



As the SRA focuses on firm's systems in 2022, how robust is your third-party referral process?

By Dave Seager, Consulting Adviser to SIFA Professional

It seems fairly evident that the regulator is set to flex its muscles in 2022 and they feel that 3 years is enough time for the firms it regulates to not only have grown used to the 2019 codes but have embedded systems to ensure compliance with them.

If the January updating and re-promotion of the SRA Enforcement Strategy, was not an obvious enough signal to the profession, then perhaps the public recruitment drive for field officers and compliance management will be.

With the pandemic induced shift to the online provision of legal services and advice, which the Ministry of Justice is only accelerating, the focus on solicitor firm's having systems for everything is more important than ever. The introduction of the Firm Code of Conduct recognised the need for more uniformity in 2019, but the rapidly changing world of service delivery and indeed, client expectation has made it imperative.

Compliance Officers will rightly be focused on money laundering systems with the heightened risks associated with online interaction, but the SRA will be interested in every aspect of a firm's client proposition and crucially that they are recognised, adopted and understood by all staff. The days of individual lawyers ploughing a sole furrow within a practice must be in the past. As the SRA outlines in the enforcement strategy document – *"We do, however, require all those we regulate to be familiar with the standards, explanatory guidance and law governing their work and to be able to explain and justify their actions."*

The regulator is saying that they will not impose rules that dictate how a firm of individuals should interpret or comply with their rules. It is only right to encourage each firm to apply the 7 Principles and systems that ensure they run through everything a firm and its staff do for and with clients. However, what they will insist upon is that each individual understands why the firm has decided to do things the way they have and be able to explain that to the regulator if asked.

When it comes to the interaction between legal and financial advice therefore, it is absolutely essential that there is a recognised firm-wide approach to referral. Every lawyer who might need to recommend a client for complementary financial advice, knows not only which

financial advisory firm is appropriate for the type of planning needed but also why that is so.

It is ultimately incumbent on the Compliance Officer for Legal Practice therefore to have determined important criteria, conducted thorough due diligence on the financial advisory partners under consideration and then selected which are deemed to be in the clients' best interests for referral. Moreover, having decided which firms are the correct partners, with the best qualifications, experience and advice processes, the COLP needs to ensure that all staff with the SRA regulated firm are comfortable with the reasons and can then confidently explain to their client why that referral is in their best interests.

Whilst this may seem like additional work in the short-term, undertaking thorough due diligence and choosing the right financial advisory partners, will undoubtedly benefit, not just your customers, but also your firm in the future. Professional financial planning for the individuals you introduce, will mean them embarking on a financial journey for life, based on their own needs, goals and aspirations. Financial planners are therefore in a highly privileged position which will entail regular contact and reviews of the plan. This in turn will allow them to recommend the need to return to your firm when new legal services are required, wills and LPAs being obvious examples.

In essence, getting the best process in place now for third-party referrals, will potentially turn a customer today into a long-term client for your firm in the future. ■

 **SIFA Professional**

Your search for the right financial planning partner starts here.

Visit sifa-directory.info/apr22 for more information.

Affiliate Partner

