



Two years on; has the Firm Code of Conduct enhanced Individual Professionalism?

By Dave Seager, Consulting Adviser to SIFA Professional

As an outsider, yet interested observer of the legal profession, the past 2 years watching solicitor firms adapt to the new Standards and Regulations, introduced in 2019 has been fascinating. Admittedly, I have largely watched developments from the perspective of how financial planning partners should best and most compliantly work with legal professionals in their common clients' best interests, but also as a firm advocate of the SRA's vision for the profession.

The reason why I have strongly supported the regulator's direction of travel is that the changes are firmly based on what consumers want and need. The Consumer and Markets Authority originally and every year, the Legal Services Consumer Panel research reinforces the need for greater clarity, approachability and in short, consumer focus. I was therefore excited to read the SRA's own 2-year independent research, published in December, which assessed how the new rules had been adapted to and embraced.

In truth, the evaluation which is underpinned by independent research commissioned from the Centre for Strategy and Evaluation Services to gather the views of consumers, solicitors, and wider stakeholders, is a turgid read, but the SRA has summarised the overall findings in a positive fashion. Not surprising when the headline finding suggests that *'Three quarters (74%) of practising solicitors were familiar with the changes made, with the majority positive about the overall effects of the reforms.'*

It also concludes that the majority, and there were over 3000 in the survey, *'felt that having separate codes of conduct for firms and individuals was helpful and made it clearer what was expected of each'*. From SIFA Professional's view, endeavouring to assist quality financial planning firms build meaningful and mutually beneficial relationships, it was the introduction of the firm code of conduct, if taken seriously, that would be a game changer. Therefore, we are pleased to read that the majority understand the need for the separate codes and believe the new codes have clarified expectations.

The report also indicates that most individual solicitors felt positive about the overall effects of the changes and said they were working more flexibly and felt more trust was being put in their professional judgement. This may be down to the clarity of the 7 principles but disappointingly it does not expand on the interaction between the individual solicitor and their code, and the firm-wide systems which should have been implemented and the anticipation that this would also augment professionalism.

The firm code, under Business Systems 2.1 could not have been clearer that the COLP was expected to implement new processes and be given the backing to enforce them. To quote: *You have effective governance structures, arrangements, systems, and controls in place that ensure your managers and employees comply with the SRA's regulatory arrangements which apply to them.* When it comes to third-party referral the SRA therefore urged proper due diligence and a better understanding of external firms or individuals that your firm and crucially all individuals within it, might recommend to clients. How else can your firm, particularly the COLP be certain that all third-party referrals are in the *'best interests'* of the individual client?

Having worked closely with multiple financial planning firms and their solicitor partners, I can happily confirm, in line with the SRA's 2-year evaluation, that the majority are embracing the need to design and impose a system for third-party referral to carefully selected financial planning advisers, but it is by no means all. Sadly, I do still meet and hear of law firms happy to allow their individual solicitors and legal executives to select their own preferred financial advisers or firms, without setting out a structure for those external referrals.

I sincerely hope that this relaxed attitude, that undoubtedly ignores the clear request in the firm code of conduct, will soon be consigned to the unprofessional bin it deserves to be dropped in. To come full circle, in conclusion, having a process in place that gives individuals a structure and governance to work within, is not about mistrusting their professionalism, it is about enhancing their professionalism. If the SRA's 2-year evaluation suggests the majority accept the new codes, make it clearer what is expected, then it can only be the implementation of proper systems, not just for third-party referrals, that will ensure this. ■



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