Solicitors Regulation Authority

Discussion paper

Updated 18 November 2025

How can the high-volume consumer claims market work better for consumers?

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- **End** - 14 November 2025
- **Status** - Closed

Introduction

When it works well, the high-volume consumer claims sector can provide an effective route for consumers to enforce their rights. But we, and others, have become increasingly concerned about issues relating to both how the market operates generally, and the behaviours and practices of some firms in this area.

Change is needed to reduce the detrimental impact on consumers. We are investigating reports of misconduct and taking robust action against firms that are not meeting current standards. We are investigating the conduct of 76 firms in this sector. We have already stepped in and closed down five firms to protect clients and the wider public. We conducted and shared a thematic review of practice in this sector. And we have published a range of guidance and warning notices [https://indemnity.sra.org.uk/home/hot-topics/high-volume-consumer-claims/] , and will continue to do so to highlight firms' regulatory obligations. This includes a further warning notice on the area of 'no win, no fee' this autumn.

We are progressing our investigations as quickly as possible, but robust and diligent investigations of course take some time to conclude. And meanwhile, some firms might be causing further harm to consumers. So we have taken the exceptional step of writing to more than 500 firms working in this area, asking for detailed information about their caseloads and demanding declarations of compliance with their regulatory obligations. This should drive individual firms actively to review and improve their current approach where necessary. It will also provide evidence to support our consideration of how we can further strengthen our regulatory model in this area.

As well as the actions we are taking ourselves, we want to work with others to respond to the growing changes and challenges in this market and deliver meaningful improvement for consumers. This will drive trust and confidence in legal services and enhance client protection in this area of the market.

This paper sets out what we are doing, the broader concerns we have and issues we would like to explore with stakeholders. We want to build more comprehensive evidence around the options to support a claims environment that works better for consumers. We are therefore exploring five key challenges where we think the current regulatory regime could be strengthened.

The five challenges are:

1. Improving transparency and clarity for consumers about their claim
2. Managing risks around third-party litigation funding
3. Making sure after-the-event (ATE) insurance meets consumers' needs
4. Making sure our regulation keeps pace with a changing market
5. Delivering wider improvements across the system for consumers in high-volume claims processes

We discuss these key challenges in this paper, and we have posed a number of questions under each area. We welcome responses on any of the questions or concerns raised in this paper. You can do this by completing our survey [https://form.sra.org.uk/s3/Discussion-HVCC-2025] . For general comments you can also email us [https://indemnity.sra.org.uk/contactus] .

The deadline for submissions is **14 November 2025**. We are also running a programme of events [https://indemnity.sra.org.uk/news/events/] , including roundtables and a webinar.

Following feedback, we expect to then consult on more specific proposals to improve the consumer protections we oversee.

Open all [#]

Consumers and the high-volume claims market

High-volume consumer claims arise when large numbers of consumers file claims against the same organisation, or in relation to the same issue.

Such claims activity is currently concentrated in areas including housing disrepair, data breaches, flight delays, diesel car emissions, motor finance commission, and other financial services. Hundreds of thousands of members of the public use claims processes to gain access to justice where something has gone wrong. These claims can be resolved through different routes. Some may be pursued through specific complaints procedures, or litigation and the courts.

Some have statutory free-to-access compensation schemes or ombudsmen services which are intended to be easy for consumers to navigate on their own. Consumers can choose how they pursue claims,

and whether they use a legal service provider to advise them and pursue their claim. Different approaches will be right for different consumers depending on individual circumstances.

There are two distinguishing features of high-volume consumer claims that are central to our concerns:

1. The risks and harms we see in relation to these claims have the potential to affect a significant number of consumers because there are so many similar cases. The impacts are therefore magnified because of the large number of claims involved.
2. As the circumstances of these claims are similar for many consumers, the methods and approaches adopted by firms - and the third parties they work with - might lead to a default standardised approach in the treatment of these claims. This may not meet the specific needs of an individual client and their best interests.

Taking these two distinguishing features into account, we see a difference between the risks associated with a high-volume consumer claim and a claim that relates to a specific set of individual circumstances. For this reason we are not classifying a clinical negligence or personal injury claim as a high-volume claim.

Solicitors' representation of their clients, alongside the widespread use of conditional fee and damages-based agreements (often marketed as 'no win, no fee') can make an important contribution to access to justice. When legal services work well in this sector, they provide consumers with access to professional skills, knowledge and experience that enables them to pursue a claim. This may be particularly critical for those who might not feel they have the time, understanding, confidence, or funds to enable them to pursue a claim themselves.

Law firms can also be instrumental in identifying areas where consumers should be entitled to compensation or redress, helping to improve consumers' awareness of their rights and providing a route to enforce those rights. However, these claims should be pursued in line with regulatory obligations and high standards of professional behaviour, so that claims work to the benefit of consumers as well as the benefit of the law firm.

What we are doing

We are committed to protecting consumers and holding firms to account. Consumers' interests and the need to provide access to justice are at the heart of our work. This involves a wide range of activities, including:

Investigations and enforcement

We have already closed down five firms working in this area where it was necessary to protect clients and the wider public. We are investigating 76 firms that manage high-volume consumer claims. Between them these firms are handling hundreds of thousands of claims. We are progressing those investigations at pace and will take enforcement action where necessary to protect the public.

Thematic review

In August we published our thematic review of law firms operating in this market. We surveyed 129 law firms active in the high-volume claims market, who between them were handling more than 2.4 million live claims and conducted in-depth visits to 25 of these firms. We identified a range of good and poor practice in this analysis of law firms' operations. For example, only 11 of the 25 firms visited could evidence that they had shared the required client care information with all claimants when taking them on, and only 12 had records which proved they shared all the required information on costs and how claims would be funded. As a result of the review, we opened investigations into nine of the 25 firms we visited. More information is available in our high-volume consumer claims thematic review [https://indemnity.sra.org.uk/sra/research-publications/high-volume-consumer-claims-thematic-review/] .

Law firm declaration

We are requiring law firms operating in the high-volume claims sector to make a formal declaration to us that they are complying with our relevant rules and guidance in this market, and to provide information on how they are managing risks. We will review the responses we receive and will act to address non-compliance where necessary. We will also use the evidence from the responses to inform our change programme. More information is available on our website about the declaration process [https://indemnity.sra.org.uk/home/hot-topics/high-volume-consumer-claims/q-a-high-volume-claims-declaration/] .

Understanding consumers' experiences

We want to hear first-hand from individual consumers who have used solicitors' firms to make a high-volume claim, and we have commissioned research to help us improve our understanding of this experience.

Providing guidance and support

- We continue to provide guidance and support to help SRA-regulated law firms and solicitors understand how to comply with the relevant principles, standards and regulations in this area. This includes guidance on claims management activity [https://indemnity.sra.org.uk/solicitors/guidance/claims-management-activity/] , a

warning notice on prohibited marketing activity [https://indemnity.sra.org.uk/solicitors/guidance/marketing-public/], as well as checklists, best practice examples and case studies in the thematic review [https://publications.sra.org.uk/high-volume-consumer-claims-thematic-review/].

- We will also shortly be publishing a further warning notice to firms, highlighting their regulatory obligations in relation to 'no win no fee'. And we will issue further advice to firms on their use of litigation funding this year, as well as updating the advice we provide to law firms on their obligations to act in their clients' best interests when using ATE insurance.
- As well as our published resources, we also provide an ethics guidance service and helpline offering written and verbal guidance as required.
- We have also published advice for consumers on 'no win, no fee' arrangements [https://indemnity.sra.org.uk/consumers/choosing/no-win-no-fee/], and on motor finance commission claims [https://indemnity.sra.org.uk/consumers/choosing/motor-finance-compensation-claims/].

Working with others

Some of the issues we are seeing cut across multiple sectors and regulatory regimes, including claims management, finance and insurance. Effective policy solutions will require coordinated approaches and collective action. We are working closely with a wide range of organisations and government departments who share our concerns about how this market is working, such as the Ministry of Justice, the FCA, the Royal Institution of Chartered Surveyors, the Legal Services Board, and the Ministry of Housing, Communities and Local Government. With the FCA we recently published a warning to law firms and claims management companies [https://indemnity.sra.org.uk/news/news/press/car-finance-warning-july-2025/] around poor practice in motor finance commission claims.

Now we are calling for input as part of our work to explore where further policy and regulatory improvements can be adopted to tackle the risks we are seeing in this area. We are exploring a wide range of options, including changes to our rules and regulations relevant to high-volume consumer claims work. These would be subject to formal consultation in 2026. Changes to our regulatory model could require new legislation.

What more can be done?

Maintaining the status quo is not an option. The scale and range of issues we are seeing in high-volume consumer claims is prompting us to think widely about how and where improvements can be made. Our work has highlighted that the issues we are seeing are not confined to law firms. Pursuing high-volume consumer claims with a law firm can also

involve working with a range of other parties. These can include unregulated firms, claims management companies, insurers, litigation funders and expert witnesses. Our concerns about how consumers' interests are being protected extend across these activities, and some of the risks we are seeing lie beyond our regulatory powers.

We have been working with other regulators and with government departments who share our concerns. With this paper, we want to gather a broader range of views from across the sector and beyond to help build an even more complete view of the issues and the actions needed to deliver improvements for consumers. It is a complex landscape with powers and responsibilities spread across different parties and we want to talk with anyone with an interest in exploring and developing solutions that will improve consumers' experience.

From the work we have done to date, we have identified five key challenges to focus on. These are described further below along with specific questions arising from each one.

Challenge 1 - Improving transparency and clarity for consumers about their claim

Solicitors and law firms should act in the best interests of their client when supporting a consumer to pursue their claim. Our work suggests this regulatory requirement is not always being met. Under our Codes of Conduct, clients should receive information tailored to their circumstances so they can understand their available options and how their claim will be handled. This is to make sure they are able to make informed decisions about whether to work with a solicitor or law firm. A common issue we are seeing around high-volume consumer claims, in both our thematic review and wider work, is a lack of transparency and clarity for consumers about key aspects and arrangements required to pursue their claim.

This includes:

Marketing and advertising

Consumers can become aware that they have a potential claim in a number of ways. Much activity in this market is being driven by marketing and advertising. At the earliest stage of a claims process, it is important consumers have access to clear information on which to base their decisions. Marketing can be valuable if it makes consumers aware they may have a claim, but materials must be accurate and must not mislead consumers. In practice we have found this is not always the case. We have issued guidance and warning notices to firms to highlight our expectations. We are now looking at what else could be done to manage the risks of consumers being misled by claims marketing.

Many consumer claims are funded through conditional fee agreements or damages-based agreements. These arrangements are often marketed to consumers as 'no win, no fee'.

However, we are concerned the 'no win, no fee' label doesn't give consumers an accurate view of what could be involved when pursuing a claim - in particular, the risks to the consumer and potential costs they might incur if a firm doesn't manage a claim appropriately or a claim is unsuccessful. We will shortly issue a new warning notice to firms around use of the term 'no win, no fee'. We have published a guide for consumers on areas to consider if they are thinking about signing up to a 'no win no fee' agreement. However, the question is whether more should be done in this area?

Signing up and onboarding

Our Standards and Regulations set out clear expectations about the information consumers should receive when they agree to work with a law firm. Yet our thematic review found instances where it might not have been clear to clients that they had entered into a contract with the firm. Some of these instances related to clients being onboarded by third parties, such as claims management companies (CMCs) and lead generators.

In some areas of high-volume claims, such as motor finance commission, companies are regularly using social media platforms to onboard new clients. While technology can be a useful aid to processing large volumes of claims, this efficiency must not be at the expense of individual informed consent to proceed with a claim.

We have also received reports that some consumers find themselves being unexpectedly represented by more than one firm for a single claim, which is clearly unacceptable. Given our clear expectations of solicitors and law firms around client information and informed decision-making, we want to make sure this is resolved if it has occurred, but most importantly we want to make sure it does not happen in the first place. We will issue advice to firms on this, and are working with the FCA to ensure our communications are joined up.

Costs, insurance policies and funding agreements

Our thematic review found that clear information about costs, other funding arrangements and insurance were not always provided, and client care information requirements were not consistently met. Consumers might not have a clear view from the outset of how their claim will be funded, and the implications this might have for them. ATE insurance policies are intended to protect clients against various financial risks, including the risk of having to pay the defendant's costs if a claim

is not successful. ATE also covers claimants' own costs if they lose, or if they win and the costs aren't recovered from the other side.

In our thematic review, we found many firms not giving clients all the information our rules require in relation to ATE insurance policies. This is unacceptable. And even where information is provided at the outset, clients are unlikely to always have the opportunity to read, understand and digest information about the insurance policy and raise queries before it is put in place.

There is also the risk they might not always be presented with the information in a way they can easily understand. This can make it difficult for consumers to make informed decisions about the options open to them and have a full understanding of the risks and consequences of pursuing a claim. This information is crucial for consumers when deciding whether to enter into a claim. We discuss our wider concerns around litigation funding agreements and ATE insurance policies below.

Meeting individual needs

Firms should not be taking a 'one-size-fits-all' approach. We are seeing some law firms use highly standardised and uniform approaches to onboarding consumers, particularly in motor finance claims. Given the large volume of cases involved, we are concerned that consumers' individual needs and circumstances are not being adequately met and that inflexible processes could worsen the detriment for some consumers who might be more vulnerable to the risks in this sector. In some claims areas, such as housing disrepair, consumers can be at greater risk of harm because their individual circumstances can increase their vulnerability.

Firms are required to make sure they take account of each client's attributes, needs and circumstances. Clients need to be able to make informed decisions about the services they need, how their matter will be handled and the options available to them. We are carrying out primary research with consumers who have used solicitors' firms to make claims. This will improve our overall understanding of the consumer experience of making a high-volume claim, complementing the work we are doing with firms. A key objective of the research is to identify if there are impacts on those who might be at greater risk of vulnerability.

Initial proposals for consideration

Through our Standards and Regulations, we have set out clear expectations for firms providing high-volume consumer claims services. We want each consumer to be well-informed about how a firm will help them pursue their individual claim, including details such as:

- the likelihood of success
- how much it will cost to pursue the claim
- how much they might receive if they win
- how much the firm or any third party will get from a successful or an unsuccessful claim
- the commitments a consumer is entering into with firms, insurers and funders
- how much they will need to pay if the claim is unsuccessful
- what potential liabilities they may face if the claim is unsuccessful and/or the firm does not fulfil its obligations; and
- the ATE insurance that is put in place to meet potential liabilities.

Our strong view is that more must be done to protect consumers in this area of legal practice and that tighter safeguards must be established regarding marketing, advertising and on-boarding. Making sure consumers are adequately informed could include use of standardised wording, accessible checklists, or templates during the onboarding process.

Changes could be delivered through further guidance and advice, or by introducing new regulatory requirements, and we will be trialling and testing various options. We are alert to the potential risks of a 'tick box' approach that doesn't encourage a firm to consider a client's individual needs and circumstances, and are also interested in non-regulatory approaches that would tackle the harms we are seeing.

Questions

1. How can we enhance our regulation of high-volume consumer claims, so consumers are clear about what they are signing up to (for example through developing standardised wording or checklists for firms to refer to during the onboarding process)?
2. What approaches do other sectors take to ensure consumers are appropriately informed about risks?
3. Are there any examples from other sectors that should be avoided?
4. The term 'no win, no fee', falsely implies that there is nothing to be lost in commencing such litigation, which is clearly not the case. What further should be done here to impress upon consumers the risks of litigating in these circumstances?
5. The term 'no win, no fee' is clearly aimed at giving confidence to clients to enter into such arrangements. Should we seek to restrict, prevent or caveat use of the term 'no win, no fee'? Should this marketing term be banned across the board?
6. Are firms doing enough to accommodate individual needs through high-volume claims processes? If not, what more could firms do to meet the needs of consumers with vulnerabilities through a high-volume consumer claim? Do we need to make regulatory changes to achieve this?

Challenge 2 - Managing risks around third-party litigation funding

Where clients are unable or unwilling to self-fund legal action, third-party litigation funding might be an option to manage the legal costs associated with pursuing a claim. The third-party funder, who is independent of the claimant and their law-firm, will provide funding to cover some or all the legal costs of pursuing a claim. These third-party litigation funding arrangements can be made directly between the funder and the claimant, or between the funder and the law firm. They can be on a non-recourse basis, where the funder receives an agreed return from any damages received by the client but nothing if the claim is unsuccessful; or on a recourse basis, where the funder has the right to recover their investment from the funded party, even if the case is unsuccessful.

The third-party litigation funding market has grown substantially in the last decade, extending to group action and consumer claims. Our thematic review found that 23 per cent of surveyed firms working on high-volume consumer claims used litigation funding, collectively totalling around £200m.

Using third-party litigation funding can provide benefits for consumers in relation to access to justice as it can help to support meritorious claims that otherwise could not proceed due to lack of private funds. However, benefits only emerge if appropriate standards are met and the right protections are in place.

We have concerns about how third-party litigation funding is being used in high-volume claims work and want to identify what further action we could take. At present, third-party litigation funding is not subject to compulsory regulation. In June 2025, the Civil Justice Council (CJC) published a report recommending that third-party litigation funding should be subject to a comprehensive statutory regime addressing the regulation of litigation funding agreements and the provision of funding. Under this recommendation, the Lord Chancellor would be responsible for this new regime, with portfolio funding arrangements being subject to separate regulation by the FCA.

The CJC called on legal services regulators to review and improve the regulation of the legal profession where litigation funding is concerned and to consider the need for greater co-operation with the FCA in relation to portfolio funding. Portfolio funding is discussed in more detail below. We welcome the CJC's report and its support for further action, including greater regulation, to tackle risks associated with its use in high-volume consumer claims. Without swift and decisive action to introduce compulsory regulation of third-party litigation funding, some of the fundamental risks driving adverse incentives in this market will remain unaddressed.

Agreements between firms and funders

Portfolio funding is a particular type of third-party litigation funding which typically involves an agreement between a law firm and a funder under which the funder provides funds to the law firm to allow it to manage a group of claims. In some instances, the funder supports the costs of the law firm associated with each claim on a non-recourse basis, with the funder receiving a return where a claim is successful. In other examples, funders are lending working capital to law firms on a recourse basis at an agreed rate of interest. Funding is then drawn down by the law firm based on the volume of client claims taken on. In this instance, repayment terms are independent from the outcome of each claim.

This sector attracts third-party investment on the expectation of success for high numbers of client claims. However, we are concerned that some approaches might lead to poor outcomes for consumers, for example:

- Our thematic review identified that some firms have taken on very high levels of borrowing relative to their annual turnover. We are concerned this could lead to financial instability because the high levels of debt built up could mean that if a particular type of claim fails (for example due to a court judgment setting a precedent in an area) the firm may be unable to service its debt and may become unviable.
- There may be an incentive for firms to take on as many claims as possible, even where it might not be in the best interest of an individual client to pursue a claim.
- We are also concerned that firms' interests in their relationship with a funder could adversely affect consumers' interests. For example, it may lead to inappropriate influence on decisions about whether or how a claim is progressed, which are not in each client's best interests.

Failure by law firms to comply with regulatory obligations and effectively monitor and manage the risks associated with the use of their funding arrangements could lead to increased financial instability leading to potentially hurried exits from the market. This can have severe consequences for the firms' clients, their claims and their access to justice. In this sector, with large volumes of clients, the effects of these risks become magnified.

Agreements between consumers and funders

We are also concerned about risks emerging from agreements arranged by a law firm between a consumer and a third-party funder. In the high-volume consumer claims sector, these funding agreements can be presented to a consumer as a means of support with costs associated with pursuing their claim. But the terms of the agreements can reduce the level of compensation a consumer might receive. If firms are not

informing consumers of the relevant terms in the funding agreement in a clear and understandable way, and at the right time, consumers are not able to make an informed decision on whether to proceed or not. In this context we are concerned about issues such as:

- The way repayments are calculated might not be made clear to consumers.
- The costs of borrowing might be very high.
- Agreements may require additional payments to the funder, which might not be clear to the consumer.
- Loans may be assigned to other lenders without the consumer's consent.
- Law firms may not be providing sufficiently high-quality advice to consumers as to whether taking out such funding is in their best interests.

We are exploring how best to address these issues, while also recognising the need to work with others in this area.

Initial proposals for consideration

The breadth and detail of the CJC's recommendations speaks to the need for cross-sector collaboration and cooperation, as well as swift and decisive action to regulate litigation funding. But given that any potential statutory solution will take some time to devise and implement, we are also exploring other short- and medium-term actions that could be adopted to deliver better protection for consumers when third-party litigation funding is used.

We are considering our own approach to the risks that third-party funding can pose to consumers pursuing claims, and to firms' financial stability. We will issue further advice to firms on their use of litigation funding this year.

We will use the data collected through our current declaration exercise to identify and act swiftly on concerns about financial stability. We will also use this data to inform risk profiling in the high-volume claims area so that we can target our resources to enhance our future oversight of firms.

We are reviewing the harms that can flow from firms' financial instability more broadly, and will make changes to our regulatory arrangements as appropriate. This might include updating firms' obligations to supply us with relevant information on their financial health. We will use the results of the declaration exercise in the high-volume claims area to inform any ongoing routine information we may subsequently require firms to provide, including about third-party funders and other partners when they are working in this sector.

Where appropriate, we will also work with other regulators, to make sure that relevant information is shared and the most appropriate powers are used to tackle poor behaviour.

Questions

Third-party litigation funding has a role to play in supporting access to justice by helping meritorious claims to progress. But we are concerned that the incentives of funders may not always be aligned with the best interests of firms or consumers, leading to harmful consequences. The scope of this issue is such that multiple organisations and regulators have a part to play.

7. What information do claimants need to have about funding agreements?
8. What options are there to make sure this information is provided at the right time, and in a way claimants can easily understand?
9. What steps could we take (such as routinely collecting information) to make sure firms regulated by us manage the risks around third-party litigation funding so that consumers are adequately protected?
10. What information and data do others collect to monitor firms' financial stability?
11. What tools do others have to respond, or what tools would be useful to have to act on such information?

Challenge 3 – Making sure after-the-event insurance meets consumers' needs

ATE insurance is intended to provide vital protection to consumers who could not otherwise risk the cost of an unsuccessful claim. We have rules in place to regulate how law firms work with ATE insurance. As our enforcement work with SSB Law Ltd demonstrates, there is undeniably scope to improve the protection ATE insurance offers to consumers in practice.

Our recent thematic review found significant differences in the level of detail and frequency of information firms were required to provide to ATE insurers. Improvements should lead to greater consistency in how these products are used by firms, leading to improvements for consumers.

ATE spans different stakeholders and regulatory regimes. This means addressing all the concerns we have will require broader action. In its review of litigation funding, the CJC recommended ATE insurance policies should include 'robust anti-avoidance' clauses. These clauses help to reduce the risk of a dispute about the cover provided by a policy in the event of an unsuccessful claim. Our thematic work found such clauses were commonly insisted upon by defendants in group litigation order claims. Adopting this measure could help make sure the policy covers

the costs that arise when a claim is unsuccessful and reduce the risk that a consumer would be left to cover the costs.

Initial proposals for consideration

We want to improve the protection ATE insurance provides for the end consumer. We are reviewing our guidance and will update the advice we provide to law firms on their obligations to act in their clients' best interests when using ATE insurance by the end of the year.

We will also seek wider solutions to problems in the use of ATE insurance to deliver more robust and consistent protection for consumers. This could include, for example, specifying requirements for such insurance. We currently have statutory powers to make rules in relation to professional indemnity cover, and there may be learning from this area that could inform thinking on requirements for ATE insurance.

Questions

ATE insurance is a widely used product that benefits consumers when making a claim. But it only works when firms fulfil their obligations under the policy.

12. What more could be done to improve the protection that ATE insurance offers consumers when they are pursuing claims
    - by us?
    - by others?

Challenge 4 – Making sure our regulation keeps pace with a changing market

We are seriously concerned that consumers are not well served by this market. As such we are looking at reforms to our regulatory approach to better manage the risks we are seeing. In addition to our ongoing investigations work, our declaration exercise will give a view of how well firms are complying with our standards and regulations in this area. Where we see poor practice, we will take robust action.

Looking beyond this, we are considering whether firms active in this area require more regulatory oversight. This could include enhanced authorisation and oversight of both the firm – and key personnel – to make sure good governance processes are in place and risks to consumers' interests are well managed. We are exploring a wide range of options here, across authorisation, standards and enforcement, and want to hear views from across the sector on how this might be achieved in a proportionate and targeted manner.

As part of this analysis, we are keen to understand how others, such as professional indemnity insurers, view the risks in this market, and we will

continue to engage with this sector to that end.

The experiences of people who complain to us about law firms in this area are clearly important to us, and enable us to identify issues. The large volumes of consumers engaged in these types of claims heightens the need for our processes for raising concerns about law firms to be accessible to consumers, but also to enable us to collate information and identify what groups of complaints might be telling us, to help us identify firms that are not fulfilling their obligations. This is something we are working to deliver.

This is something we are working to deliver. And as noted above, we have concerns that the financial arrangements of firms in this sector may lead to instability. This can lead to large-scale, hurried transfers of client matters as firms seek to repay debt or exit this sector of the market. We want to make sure that clients' interests are well protected by our regulatory arrangements when this happens in the high-volume claims sector.

While we have established processes for the transfer of client files between firms in the event a firm closes, the tools available to us were primarily designed for issues relating to handling client money and dishonesty. They were not designed to specifically meet the challenges that are emerging in this part of the claims sector, notably the immensely large volumes of client files and the interests that third parties, such as litigation funders, may hold on those files, and this is something we are actively considering.

Questions

13. Should we enhance our regulation of firms working in high-volume consumer claims? For instance should we have an enhanced authorisation process for all firms working in this area? Should we continue our programme of proactively checking compliance of firms already working in this area? Are there other things we could be doing? Or if you don't think we need to enhance our regulation in this area, why not?
14. What factors should we take into account to make sure consumers' interests in high-volume consumer claims are well protected if their files are transferred to another firm?

Challenge 5 – Delivering wider improvements across the system for consumers in high-volume claims processes

We are considering a range of ideas to improve how consumers' interests are protected in high-volume consumer claims processes. Not everything is within our remit, and we also see an opportunity to learn from good practice in different frameworks used to handle claims.

Consumers can pursue claims across a broad range of areas, through a variety of redress schemes, ombudsmen and regulatory frameworks, as well as the courts.

As well as law firms, consumers might seek help from other regulated legal service providers who operate in this market, claims management companies regulated by the FCA, and other unregulated providers. Different regulatory frameworks have been established to protect consumers' interests in high-volume claims, depending on the subject of the claim and the actions needed to pursue it. This has led to a fragmented landscape, and one where it is important that different organisations work together to improve the end consumer experience. For example, we have been working closely with the FCA in motor finance commission claims.

We are putting a huge amount of focus on this area of the market. We are taking action against firms and individuals where we identify issues, but we will also make changes to how we regulate where it benefits the public, while engaging closely with other stakeholders to achieve the best outcomes for consumers. To significantly improve how this area of the market works for consumers over the longer term, others also need to play their part. In this context, we particularly agree with the CJC recommendation, referred to above, that litigation funding should be regulated. We would like to see this taken forward in a robust way and will of course contribute to how that is achieved.

The issues we are seeing in our regulatory work are predominantly arising in large volumes of individual consumer claims. Other claims routes, such as group litigation orders, group actions, and claims to the Competition Appeals Tribunal are prompting fewer concerns to us but we note the government is currently reviewing whether the opt-out collective actions regime continues to meet its core objectives. We are exploring whether there are approaches that are working well in different but similar areas, and if there is good practice that can be shared and adopted more widely. We want to hear views on this.

Finally, we are also considering how we can share intelligence between legal and other regulators, and work within the framework of wider consumer legislation and the tools available to concurrent enforcers such as the Competition and Markets Authority and others. This could help us manage the wider risks in this area of the market.

Question

15. We believe there is scope for consumer interests to be better protected by the wider system. Thinking about good practices seen in similar areas such as Group Litigation Orders, is there more could we do in this area? What more could others do?

Next steps

This call for input is part of a wider programme of work to identify and address problems for consumers in this market. We continue to learn from the investigations and reviews we are carrying out, as well as from discussions with others in the sector. We are already talking to the Ministry of Justice, the FCA, the Royal Institution of Chartered Surveyors, and the Ministry of Housing, Communities and Local Government. Further insights will be gained through consumer research.

The findings across all these strands of work will help us better understand consumers' perspectives on pursuing a claim and accessing justice. This will help to shape and prioritise our next steps.

Insights from the discussion paper and other proactive work will inform future policy development. We then expect to consult next year on more specific proposals.