this year. As the incoming Chair, and with no investment in the process to date, the Budget Learning Review will inform the OLC Board as it considers the criteria that should be met if the budget is to be resubmitted to the Legal Services Board (LSB).

Despite joining the new organisation on a purely remote basis, the OLC Board, the Legal Ombudsman and its staff have all been welcoming, open and honest, as has the sector. Our shared aims could not be clearer with a joint commitment to quality and the importance of the customer service and experience offered to complainants and service providers. This will be my relentless focus. Ombudsman schemes offer an ability to not just deal with complaints but also to capture the wider learning for the sector. It is this dual purpose that has so much to contribute to rebuilding and maintaining confidence in the legal system. Not surprisingly it's in all of our interests to get this right.

Elisabeth Davies,
Chair of the Office for Legal Complaints,
01 July 2020

HOW THE OLC HAS DISCHARGED ITS FUNCTIONS

The OLC Board has discharged its functions in 2019-20 by:

The Office for Legal Complaints (OLC) is the statutory body responsible for establishing and administering the Legal Ombudsman scheme. The OLC non-executive Board, is the legal entity and body corporate that establishes and administers the scheme, as set out in the Legal Services Act 2007

- Formulating a new strategy for the period April 2020 to March 2023 and regularly considering business risk;
- overseeing the performance of the OLC against its key performance indicators and tolerances, delivery against the business plan, and future performance forecasting;
- receiving monthly performance reports;
- scrutinising regular Management Team reports, finance reports and strategic horizon scanning papers at each meeting;
- undertaking an improvement programme to assure compliance with GDPR requirements;
- considering a number of key policy issues, including: evaluation of a new delivery model implemented during 2018-19 and approving the roll-out of an updated version of this in 2019-20, our approach to data and decisions transparency, and an update on management of quality;
- approving a number of key appointments, including the Director of Corporate Services and several ombudsmen;
- receiving presentations and having discussions with key stakeholders during Board meetings, including the LSB, MoJ, Legal Services Consumer Panel (LSCP) and others;
- approving the 2020-21 business plan and budget for submission to the LSB, equality priority objectives, and the 2018-19 Annual Report and Accounts;
- approving an updated scheme of delegation, a schedule of matters reserved to the Board, publishing Board papers and voluntary assurance letters to the LSB and the Arm's Length Body (ALB) Centre of Expertise in the MoJ;
- approving the Annual Report on the Welsh Language Scheme;
- delegating key governance functions to, and receiving regular reports from, its Audit and Risk Assurance Committee (ARAC), Remuneration Committee (RemCo) and Category 1 Publications Committee, the work of which is reported later on in this Annual Report;
- monitoring and completing actions from the review of Board effectiveness that took place in 2018-19; and
- receiving the Service Complaint Adjudicator's six-monthly and annual reports 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 the Chief Ombudsman, through active membership of the Ombudsman Association, and by taking account of the views of Board members who have experience from other ombudsman schemes. Wider horizon scanning has also been conducted to look at specific practice and recognise developments across the sector.

The OLC Board has also had regard to the regulatory objectives laid out in the Legal Services Act 2007. Details of the extent to which the OLC considers that it has met these objectives can be found in Appendix 1 of this report.

The Chief Ombudsman and 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.

PURPOSE AND ACTIVITIES OF THE OFFICE FOR LEGAL COMPLAINTS

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

This year, following the departure of the Claims Management Companies (CMC) jurisdiction to the Financial Ombudsman Service, the Legal Ombudsman has dealt solely with complaints against regulated 'legal services providers', advising on, assessing, investigating and determining complaints, with our internal corporate services 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 when complaints are received, the facts in each case are looked at and both sides of the issue weighed up. The Legal Ombudsman is not a consumer champion or part of the legal profession and is also independent of government. The service is free to consumers, and costs are recovered from legal service providers. More detail on this is laid out in the section on unit cost within this report.

KEY ISSUES AND RISKS

The Legal Ombudsman has faced a number of challenges this year particularly on performance, including the volume of complaints and time people wait for their investigation to begin; driving value from recent modernisation investment and pressures on staff retention arising from market pressures and poor staff morale. Issues have arisen about our approach to risk assurance, budget planning and the capacity and capability of our people, particularly in leading the scale of challenges facing the business. The key risks are set out in detail in the governance statement in this report.

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 2020, the OLC has enough cash resources to meet anticipated expenditure for financial year ending 31 March 2021.

During 2018-19 MoJ provided Grant in Aid to fund the OLC's CMC complaint related activities and was fully funded operationally for this purpose until 31 March 2019. From 1 April 2019 the responsibility for handling complaints for CMC related activities transferred to the Financial Ombudsman Service and was no longer the responsibility of the OLC.

PERFORMANCE SUMMARY: CHIEF OMBUDSMAN'S AND CHIEF EXECUTIVE'S REPORT



This year has been a challenging one for the OLC. The ombudsman has delivered a mixed picture in terms of performance. We are still on an improvement journey, and are now at the stage where we need to make the cultural shift to enable us to deliver a sustained and consistent level of high performance.

In the first six months we achieved consistently higher levels of performance, in line with our planned levels, but in quarter three, our performance diminished as we saw high levels of attrition. Although the remaining staff were, as individuals, performing at a better overall level, the balance of experienced staff to those newer in role meant our overall level of case closures was lower. This slowed the progress we had made on improving the end to end customer journey times and the reduction in the numbers of people waiting at the start of our service also slowed.

Customer experience has improved in terms of the quality and timeliness of investigations, particularly with the removal of waits for ombudsman decisions, but despite improving over the year, the wait time for cases to be assessed is still too long. There is still a way to go to meet the levels of service that people expect from the Legal Ombudsman.

In March, as our newer staff became more experienced our performance had begun to improve, but the pandemic has had a significant impact. We transitioned easily to home working, with no cessation of service, but the reduction in staff availability and the impact on service providers means the progress made through the year is becoming steadily eroded. The impacts will be significant for our workflow into 2021 and among the many challenges that will flow from the pandemic.

Staff morale hit its lowest last year, but began to recover toward the year end. I want to acknowledge the way staff have worked with us to maintain our service in the pandemic and the level of flexibility that people have shown through the crisis. I believe that with strong leadership, we have the people we need to succeed going forward and that the work we have done this year on quality and transparency will provide the foundations necessary for the future.

My vision for the organisation remains: we must deliver the very best service we can, through continued improvement of our processes and development of our leadership within the organisation. We need to consistently provide the right outcome, at the right time, in the right way. The legal sector was already going through a period of change, and the pandemic will have a significant impact.

Along with the launch of the SRA's new Standards and Regulations, this year saw the publication of the final report of Professor Stephen Mayson's review of legal services regulation. We welcomed the opportunity this year to add our voice to the feedback received from so many who are passionate and engaged in seeking to deliver better outcomes and access to justice for more people.

Our work gives us a real insight into the legal services market, and a key function of the scheme is to use this insight to shape the way we deal with complaints, and feedback learning to the sector. We know that in accessing legal services, people do not behave in the same way as consumers of other services. They also use legal services at some of the most vulnerable times in their lives. This situational vulnerability and the power and information asymmetry that

can exist between service providers and those accessing legal services is a key feature of what we see in our work. I am exceptionally proud of the work the Legal Ombudsman has done this year to really establish our Vulnerable Customer Champions, to provide an enhanced level of support for those who are really struggling.

The role of an ombudsman is also to add wider value beyond individual complaints resolution, and we want to be able to bring people on that journey with us. Looking at the range of complaints we saw this financial year, it is notable that the same top areas of complaint were seen, highlighting the same underpinning issues as those of the last few years. It is incumbent on us to look at ways to engage more and better share insights, in order to support real change, and help improve standards in the sector.

In improving our delivery, we must also ensure we continue to effectively share those findings as widely and accessibly as we are able, and I have no doubt that with our new Chair's support and challenge we will do this over the coming years.



Rebecca Marsh

Chief Ombudsman & Chief Executive

01 July 2020

Performance analysis

The following report analyses the performance of the OLC in delivering the Legal Ombudsman scheme.

At the end of financial year 2018-19 the CMC jurisdiction transferred to the Financial Ombudsman, therefore this report only covers the performance of our legal jurisdiction.

In this report we will cover:

- analysis of the legal disputes we have resolved for people
- initiatives to change and improve the business
- learning from complaints handling we have shared with the profession
- assessment against Key Performance Indicators (KPIs) over the last year

Across the service this year the emphasis has been on improving the journey for all customers, whether it is members of the public bringing the complaint or legal service providers. This has focused on streamlining the journey from a person's initial contact with us, through investigation to final decision.

In the report below we highlight the number of people waiting at the beginning of the service continues to be an issue. This means it is still taking too long for people to find out whether their case is within our jurisdiction, and for their investigation to begin, although inroads have been made into reducing this, particularly in the first six months of 2019-20. The impact of this is highlighted in other areas of work for example in complaints about our service and in the feedback received through regular surveys.

To address this, the Legal Ombudsman has undertaken a range of work including: Analysis of the cases waiting leading to better resource planning; streamlining of the enquiries stage; and restructuring the General Enquiries Team. All cases are now triaged to ensure they go into the right queue for investigation further helping reduce wait times.

In April 2019 a person could wait around 171 days at the beginning of our service. This had reduced to 90 days by March 2020. This moderate progress has understandably been halted by the impacts of the pandemic and any improvements are now being eroded by the capacity reductions arising from the crisis.

Our modernisation programme which ended in March 2019 had already led to efficiencies in the investigation process. Once accepted for investigation a low complexity complaint takes on average 73 days to resolve, and a medium complexity 124 days (March 2020). However there are still areas for improvements and to address these we rolled out our Quality and Feedback model and undertook pilot initiatives on mediation and early resolution.

Whilst we saw improvements in individual productivity, low staff morale and high levels of alternative employment opportunities saw a high level of attrition in quarter three, with a resultant dip in total case closure volumes. This also slowed the rate of improvement in the customers waiting at the start of our service. We were successful in recruiting new staff, but the balance between new and experienced staff meant that for the second half of the year we did not achieve the expected levels of output.

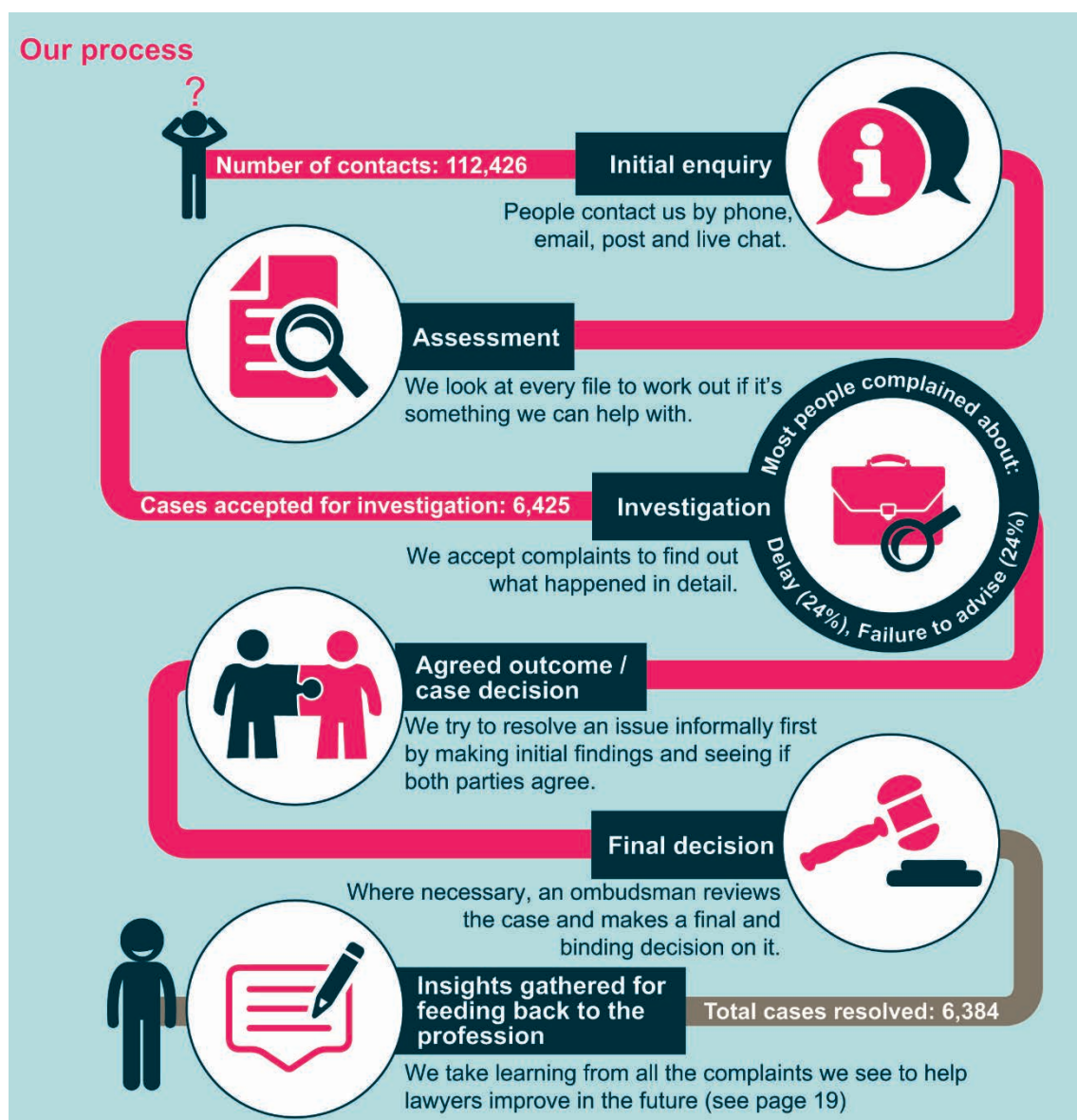
Timeliness continues to be balanced with quality within investigations and customer feedback suggests that once a case is picked up an appropriate level is achieved, but the waits at the beginning of the process have a significant impact on satisfaction, particularly where the outcome is not in the customer's favour.

While progress has been made this year, customers are still waiting too long to access our service and more is needed over the coming year to address this situation. Our current Strategy and Business Plan sets out how this will be addressed, looking at operational improvements and wider areas such as the People Plan and ensuring we attract and retain the right staff. However, as we move into the new financial year, the impact of Covid-19 will be further assessed both on the customer journey times as well as the legal sector's ability to engage with the complaints process.

Resolving disputes between complainants and service providers

The Legal Ombudsman has two primary objectives:

- To resolve disputes between complainants and their legal service providers about the service which has been provided, and
- To share learning and insights from our work with the wider sector in order to improve customer service for all and ensuring service providers have the best opportunity to resolve complaints themselves at first tier.



ADVICE AND ENQUIRIES

For many people the first point of contact with the Legal Ombudsman is our General Enquiries Team. In 2019-20 there was a slight increase in contact volumes from 100,000 to just over 112,000.

The work of the General Enquiries Team is a vital source of support for people and service providers navigating the complaints process. The work of the team falls into two areas:

Signposting

Directing people to the appropriate organisation to deal with concerns such as the conduct of a provider which need to be forwarded to one of the legal regulators, or complaints about different sectors which the Legal Ombudsman is unable to accept.

Advice and support

Providing support to people to ensure they understand how to make a complaint. Around 10% of the people we speak to have not raised a complaint with their service provider, which means the Legal Ombudsman cannot accept it at this stage. This may result in additional support if people are unsure whether they are being provided a reasonable offer from their provider. The Legal Ombudsman also provides support to help people gather the right information so that staff can assess whether it is likely to be in our jurisdiction.

For those who are ready to bring their complaint to us, they can do so through the online Customer Assessment Tool (CAT) which makes initial checks to see if the complaint may be within jurisdiction and guides them to submit the right information so the complaint can be properly assessed. Last year the CAT was used by 6,592 people to submit their complaint.

Sometimes people need more support than others in bringing their complaints. In the last year the Vulnerable Customer Champions team provided additional support to 242 people.

Supporting people struggling with the complaints process

Mr B was unhappy with the service he received from his solicitor during family and divorce proceedings. The strain he was under at a very difficult time was having an impact on his ability to cope, and this affected his ability to engage with a complaints process.

The Vulnerable Customer Champions team supported Mr B to make his complaint and encouraged the firm to respond fully, which they did within 2 days. He received support through an anxious time, and the VCC team helped to ensure he was able to submit his complaint in a way that gave the firm a chance to deal with it at first tier.

“I cannot thank you enough for helping me.... I negotiate deals for my living but this is something I never thought would happen and I just didn't know who to turn to or the head space to write complaints.”

Supporting people with poor mental health

When Mr A contacted our General Enquiries Team they became aware that he was suffering from extremely poor mental health. He was extremely distressed, however it was not clear from the complaint correspondence what had actually gone on.

We contacted the firm on his behalf to discuss the complaint and obtain the complaint correspondence. The firm had not fully understood what Mr A was unhappy about, so their response had not addressed the key issues – this had added to Mr A's frustration and anger.

The VCC team were able to talk to Mr A and the firm, and get the answers to check the complaint was in our jurisdiction. As the issues were having a negative effect on Mr A's mental health, his case was prioritised for investigation.

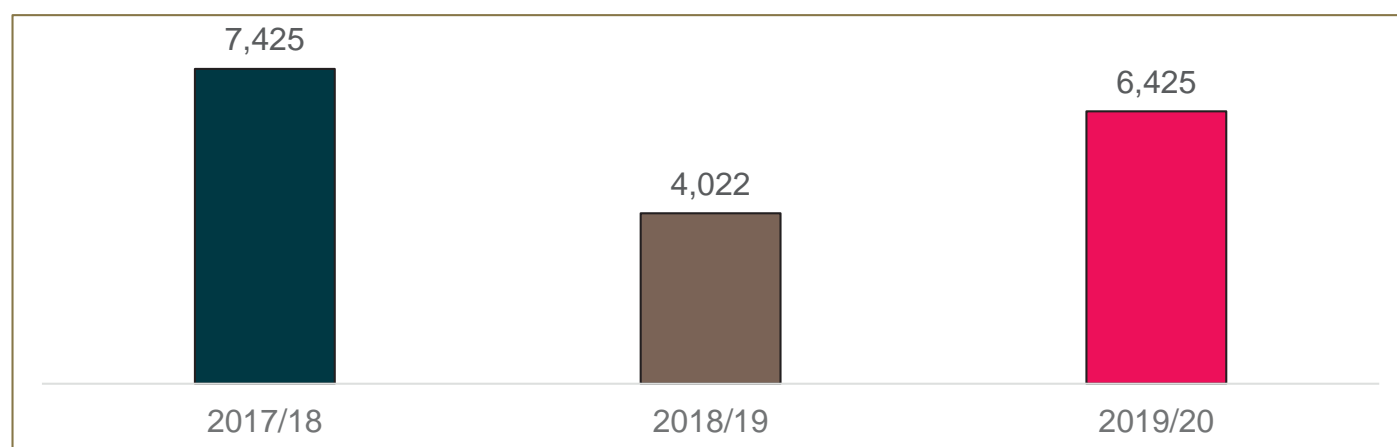
Over the final quarter of last year in particular a significant amount of work has taken place to improve the customer experience at the beginning of the service, supported by the General Enquiries Team. Improved management information now makes fully transparent the beginning of the process, which has allowed us a clearer understanding of the number of contacts responded to, as well as the complaints which are ready and awaiting full assessment.

This also means there is much better oversight of the numbers of people waiting at the beginning of the complaints process, and the corresponding resources that are required to have a smooth flow of cases from enquiry, to assessment, and then through to investigation.

The waiting time for assessment (average of 90 calendar days at March 20) is higher than either we or stakeholders wish to see. The Legal Ombudsman is not alone in the ombudsman sector in experiencing waiting times at the beginning of the service, and we will continue to work on this, working with other Ombudsman and resolution organisations to draw on best practice in the sector.

INVESTIGATION

How many cases were accepted for investigation this year?



This year 6,425 cases were accepted for investigation. While this appears to be a significant increase on last year, the previous two years figures were distorted by the introduction of a new case management system in March 2018 meaning a higher than usual level of case acceptances at the very end of 2017-18.

The way that complaints are organised and quality of investigations is assured has two key components.

Complexity

The complexity of a case is considered in relation to the skill level and work needed to be undertaken. It is not an external benchmark but a process for allocating the right resource to the individual case.

Quality assurance

This year a Quality and Feedback model was rolled out with the aim of supporting the development of new staff, ensuring that investigations address the correct issues from the beginning and providing reassurance about the quality of investigations.

CASE RESOLUTION

Disputes between complainants and legal service providers are concluded in three different ways.

Agreed outcome

The investigator works with the complainant and service provider to agree an outcome to the dispute which works for both parties.

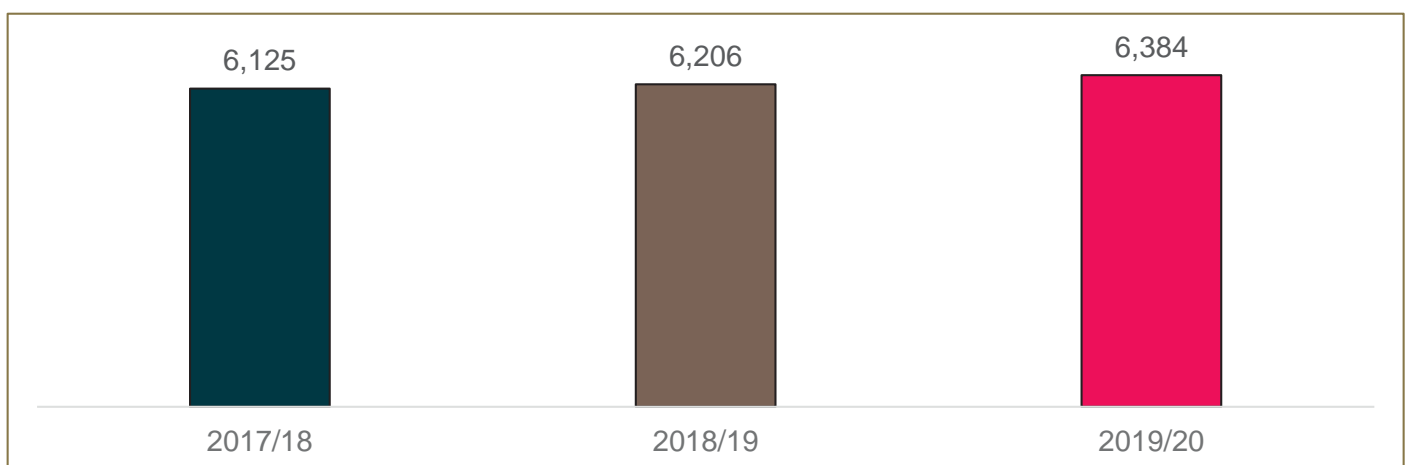
Final decision

When an agreed outcome is not possible a report of the investigation is prepared, and an ombudsman has the ability to make a final decision, based on what is fair and reasonable given all the circumstances.

Other

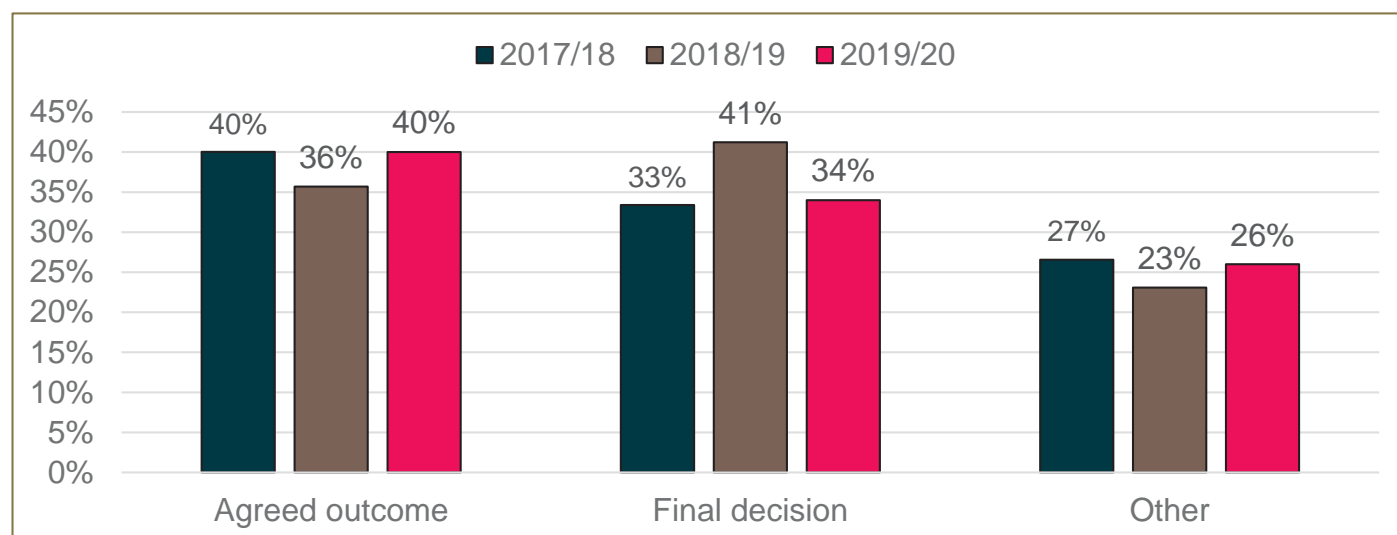
A smaller proportion of cases are closed this way each year because they are not suitable for investigation, or the complainant, on gaining a better understanding of the service expectation, withdraws their complaint. The Scheme Rules set out a variety of reasons why a case may be dismissed.

How many cases were concluded this year?



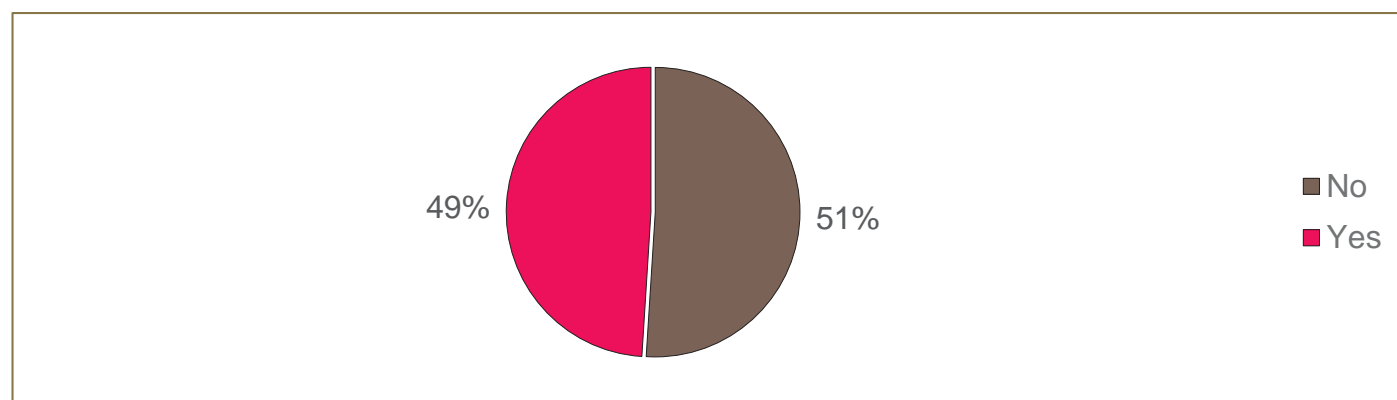
There has been a gradual increase in number of closed cases from 6,125 two years ago, to 6,384 cases this year.

How were cases concluded this year?



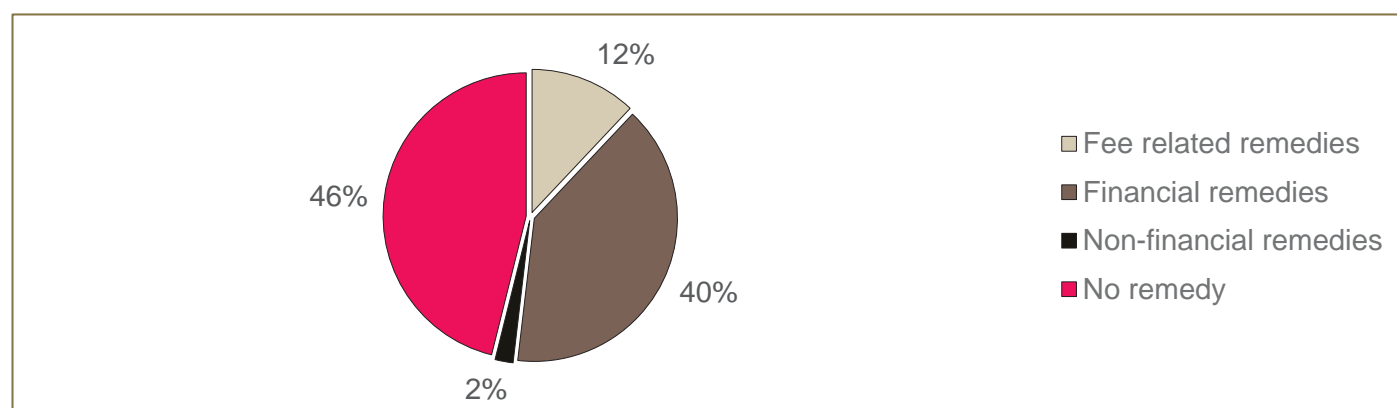
Last year there was a small change in the way that disputes were resolved with a decrease in the number resolved by agreed outcome. At the time we were resolving a number of older cases that had accumulated as the new case management system was brought in. Now these have concluded a return to more cases being resolved by agreed outcome than by final decision has been seen.

Was the service provided reasonable?



When cases are resolved by an ombudsman a formal decision is made about whether the service has been reasonable or not. Typically the service provided is deemed to be reasonable in the majority of cases (2016-17: 54%, 2017-18: 53%). Last year the data reversed and showed that in slightly more cases the ombudsman decided that the service **had not** been reasonable (2018-19: 54%). This year the figures show that the decisions are almost in balance.

How did we put things right for people?



The graph above shows the breakdown of the remedies we have the power to award in order to resolve disputes. Last year a lower proportion of cases were reported where no remedy was awarded (2018-19: 44%; 2017-18: 53%; 2016-17: 52%) and a higher proportion of cases where a financial remedy was awarded (2018-19: 40%; 2017-18: 33%; 2016-17: 34%). This trend has continued this year. No remedies were awarded in 46% of disputes and a financial remedy was awarded in 40% of cases.

The proportion of cases that received a fee-related remedy or a non-financial remedy stayed broadly the same as in previous years. The case studies below illustrate the remedies that we have awarded to people as well as the types of complaints received.

No poor service

If the service has been reasonable we will make a decision of no poor service.

Mrs F instructed a firm to assist with the purchase of a property. She complained that the firm's approach to proving where the deposit funds had come from had caused a delay.

Mrs F said that it was originally agreed that a screenshot of her savings and balance would be sufficient and that the firm should have known from the start that additional information was needed. The firm said they didn't know the screenshot provided wouldn't show Mrs F's full name and account number, so they then had to ask for further information.

The ombudsman concluded the firm's service was reasonable. Firms have to follow strict anti-money laundering rules and it is not uncommon for them to clarify information.

Fee-related remedies

If we decide that a firm's cost information has been unclear then we can direct the firm to reduce or refund fees. A refund will usually be in proportion to the level of poor service.

Mrs G was the joint executor of her late mother's will along with the firm, and complained that the firm's fees were excessive. The total costs for administering the estate were £57,000.

Mrs G did not receive any terms of business, client care letter or any estimate of costs at the start of the matter. She received draft estate accounts after 10 months, showing costs of £27,000 and received information on the firm's hourly rates at this stage. No estimate was provided for future work.

The firm's service was poor, because their cost information was not sufficient. However, the evidence showed that the firm had undertaken a significant amount of work on the estate in order to resolve various complex issues. It was also noted that Mrs G had not queried the costs or asked for updates at any point.

The ombudsman decided that the firm should refund 20% of their fees to the estate. This reflected the level of poor cost information provided, but also the significant work they had done to administer the estate.

Financial remedies

If we decide that there has been poor service we can award compensation up to £50,000 but in many cases a lower amount is awarded. In all cases we aim to recognise the impact and frustration that poor service can have on a person.

Mr H instructed a firm to represent him in a noise induced hearing loss claim against his former employer.

Mr H complained because he was not informed when his case handler changed, information was lost when the file was passed over, his claim was not sufficiently progressed and that the firm were unprepared for a hearing.

The ombudsman found that the handover of files and progression of the case was reasonable, however the firm had not done enough to make him aware of who would be handling his case, and had been criticised by the judge firm for not preparing a witness statement in time for the hearing.

An award of £200 was directed to acknowledge the upset and frustration caused, however the award did not go any further as there was no evidence that the poor service had an impact on the claim itself.

Financial remedies

Higher awards of financial compensation can be made when it is clear that the impact of the poor service has a significant negative impact.

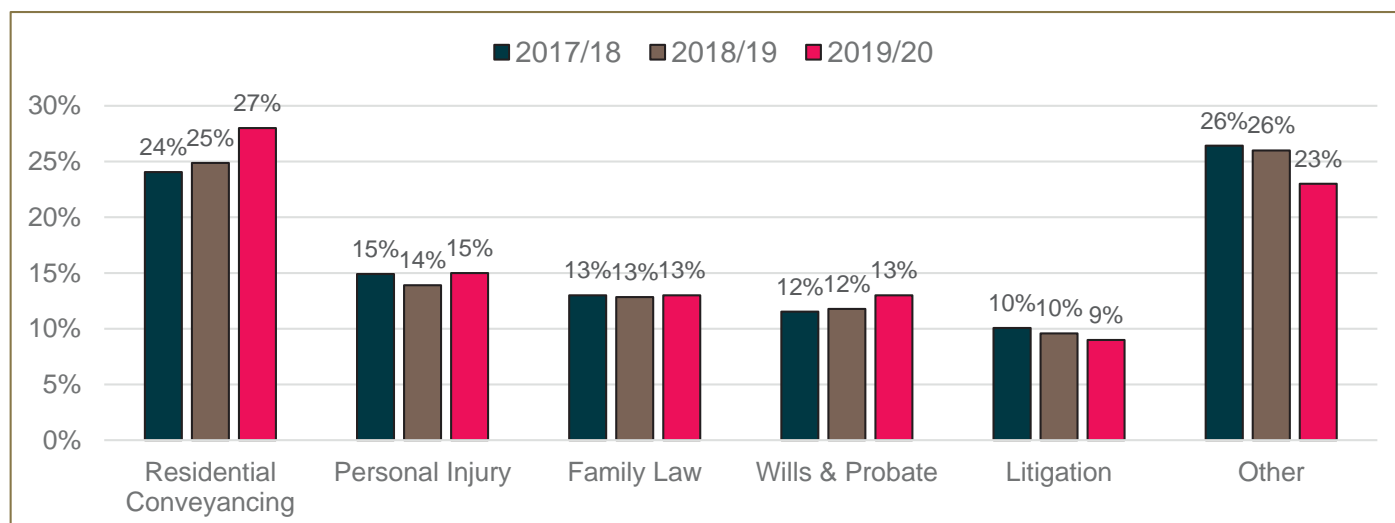
Mr I instructed the firm to act for him in an immigration matter. The firm advised Mr I to make a further leave to remain (FLR(O)) application and that once his wife's application for indefinite leave to remain was accepted he would be added to her status.

The evidence showed that it was clear that Mr I would not have met the requirements to make a FLR(O) application, and so he had received no benefit from the firm's work. It was also clear that the firm had not told Mr I that the appeal they lodged after the failed application had been rejected.

Before instructing the firm Mr I had a good immigration history, but was now an over-stayer with limited options.

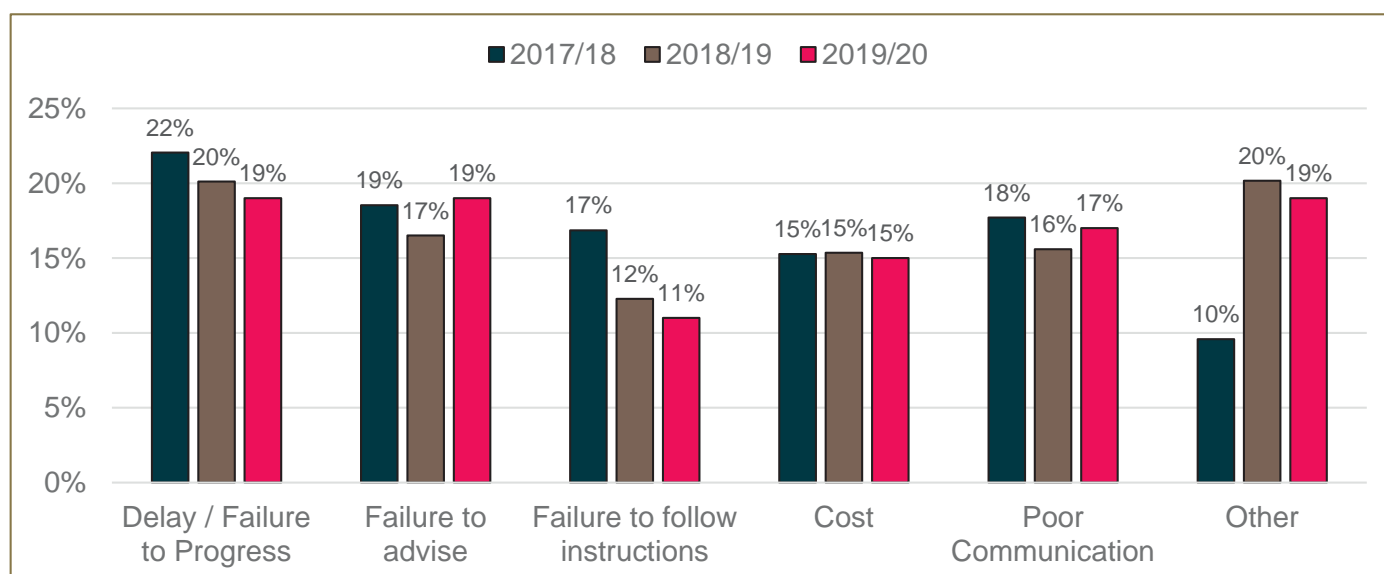
The ombudsman directed the firm to refund both their own fee and the home office fee for the application. The ombudsman also awarded financial compensation of £2,500 because they recognised the emotional impact on Mr I and because the firm's service had placed him in a much worse position.

Which areas of law attracted the most complaints?



The areas of law seeing the most complaints has remained consistent for a number of years. 'Other' areas of law include commercial conveyancing, commercial law, consumer law, crime, employment law, immigration and asylum, property and social welfare.

What did people complain about?



The type of complaints that people bring has also remained consistent in recent years. 'Cost' refers to both excessive cost and cost information deficient; 'poor communication' refers to failure to keep informed and failure to respond. 'Other' includes failure to keep papers/information safe, failure to return property, poor complaints handling, and unfair treatment.

KEY PERFORMANCE INDICATORS (KPIs)

For our customers and wider stakeholders, what matters most is the delivery of a high quality ombudsman service. A range of Key Performance Indicators (KPIs) are used to measure performance and identify how to improve the service offering. The quality assurance framework enables effective monitoring of improvement measures taken.

The KPIs for 2019-20 were as follows:

- **Customer experience and quality:** measured by timeliness of investigations, results of customer satisfaction surveys, and the number of service complaints received.
- **Reputation and raising professional standards:** measured through surveys that assess customer advocacy of the service provided, wider consumer awareness of the Legal Ombudsman, and stakeholder views of guidance, training, and insight-sharing.
- **Efficiency and resilience:** tracking the unit cost of our work by reporting the annual cost of the organisation, averaged according to the number of cases concluded.
- **People, leadership and culture:** measured by annual turnover rate, average days per employee lost to sickness, and staff engagement index on annual surveys.

In year we also began to report on the time from a case being ready for assessment to take account of the end to end customer experience, although this was not a formal KPI, as well as the volumes of people waiting for assessment. This reflected the concerns that too many people were still waiting for our service.

The quality assurance framework includes:

- assessment of technical decision making to confirm fair and reasonable outcomes;
- assessment of compliance with customer service principles;
- feedback from those using the service or subject to investigations both during the process and at the end; and
- monitoring any learning from complaints about our service.

TIMELINESS

Timeliness is an important element of delivering a quality service. It is, however, only one dimension of how complaints are dealt with and must be considered in conjunction with more qualitative measures and customer comments about achievement of our service principles. The time it takes to conclude a complaint is also determined somewhat by the parties to the dispute themselves.

How long it takes to resolve a complaint is measured from the point at which it is accepted for investigation to the date on which the case is concluded. The only exception to this rule is where the complainant agrees to suspend an investigation. In these cases, the period for which the case is suspended is not counted.

Following work on the advice, support and access at the front-end of our service the time a person waits for access to our resolution process is also measured. This will form part of the KPIs in the coming years providing a clearer overview of the customer journey. In addition, measures for the advice and support service will be reported to ensure the service customers experience is

in keeping with our service principles and stakeholder expectations. The table below shows the timeliness performance for the year once we have determined that a case can and should be investigated. It does not include waiting time referred to at the beginning of the process and therefore is not the full end to end experience.

However, allowing for that caveat, performance against timeliness targets in 2019-20 reflects the positive impacts of the work started in 2018-19 to improve the business processes and case handling capability. In addition, wait times at the front end also reduced over the course of the year, although not at the rate we would have wished.

How quickly were cases concluded?

Cases concluded within	Low Complexity		Medium Complexity		High Complexity		All Cases	
	Actual	Target	Actual	Target	Actual	Target	Actual	Target
90 days	76%	65%	44%	40%	12%	0%	58%	45%
180 days	97%	90%	85%	85%	26%	33%	82%	78%
365 days	100%	99%	99%	95%	80%	85%	90%	95%

This year has seen a process of modest improvement across some areas of the business. There has been a significant investment of time and resource in our General Enquiries Team through the year to ensure that cases are able to be progressed more efficiently once accepted for investigation.

Further improvements in the available levels of Management Information and the introduction of new case management tools have provided increased levels of management oversight of case progression.

CUSTOMER SATISFACTION

The customer satisfaction KPI is based on an independent survey of complainants and service providers whose case with the Legal Ombudsman has concluded. The table below shows the percentage of people who were satisfied with the service provided, segmented by their view of the outcome of their complaint. Dissatisfaction with the outcome of a complaint continues to have a significant effect on reported satisfaction with our service.

What did customers think of the service provided to them?

	Target	Q1	Q2	Q3	Q4
Satisfied with outcome (Complainant)	85%	93%	92%	95%	93%
Satisfied with outcome (Service Provider)	85%	83%	84%	82%	85%
Dissatisfied with outcome (Complainant)	15%	14%	6%	7%	12%
Dissatisfied with outcome (Service Provider)	15%	7%	10%	12%	10%

Levels of reported customer satisfaction remain strong for those satisfied with the outcome of their complaint. The key driver of satisfaction for this group is the quality of contact with the member of staff dealing with the complaint – the professionalism and helpfulness of staff, together with effective communication about the complaint.

Work has continued this year to further improve the quality of communication with customers at key stages during investigations to ensure they fully understand the steps we are taking and why, and to provide clear information as soon as possible about the potential outcomes of a complaint.

Dissatisfaction with the outcome of a complaint continues to have a significant effect on reported satisfaction levels. For this group, as well as speed of service, the key drivers of dissatisfaction were concern about thoroughness of investigation, understanding of the complaint and bias. Service providers comment on wanting improved communication.

An underlying element of dissatisfaction is to be expected when a party is disappointed with the outcome of a complaint in which they may have invested significant time and/or emotional energy.

We are working to further improve the quality of communication to help ensure that even where the outcome is not what a customer may have wanted, there is clarity about why that decision has been reached, and potential outcomes are communicated as soon as possible. Ensuring the efficient progression of cases once an investigation begins is a key part of day to day operational activity and we continue to refine the tools available to achieve this. The wait time at the very front end of our process is a source of significant frustration for customers. Our strategic planning is focused on reducing wait time.

SERVICE COMPLAINTS

Service complaints received are carefully monitored to identify areas for improvement, and senior staff oversee any action taken as a result. Although there has been a 10% decrease in the number of service complaints received this year compared to last year, a higher proportion has been upheld due to the number of complaints received about the wait times at the front end of the process. The table below shows the percentage of individual issues that were upheld at each stage. On the whole, the number of service complaints received is low, accounting for only 2.6% of cases we accepted for investigation in 2019-20.

Following on from the successful creation of the Customer Experience Specialist role in 2018-19, an ombudsman was appointed mid-year to oversee the handling of the service complaints process and investigate complaints at Stage 2. This has resulted in the resolution of complaints earlier in the process, with only four complaints being escalated to the Service Complaints Adjudicator in quarter 4, as well as enhanced organisational learning in order to prevent future complaints. A more detailed account of service complaints received in 2019-20 can be found in the Service Complaint Adjudicator's report on page 66.

Stage	Q1	Q2	Q3	Q4
1	55%	68.4%	57.6%	52.2%
2	68.6%	61.1%	72%	73.9%
3	55.6%	68.4%	55.8%	78.9%

KPI: Percentage of service complaint issues upheld, of those we received from our customers (trend).

AWARENESS

The annual awareness survey measures familiarity with the existence of the Legal Ombudsman's service among the general public and users of legal services. We use this data to benchmark the effectiveness of the signposting activity required by bodies within the Legal Ombudsman's jurisdiction. It also enables us to track the impact of communications activity and to identify any demographic trends in relation to awareness.

The key question used to assess awareness of the Legal Ombudsman is *"Before today, had you heard of the Legal Ombudsman?"* This is looked at for the public in general, and then refined further by asking *"Have you personally used and/or paid for a legal service in the past 2 years?"* and seeing how many of these people are aware of the organisation.

Have the general public heard of the Legal Ombudsman? What about users of legal services?

Awareness indicator	2017/18	2018/19	2019/20
percentage of general public that have heard of the Legal Ombudsman	56%	68%	71%
percentage of users of legal services in the last two years that have heard of the Legal Ombudsman	64%	75%	79%

(Survey completed 12-13 February. Total sample = 2,078 adults. Legal users = 310)

For members of the general public, this table illustrates an improving trend in the level of awareness of the Legal Ombudsman, from 68% in the previous financial year to 71%. For those who have used a 'legal service provider' in the past two years, awareness of the Legal Ombudsman has also increased to 79%. For those who use legal services their provider is obligated to signpost to the Legal Ombudsman.

RAISING PROFESSIONAL STANDARDS



16 speaking events



2 webinars/videos



5 professional learning courses



3 pieces of external guidance



3 newsletters

The role of ombudsman schemes is often seen first and foremost as resolving complaints. This is a central part of the work we do and of course provides a valuable service to both consumers and service providers, but the Legal Ombudsman's role is actually much wider than this.

Our mission states the work is also about feeding back to the profession, sharing information in order to improve customer service and prevent complaints happening in the first place, as well as supporting wider improvements in the legal services sector.

It is important to engage in this work as it has a positive impact for all consumers of legal services. Sharing learning and insight with the profession means the impact of our work goes beyond the initial customer and service provider to consumers more generally, who benefit from improvements in the way legal services are provided.

The work carried out by the Legal Ombudsman covers a variety of areas: Sharing intelligence and insights with the regulators about their members, speaking at events and conferences, providing training, guidance and videos on specific areas.

Value-add indicator	Relevant	Useful
How would you rate our guidance?	80%	81%
How would you rate our training?	84%	82%

Value-add indicator	Response
% of stakeholders agree we have effectively shared learning/insights with them over the last 12 months	87%
% of stakeholders agree we have effectively shared learning/insights with service providers over the last 12 months	93%

KPI % of stakeholders agreeing that LeO provides value-adding insight. (This is measured using four questions on the annual stakeholder survey, which are shown in the tables above.)

We monitor the impact of this work by looking at the percentage of service providers who have accessed our training and guidance, and who agree that these were useful and relevant.

The impact of our wider work with stakeholders is also considered by looking at the percentage of stakeholders agreeing that the Legal Ombudsman has effectively shared learning or insights with the sector as a whole, and directly with service providers. These figures show a significant improvement on last year's scores, rising to 87% amongst stakeholders (from 68% last year) and 93% amongst service providers (from 79% last year).

Reputation and raising professional standards indicator	Response
% professional learning courses delivered	100%
% target delegates booked onto courses	86%
% positive feedback	97%

100% of our planned professional learning courses for the year were delivered and received 97% positive feedback on these courses over the year.

A large part the work in feeding back to the profession involves speaking to service providers on a regular basis and sharing some of the common reasons for complaints. A wide range of complaints are received by complainants: Delay, failure to advise and costs are some of the key ones. The theme underpinning all of this is a lack of understanding about the importance of communicating effectively with customers. If we can support service providers to understand the impact of language and the importance of good communication, this will improve the level of service for a wider group of consumers.

Direct engagement with service providers plays a key part in feeding back to the profession. Through this we are able to share our experience, case studies and discuss emerging trends in a way that contextualises the raw data we collect on legal complaints.

As well as running events we aim to work in partnership with regulators, professional bodies and others in the sector to maximise our impact. In 2019-20 this has included collaborating with several legal networks, the Solicitors Regulation Authority (SRA), the Council for Licensed Conveyancers (CLC), and the Notaries Society.

Alongside this regular meetings take place with all stakeholders, and particularly the frontline regulators and professional bodies to discuss operational issues, share understanding about key issues in the sector, and develop joint pieces of work.

UNIT COST

The Legal Ombudsman remains committed to achieving and demonstrating value for money in the way the organisation runs its service. This is currently identified through a unit cost calculation and by dividing the total cost of operating the ombudsman scheme by the number of cases concluded. Consideration will be given in 2020/21 to reviewing and developing this and learning from how other ombudsman schemes have approached value for money assessments.

KPI: Deliver cases in our legal jurisdiction at a cost of £1,610 (2018-19: £1,580) .In previous years we had the additional CMC jurisdiction.

What was the cost of our legal jurisdiction this year?

Legal Services Activities	2019/20	2018/19	2017/18
Budgeted expenditure of the scheme £'m	12.52	12.79	11.80
Actual expenditure £'m	12.36	11.90	10.92
Less non-ombudsman scheme activity, £'m taxation and interest received £'m	0.06	0.05	0.02
Total cost of the ombudsman scheme (A) £'m	12.30	11.95	10.94
Year on year cost reduction / (increase)	(2.93%)	(9.2%)	(4.7%)
Total cases resolved during the year (B)	6,384	6,206	6,125
Unit cost all cases (A divided by B) £	1,926	1,926	1,787
Case fee / other income received £'m	1.21	1.20	0.89
Net – total expenditure less income £'m	11.09	10.75	10.03

The annual budget was set following public consultation and considers expected demand forecasts. 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. This remains the same for 2019/20.

The table above shows total expenditure on the legal jurisdiction in 2019-20 was £12.36m (2018-19, which was £11.90m), against a budget of £12.52m (2018-19; £12.79m).

The unit cost, in reflecting the overall cost against the number of cases closed remains unchanged from last year. The difference in unit cost, target to actual, arises as a result of the productivity issues outlined in the performance section, particularly the ratio of new starters to experienced staff.

TURNOVER, SICKNESS AND STAFF ENGAGEMENT

We are committed to ensuring that the OLC offers an attractive package to all our employees, which includes flexible working, staff development and a focus on wellbeing. In order to measure how well this is valued by staff members, the number of people leaving the organisation is looked at against how many new people join as well as gathering exit interview data, the number of sick days taken by employees, and how many people participate in staff surveys.

The target for turnover in 2019-20 was not achieved and turnover amongst our investigator cohort and new starters is a significant concern. Although this is reflective of a wider trend which has seen turnover in all sectors increase there are issues around employee engagement, workload, leadership and change management that need to be resolved.





Employees were asked to participate in the Civil Service Survey in 2019-20. Participation is voluntary, the results of these surveys are discussed with staff at all levels of the organisation and are used to inform staff policies and engagement strategies.


People and culture indicators	2019/20	Target
Rolling annual turnover rate	20.9%	<18%
Average days per employee lost to sickness	12.1 (FTE)	Below CIPD average (8.6 FTE)
Civil Service Survey response rate	57%	50% in any quarter











The significant area of risk relates to the turnover in the investigator cohort and also corresponds to the levels of dissatisfaction expressed in the staff survey results. The People Plan for 2020-21 seeks to respond to these issues and focuses on three key pillars: Enhance employee proposition; develop leadership capability; and ensure excellent performance. It is specifically designed to address the challenges identified through the staff survey.

CHARACTERISTICS OF OUR CUSTOMERS








 <p>Complainant type</p>	 <p>Member of the public</p>	 <p>Beneficiary</p>	 <p>Executor</p>	 <p>Micro-enterprise</p>	 <p>Trustee</p>
	5900	324	150	34	17

 <p>Gender</p>	 <p>Male</p>	 <p>Female</p>	 <p>Prefer not to say</p>
	50.2%	47.5%	2.1%

 <p>Ethnicity</p>	White 77.5%	Asian/Asian British 10.7%	Black / Caribbean African / Black British 4.9%
	Mixed/Multiple 2.6%	Other 1.1%	Prefer not to say 3.2%

 <p>Religion</p>	 50.2% Christian	 2.3% Hindu	 5.4% Muslim	 0.4% Sikh	 0.6% Jewish
	 0.5% Buddhist	 6.5% Other	 24.4% None	 9.7% Prefer not to say	

 <p>Impairments/ disability</p>	 <p>Yes</p>	 <p>No</p>	 <p>Prefer not to say</p>
	28.5%	62.9%	8.6%

 <p>Sexual orientation</p>	 83.0% Heterosexual	 0.7% Gay	 1.3% Lesbian
	 1.2% Bisexual	 1.2% Other	 12.7% Prefer not to say

KEY RELATIONSHIPS

The OLC is directly accountable to the MoJ for its financial management. While the net funding for the OLC comes from a levy on the legal profession, 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 OLC 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 awareness amongst lawyers, consumers, the bodies that communicate with them and the dissemination of learning from the scheme. The legal profession is the most important referral point for our service. Consumer support bodies are also a key point of referral. A core part of the Legal Ombudsman's commitment is to make sure that the service is accessible to a diverse range of people.

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

EQUALITY, DIVERSITY AND INCLUSION

The Legal Ombudsman provides an independent, impartial and inclusive service to its customers, driven by customer service principles and underpinned by a commitment to promoting Equality, Diversity and Inclusion. The service provided to all customers must be accessible and easy to use, including those whose circumstances mean that they are vulnerable. Diversity is valued highly across the organisation and the value that diversity provides is recognised in our work to ensure the service to customers is fully inclusive. We want an organisational culture that values diversity, inclusiveness and respect.

Customer and staff surveys are used, as well as the Equality, Diversity and Inclusion information shared by customers and staff, to inform the equality priority objectives set as an organisation and to challenge progress against those objectives.

Work has continued this year to recognise and nurture BAME talent within the organisation, including celebrating organisational diversity, increasing BAME representation on recruitment panels and training all staff in relation to their obligations to ensure that the service provided and working practices are aligned with our commitment to diversity, equality and inclusion. Strong staff led networks with colleagues willing to share their insights to prompt change helps to ensure our organisation is inclusive for both customers and staff.

The wellbeing champions network, who receive specialist training, are a source of support for colleagues, signpost to additional support and provide valuable insight in relation to promoting wellbeing in the workplace. The 2019 gender pay gap report showed a positive outcome with a significant reduction from 2018 to only a 2% mean gender pay gap in favour of men. Our median pay gap remained at 0% for the third year in succession.

We are positive about what has been achieved with the commitment of our staff but also clear that there is much more we wish to do to ensure that the workforce is fully representative at all levels.

This year work continues to identify barriers that may affect customers' ability to use our service. Additional specialist training for a number of staff has been provided to enable us to extend the role of the Vulnerable Customer Champions to ensure that vulnerable customers are not only able to access the service, but are also fully confident about progressing a complaint effectively. A full review of communications has been completed to identify areas where better information can be provided about the additional support on offer to assist customers in using the service and a number of improvements are being implemented as a result. The number of dedicated staff who review customer concerns about our service has been increased to ensure that all organisational learning, including any issues relating to the inclusivity of the service, are captured, shared and acted on. There is more we wish to do to ensure that everyone wanting to access the service feels able to ask for any additional support they need and receives that support at the right time for them.

Our commitment and respect for human rights is visible in the inclusive service policy statement, and in our work to ensure compliance with the Public Sector Equality Duty. The Scheme Rules require issues of human rights to be considered when making certain types of decision, such as whether to hold a hearing (under Scheme Rule 5.33). 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. This forum helps to ensure regular communication between Management Team and staff representatives.

Training is provided for staff on topics such as equality and diversity, mental health awareness and dealing with vulnerable customers. We continued to take part in mental health awareness campaigns and received a Bronze MIND wellbeing index award in May 2019.

Collection of equality data allows monitoring of uptake and satisfaction levels across all equality categories, and any trends identified are acted on. The diversity profile of staff is benchmarked against the economically active population of the West Midlands from which we draw most of our workforce.

SOCIAL MATTERS

The OLC has several staff networks that are run (for the most part) by volunteers in the staff cohort: LGBTQ+ Network, BAME Network, and the Wellbeing Champions. These networks host events and write blogs for the intranet site to raise awareness of social issues, and to allow staff different forums to share their stories and connect with each other.

In 2019-20, some of the topics covered were: Birmingham Pride 2019, World AIDS Day 2019, LGBTQ+ History Month (Feb 2020), Ramadan and Eid (May-June 2019), Black History Month (October 2019), 550th birthday of Guru Nanak Dev Ji, International Women's Day 2020, Stress Awareness Month (April 2019), and Mental Health Awareness Week (13-19 May 2019). There were also a special features celebrating women in law and LGBTQ+ role models.

COUNTER-FRAUD, CORRUPTION AND BRIBERY

Fraud is a significant risk to the UK public sector and has far-reaching financial and reputational consequences.

The purpose of the government functional standard is to set the expectations for the management of fraud, bribery and corruption risk in government organisations. The Functional Standards for Counter Fraud were developed by a senior group of fraud experts in government, approved by the Finance Leaders Group and launched by the Minister for the Constitution in 2017. The standard applies to all government departments and their Arm's Length Bodies (ALBs).

Over the last 12 months, the OLC has been working on its counter-fraud, bribery and corruption strategy to work towards compliance with this new standard, and to develop its arrangements to counter-fraud, bribery and corruption over the next two to five years, including:

- an assessment of the main risks and challenges facing our organisation;
- an assessment of how the fraud landscape may change;
- where the organisation wants to be in the next two to five years;
- how we will actively counter fraud, bribery and corruption and develop its response; and
- objectives for the period of the strategy.

All staff have access to and undertake fraud awareness, bribery and corruption training as appropriate to their role.

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 devised 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 reduced our estates footprint by 25% from April 2018 and these benefits have continued in 2019-20.

CAPITAL EXPENDITURE

In 2019-20 the OLC had a capital expenditure budget of £250k. Total expenditure was £243k, and underspend was due to goods that were delivered late because of the Covid-19 emergency.

The capital investment included website improvements (£90k) to improve information provided to end service users, leasehold improvements (£55k) for repairs and renewals relating to the installation of water heaters and the installation of security gates. Remaining costs were associated principally with the refresh program for infrastructure hardware (£67k) including end user devices, software licences renewals (£14k), and plant improvements (£14k), including a secured server room with surge protection and air conditioning units and a small amount of office furniture (£3k).

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 deal with payment queries promptly, ensuring any undue delay is notified to the supplier in a timely fashion. 98% of invoices were paid within agreed terms in 2019-20 (2018-19: 96%) and the average number of days taken to pay creditors was 15 days (2018-19: 19 days), having two payment runs within the month to achieve this.

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.



Rebecca Marsh
Accounting Officer
01 July 2020

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

Members of the OLC Board are appointed by the 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 Board is supported by the Management Team, led by the Chief Ombudsman. The 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 Committee, is set out in the Governance Statement.

REGISTRATION OF INTERESTS

The OLC Board 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 2019/-20 that gave rise to a potential conflict with their responsibilities as members of the Board, other than Annette Lovell's role as an executive director of the Financial Ombudsman Service.

Declarations of interest are a quarterly Board item and noted at commencement of formal Board and Committee meetings of the OLC.

DATA INCIDENTS

There were four personal data related incidents in 2019-20 that met the threshold for formal reporting to the Information Commissioner's Office (ICO). None resulted in any enforcement action, but some recommendations were received and have been acted upon. The Security Forum and the Audit and Risk Assurance Committee review all incidents reported internally. All breaches are assessed and improvements are made to help ensure the effective management of personal data.

In 2018-19 the ICO undertook a voluntary audit review of our progress implementing the General Data Protection Regulation (GDPR), and a detailed action plan has been progressively delivered during 2019-20 with some actions remaining to be delivered at 31 March 2020.

The opportunity for a voluntary audit and the subsequent project was undertaken by the OLC to increase assurance about our management of data protection and information security.

MANAGEMENT COMMENTARY

The purpose of the Legal Ombudsman scheme is to provide a single gateway for consumers using regulated legal service providers to resolve their complaints about service and access redress. It also supports systemic improvement by feeding back to the profession any information and insight we have from running the scheme. During 2019-20, there was significant activity to formulate the new three-year strategy for 2020 to 2023 and business plan for 2020-21.

AUDITORS

The MoJ provides internal audit services, through the Government Internal Audit Agency (GIAA), to the OLC. During the 2019-20 financial year, the cost of internal audit work was £42,000 (2018-19 £38,400). 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 2020 the C&AG has estimated the costs at £34,000 (2018-19 £34,000). 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 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 judgements 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. Based on the data and information provided to me, as well as feedback from MoJ and the internal audit, including the outcomes of substantive testing on payroll, I consider that there is a low risk of misstatement due to fraud. Appropriate controls exist to manage fraud risk, which are reviewed regularly and most recently by MoJ, who confirmed their appropriateness and provided feedback on how they may be developed even further. A report on assurance regarding these risks was presented to the Audit and Risk Assurance Committee in May 2019. There are no known instances of fraud to report except a minor loss from unauthorised use of a parking space, which was identified and dealt with appropriately.

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.

A handwritten signature in black ink that reads "Rebecca Marsh". The signature is written in a cursive style and is positioned above a thin horizontal line.

Rebecca Marsh
Accounting Officer
01 July 2020

GOVERNANCE STATEMENT

THE OLC'S GOVERNANCE FRAMEWORK

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

I, as OLC's Accounting Officer, am responsible for the governance, decision making and financial management of the OLC. I am personally responsible and accountable to (1) Parliament for the OLC as an organisation: its management, use of public money, and stewardship of public assets and (2) to the Principal Accounting Officer in the MoJ. In particular I am responsible for ensuring that the OLC 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 this year has been informed by assurance statements from members of the Management Team, independent assurance from internal and external audit, the ICO and scrutiny and challenge from the Audit and Risk Assurance Committee, review of our risk assurance arrangements, and working closely with senior officials at the MoJ and LSB.

As Accounting Officer, my view of assurance for this year has been impacted by a number of issues, including those that resulted in the limited assurance opinion provided by the internal auditors, and feedback from staff, stakeholders and reviews on the culture, capability and capacity challenges in the organisation.

The assurance picture would suggest that whilst the OLC has an appropriate overall control framework, allowing it to deliver its strategy, it needs strengthening in some specific areas. In providing this governance statement, I have therefore considered what, in addition to the normal processes, leads me to feel assured and what specific areas I would expressly wish to draw out as requiring further development. In addition, I would draw attention to the risk and resourcing impacts of the pandemic for the future effective delivery of the scheme.

The areas which provide further assurance to me as Accounting Officer include the fact that a balanced budget has been delivered for 2019-20 with no substantial overspend. Throughout the year the Board has been provided with the information to monitor and track a variance analysis at each meeting and the more methodical approach to budget management has resulted in an underspend of less than 1%.

The key financial risks are managed through standard processes and segregation of duties. We have undertaken a review of our management of fraud risk through liaison with the Head of Counter Fraud at the MoJ. The MoJ agreed that we have demonstrated a comprehensive approach to fraud risk management, and have expressed a desire to see an action plan for the next 12 months that sets out proportionate actions to further strengthen our overall response.

In the following areas; GDPR, information and cyber security, we had no major control weaknesses. Other than the four data incidents as referred on page 28 of this report. In addition, our casework audit received a substantial rating, which is a significant element of our system of operational control and the bulk of our activity.

The audit plan is agreed and reviewed closely by ARAC, with detailed engagement from the Chair of ARAC. For 2020-21 it has been prepared to ensure attention to those areas where systems need to be improved and where controls need to be strengthened.

The final, but significant area of assurance is in the response to the pandemic crisis at the year end, when the organisation implemented its business continuity plan and smoothly transitioned to remote working, with no cessation or interruption of its operations, other than the productivity reduction resulting from lower staff and customer availability. I refer further to the impacts of Covid-19 below.

The specific areas of weakness and the focus for 2020-21 activity are:

1. The organisation's approach to assessing and evidencing mitigation of risk. The approach to assessing and managing risk has improved over the year, with active use of risk balance cases and clear articulation of risk and mitigation in management decision making, but in ARAC's view this has not yet been reflected at a more strategic level, as evidenced in the quality of documentation shared and that the provision of evidence of mitigations is limited. Work has commenced to bring in external and additional support, and through structure, to address this area of weakness.
2. The budget planning and submission process. The budget process this year resulted in a standstill budget as a consequence of the pandemic, however, the LSB expressed concerns with the governance and leadership of the budget process, and the incoming Chair conducted a budget learning review, which succinctly highlighted concerns with budget planning processes. ARAC and the Management Team are both addressing the issues raised, including implications for their terms of reference and ways of working.
3. People, including the capacity and capability of the Senior Management Team, particularly in relation to the need for an effective operational customer focussed culture to deliver the necessary performance outputs. As a result of a number of issues arising over the year, with the support of Board, in quarter four I began to consider how I might address the need for improved capacity and capability in the Senior Management Team. Following this work and the arrival of the new Chair, OLC's Remuneration Committee recently supported a new senior management team structure that will seek to strengthen the financial grip, as well as provide a direct alignment with the key risks the business faces for the coming year.

Based on the work done this year, I am, as Accounting Officer, confident that the OLC system of internal control is subject to sufficient review, development, monitoring and oversight to ensure it is fit for purpose to support the delivery of our strategy. There is no complacency and the work on risk, finance and senior level leadership and capability will continue to improve the control environment in the coming year.

Finally, I would draw specific attention to two emerging risks for the future; the downstream impact of Covid-19 on the casework operation and the leadership changes in the coming months. In response to the business issues, the senior team will be restructured, which will respond to a number of risks identified. As I am leaving at the end of September, there will be two new key leaders in the business, in the roles of Chief Ombudsman and Chief Operating Officer and it is likely that these will be people new to the business. The restructure and the advent of new leadership creates the risk of destabilising the business at an already difficult time.

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.

The OLC is duty bound to comply with HM Treasury *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. The OLC's governance arrangements satisfy the requirements of the main principles that are relevant to OLC and there are no departures to report.

During this year, the OLC Board 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.

Throughout the year, the OLC Board has continued to oversee improvements to corporate governance, building on work done in previous years. The Board approved changes to the Scheme of Delegation and the Schedule of Matters Reserved to the Board. They also continued to publish Board papers, and oversaw the process of publication and redaction.

Following an external review of Board performance in 2018-19 the Board has now adopted Board Effectiveness as a standard agenda item and therefore reflects on its own performance at each meeting.

OLC Board meetings were fully compliant with all requirements of its governance arrangements and rules of procedure. Ten Board meetings took place in 2019-20. Attendance of Board members is disclosed in the table below.

OLC Attendance	Apr 2019	Jun 2019	July 2019	Sept 2019	Oct 2019	Nov 2019	Jan 2020	Mar 2020*	Mar 2020*	Mar 2020	Total
Wanda Goldwag (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Elisabeth Bellamy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Rod Bulmer	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Shrinivas Honap	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Rebecca Hilsenrath	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	9
Annette Lovell	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Jane Martin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10

* *Extraordinary meetings held to discuss the OLC strategy, business plan and budget submission.*

OTHER COMMITTEES

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

Audit and Risk Assurance Committee

This is my first report as Chair of the Audit and Risk Assurance Committee.

During the period April 2019 to March 2020 four meetings of the Audit and Risk Assurance Committee took place. The following table records the attendance of committee members during this period.

ARAC Attendance	May 2019	July 2019	October 2019	March 2020	Total
Shrinivas Honap (Chair)	✓	✓	✓	✓	4
Rebecca Hilsenrath	✓	✓	✓	✓	4
Annette Lovell	✓	✓	✓	✓	4
Legal Services Board	X	X	✓	✓	2
Internal Audit	✓	✓	✓	✓	4
External Audit	✓	✓	✓	✓	4

The overall objective of the Audit and Risk Assurance Committee is to support the OLC Board 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.

In doing so it is charged with:

- overseeing the annual accounts process (in so far as they comply with accounting standards and good practice);
- agreeing of the annual audit plan for internal and external audit plan;
- monitoring the process by which risks are identified and mitigated;
- ensuring single tender submissions have followed an appropriate process; and
- ensuring attestations are correct.

The Committee may also consider other matters where it feels it is appropriate to do so.

During 2019-20 the Committee has sought to support and review the Management Team's work on developing the risk assurance framework which has been designed to present a more holistic view of risk, to ensure that strategic and corporate risks were accurately identified and mitigated and for a culture and practice of risk management to be embedded within the organisation.

The Committee has, since October 2019, received a Risk Assurance Report at each meeting. The Risk Assurance Report incorporates a developing Assurance Map, the status and progress made on Internal Audits and actions arising from them and an update on business unit risks and strategic risks. This process is still in development and will require significant further work in order to demonstrate that risks are mitigated to the degree dictated by the organisation's appetite.

The Committee agreed internal and external audit plans and received regular updates from internal audit on the effectiveness of the organisation's internal control systems. The Committee also considered the implementation of actions from a Data Protection review by the ICO.

The reports received during the year from the internal auditors have included:

- Operational Forecasting and Capacity Model,
- Financial Control Framework (Spending Controls)
- OLC Casework Compliance.
- Electronic Collection of Data
- Cyber Security
- Payroll
- Information Commissioner's Report, issued following a voluntary audit of Data Protection.

In March, the Committee considered the OLC's 2020-21 budget application and reviewed the risks that needed to be considered which would impact its delivery. The committee considered single tender actions and attestations and health and safety issues and has no matters to report on these.

The Committee fulfilled the important role of reviewing the annual Governance Statement, overseeing key financial and budgetary matters and approving draft and final statutory accounts for 2019-2020 prior to ratification by the OLC Board.

From the work reviewed by the committee it is clear that further work needs to be done in the following key areas:

- payroll process
- financial payments (specifically in the area of supplier management)
- reputational risk resultant from its current performance
- succession planning
- staff retention
- documenting its propensity to fraud across its business processes
- continually assessing its management capability
- the documentation, identification and mitigation of risks

Management are fully aware of these risks and, where appropriate, have prepared a plan to mitigate risk. The Audit committee will review compliance in the coming year

I am grateful for the support of Committee members Annette Lovell and Rebecca Hilsenrath, who have made positive contributions to the Committee's work throughout the year.

Shrinivas Honap

Chair, Audit and Risk Assurance Committee, April 2020

Remuneration Committee

I am pleased to present my first annual report from the Remuneration Committee (RemCo), since taking over the Chair on 1 April 2019. I would like to thank fellow committee members Elisabeth Bellamy and Rod Bulmer (newly appointed in April 2019) for their very valuable contribution throughout the year.

RemCo meets not less than three times per year. This year we met four times. Meetings are usually attended by the Chief Ombudsman, the Director of Corporate Services and Head of Human Resources. Other senior staff attend as required. At least once during the year we meet jointly with Staff Council, which is a very welcome opportunity to engage directly with staff and hear their views. The following table records the attendance of committee members during this period.

REMCO Attendance	May 2019	Sept 2019	Dec 2019	March 2020	Total
Jane Martin (Chair)	✓	✓	✓	✓	4
Elisabeth Bellamy	✓	✓	✓	✓	4
Rod Bulmer	✓	✓	✓	✓	4
Chief Ombudsman	X	X	✓	✓	2
Director of Corporate Services	✓	✓	✓	✓	4
Head of HR	✓	✓	X	✓	3

It is the role of RemCo to challenge, assist and advise the Management Team, and provide assurance to the Board that the Legal Ombudsman responsibilities for the recruitment, retention and motivation of staff are being exercised equitably and effectively in line with organisational objectives. In order to make a purposeful and effective contribution, following a self-assessment exercise, the Committee reviewed the terms of reference to underscore our assurance role as a non-executive committee of the Board. New terms of reference were approved by the Board in September 2019.

During this exercise it became clear to the committee that the organisation needed a focused People Plan which should form the basis of the business of the Committee. In addition to the Committee's role to review key policies, terms and conditions of staff including the remuneration of the Chief Ombudsman, and provide advice on pay structures, the Committee would monitor the People Plan at each meeting and report back to the Board. This would allow us to hold the Management Team properly to account for delivery. The development of the first People Plan has taken up much of our work since September, to ensure it is clearly focused and aligned with the corporate strategy, annual business plan and budget.

This year the Committee has also examined HR interventions to support improvement in performance. In particular, recruitment and retention, staff sickness absence, and the reward and recognition scheme. Annual reviews of the learning and development strategy, the apprenticeship scheme, equality and diversity trends, and the annual pay gap report were also undertaken.

In line with an action arising from the 2018-19 Board Effectiveness Review, the Committee undertook a 12 month review of the revised senior structure combining the role of the Chief Ombudsman and the Chief Executive which included assurance from the Chair of ARAC on strategic risks and internal control. Whilst broadly supportive of the enhanced leadership and direction, the review did reveal weaknesses which required attention. The findings were reported to the OLC Chair for consideration by the Board in January 2020 and subsequent actions addressed.

Dr Jane Martin

Chair, Remuneration Committee, April 2020

Category One Publications Committee

The OLC established a Category One Publications 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.

The Committee did not need to meet in 2019-20.

Wanda Goldwag

Chair, Category One Publications Committee, March 2020

APPOINTMENTS AND TERMINATION OF OLC BOARD MEMBERS

Member	Term starts	Term ends
Wanda Goldwag (Chair)	1 April 2017	31 March 2020
Rebecca Hilsenrath (non-lay)	1 April 2017	31 March 2024*
Annette Lovell (lay)	1 March 2018	28 February 2021
Elisabeth Bellamy (non-lay)	1 March 2018	28 February 2022
Jane Martin (lay)	1 May 2018	30 April 2021
Shrinivas Honap (lay)	1 April 2019	31 March 2023
Rod Bulmer (lay)	1 April 2019	31 March 2022

* Term of Office extended from 31 March 2020.

OVERSIGHT OF THE OFFICE FOR LEGAL COMPLAINTS

The OLC Board met ten times during the year, with Chief Ombudsman and Director of Corporate Services in attendance at every meeting. Head Ombudsmen and other Heads of Function and staff attended as requested for specific items. The Board meeting held in April 2019 involved a strategy workshop, and at the September meeting there was a further discussion on strategy alongside the headline budget and business plan.

The OLC Board receives monthly reports on organisational performance and financial performance at all ordinary scheduled meetings. These include cumulative information for the year to date against external KPIs and tolerances set by the OLC Board, as well as strategic risks, progress updates on implementation of the OLC's business plan, and highlighting key themes and issues for the organisation. These reports were not tabled at the two extraordinary meetings of the Board in March 2020.

Improving performance is the key priority for the OLC. During the year, the OLC Board has focused considerable attention on performance. While progress with the modernisation programme has been extensive, performance improvements have latterly been disappointing and in response to this the OLC prepared detailed plans for achieve performance improvement and improvements in the culture and operating environment. The advent of the Covid-19 emergency entailed that pursuit of the resources to attain these goals has had to be deferred at the time of writing.

QUALITY OF DATA USED BY THE OLC BOARD

The Management Team, led by the Chief Ombudsman and Chief Executive, is responsible for submissions to the Board about organisational performance, regular matters of business and specific governance issues. Data provided by the Management Team includes but is not limited to the corporate risk register; assurance documentation; budget plans; strategic plans; performance reports and detailed papers on matters arising. The risk register, assurance documentation, budget plans and GIAA outcomes are subject to ongoing scrutiny by the ARAC.

Data use and assurance has improved substantially over the last two years, as identified in internal audit reports and in the Independent Review, with both performance and quality data being provided, rolled up from individual and departmental reports to Board. The increased visibility of the delivery process at its various stages has highlighted the areas where performance improvements are required. However, the presentation of the data to Board, to enable effective oversight and strategic engagement requires further improvement and refinement.

QUALITY ASSURANCE OF FORECASTING MODEL

In line with the recommendations within the 2013 Macpherson Review, the OLC has developed a forecasting tool that is of increasing importance in developing the organisation's understanding of demand and performance management. In 2019-20 the model was audited by the GIAA, who reported in April 2019. All the recommendations were implemented by the autumn of 2019, and subject to normal monitoring and reporting to the OLC ARAC. The forecasting model will be revisited by the OLC Board in 2020-2021.

EXECUTIVE MANAGEMENT OF THE OFFICE FOR LEGAL COMPLAINTS

Executive management of the OLC is delegated to the Chief Ombudsman in accordance with the OLC Scheme of Delegation.

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

From 1 April 2019, the Chief Executive and Chief Ombudsman roles were combined, implementing a recommendation of the 2017 Ministry of Justice Tailored Review. During 2019-20 the Board, together with its RemCo and ARAC, reviewed the decision to combine the roles of Chief Executive and Chief Ombudsman and were broadly supportive of the enhanced leadership and direction. The decision to combine roles was endorsed but the need to further strengthen the management team beneath the Chief Ombudsman was clearly identified.

RISK APPETITE & RISK MANAGEMENT

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 HM Treasury guidance.

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 MoJ risk management policy and ensures that risks are identified and escalated as necessary.

In 2019-20, the OLC Board identified three strategic risks, each of which has a risk owner who is a member of the Management Team and responsible for ensuring risks are monitored, mitigated and reported effectively.

The ARAC receives a Risk Assurance Report, which incorporates the OLC's Assurance Map, the status of Internal Audits and progress made on actions arising from them and an update on strategic risks and escalated business unit risks. The process is still developing and will be an area of focus for the next year. There is, as a part of that development, a need to further evidence that the mitigations are consistent with the organisation's risk appetite

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

Set out below are the three strategic risks identified by the Board for the OLC, alongside one additional risk added in recognition of the impact of Covid-19.

KEY RISKS		
Theme	Risk Description	Mitigations
Operational Resource	Failure to recruit and retain staff in line with operational demand.	<p>We have completed several actions during the year. Specific actions in 2019-20 include:</p> <ul style="list-style-type: none"> • Introduced assessment centres for our investigator and team leader cohorts to ensure we recruit the right skills and values for the business • Developed a greater understanding of the causes for attrition, including better use of exit data, an Independent Review of people issues and an in-depth consideration of the staff survey • Using improved MI better understood the link between poor performance, recruitment and attrition • Using the above, worked on the business approach to change and improving communication, as well as • Development of a coherent People Plan
Operational Resource	Failure to effectively succession plan for critical roles. Caused by a lack of structured opportunities for internal development and the inability to train others to ensure there are no single points of failure across the business.	<p>There has been limited work outside of the operational environment. In Operations development programmes for Team Leaders and Level 1 Ombudsman have been successfully enacted</p> <p>The People Plan will continue to build this activity into 20/21.</p>
Customer	Increased level of scrutiny and criticism from key stakeholders driven by how we address performance issues, and the reputational risk associated with the time it will take to achieve sustained improvement in performance and a need to secure collaborative relationships with the Legal Services Board.	<p>We continue to look for opportunities to improve our relationships with our key stakeholders</p> <p>During the year the following activities were completed:</p> <ul style="list-style-type: none"> • Attendance and participation in events and articles to the legal profession • Horizon scanning and linking in with demand forecasting. • Open, honest and transparent conversations with stakeholders. • Improved MI and transparency, including regular reporting of end to end timeliness, in the absence of an agreed and resourced KPI • Voluntary assurance framework, including monthly report from the Chair to the Legal Services Board • Regular senior level meetings with MoJ and LSB
Reputation	Coronavirus pandemic impacting on the operation of the OLC, whereby the whole organisation is working remotely in isolation due to Government instructions. This is impacting on staff mental health and well-being, performance and the increased pressure on our IT systems and infrastructure.	<p>As part of our response to Covid-19 we enacted our Business Continuity Plan and put in place a Command Team to ensure we could respond and adapt to the rapidly changing situation.</p> <p>As part of our response to managing Covid-19, we have adopted the following:</p> <ul style="list-style-type: none"> • A bespoke action plan has been created which details risks, actions, FAQs and a communications plan. • Daily monitoring of the situation and reporting to Board at its regular meetings. • Planning for future implications arising from the current impact

RESPONSE TO COVID-19

Following the Coronavirus outbreak in early 2020, we enacted our Business Continuity Plan and put in place a Command Team to ensure we could respond and adapt to the rapidly changing situation. The initial activity of the Team was on transition to home working and providing support and guidance as the situation evolved. The focus was on staff health and wellbeing, and enabling flexible working to continue providing our service.

The phone lines and our front end service remained open and we took the decision to continue to process all complaints through investigation that we could. Significant impact on progression of complaints has resulted in reduced volumes of output. This has arisen from reduced staff availability due to time restrictions with caring responsibilities or isolating, as well as service provider availability, and this will continue to affect delivery through into 2021.

Planning for new ways of working, for the effect of prolonged reduction in capacity and/or case progression on service standards and the substantial changes in workflow is underway, but the delivery and resourcing profile of the business in the coming year will change as a result.

RESPONSE TO UK WITHDRAWAL FROM EU

During 2019-20 a short review was undertaken to assess the impact of the UK's withdrawal from the EU on the scheme and jurisdiction over legal service providers. The review found that there were no significant risks to the scheme.

CORPORATE PERFORMANCE ON INTERNAL AUDIT

The GIAA has delivered five audits of the OLC for 2019-20, and two have been deferred (data assurance, digital customer project). Of the five completed audits, one provided substantial assurance (casework compliance), two provided moderate assurance (cyber security, electronic collection of data), and two provided unsatisfactory assurance (payroll, financial management (payments)).

Implementation dates have been agreed for all recommendations as part of the reporting protocol. Our Management Team also reports progress on the implementation of recommended improvements on a regular basis to the Audit and Risk Assurance Committee. Internal Audit has issued the following assurance opinion for 2019-20 to the OLC:

*'I am providing a **limited** indicative annual opinion on the framework of governance, risk management and control within the Office for Legal Complaints for 2019-20. We have issued two reports with unsatisfactory ratings this year, both relating to the finance and related HR functions. This raises issues with the capacity and capability within these areas, which we have discussed with management, and we will continue to keep this issue under review through further work included within our plans for 2020-21. Although this has impacted on the control framework, our work in other areas of the business, including operational areas, has resulted in substantial or moderate ratings being issued.*

My opinion is informed primarily by the internal audit activity conducted during the period, but also takes into account our meetings with senior management and observations during attendance at Audit and Risk Assurance Committee meetings. It also takes into account our confidence in the extent to which progress has been made against the implementation of agreed actions and areas to remedy weaknesses where management has accepted material risk. It further takes account of changes to the organisation's strategy, objectives, processes or infrastructure and assurances from other providers where appropriate.

We have completed all our work on the audit plan and have issued final reports for five audits, with two audits having been withdrawn at the request of management and with the agreement of

the ARAC. We have made a total of 31 recommendations and the OLC has implemented all of those due to have been completed at the end of the year; the remainder are in the process of being implemented. This nonetheless represents a significant body of work to implement the outstanding recommendations going forward.

My opinion, at this stage, is based on work and activity undertaken prior to the impact of Covid-19 and the changes in operating environment. I will be monitoring how this develops and any bearing this may have on my assessment, including where there has been a relaxation of controls/emergency processes and the framework of governance within which these decisions are being taken.'

The annual opinion descriptions are shown in the table below, including a 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.

As Accounting Officer I am satisfied the OLC has maintained a functional overall standard of financial governance and control whilst acknowledging the systems used for authorisation of payroll and financial payments are in need of modernisation and improvement. Changes have been and continue to be made to update these systems. More widely I am satisfied that standards of decision making, execution of business processes are effective, the delivery of the 2019-20 budget within target evidences that view. The risk management and governance processes will continue to evolve to address the challenges and realise the opportunities associated with improvement across the organisation. I recognise this is an ongoing process and believe it to be a balanced statement of the risks and controls in the organisation during 2019-20.

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

Two members of the OLC Board began their posts in 2019-20. Rod Bulmer and Shrinivas Honap both took up their appointments on 1 April 2019.

Wanda Goldwag left the OLC on 31 March 2020, and was replaced by Elisabeth Davies, who took up the position of Chair of the Board on 1 April 2020. Rebecca Hilsenrath's first term of office was due to end on 31 March 2020. She has been offered a second term of office until 31 March 2024.

BOARD REMUNERATION *(audited)*

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

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 £'000	Year to March 2020 £'000	Year to March 2019 £'000
Wanda Goldwag (Chair)	50-55	50-55	50-55
Elisabeth Bellamy	5-10	5-10	5-10
Rod Bulmer	5-10	5-10	-
Rebecca Hilsenrath	5-10	5-10	5-10
Shrinivas Honap	5-10	5-10	-
Annette Lovell	5-10	5-10	5-10
Jane Martin	5-10	5-10	5-10

The table does not include information on expenses paid to board members. An issue has been identified where neither tax nor NI has been paid in relation to costs incurred by board members when travelling to board and committee meetings held at the OLC's offices. These payments would be deemed by HMRC to be a taxable benefit and part of remuneration. However, whilst the net sums paid are known, work is yet to be completed to establish the gross sums, including the tax and NI payable.

EXECUTIVE REMUNERATION *(audited)*

Year to 31 March 2020	Salary £'000	Pension £'000	Total £'000
R Marsh Chief Ombudsman & Chief Executive	130-135	12.5 - 15	145 - 150
B Arnold Director of Corporate Services*	80 - 85	5 - 7.5	85 - 90

*B Arnold was employed permanently as Director of Corporate Services from 16 May 2019.

Comparative figures for the previous financial year 2018-19 appear in the table below.

Year to 31 March 2019	Salary £'000	Pension £'000	Total £'000
R Powell Chief Executive (left 29 March 2019)	110 - 115	10 - 12.5	120 - 125
R Marsh Chief Ombudsman	110 - 115	10 - 12.5	120 - 125
S Tunnicliffe Director of Operations (left 13 April 2018) (FTE total 100-105)	5 - 10	0 - 2.5	5 - 10

STAFF NUMBERS AND RELATED COSTS *(audited)*

The annualised salary band of the highest-paid individual in the OLC in the financial year 2019-20 was £130,000 - £135,000, mid-point £132,500 (2018-19: £110,000-£115,000, mid-point £112,500). The mid-point of the highest paid individual's banded remuneration was 4.12 times (2018-19: 3.5 times) of the median remuneration of the workforce in March 2020, which was £32,189 (2018-19: £31,713). This is due to the roles of Chief Ombudsman and Chief Executive being combined and the increased responsibility for the individual.

In 2019-20, no employees received remuneration in excess of the highest paid director (2018-19: none). Remuneration ranged from £8,628 to £131,950 (2018-19: £8,500 to £111,375). These figures exclude our piece rate workers.

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. This has remained the same from 2018-19 to 2019-20.

Staff Costs	2019-20			2019-18		
	Total £'000	Permanent Staff £'000	Other Staff	Total £'000	Permanent Staff £'000	Other Staff
Wages and salaries	8,423	8,105	318	8,799	8,259	540
Social security costs	776	772	4	840	823	17
Other pension costs	643	639	4	618	600	18
Exit packages	0	0	0	19	19	0
Total net costs	9,842	9,516	326	10,276	9,701	575

There are no employees who were relevant union officials during 2019-20, so no hours or associated costs were incurred.

AVERAGE NUMBER OF PERSONS EMPLOYED *(audited)*

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

	Total 2019-20	Permanent Staff 2019-20	Other Staff 2019-20	Total 2018-19	Permanent Staff 2018-19	Other Staff 2018-19
Directly employed	235	225	10	248	230	18
Not directly employed	5	-	5	4	-	4
Total	240	225	15	252	230	22

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

GENDER PAY

As at 31 March 2020, 73% of the staff complement were women (2019: 69%), which amounts to 197 female staff and 74 male. This year we also published the gender pay gap for 2019. There is no difference in the median salary, but the difference in the mean average hourly salary is 2% in favour of men (2019: 16%). These changes are due to the recruitment of more men whose pay falls into the first quartile and the recruitment, retention and promotion of more women in the third quartile.

4.6% of working days were lost to sickness including absence for planned medical operations (2019: 4.4%).

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 OLC 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, occupational health 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, and quarterly Health and Safety returns are made to the MoJ and an annual report provided to the OLC Board. Our pay policy is consistent with guidelines on public sector pay.

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

In 2019-20 no exit packages have been agreed (2018/19: one).

	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Costs Band
< £10,000	-	-	-
£10,000 - £25,000	-	-	-
£25,000 - £50,000	-	-	-
Total number of exit packages	-	-	-
Total Cost 2019-20 / £	0	0	0
Total Cost 2018-19 / £	0	19,136	19,136

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. There are no changes to the pension scheme provided by LeO to its employees in 2019-20; it remains the same as in 2018-19.

CONSULTANCY

There was no consultancy expenditure in 2019-20 (2018-19: none).

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. No other off-payroll engagements were undertaken by the organisation in 2019-20.

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

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. A tripartite operating protocol provides more detail about how the complex governance arrangements work in practice. Both the LSB and the OLC's Framework documents make reference to the areas of overlap so that there is no confusion over where responsibility lies for ongoing financial oversight (the MoJ) or OLC performance (the LSB).

As an independent Arm's Length Body (ALB) of the MoJ, the OLC has responsibilities directly to that department, principally through the Accounting Officer role.

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 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 which addresses the annual budget acceptance criteria the LSB sets in advance.

The scheme rules and any changes to them must be approved by the OLC Board 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 Management 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. Specific members of the LSB Board attend meetings of the OLC twice a year.

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 in 2019-20 (2018-19: none). There was a special payment of £7,400 paid in 2019-20 (2018-19: none).

Gifts: There were no gifts made by the organisation in 2019-20 (2018-19: none) that exceeded limits proscribed in *Managing Public Money* (HM Treasury).

Remote contingent liabilities: There are no remote contingent liabilities to report in 2019-20 (2018-19: none).

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. This applies to both years 2019-20 and 2018-19.

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 for one year relating to the one-off costs of our modernisation programme. This has remained the same where various projects have taken place throughout 2018-19 and 2019-20.

Fees and charges: Analysis of fees and charges is disclosed on page 21.



Rebecca Marsh
Accounting Officer
01 July 2020

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 2020 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, including the significant accounting policies. 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 the Office for Legal Complaints' affairs as at 31 March 2020 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 Lord Chancellor directions 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 the Office for Legal Complaints 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Office for Legal Complaints' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Office for Legal Complaints have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Office for Legal Complaints' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 the 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.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Office for Legal Complaints 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 the 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 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 report. However, future events or conditions may cause the Office for Legal Complaints to cease to continue as a going concern.

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, but does not include 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 on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Lord Chancellor directions made under the Legal Services Act 2007;
- in the light of the knowledge and understanding of the Office for Legal Complaints and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Overview, Performance Analysis or the Accountability Report; and
- the information given in the Performance Overview, Performance 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 the 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.

Gareth Davies

Comptroller and Auditor General

03 July 2020

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 2020

Income	Note	2019/20 £'000	2018/19 £'000
Income from operating activities	4	12,298	12,034
Total		12,298	12,034
Staff costs	3	(9,842)	(10,276)
Depreciation, amortisation and impairment	5,6	(391)	(414)
Provision expense	11	131	35
Other operating expenditure	3	(2,262)	(2,639)
Total operating expenditure	3	(12,364)	(13,294)
Net operating expenditure		(66)	(1,260)
Interest receivable		82	64
Taxation		(16)	(12)
Net expenditure after interest and taxation		0	(1,208)

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

The notes on pages 55 to 64 are part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

Non-current assets	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Property, plant and equipment	5	551		582	
Intangible assets	6	333		449	
Total non-current assets			884		1,031

Current assets					
Trade and other receivables	8	628		10,148	
Cash and cash equivalents	9	18,042		8,594	
Total current assets			18,670		18,742

Total assets			19,554		19,773
---------------------	--	--	---------------	--	---------------

Current liabilities					
Trade and other payables	10	246		657	
Provisions	11	36		167	
Other liabilities	10	1,281		959	
Total current liabilities			1,563		1,783

Total assets less current liabilities			17,991		17,990
--	--	--	---------------	--	---------------

Non-current liabilities					
Provisions	11	254		254	
Total non-current liabilities			254		254

Total assets less liabilities			17,737		17,736
--------------------------------------	--	--	---------------	--	---------------

Taxpayers' Equity and other reserves					
General Fund				17,737	17,736
Total				17,737	17,736



Rebecca Marsh
Accounting Officer
01 July 2020

The notes on pages 55 to 64 are part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ending 31 March 2020

Cash flows from operating activities	Note	2019-20 £'000	2018-19 £'000
Net operating expenditure		(66)	(1,260)
Adjustments for non-cash transactions	3	391	379
(Increase)/decrease in trade and other receivables	8	9,520	(9,796)
Increase/(decrease) in trade and other payables	10	(93)	214
Use of provisions	11	(131)	(27)
Interest receivable		82	64
Taxation		(12)	(12)
Net cash inflows (outflows) from operating activities		9,691	(10,438)
Purchase of property, plant and equipment			
	5	(138)	(69)
Purchase of intangible assets			
	6	(105)	(60)
Net cash (outflow) from investing activities		(243)	(129)
Grants from sponsoring department			
		0	2,453
Net cash inflow from financing activities		0	2,453
Net increase/(decrease) in cash and cash equivalents in the year	9	9,448	(8,114)
Cash and cash equivalents at the beginning of the year	9	8,594	16,708
Cash and cash equivalents at the end of the year	9	18,042	8,594

The notes on pages 55 to 64 are part of these financial statements.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ending 31 March 2020

	Total reserves £'000
Balance at 31 March 2018	16,491
Changes in taxpayers' equity for 2018/19	
Grants of sponsoring department	2,453
Net expenditure for the year after interest and taxation	(1,208)
Notional transfer to Consolidated Funds	(11,970)
Notional receipts from Sponsor	11,970
Balance at 31 March 2019	17,736
Changes in taxpayers' equity for 2019/20	
Grants of sponsoring department	-
Net expenditure for the year after interest and taxation	-
Notional transfer to Consolidated Funds	(12,281)
Notional receipts from Sponsor	12,281
Balance at 31 March 2020	17,736

The notes on pages 55 to 64 are part of these financial statements.

Notes to the Financial Statements

1. STATEMENT OF ACCOUNTING POLICIES

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

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified by revaluation of certain assets to fair value where appropriate, as determined by the relevant accounting standards, and subject to the interpretations and adaptations of those standards in the FReM. The Accounts are also fully consistent with International Financial Reporting Standards (IFRS)

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 2020, the OLC has sufficient cash resources to meet anticipated expenditure for financial year ending 31 March 2021. The MoJ also provides Grant in Aid where required to meet the net cash needs of the OLC.

The MoJ provided Grant in Aid to fund the OLC's CMC complaint-related activities and fully funded the operation until 31 March 2019. From 1 April 2019 the responsibility for handling complaints for CMC related activities transfers to the Financial Ombudsman Service and is no longer the responsibility of the OLC.

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 Office for Legal Complaints to set charges (case fees) for all complaints we accept as being within the jurisdiction of the Legal Ombudsman scheme. 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 IFRS 15 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 Legal Services Board 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 2020 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.

IFRS 15 Revenue from contracts with customers requires entities to apply a 5-step model framework to determine revenue recognition.

1. Identify the contract(s) with the customer: The FReM adaptation of IFRS 15 expands the definition of a contract to include legislation and regulations which enables an entity to obtain revenue. In OLC's case this legislation is the Legal Services Act 2007.
2. Identify the performance obligations in the contract: The Legal Services Act 2007 stipulates that the costs of the OLC should be recovered by means of a levy imposed on the approved regulators during the financial year for the period of operation. In addition, it requires that scheme rules make provision for charges payable by respondents (case fee income).
3. Determine the transaction price: The total costs incurred by the OLC in the financial year are allocated to Approved Regulators. Case fee income is imposed on the service providers at a value stated in the Legal Ombudsman's Scheme Rules.
4. Allocate the transaction price to the performance obligation: The levy income is accrued and matched with the OLC's net expenditure after case fees in the period to ensure that expenditure incurred is recovered in the same period. The charging or waiving of the case fee is determined by the outcome of the investigation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation: Revenue is recognised over time as expenditure relating to the regulatory activity of the OLC is incurred. Case fee income is not recognisable until the investigation is completed, and the outcome determined. Income is recognised at this point.

1.4 CMC income and expenditure

No Grant in Aid was provided during 2019-20 for the CMC jurisdiction as it moved to the Financial Ombudsman Service on 1 April 2019.

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.

1.6 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.

1.7 Intangible assets

Expenditure on major Information Technology (IT) 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.

1.8 Impairment and revaluation policy on non-current assets

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

1.9 Leases

Operating lease payments are recognised as an expense and charged on a straight line basis over the lease term. The same method has been applied in both 2018-19 and 2019-20.

1.10 Value Added Tax

The OLC is registered for VAT. VAT incurred on the provision of training provided to the legal and CMC jurisdictions and licence arrangements for subletting are 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 the majority of expenditure and the capitalised value of non-current assets includes this irrecoverable VAT. VAT is recoverable for costs associated with the licence arrangements for subletting of the premises.

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.

1.12 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.

1.13 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.

1.14 Impending application of newly issued accounting standards not yet effective

New standards, amendments and interpretations issued, but not yet effective, are as follows:

Standard	Standard to be adopted by government departments
IFRS 16 Leases	1 April 2021

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. The standard is not yet effective for public sector reporting and HM Treasury has mandated deferral of implementation to years beginning on or after 1 April 2021. The full impact of IFRS 16 will therefore not be determined until it has been formally adopted for use in public sector by the FReM. The likely impact on the financial statements from the implementation of this standard is expected to be material.

1.15 Financial instruments

The OLC does not hold any complex financial instruments. The only financial instruments included in the Accounts are cash and cash equivalents, receivables and payables (notes 11 and 13)

Financial assets comprise cash and cash equivalents, fees receivable and contract receivables. Receivables are recognised at carrying value, reduced by appropriate allowances for estimated irrecoverable amounts in line with the OLC receivables policy.

Financial liabilities comprise trade and other creditors which are short term and are stated at carrying value in recognition that these liabilities fall within one year.

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.

	2019/20			2018/19		
	Legal	Claims Management	Total	Legal	Claims Management	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross expenditure after interest and tax	12,298	-	-	11,899	1,343	13,242
Income	12,298	-	-	11,899	135	12,034
Net expenditure	-	-	-	-	1,208	1,208

3. EXPENDITURE

Further analysis of staff costs is located in the Remuneration and Staff report on pages 42 to 55.

	Note	2019/20 £'000	2018/19 £'000
Staff Costs			
Wages and salaries		8,423	8,799
Social Security costs		776	840
Other pension costs		643	618
Exit costs		-	19
Total Staff Costs		9,842	10,276
IT and telecoms		994	1,285
Uncollectible debts		17	65
Facilities services		223	248
External communications		107	108
Staff wellbeing		100	91
Legal and professional fees		100	53
Rentals under operating leases		248	167
Recruitment costs		44	129
Premises costs		246	280
Other running costs		46	27
Training		60	91
External audit fees		34	34
Internal audit fees		30	47
Travel and subsistence		14	14
Total cash operating expenditure		2,263	2,639
Total cash items		12,105	12,915
Decrease in dilapidations provisions		(100)	(43)
Decrease in other provisions		(31)	8
Loss / Profit on disposal of assets		-	-
Depreciation	5	169	198
Amortisation	6	222	216
Total non-cash items		260	379
Total		12,365	13,294

4. INCOME

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 2019-20 (see note 1.3).

	2019/20 £'000	2018/19 £'000
Levy income in respect of the Legal Ombudsman scheme	11,086	10,697
Case fee income	1,062	1,161
Other income	150	176
Total	12,298	12,034

5. PROPERTY, PLANT AND EQUIPMENT

2019/20	Information Technology £'000	Leasehold improvements £'000	Furniture and fittings £'000	Total £'000
At 31 March 2019	564	654	491	1,709
Additions	66	55	17	138
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Transfer	-	-	-	-
At 31 March 2020	630	709	508	1,847
At 31 March 2019	439	272	416	1,127
Charged in the year	89	66	14	169
Disposal depreciation charge	-	-	-	-
Reclassifications	-	-	-	-
Transfer	-	-	-	-
At 31 March 2020	528	338	430	1,296
Net Book Value at 31 March 2020	102	371	78	551
Net Book Value at 31 March 2019	125	382	75	582

2018/19	Information Technology £'000	Leasehold improvements £'000	Furniture and fittings £'000	Total £'000
At 31 March 2018	530	654	488	1,672
Additions	66	-	3	69
Disposals	(32)	-	-	(32)
Reclassifications	-	-	-	-
Transfer	-	-	-	-
At 31 March 2019	564	654	491	1,709
At 31 March 2018	372	206	383	961
Charged in the year	99	66	33	198
Disposal depreciation charge	(32)	-	-	(32)
Reclassifications	-	-	-	-
Transfer	-	-	-	-
At 31 March 2019	439	272	416	1,127
Net Book Value at 31 March 2019	125	382	75	582
Net Book Value at 31 March 2018	158	448	105	711

6. INTANGIBLE ASSETS

2019/20	Information Technology £'000	Software Licenses £'000	Payments on account assets under construction £'000	Total £'000
Cost or valuation				
At 31 March 2019	1,274	596	-	1,870
Additions	100	5	-	105
Disposals	(4)	(17)	-	(21)
Reclassifications	-	-	-	-
Transfer	-	-	-	-
At 31 March 2020	1,370	584	0	1,954
Depreciation				
At 31 March 2019	848	573	-	1,421
Charged in the year	217	5	-	222
Disposal depreciation charge	(4)	(18)	-	(22)
Reclassifications	-	-	-	-
Transfer	-	-	-	-
At 31 March 2020	1,061	560	0	1,621
Net Book Value at 31 March 2020	310	24	0	333
Net Book Value at 31 March 2019	426	23	-	449

2018/19	Information Technology £'000	Software Licenses £'000	Payments on account assets under construction £'000	Total £'000
Cost or valuation				
At 31 March 2018	661	596	553	1,810
Additions	60	-	-	60
Disposals	-	-	-	-
Reclassifications	553	-	(553)	-
Transfer	-	-	-	-
At 31 March 2019	1,274	596	-	1,870
Depreciation				
At 31 March 2018	636	569	-	1,205
Charged in the year	212	4	-	216
Disposal depreciation charge	-	-	-	-
Reclassifications	-	-	-	-
-Transfer	-	-	-	-
At 31 March 2019	848	573	-	1,421
Net Book Value at 31 March 2019	426	23	-	449
Net Book Value at 31 March 2018	25	27	-	605

7. IMPAIRMENTS

There were no impairments in 2019-20 (2018-19: none).

8. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Amounts falling due within one year:	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Case fee receivables	249	172
Other contract receivables	-	9,749
Other receivables	140	27
Prepayments	239	200
Total	628	10,148

9. CASH AND CASH EQUIVALENTS

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Opening balance	8,594	16,708
Net change in cash and cash equivalent balances	9,448	(8,114)
Closing balance	18,042	8,594
The following balances at 31 March were held at:		
Government Banking Services	18,042	8,594
Closing balance	18,042	8,594

10. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts falling due within one year:	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Trade payables	219	482
Other payables	27	175
Trade and other payables	246	657
Intra-government balances – other taxation and social security	205	223
Intra-government balances – MoJ	30	18
Accruals	821	646
Deferred Income	226	72
Other liabilities	1,281	959
Total	1,527	1,616

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Other £'000	Leasehold dilapidations £'000	Total provisions £'000
Balance as at 1 April 2019	67	354	421
Provided in the year	24	-	24
Provisions not required written back	(55)	(100)	(155)
Provisions utilised in the year	-	-	-
Unwinding of discount	-	-	-
Balance as at 31 March 2020	36	254	290
Expected timing of cash flows			
Not later than one year	36	-	36
Later than one year and not later than five years	-	254	254
Later than five years	-	-	-
Balance as at 31 March 2020	36	254	290

12. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2020 not otherwise included in these financial statements amounted to nil (2018-19: nil).

13. COMMITMENTS UNDER LEASES

Obligations under operating leases for the following periods comprise	2019/20 £'000	2018/19 £'000
Buildings		
Not later than one year	339	119
Later than one year and not later than five years	1,159	952
Later than five years	-	59
Total	1,498	1,130

Obligations under operating leases for the following periods comprise	2019/20 £'000	2018/19 £'000
Equipment		
Not later than one year	-	1
Later than one year and not later than five years	-	-
Total	-	1

14. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

Given the nature of the Legal Ombudsman scheme it is inevitable that some of our ombudsman decisions will be challenged by way of judicial review. The OLC has a number of ongoing judicial review cases in the Administrative Court. The OLC has proceeded to defend all the judicial review matters and does not 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 (including employer's national insurance) and expenses of the OLC Board members, which for the whole reporting period amounted to £127k (2018-19 £126k). The payment for salaries (including employer's national insurance) of the OLC Board members for 2019-20 was £120k (2018-19: £119k).

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 lists the eight regulatory objectives, as outlined in Section 1(1) of the Legal Services Act 2007, and how the Office for Legal Complaints has contributed to them during 2019-20.

Regulatory objective		OLC 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 service users.
c)	Improving access to justice	Discharging our core jurisdiction by resolving complaints about legal service providers, and feeding back to the profession to raise standards.
d)	Protecting and promoting the interests of consumers	Publishing focus reports and guidance notes, which highlight specific issues and risks affecting consumers.
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 through training on effective complaint handling. Publishing articles, reports and case studies to pass on lessons learnt from complaints. Regularly attending and speaking at relevant stakeholder events.
g)	Increasing public understanding of the citizen's legal rights and duties	Providing information/signposting through social media channels. Publishing a discussion paper on transparency of decision data with a view to increasing the availability of quality information for consumers.
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 during this business year.

WORKLOAD

Service complaints received in 2019-20

	Stage 1	Stage 2	Stage 3
Number of complaints	164	51	36

At Stage 1 the complaint is considered by our Customer Experience Specialist and at Stage 2 it is considered by a senior manager.

I considered 37 complaints about Legal Ombudsman's service this business year, involving 419 individual issues of complaint that were within my remit. I supported 56 individual issues of complaint (13.5%) in 21 cases I looked at. That is on a par with the position at the end of last year.

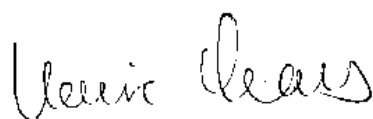
AREAS FOR SERVICE IMPROVEMENT

Managing delays has been a significant issue in the cases I have seen this year. This is rightly a key focus for LeO and I hope to see improvements in this area in the cases coming to me as we move through the next business year.

CONCLUSION

This year I received the highest number of Stage 3 service complaints (36) since I took over this role in 2015. However, I am pleased to report that as we moved through the year I have seen a significant improvement in the Stage 2 complaint investigations and responses. This is demonstrated by the drop off in the number of Stage 3 complaints received in the last quarter (4).

Despite the number of complaints being referred to me, it remains the case that the majority of complaints are resolved at the first two stages of the complaints process and do not come to me. Where I have had concerns about the service provided I am pleased that LeO have agreed to the remedies I have recommended. I am also very pleased that LeO have been receptive to all my recommendations for service improvement set out in my report to the OLC Board.



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.

