

# Authorisation Annual Report 2022/23

20 December 2024

## About our authorisation work

Authorisation is the key point at which we make sure individuals and businesses entering the profession meet the high standards we and the public expect.

Our priority is making sure we provide appropriate protection to the public. Our authorisation processes provide reassurance that authorised solicitors meet our requirements. We do this by carrying out background checks, including checking there are no character and suitability issues, and by making sure applicants have the right skills and qualifications.

We also make sure that new businesses entering the regulated legal market meet our requirements. For instance: they have the appropriate people in place in specific roles to oversee compliance with our rules, they are set up in an appropriate way, and that they can obtain the necessary level of indemnity insurance. This helps protect their clients.

We aim to make sure this process works as efficiently as possible, helping to support a dynamic, competitive legal market that works in the interest of consumers.

## About this report

This report provides data from our work in this area, highlighting key trends over three, six and seven-year periods, depending on the context of the data. It includes new data for the period November 2022 to October 2023\*. It is part of a [suite of reports which cover our work for the 2022/23 year](https://indemnity.sra.org.uk/sra/research-publications/corporate-reports-2022-23/) [<https://indemnity.sra.org.uk/sra/research-publications/corporate-reports-2022-23/>].

The areas it covers are:

- who we authorise and regulate
- profile of law firms and solicitors we regulate
- supporting innovation in the sector
- regulation in Wales.

This report does not provide detail of our operational performance in this area – that is provided separately through [regular updates to our Board through our balanced scorecard](https://indemnity.sra.org.uk/sra/how-we-work/our-board/public-meetings/archive/) [<https://indemnity.sra.org.uk/sra/how-we-work/our-board/public-meetings/archive/>].

\*Please note, our business year is 1 November to 31 October. Unless otherwise stated, the figures relate to 31 October 2023 – the end of the reporting year.

[A definition of each term can be found in the glossary. \[#heading\\_8e59\]](#).

## Summary of key findings

- The trend of continued growth in the solicitors' profession continues. There are more than 166,000 practising solicitors – an increase of around 16 per cent between 2016/17 and 2022/23.



- Conversely, the number of law firms continues to decrease. There has been a more than 10 per cent drop in numbers from 2016/17 to 2022/23.
- We are seeing more firms adopt an alternate business structure (ABS). An ABS allows non-lawyers to own and manage law firms. The proportion of ABSs has risen from seven per cent in 2016/17 to 13 per cent in 2022/23.
- As a result of us moving to a new approach in 2019, which gives solicitors and firms more flexibility while focussing on high professional standards, there has been less need to issue waivers to firms. Applications for waivers have, therefore, reduced over time.
- Four per cent of the firms we regulate are in Wales – and this proportion has remained stable over the last six years. However, the combined turnover of these firms has increased year-on-year, rising from £397m in 2016/2017 to £493m in 2022/ 2023.

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## **Who we authorise and regulate**

- Solicitors who practise English and Welsh law in England and Wales.
- Solicitors who practise English and Welsh law overseas.
- Individuals who are on the roll of solicitors. This is a record of individuals who have been admitted to the profession. Not all solicitors on the roll will actively be practising the law, for example, because they are retired.
- Most law firms and some other types of businesses in England and Wales offering legal services.
- Registered foreign lawyers (RFLs) and [some Swiss registered European lawyers](https://indemnity.sra.org.uk/solicitors/guidance/registered-european-lawyers/) (RELs).

## **Profile of law firms**

The overall number of law firms in England and Wales has steadily decreased since 2016, dropping from 10,420 in 2016 to 9,328 in 2023 – a 10% decrease. We saw this decrease accelerate in 2020, potentially due to fewer new firms being established during the Covid-19 pandemic and the weaker economic outlook in the UK discouraging people from setting up a new business. There is also some consolidation of law firms taking place in the market.

The number of law firms choosing to apply for an alternative business structure (ABS) licence (available to those with non-lawyer ownership or control) continues to increase. The percentage of firms with an ABS licence has increased from 7% in 2016/17 to 13% in 2022/23. This business model can be attractive as it allows people to bring in non-lawyer expertise and funding to help develop their businesses.

The declining number of law firms overall is in contrast to the number of practising solicitors, which continues to grow year-on-year ([see profile of solicitor population \[# Profile of solicitor\]](#)).

	<b>Total number of law firms</b>	<b>Firms with an ABS licence*</b>	<b>Per cent with ABS licence</b>
<b>2016/17</b>	10,420	681	7%
<b>2017/18</b>	10,407	791	8%
<b>2018/19</b>	10,341	877	8%

<b>2019/20</b>	10,107	945	9%
<b>2020/21</b>	9,860	1,040	11%
<b>2021/22</b>	9,636	1,141	12%
<b>2022/23</b>	9,328	1,202	13%

\*Subset of total number

## Breakdown of law firm types with ABS subset

Incorporated companies are becoming a more popular business model for law firms, with their numbers increasing in recent years. This is in contrast to all other types of law firm, where we have seen numbers decreasing.

The percentage of law firms with an ABS licence has increased across all types of firms from 2016/17 to 2022/23. However, please note that the numbers of 'Partnership with ABS licence (subset)' and 'Other with ABS licence subset' are small, so a change in the percentage, caused by a small change in the number, should be treated with caution.

Please note that, because of the nature of their business, sole practitioners are not able to adopt ABS licences. A lawyer and a non-lawyer must be involved in the running of an ABS.

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Inc company</b>	4,537	4,778	4,952	5,015	5,093	5,161	5,153
<b>Inc company with ABS licence (subset)</b>	477 (11%)	559 (12%)	629 (13%)	687 (14%)	773 (15%)	850 (16%)	905 (18%)
<b>Sole practitioner</b>	2,489	2,367	2,217	2,060	1,878	1,716	1,577
<b>Partnership</b>	1,799	1,673	1,584	1,470	1,352	1,226	1,105
<b>Partnership with ABS licence (subset)</b>	30 (2%)	41 (2%)	46 (3%)	47 (3%)	46 (3%)	50 (4%)	50 (5%)
<b>LLP</b>	1,557	1,542	1,549	1,526	1,503	1,498	1,461
<b>LLP with ABS licence (subset)</b>	172 (11%)	189 (12%)	199 (13%)	208 (14%)	218 (15%)	238 (16%)	244 (17%)
<b>Other</b>	38	37	39	36	34	34	32
<b>Other with ABS licence (subset)</b>	244 (17%)	2 (5%)	3 (8%)	3 (8%)	3 (9%)	3 (9%)	3 (9%)

## Authorising firms and individuals to offer legal services

When a firm wishes to be regulated by us, or when a firm we already regulate wishes to change its legal entity, it must make an application to us. Similarly, authorised firms must apply for our prior approval of individuals to hold certain roles within the firm. We then assess the individual's eligibility and that they are of good character and suitable to hold the role. These roles include:



- compliance officer for legal practice
- compliance officer for financial administration
- managers and owners
- beneficial owners, officers and managers (for the purposes of money laundering regulations).

We carry out various checks as part of this application process. For firms, these include making sure the firm has appropriate professional indemnity insurance, details of the firm's ownership and management structure and any associated risks with the work it carries out. For individuals, our checks can include criminal record checks, credit reports and regulatory history checks. If a candidate is regulated by another regulator, we also require confirmation from that regulator as to whether the individual is in good standing.

This is the first year we have reported on this data, and we will continue to do so annually. We have presented this year's data alongside the 2020/21 and 2021/22 reporting years for context. These are the years for which we have comparable data.

## Firm applications

Submitting an application to set up a firm is a rigorous process. We work with those seeking to set up a firm as we assess their applications to make sure they meet our requirements. Sometimes, when applicants realise they cannot meet these requirements, or they decide it is not an appropriate time for them to set up a business, they withdraw from the process. We also refuse applications. We do this where:

- we are not satisfied as to the suitability of its management or owners to run and manage a business providing legal services
- we are not satisfied that the firm will comply with our requirements and regulations, or
- it would be against the public interest or incompatible with our regulations to grant the application.

We detail the numbers withdrawn and refused below.

	<b>2020/21</b>	<b>Numbers granted 2020/21</b>	<b>Numbers withdrawn 2020/21</b>	<b>Numbers refused 2020/21</b>
<b>Application to authorise new firm</b>	384		36	2
<b>Application to change legal entity of existing firm</b>	87		4	0
	<b>2021/22</b>	<b>Numbers granted 2021/22</b>	<b>Numbers withdrawn 2021/22</b>	<b>Numbers refused 2021/22</b>
<b>Application to authorise new firm</b>	407		31	1
<b>Application to change legal entity of existing firm</b>	107		3	1



	<b>2022/23</b>	<b>Numbers granted 2022/23</b>	<b>Numbers withdrawn 2022/23</b>	<b>Numbers refused 2022/23</b>
<b>Application to authorise new firm</b>	321		37	2
<b>Application to change legal entity of existing firm</b>	80		2	0

## Role-holder applications

The number of applications granted per year reflects the high volumes of activity in this area. We have counted each application for each type of role-holder position in the table below. For example, if an individual has applied to be a compliance officer for legal practice and manager, we have counted both applications.

Withdrawals can be made for a range of reasons. These include if, during the application process, the individual realises they will not be able to meet our requirements, a firm decides it wants to put forward a different individual for the role-holder position in place of the original nomination, or for administrative reasons.

We will refuse an application for approval of a role-holder where we are not satisfied about the suitability of the individual to hold the relevant role, taking into account the nature of the role and the individual circumstances.

We detail the numbers withdrawn and refused below.

<b>2020/21</b>	<b>Numbers granted 2020/21</b>	<b>Numbers withdrawn 2020/21</b>	<b>Numbers refused 2020/21</b>
<b>Application to authorise new or change of role-holder position</b>	2,419	100	7
<b>2021/22</b>	<b>Numbers granted 2021/22</b>	<b>Numbers withdrawn 2021/22</b>	<b>Numbers refused 2021/22</b>
<b>Application to authorise new or change of role-holder position</b>	2,342	102	5
<b>2022/23</b>	<b>Numbers granted 2022/23</b>	<b>Numbers withdrawn 2022/23</b>	<b>Numbers refused 2022/23</b>
<b>Application to authorise new or change of role-holder position</b>	2,268	73	5

## [Profile of solicitor population](#)

The number of practising solicitors has continued to grow in recent years and hit another all-time high in October 2023. This correlates to the number of new admissions to the roll each year, which also continues to grow year-on-year.

Each year, we refuse a handful of applicants. The reasons are, generally, that the applicant has failed to disclose an important piece of information relating to their character or suitability, or they have failed to meet our requirements. The number of and reasons for refusal can be found below, along with the numbers of admissions.

The roll of solicitors is a record of solicitors that we have admitted to practise English and Welsh law. Not all solicitors on the roll will actively be practising the law. For example, of those who are not practising but still on the roll, most are retired, but some may have taken a leave of absence from the profession – such as a career break or parental leave.

In April 2023, we reintroduced a keeping of the roll exercise. This means that if a solicitor wants to stay on the roll of solicitors, they need to make an annual application and pay a small administration fee. This annual exercise makes sure the data we hold is up to date.

Because of this change, we saw a significant drop in the number of solicitors on the roll and this is reflected in the table below.

Please note, these figures relate to solicitors only and do not include RELs or RFLs. The number of solicitors on the roll includes those holding practising certificates.

#### **Practising certificate holders On the roll of solicitors**

<b>2016/17</b>	143,072	185,240
<b>2017/18</b>	146,625	192,121
<b>2018/19</b>	150,349	199,181
<b>2019/20</b>	153,082	205,688
<b>2020/21</b>	156,928	212,601
<b>2021/22</b>	160,676	219,424
<b>2022/23</b>	166,256	201,690

### **Character and suitability**

We assess whether candidates for admission as a solicitor are fit to enter the profession by checking they meet our [character and suitability requirements](https://indemnity.sra.org.uk/solicitors/standards-regulations/assessment-character-suitability-rules/).  
<https://indemnity.sra.org.uk/solicitors/standards-regulations/assessment-character-suitability-rules/>

The questions we ask include whether the applicant has been convicted of any criminal offence, whether they have been subject to any enforcement action by another regulator and whether they have ever been declared bankrupt. We also carry out our own checks. In making our decisions, we consider all the information applicants give to us and, where there are potential concerns as to their suitability, any evidence to show they have taken steps to reform their character.

### **Individuals refused entry to the profession**

Each year, we refuse a handful of applicants. The reasons are, generally, that the applicant has failed to disclose an important piece of information relating to their character or suitability, or they have failed to meet our requirements. The refusals we make each year are limited in number as some people withdraw their applications when they cannot meet our requirements. We do not report on the withdrawal numbers as we do not have this data to report.



	<b>Individuals admitted</b>	<b>Individuals refused</b>
<b>2016/17</b>	6,607	5
<b>2017/18</b>	6,786	4
<b>2018/19</b>	7,003	3
<b>2019/20</b>	6,723	3
<b>2020/21</b>	7,171	8
<b>2021/22</b>	7,298	2
<b>2022/23</b>	8,819	0

Please note that, due to data error, we previously reported the number of refusals in 2020/21 as seven. The figure shown in the table is correct.

## **SRA Innovate**

We want to see firms innovate and work in new ways for their customers. This is because this has the potential to improve legal services for the public and make these services more affordable or easier for people to access.

We are committed to supporting new ideas where there are potential benefits for the public and consumers are appropriately protected.

Our approach to innovation is to allow firms, solicitors and new entrants to the market to explore different ways of running their business and to introduce original ideas, while making sure the public is appropriately protected. Areas of focus and innovation projects we are currently running include:

- Our third, innovation-led project with funding secured from the Regulators' Pioneer Fund. Our grant of just under £120,000 is funding a project which seeks to promote online dispute resolution (ODR) methods as an alternative to litigation. It aims to do this by advancing technological solutions, raising awareness, and encouraging the uptake of ODR for individuals, consumers and micro/small businesses who have unmet legal needs.
- Our involvement with the [LawTechUK programme](https://technation.io/) [https://technation.io/] by supporting its Regulatory Response Unit (RRU). It aims to fast-track transformative ideas, products and services that address the legal needs of businesses and society, providing access to tools, services and people, to help accelerate the development of lawtech solutions. We help innovators through the RRU by responding to queries and helping them to understand legal regulation.
- Supporting innovators by offering regulatory advice, help in navigating lawtech and signposting to other regulators or organisations for support and information on investment. These innovators include law firms, start-ups, and more established tech providers.
- Developing our approach to regulating the use of artificial intelligence (AI) in light of the rapid development of AI systems and the government's evolving approach. We are actively involved in a range of government-led programmes.

[More information on how we support firms can be found at SRA Innovate.](https://www.sra.org.uk/solicitors/resources/sra-innovate/)  
[https://www.sra.org.uk/solicitors/resources/sra-innovate/]

## **Waivers**

We grant waivers to some of our rules. We do this when it is the public interest to do so. For instance, when considering whether to grant a waiver we assess:

- if there would be still appropriate protections in place for the public
- if the granted waiver supports and allows firms and solicitors to offer legal services in new or different ways that could benefit the public.

We do not waive any of our rules that are required by statute or other legislation.

[Since the introduction of our new Standards and Regulations in 2019](https://indemnity.sra.org.uk/solicitors/standards-regulations/)

[<https://indemnity.sra.org.uk/solicitors/standards-regulations/>], our rules explicitly allow solicitors to work in firms we do not regulate and which are not regulated by any other legal services regulator, so long as they do not handle client money. Before this, a solicitor who wanted to work in this way would have needed a 'practice framework rules' waiver. The numbers in the table below reflect that these waivers have not been granted since 2018/19.

There are other areas where we have seen a reduction in waivers, likely because of the introduction of our Standards and Regulations, which are less prescriptive, empowering solicitors and firms to make decisions around how they provide and manage legal services, in line with core principles focused on high professional standards. We also revised our waivers guidance in 2018. Since then, we have no longer issued waivers if there is another reasonable way for the applicant to achieve their objective.

Our rules are there to protect the public, but we want to make sure they do not unnecessarily get in the way of firms and solicitors offering legal services in new and different ways. [A definition of each waiver can be found in the glossary.](#) [[#heading\\_8e59](#)]

<b>Type of waiver/year and number granted</b>	<b>Auth Rules</b>	<b>Practice Framework Rules</b>	<b>Access to solicitors through Innovation Space</b>	<b>Professional indemnity insurance (PII) requirements</b>	<b>To submit accountants' reports</b>	<b>Comp fund fee</b>
<b>2017/18</b>	19	38	3	6	6	2
<b>2018/19</b>	28	33	2	4	9	3
<b>2019/20</b>	76	n/a	2	7	5	2
<b>2020/21</b>	48	n/a	1	19	4	0
<b>2021/22</b>	35	n/a	0	3	5	3
<b>2022/23</b>	28	n/a	0	5	3	0

The number of waivers to our Authorisation Rules spiked in 2019/20. This is because many trainees could not take the in-person professional skills course (PSC) due to covid. The course was needed to qualify as a solicitor. We therefore waived the requirement for some individuals to have the PSC at the point of admission on condition that they completed it within 12 months.

We also saw the number of PII waivers spike in 2020/21. This was partly due to the pandemic, where some firms looking to launch themselves into the market did not because of the disruption caused. We also waived this requirement for a number of Scottish firms we regulate. A change in our rules meant that they could offer legal services in England and Wales as well as Scotland under dual regulation, but they would only need to pay the PII premium in Scotland, as this would be equivalent to what we would expect.



Please note that, due to an IT error, we previously misreported the number of Authorisation Rules, professional indemnity insurance requirements, and accountants' report submission waivers. The figures shown in the table above are correct.

## **Regulation in Wales**

Around 4,000 practising solicitors and 378 head offices are based in Wales (this is an estimated figure due to cross-border working). This is around 4% of all law firm head offices. Around one-quarter of Wales-based firms and 40% of Wales-based practising certificate holders are in Cardiff.

Wales-based law firms' turnover came to £493m in 2022/23, up almost £100m compared with 2016/17.

Since 2020, we have issued all our practising certificates in both Welsh and English. This is to make sure we treat both languages equally and that solicitors do not have to request a certificate in Welsh or answer a question on whether they speak Welsh. The table below shows past information for 2016 to 2019 for 'Practising certificate holders who indicate they speak Welsh', when we used to offer this service.

	<b>Practising certificate holders based in Wales</b>	<b>Head offices based in Wales</b>	<b>Percentage of law firms based in Wales</b>	<b>Practising certificate holders who indicate they speak Welsh</b>	<b>Practising certificates issued in Welsh</b>	<b>Turnover</b>
<b>2016/17</b>	3,770	440	4%	1,140	790	£397m
<b>2017/18</b>	3,885	443	4%	1,172	793	£410m
<b>2018/19</b>	3,927	431	4%	1,205	783	£428m
<b>2019/20</b>	4,003	420	4%	1,182	776	£435m
<b>2020/21</b>	4,033	400	4%	No longer collected	All PCs now issued in both languages	£442m
<b>2021/22</b>	4,015	397	4%	No longer collected	All PCs now issued in both languages	£480m
<b>2022/23</b>	3,973	378	4%	No longer collected	All PCs now issued in both languages	£493m

## **Further information**

[Regulated population statistics \[https://indemnity.sra.org.uk/sra/research-publications/regulated-community-statistics/\]](https://indemnity.sra.org.uk/sra/research-publications/regulated-community-statistics/)

[How diverse is the legal profession? \[https://indemnity.sra.org.uk/sra/equality-diversity/diversity-profession/diverse-legal-profession/\]](https://indemnity.sra.org.uk/sra/equality-diversity/diversity-profession/diverse-legal-profession/)

## **Glossary**

### **Authorisation**

#### Alternative business structure (ABS)

A structure that allows non-lawyers to own or invest in law firms.

#### Authorisation

Where we consider applications from individuals and firms who want to enter the regulated legal services market.

#### Incorporated company

An incorporated company can be formed by one or more people or entities (eg another company). Incorporated companies have their own legal identity, separating them legally from their directors and owners.

Incorporated companies are flexible in their management structure and ownership. For example, directors can be changed and, where a company has them, shares can be transferred. They have very prescriptive governance rules.

The owners' financial liability is also limited, unless they choose to have an unlimited company. UK companies must be registered with Companies House.

#### Limited liability partnership (LLP)

LLPs can be formed by two or more people or entities (eg another company), who will be members. Like incorporated companies, they have their own legal identity, and so are legally separate from their members. As long as an LLP has two members, those members have limited liability – for example, they have personal financial protections if the business becomes insolvent.

Law firms can choose to adopt an LLP structure as it allows for the limited liability of its members without having to make so much information public (such as shareholder information). UK LLPs must be registered with Companies House.

#### Multi-disciplinary practice

A business structure that offers customers legal and other professional services, such as accountancy or surveying.

#### Partnership

Partnerships can be formed by two or more people or entities (eg another company), who will be partners. Partnerships in England and Wales allow for administrative simplicity as they do not have to register with Companies House and they do not have to publish their business accounts.

In England and Wales, a partnership has no legal identity. This means it is not separate from its partners, and the partners have full liability for the partnership. This means, for example that if the partnership is insolvent, the debts of the partnership can be pursued against the partners themselves.

#### Practising certificate

A licence we issue each year to solicitors, RELs and RFLs. It must be renewed annually if the individual wishes to continue practising.



## Registered European lawyer (REL)

European lawyers who have registered with us to practise the law of their home jurisdiction in England and Wales and advise on English and Welsh law (with some limitations). Following the UK's exit from the EU, [only Swiss lawyers can be RELs](https://indemnity.sra.org.uk/solicitors/guidance/registered-european-lawyers/) [https://indemnity.sra.org.uk/solicitors/guidance/registered-european-lawyers/].

## Registered foreign lawyer (RFL)

A foreign legally qualified person who is registered with us but not regulated by us. They can become a manager or owner of a law firm we regulate, practise the law of their home jurisdiction, advise on English and Welsh law and provide unreserved legal services. We hold and publish a register which includes the names of all RFLs. See further our [guidance on registered foreign lawyers](https://indemnity.sra.org.uk/solicitors/guidance/registered-foreign-lawyers/) [https://indemnity.sra.org.uk/solicitors/guidance/registered-foreign-lawyers/]

## Roll of solicitors

This is a record of solicitors that we have admitted to practise English and Welsh law. Not all solicitors on the roll will actively be practising the law. RFLs and RELS are not counted on the roll of solicitors.

## Sole practitioner (recognised sole practice)

A solicitor who runs their own legal practice as a self-employed person. Where that business needs to be regulated by us, we refer to them as sole practitioners. Like a partnership, sole traders do not need to register their business with Companies House, and therefore do not need to publish their business's accounts. A sole trader business has no separate legal identity. It is not a separate person from the individual who operates it, and they have full liability for it.

A sole trader offers a lot of simplicity for small businesses, but it has its limitations. As well as the individual having full liability, all profits of the business are taxed as personal income.

## Types of waiver granted table

### Authorisation Rules

We may waive some of our Authorisation Rules if they are unnecessarily burdensome for a firm to follow.

### Compensation fund fee

We may agree that firms do not have to contribute to the compensation fund. We may do this where a firm has only held a very small amount of client money for a very short period, and there is no risk of their clients making a claim on the fund.

### Practice Framework Rules

We used to waive rules on how and where solicitors and other people we regulate could work. We did this if we were satisfied there was no risk to the public in doing so. For example, we allowed solicitors to work in firms we did not regulate and which were not regulated by another legal services regulator so long as they did not handle client money. These rules no longer exist. Under the new Standards and Regulations, brought in in 2019, this arrangement is now allowed.

### Professional indemnity insurance (PII) requirements

We can agree that firms do not have to get the minimum terms and conditions PII that they usually must do under our rules. We have done this in

instances where the firm has an alternative insurance policy that has equivalent or better terms than our own.

To submit accountants' reports

We can agree that firms do not need to send us an annual report of their accounts if they are shutting down. For example, we waive this rule if we can see there has been a very small number of client transactions handled over a period of time.