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The Lord Beecham  
House of Lords  
London  
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*Dear Jeremy*

30<sup>th</sup> October 2014

**CRIMINAL JUSTICE & COURTS BILL: PROHIBITING THE OFFER OF  
INDUCEMENTS IN PERSONAL INJURY CLAIMS**

During the Lords Report debate on the Criminal Justice & Courts Bill on 22 October, I undertook to write to you with further information on the way in which the proposed ban on the offer of inducements in personal injury claims will be regulated.

The legal services regulatory framework was established by the Legal Services Act 2007 which provides for the independent regulation of legal services providers by approved regulators. The Act also established the Legal Services Board as oversight regulator responsible for ensuring that all legal services regulators comply with the regulatory objectives set out in the 2007 Act, which include protecting and promoting the public interest and the interests of consumers.

Legal services providers are regulated by the independent regulatory arms of Approved Regulators, including the General Council of the Bar, the Chartered Institute of Legal Executives, and the Law Society. The Law Society is also the Licensing Authority currently responsible, through its independent regulatory arm, for licensing any alternative business structures that undertake legal services in this area. The inducement ban is regulated through these bodies.

Implementation of the ban will fall to the relevant legal services regulators through their regulatory regimes. As the regulators are independent from the Government, the way in which the ban is implemented and policed is essentially a matter for them. However, the Ministry of Justice is engaging with them on this to ensure effectiveness and consistency, and the resulting arrangements will be subject to the compliance and audit requirements which apply to their regulatory function more generally.

The recent debate was focused on an amendment to prevent legal services providers from avoiding the ban by routing inducements via third parties. As I explained in moving that amendment, it is now increasingly common for legal services providers to operate as part of larger groups of companies, or to have subsidiary or linked companies offering services alongside them, which are not always regulated. It would

therefore be relatively easy for a provider to route an inducement through an unregulated company. The amendment introduced at Lords Report prevents this, whilst not in any way attempting to regulate relevant third parties.

I am copying this letter to Lord Hunt of Wirral who also spoke during this debate and I am placing a copy in the House Library.

*As ever*

*Yours*

*Edward*

**EDWARD FAULKS**