UK Finance

High Volume Consumer Claims

UK Finance response to the Solicitors Regulation Authority Discussion Paper.

November | 2025

Introduction

14 November 2025

Sent via email to: jointhediscussion@sra.org.uk

UK Finance is the collective voice for the banking and finance industry. Representing around 300 firms across the industry, members act to enhance competitiveness, support customers and facilitate innovation.

Members welcome the opportunity to respond to this consultation and given the subject matter, have consulted widely across our membership to attain views from a broad range of firms, with different business models and customer bases.

Our high-level views and responses to the consultation questions are set out below and members would be happy to discuss this submission in more detail if that would be useful. Please contact Daniel.ryall@ukfinance.org.uk in the first instance to discuss further.

Background

UK Finance has previously raised concerns with the Solicitors Regulation Authority (SRA) regarding the conduct of SRA-regulated law firms and alternative business structures involved in high-volume complaints and claims against financial institutions. These concerns remain highly relevant today.

Members have consistently reported systemic issues among firms pursuing financial mis-selling and similar consumer claims, including:

- **Failure to investigate validity:** Firms often submit complaints without assessing whether a valid claim exists (or in many cases, a valid product), relying on templated letters and automated processes.
- **Lack of client awareness or instruction**: There are concerns that some complaints may be submitted without the consumer's full knowledge or explicit instruction, raising questions about the authority to act in certain cases.
- **Deficient letters of authority:** Widespread issues have been observed, including missing or mismatched personal details, unverifiable signatures, and in some cases, no letter at all.
- **Escalation to FOS without merit:** Some complaints appear to be referred to the Financial Ombudsman Service without firms fully engaging with the points

raised in the final response letter. This can contribute to avoidable case volumes and delays.

- **Misleading practices:** Some firms appear to operate more like claims management companies, prioritising volume over quality and consumer outcomes.

UK Finance has asked the SRA to take stronger action and improve how it engages with the industry to identify and address poor practices more quickly. These issues are central to this discussion paper and highlight the need for tougher rules, better onboarding standards, and more accountability.

Data Subject Access Requests (DSARs)

While Data Subject Access Requests (DSARs) are a legitimate mechanism for individuals to access their personal data, concerns have been raised about how they are being used by some SRA-regulated firms. In particular, some members report large volumes of bulk DSARs submitted with a range of deficiencies. Issues include lacking clear customer verification or informed consent, incomplete or inaccurate customer data, and a growing number of DSARs submitted on behalf of individuals who are not customers of the receiving firm.

Some examples of practices reported by members include:

- One member reported that, between May and October 2025, two SRA-regulated firms submitted 1,394 DSARs on behalf of individuals who were not customers, 1,466 requests that appeared speculative or resembled fishing exercises, and 32% of requests contained incomplete or inaccurate customer data.
- One member reported that between January and October 2025, they received a total of 24,813 DSARs from solicitor firms, excluding motor commission complaints. Of these:
    - Law firm 1 submitted 8,111 DSARs, of which 51% were rejected either due to a mismatch in the customer date of birth or address, or for which the individual had no relationship with the UK Finance member.
    - Law firm 2 submitted 3,670 DSARs, 100% of which were rejected due to being incomplete (lack of audit trail for digital signature).
    - Law firm 3 submitted 2,955 DSARs, 98% of which were rejected either due to a mismatch in the customer date of birth or address, or for which the individual had no relationship with the UK Finance member.
    - Law firm 4 submitted 2,595 DSARs, 32% of which were rejected due to a mismatch either in the customer date of birth or in the address.

- Law firm 5 submitted 951 DSARs, 87% of which were rejected due to being incomplete (letter of authority, lacking a cover letter).
- This member also highlighted that in the space of motor commissions, one law firm had submitted 46,534 DSARs, of which 53% were rejected due to data mismatch. Some mismatches relate to genuine customers, for whom some other data points did not match, while the large majority seemed to be 'fishing' (where the law firm submits a DSAR to see whether it might match with a customer).

These patterns indicate inadequate due diligence on the part of some SRA-regulated firms, and possibly 'fishing' for potential claims.

These requests obtain large volumes of customer data, much of which is not necessary for the purposes of pursuing a complaint. This creates data protection risks for customers.

This practice also places significant operational and data protection burdens on financial institutions and divert resources away from genuine customer queries and complaints.

To address these concerns, we recommend the SRA introduce clearer expectations and practical guidance, developed with industry to help SRA-regulated firms use DSARs in a proportionate and well-structured way that supports good customer outcomes and avoids undue burdens for financial services firms. More specifically, we recommend the SRA consider the following actions, building on existing guidance:

- Guidance on targeted data acquisition
  - The SRA should steer its regulated firms to use targeted information requests whenever possible, rather than full DSARs. A "DSAR lite" approach, checking key points of information relevant to a claim, rather than requesting all customer personal data, is more efficient and adheres more closely to GDPR's data minimisation principles, better protecting customer data.
- Guidance on use of full DSARs
  - Recognising that there may be legitimate reasons for individuals to contact firms when unsure which firm might have issued a product in the past (e.g. PPI checks), SRA guidance should clarify for law firms the importance of taking reasonable steps to confirm the client relationship before processing full DSARs (when these are necessary).

- Clarify in SRA rules and guidance that solicitors should be focused on helping customers execute complaints, rather than using DSARs to acquire a bank of data to sift through in search of potential complaints (fishing).

- Collaboration with the ICO
  - In support of the above, the SRA could helpfully work with the Information Commissioner's Office to clarify expectations around DSAR use and discourage speculative or fishing-style data access strategies where a 'data minimisation' or 'DSAR lite' approach would be more appropriate. In correspondence shared by a member, the ICO confirmed that firms should use short-form information requests where appropriate, and that data controllers may contact customers to verify identity or scope of request — even where letters of authority advise otherwise

Regulatory Misalignment between the SRA and FCA

A recurring concern is the lack of alignment between the regulatory frameworks governing Claims Management Companies (CMCs), regulated by the FCA, and solicitor firms, regulated by the SRA. Many law firms have moved into high-volume consumer claims previously dominated by CMCs, but SRA standards have not kept pace with the FCA's more prescriptive, consumer-focused rules under the Claims Management Conduct of Business Sourcebook (CMCOB).

This disparity has created opportunities for regulatory arbitrage, allowing firms to exploit lighter SRA oversight to operate with less transparency and consumer protection. For example:

- CMCOB mandates clear pre-contract disclosures, including fee illustrations, cancellation rights, and alternative redress options. The SRA has no equivalent requirement.
- CMCOB restricts misleading advertising and cold calling, while solicitor firms often rely on broad digital marketing with limited consumer understanding.
- CMCOB requires firms to assess claim merit and avoid speculative or vexatious claims, whereas SRA-regulated firms frequently submit templated complaints with minimal due diligence.
- CMCOB enforces strict rules on lead generation and data use, including obligations to verify introducers and protect consumer data. The SRA's approach to DSARs and data protection remains vague and under-enforced.

This regulatory gap is particularly problematic in high-volume consumer claims, where solicitor firms increasingly operate as industrial processors of complaints, often without meaningful client engagement. To ensure consistent standards and

protect consumers, the SRA should consider adopting a dedicated rulebook for high-volume claims firms, modelled on CMCOB, and work closely with the FCA to harmonise expectations across the sector.

A particularly illustrative example is the ongoing case of *Vanquis Bank Ltd v TMS Legal Ltd*, in which the High Court allowed Vanquis's claim against TMS Legal to proceed, alleging that the firm submitted large volumes of poorly evidenced and indiscriminate complaints, many without client authority or merit. This case highlights the systemic nature of the problem and the urgent need for regulatory intervention.

Raising complaints ahead of fraud claims

UK Finance members have highlighted a recurring issue where SRA-regulated firms submit APP scam complaints before consumers have reported the scam to their bank[1]. This sequencing disrupts the reimbursement process, creates operational challenges, and can reduce the value of redress. Complaints sometimes arrive incomplete, with inaccurate transaction details or without valid letters of authority, and firms sometimes reference earlier claims that were never submitted, adding confusion and inefficiency.

In many cases, the consumer has not attempted direct resolution and is unaware of free routes under the CRM Code or PSR reimbursement mechanisms. This raises questions about whether firms are acting in clients' best interests. Some SRA regulated firms present these options as secondary rather than recommended first steps, which may fall short of the SRA's expectations around transparency and informed consent.

To address these concerns, UK Finance recommends that the SRA introduce a requirement for firms to confirm that a scam case has been raised with the account provider before submitting a complaint. Firms should retain evidence of this engagement and confirm that the consumer has received a decision before escalating the matter. This would not prevent firms from pursuing complaints where a case has been declined, but it would ensure that consumers first attempt direct resolution through established reimbursement routes.

Implementing this requirement would improve complaint quality, reduce duplication, and support better outcomes for consumers. It would also align with the SRA's principles of transparency and acting in clients' best interests. While it may not eliminate all speculative or out-of-scope complaints, it would help ensure that

[1] Some members have reported that between 33% and 70% of APP scam complaints received within a given month were submitted without any prior claim being raised with the bank, indicating a persistent pattern of early escalation.

complaints are submitted in a structured and sequenced manner, reducing operational burdens and enhancing accountability across the sector.

Equitable Liens and Consumer Harm

A further area of concern is the use of equitable liens by SRA-regulated firms. These are often asserted over any redress awarded to consumers, regardless of the level of substantive legal work undertaken. In some cases, firms have sought to enforce liens even where consumers were unaware they had instructed the firm, or where the firm's involvement was minimal.

This practice raises serious questions about fairness, transparency, and compliance with the SRA's Code of Conduct. It risks breaching the duty to act in clients' best interests and avoiding conflicts of interest. Consumers may find themselves liable for significant fees deducted from redress they would otherwise receive in full, and it also gives rise to disputes and litigation where firms pay redress directly to customers, either inadvertently or otherwise (e.g. even where directed to do so by FOS), despite receiving little or no meaningful legal service.

There is also evidence that some consumers have entered into multiple agreements with different firms, each asserting a lien over the same redress. This can result in overlapping claims, fee disputes, and confusion — often affecting vulnerable consumers.

To protect consumers, the SRA should issue clear guidance on the use and enforceability of equitable liens in high-volume claims, including:

- Requiring firms to demonstrate substantive legal work before asserting a lien.
- Prohibiting liens where client instruction is unclear or absent.
- Establishing a mechanism for consumers to challenge liens and recover disproportionate fees.
- Oversight of firms recycling or selling client authorisations across multiple claims.

Without intervention, the use of equitable liens risks undermining consumer trust and enabling commercial practices that prioritise profit over fair outcomes.

Executive Summary

UK Finance welcomes the SRA's discussion paper on high-volume consumer claims. Members strongly support efforts to improve transparency, accountability, and consumer protection in this fast-growing area, where poor practices by a small

number of firms have led to significant consumer harm, operational burdens, and reputational risk across the financial system.

There was clear consensus that the current regulatory framework has not kept pace with the industrialisation of claims handling. The traditional solicitor-client model no longer reflects how many high-volume firms operate — with automated onboarding, mass marketing, data trading, and third-party funders playing a central role. Consumers often do not understand what they are signing up to, what costs they may incur, or that free and fair alternative routes (such as the Financial Ombudsman Service) are available.

Members believe stronger, coordinated oversight is urgently needed. Fragmented regulation has created opportunities for arbitrage between the SRA, FCA, and other bodies. Greater collaboration and data sharing would help identify systemic risks earlier and ensure consistent standards for firms operating at the intersection of legal and financial services regulation.

Key Recommendations

To improve consumer protection and raise standards in high-volume legal claims, UK Finance members recommend the following practical steps:

- **Make disclosures clearer and consistent**
  All firms should use a standardised pre-contract template with clear headings and checklists. Consumers must confirm they understand the claim, the costs, and the risks — and firms should keep proof of this.
- **Tighten rules around “no win, no fee”**
  The term is misleading and should either be banned or only allowed with clear, mandatory warnings that explain what costs consumers might still face.
- **Regulate third-party funders more closely**
  Funders should be required to report regularly on how their funding works, who benefits, and how it affects consumers. The SRA should have powers to step in if funders are influencing case decisions unfairly.
- **Protect consumers when firms collapse or transfer files**
  If a case is handed to another firm, consumers must give clear, informed consent. The new firm should re-onboard the client properly, explaining fees, risks, and any changes.
- **Support vulnerable consumers better**
  Firms should carry out vulnerability checks at the start, offer reasonable adjustments, and be subject to stricter oversight — especially when using automated or digital-only onboarding.

- **Collect and publish more data**
  The SRA should routinely gather and share data on claim volumes, outcomes, FOS referrals, and complaint rates. This would help spot poor performers and improve accountability across the sector.

Strengthening the SRA's Role

Members also believe the SRA needs to improve how it handles referrals about high-risk firms. That means setting clearer timelines for responding to concerns and publishing performance data to help the market identify firms that may be falling short.

Discussion paper 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)?**

   - There are serious and persistent weaknesses in how high-volume consumer claims are currently generated, onboarded, and managed. In many cases, consumers are signed up to legal representation without genuine understanding of the scope of the claim, the costs involved, or the alternative routes available to them. Firms frequently rely on automated onboarding processes or data obtained from lead generators, litigation funders, or claims management companies, resulting in minimal due diligence and poor-quality claims. It is not uncommon for consumers to find themselves represented in litigation they did not knowingly authorise, or to be unaware that their claims have been transferred to another firm. Defendants regularly encounter mass claims that include fictitious, duplicated, or ineligible claimants, reflecting fundamental weaknesses in verification and consent.

   - This environment has created a cycle of confusion, inefficiency, costs and consumer harm. Law firms often use broad marketing or 'lookup lists' tactics that induce consumers to engage without fully understanding the legal implications, risks or costs. Once signed up, consumers may face complex contracts, opaque fee structures, and limited recourse if they wish to withdraw. In many cases, consumers pursue claims through law firms when a free, quicker, and more appropriate route exists through the Financial Ombudsman Service or an established redress or reimbursement scheme. Instructing a law firm in such cases provides no additional benefit, yet can result in consumers giving up a significant share of their redress.

These outcomes raise serious questions about fairness, transparency, and informed consent.

- Current regulation has not kept pace with the industrialisation of claims handling. The existing rules assume traditional solicitor-client relationships, whereas high-volume claims now function more like consumer processing chains involving multiple intermediaries and commercial funders. There is little consistency in how firms communicate risks, costs and alternative options to consumers. Many rely on templated documentation that fails to explain, in plain language, what consumers are agreeing to or how fees will apply in practice. The lack of prescribed standards for pre-contractual disclosure and the absence of meaningful regulatory oversight have led to systemic variation in quality and a lack of accountability.
- To address these issues, the SRA should move towards a more structured and auditable system of consumer onboarding. Firms should be required to provide each consumer with clear, plain-English summary of the claim, its legal basis, the scope of services, estimated costs, and details of any third-party funding or ATE insurance. Consumers should also be given a transparent comparison of alternative redress options – such as ombudsman schemes or statutory reimbursement routes – and be required to confirm that they understand and wish to proceed with a paid representative instead. This would mirror the standards of consumer protection found in other regulated sectors, such as the FCA's use of the Key Facts Illustration and European Standardised Information Sheet, which ensure consistent, comparable disclosure of costs and risks before agreements are entered into.
- A standardised pre-contractual disclosure framework, supported by prescriptive headings and checklists, would help ensure clarity and comparability across firms. However, it should allow sufficient flexibility for firms to tailor explanations to the circumstances of each client. Consistency in the core information presented – rather than uniformity of format – would preserve both transparency and competition. Importantly, firms should be required to obtain verifiable evidence that the consumer has not only received, but understood, this information before the claim proceeds. Firms must also retain recorded proof of due diligence and consumer instructions, and this information should be subject to regular audit by the SRA.
- Enhanced regulation is also needed around the use of consumer data and the referral of claims. The repurposing or sale of claims data between law firms, CMCs, and funders should be prohibited without explicit informed consent, and the misuse of data protection rights, such as bulk DSARs to

obtain information from defendants, should be treated as a regulatory breach. The SRA could introduce regulatory standards and guidance prohibiting the misuse of data protection rights by law firms engaged in high-volume consumer claims.

- Proactive monitoring of advertising used by high-volume consumer claims firms, leading to swift enforcement action against false, misleading, or unverifiable information.
- Firms should be required to evidence robust due diligence before issuing claims, including confirmation that each claimant has a valid relationship with the defendant and that the claim has a legal basis. Where these standards are not met, defendants should have no obligation to respond, as it should not be their responsibility to complete due diligence for law firms.
- Greater transparency and accountability would also be achieved through routine publication of aggregated data on claim numbers, outcomes, and complaint volumes. This would enable the SRA to identify poor performance, emerging risks, and potentially misleading practices at an earlier stage and to intervene where necessary. In addition, law firms should be required to obtain a new letter of authority at each stage of the claims or complaints process. This must specifically outline and advise the consumer costs, risks, and implications.

2. **What approaches do other sectors take to ensure consumers are appropriately informed about risks?**

- Respondents consistently pointed to the financial services sector as offering the most developed and relevant model for ensuring consumers are properly informed about risks before entering agreements. The FCA's regulatory framework – including its Claims Management Conduct of Business Sourcebook (CMCOB), Mortgage Conduct of Business (MCOB) rules and Insurance Distribution Directive (IDD) - was frequently cited as a benchmark. Together, these frameworks require firms to provide durable, plain-language disclosures that outline the services offered, required actions, fees, cancellation rights and the availability of free alternatives such as ombudsman schemes.
- Under CMCOB, firms must also check whether consumers are aware of these alternatives and obtain written confirmation if they choose not to use them – something that could readily be applied in the legal sector. FCA regulated firms are further required to meet threshold conditions under the Financial Services and Markets act 2000 (FSMA), maintaining adequate financial and non-financial resources, skilled staff, and robust systems and

controls. They must also self-report key information to the FCA and comply with fair value requirements, providing a level of ongoing accountability and supervisory visibility that could confirm how the SRA regulates high-volume claims activity. It was further noted that FCA regulated claims management companies typically provide Letters of Authority with initial correspondence (though quality varies), whereas law firms often refuse to provide evidence of client authorisation, asserting that this is unnecessary. Introducing equivalent requirements for solicitors would strengthen consumer protection and transparency across the sector.

- Respondents also noted that the FCA enforces adherence to its Consumer Duty and dispute resolution principles through ongoing monitoring, data collection and supervisory engagement, and fair value requirements – an approach that the SRA could replicate to ensure compliance among firms handling high-volume claims.
- Beyond financial services, comparisons were made with other regulated sectors where informed consent is embedded in practice, such as the healthcare sector, where written consent forms and clear explanations of risk are mandatory before treatment.
- Some members argued that the SRA should develop an equivalent to the FCA's CMCOB rules, setting specific and detailed standards for solicitors operating in this area. This could include requirements for standardised onboarding disclosures, checklists to confirm consumer understanding, and recorded or verbal confirmation – particularly for vulnerable consumers. There was also support for ongoing compliance checks for firms using digital onboarding or third-party lead generators, aligning the SRA's approach with the FCA's model of proactive supervision and enforcement.

3. Are there any examples from other sectors that should be avoided?

- Members warned against replicating practices from other sectors where formal consent is obtained but genuine understanding is lacking. A recurring example was the technology sector's use of lengthy, jargon-heavy terms and conditions that consumers must accept before accessing software or online services. This type of 'click to agree' consent offers convenience but fails to ensure that users truly understand what they are agreeing to – illustrating that formal consent does not equate to informed consent.
- A similar pattern was observed in payday lending, where inadequate regulation left consumers exposed to harm through complex terms, unclear costs and limited comprehension of the commitments being made.

Respondents saw parallels between this and parts of the high-volume legal claims market, particularly where claims are referred between Claims Management Companies (CMCs) and law firms. These practices can lead to poor consumer outcomes and confusion, compounded by differing regulatory standards between CMCs and law firms.

- Members also cautioned against onboarding processes that rely exclusively on digital channels. While technology can improve access and efficiency, an absence of human interaction can lead consumers to underestimate the complexity, cost and risk of litigation. Online sign-up tools may create a false sense of immediacy or simplicity – encouraging consumers to proceed for 'quick cash' without fully understanding the implications. Respondents agreed that digital onboarding should be complemented by meaningful human engagement to verify understanding and ensure consumers are making informed decisions.

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?**

- Respondents strongly agreed that the phrase 'no win, no fee' is inherently misleading and should not be used without clear qualification. It creates a false impression that litigation carries no financial or practical risk, encouraging speculative claims and undermining informed decision-making. The terminology is used as a marketing device rather than a legal descriptor, and consumers frequently interpret it as meaning 'nothing to pay', even though they may still be liable for certain costs such as disbursements, insurance premiums, or adverse costs.

- To address this, members recommended that the SRA should introduce strict controls on how such arrangements are described and promoted. The use of the term 'no win, no fee' should either be prohibited entirely, or permitted only when accompanied by a prominently displayed disclaimer that clearly explains what the term does and does not mean. In particular, firms should be required to state in plain language the full range of potential costs that a consumer may face including where a claim is withdrawn, settled, unsuccessful, or terminated by the firm.

- Several members suggested that digital and social media advertising should not be allowed to use 'no win, no fee' at all, since these formats lack the space to present the necessary context and risk information. In addition, abuse of defendants intellectual property rights in advertising should be expressly prohibited, as this can mislead consumers into

believing they are engaging directly with the defendant rather than a law firm or claims management company (CMC). Addressing such practices would complement tighter advertising rules and strengthen overall consumer protections. Instead, firms should use the formal terms 'Conditional Fee Agreement' or 'Contingency-Based Legal Funding' with plain-language explanations of possible financial outcomes.

- Consumers should also be given illustrative scenarios and worked examples showing when and how they might still incur costs, alongside clear signposting to alternative routes such as making a direct complaint or approaching the Financial Ombudsman Service. Respondents highlighted that consumers often achieve better outcomes when complaining directly, and that transparent disclosure of this at the outset could prevent unnecessary escalation to litigation.
- Finally, respondents supported the introduction of a mandatory risk disclosure statement, provided at onboarding and confirmed in writing or verbally, to ensure that the consumer genuinely understands the financial implications of proceeding.

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?**
   - Members agreed that while the term 'no win, no fee' is widely recognised, it remains misleading and should not be used without qualification. It implies there is no financial risk to consumers, which is often not the case.
   - Some favoured banning the term outright on the grounds that it is inaccurate and primarily serves as a marketing device. However, others cautioned that prohibiting it entirely may simply lead firms to adopt equally ambiguous alternatives.
   - The prevailing view was that the SRA should allow the term only when accompanied by clear, standardised explanatory wording that outlines potential costs and risks, including worked examples of deductions or liabilities in different outcomes. This would ensure consistent, transparent communication without the need for a full prohibition.
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?**

- Members were unanimous that firms handling high-volume consumer claims are not doing enough to identify or support consumers with vulnerabilities. Many described the prevailing model as a 'copy and paste' process, with minimal engagement, limited due diligence, and little consideration of individual needs once claims are underway. This lack of personalisation can lead to poor consumer outcomes, including consumers pursuing weak or vexatious claims, or being excluded from meaningful updates and decision-making during the process.
- There were particular concerns about the growing use of automated, digital-only onboarding and lead-generation models, which risk exploiting vulnerable individuals who may not fully understand what they are signing up to. Respondents noted in some cases, litigation decisions appear to be driven by funders and not consumers, undermining client autonomy and fair treatment. [2]
- Relatedly, members raised concerns about the increasing reliance on group actions. While these models can reduce operational costs for claimant firms and funders, respondents observed that strong claims are often combined with weak of unmeritorious ones, delaying outcomes for consumers with legitimate grievances. Members suggested that specific requirements should be introduced to ensure firms conduct individual assessments to confirm that group action is in each clients best interests.
- It was widely felt that the SRA should set clear and enforceable expectations on how firms identify, record and respond to vulnerability. Firms should be required to conduct vulnerability assessments at the outset of engagement, provide tailored communication and reasonable adjustments, and ensure informed consent is evidenced and auditable. Training for staff on recognising and supporting vulnerable clients was also strongly encouraged.
- Several respondents urged the SRA to align its approach with the FCA's Consumer Duty, introducing explicit rules and supervisory checks for firms

[2] Evidence and judgments in litigation concerning high-volume consumer claims highlight a disregard for individual needs. Recent examples include Momenta Holdings (PPI) Limited v Cheval Legal Limited & Others [2023] EWHC 2299 (Ch) and Abernethy & Others v Barclays Bank UK PLC & Others [2025] EWCC 1. A dispute between litigation funders and the class representative Claimant in Merricks v Mastercard Incorporate & Others [2025] CAT 28 also occurred. It appears Litigation Funders exert significant - and impermissible - influence over high-volume consumer claims.

managing high-volume consumer claims, including additional oversight where automation or third-party funders are involved.

7. **What information do claimants need to have about funding agreements?**

   - Members agreed that claimants are not currently given sufficient clarity about how funding arrangements work, or how these affect compensation they may ultimately receive. Many consumers assume they will receive their full award, without realising that deductions for legal fees, disbursements, or success fees can significantly reduce their payment.
   - Firms were urged to provide clear, jargon-free explanations of all funding terms, including repayment obligations, interest rates, and what the consumer may owe in each possible outcome- whether they win, lose, discontinue a claim. Respondents also stressed the importance of transparency about who stands to benefit financially from the case, including third-party funders, introducers, or claims generators.
   - To promote genuine understanding, respondents suggested that key funding information should be presented before the consumer commits, with opportunities for questions, access to independent advice, and a cooling-off period. Use of visual summaries of interactive digital tools could support comprehension, especially for consumers with low financial literacy.
   - Several highlighted the collapse of **Pure Legal & SSB Law** as a warning of the risks of opaque or poorly understood funding models, noting that many consumers were left uncertain about ongoing liabilities when firms failed. Greater transparency, oversight, and plain language communication were seen as essential to prevent similar harms.

8. **What options are there to make sure this information is provided at the right time, and in a way claimants can easily understand?**

   - Information about funding arrangements should be provided early in the engagement process, before any agreement is signed, as it forms a fundamental part of how a claim will be managed and funded. Respondents suggested that the SRA should introduce a clear framework setting out when and how this information must be shared, supported by consumer testing to ensure it is presented in a clear, accessible way.
   - Firms could be required to attest that they have provided the necessary information to clients, with evidence of client acknowledgement or consent. A layered approach could also be introduced – starting with pre-engagement disclosures, followed by staged updates as the claim

progresses, and a second mandatory checkpoint prior to issuing proceedings, when cost exposure becomes more significant.

- Standardised templates, plain English summaries, and comparison tables could improve comprehension, while clear process mapping and stronger enforcement mechanisms (such as warning notices or financial penalties) would help ensure compliance.

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?

- Members believe the SRA should introduce routine data collection and monitoring to better manage the risks associated with third party litigation funding. Firms and solicitors active in this area should be required to disclose, on a regular basis, details of any cases subject to external funding, including the key terms of funding agreements, associated costs consequences, and the extent of funders' rights or influence. Where litigation funders engage in regulated activity and exert significant influence over consumer litigation management, they should be subject to SRA and FCA regulation. They should also report the number of consumers targeted and onboarded through each campaign, and declare any profits made from funded cases on a bi-annual basis, consistent with reporting obligations under other regulatory frameworks such as the FCA's.
- Routine data collection would enable the SRA to identify emerging risks early and take targeted supervisory action. This could be supported by standardised reporting templates, spot checks, and thematic reviews of high-volume practice areas. The SRA should also consider developing clear guidance on when it is appropriate for firms to engage litigation funders, particularly where a firm is in financial distress, and to prohibit funders from exerting influence over case strategy or settlement decisions.
- Both firms and funders should be required to disclose their funding structures, insurance arrangements, and referral agreements to clients in a transparent way. Publishing anonymised data on claim discontinuance rates and adverse cost orders could further improve transparency and help distinguish between legitimate and opportunistic claims.

10. What information and data do others collect to monitor firms' financial stability?

- Other regulators such as the FCA and PRA routinely collect a range of financial and operational data to monitor firms' stability and mitigate systemic and consumer risks. The PRA requires firms to submit detailed

information on capital adequacy, liquidity, and exposure to risk, ensuring the safety and soundness of individual firms. The FCA, under its threshold conditions, requires regulated firms to maintain adequate financial and non-financial resources, including sufficient capital, skilled personnel, and effective systems and controls. This data is collected through periodic regulatory returns, alongside event-driven reporting where material risks or financial stress emerge.

- The SRA could adopt a similar approach for firms engaged in high-volume consumer claims. Regular data collection could focus on key indicators such as liquidity, exposure to third-party funders, the size and maturity of claims pipelines, and reliance on contingent income. This would enable early detection of firms at risk of insolvency or financial instability, helping prevent consumer detriment of the kind seen following the collapse of firms such as Pure Legal.

11. What tools do others have to respond, or what tools would be useful to have to act on such information?

- The FCA's approach provides a useful model, with consistent reporting criteria and the use of data dashboards that allow regulators to monitor emerging risks across firms and identify outliers. The SRA could adopt a similar system, introducing a standardised reporting framework for firms engaged in high-volume consumer claims. This would ensure comparability of data and provide early visibility of potential risks, enabling the regulator to act proactively rather than reactively.
- Beyond data collection, the SRA should be equipped with stronger intervention tools to respond swiftly where financial instability or misconduct is identified. These could include the power to impose trading restrictions on firms that breach risk thresholds, suspend onboarding of new clients pending review, and mandate independent audits of financial and operational practices. In serious cases, the SRA should have the ability to intervene directly to safeguard client funds and preserve the integrity of ongoing claims and have the ability to suspend high-volume firms from onboarding new cases pending review.
- Transparency measures such as publishing aggregated claims data or firm-level statistics could also serve as early warning signals and enhance accountability across the sector. Together, these steps would move the SRA from a reactive to a preventative supervisory model, helping to identify risk before it materialises into consumer harm.

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

- Respondents agreed that consumers rarely understand the scope or limitations of After the Event (ATE) insurance, despite it being a key element of their financial protection when pursuing litigation. Many consumers assume that ATE policies eliminate all cost risk, when in fact exclusions, coverage limits, and residual liabilities often remain. This misunderstanding can leave claimants exposed to unexpected costs if a case is unsuccessful or discontinued.
- It was suggested that the SRA require firms to provide standardised, simplified disclosure documents, similar to key facts illustrations (KFIs) used in other regulated insurance markets. These should set out, in plain language, what the ATE policy does and does not cover, including the consumers potential residual liabilities. Law firms should also be required to assess the suitability of ATE insurance for each client, rather than applying blanket coverage models in high-volume cases.
- Members suggested that law firms should allow the SRA to consider and comment on compliance information before commencing litigation, similar to the ‘deemed consent’ provisions in anti-money laundering regimes, where AML-registered firms send DAML SARs to the National Crime Agency.

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?**

- There was strong support for enhanced regulation of firms operating in high-volume consumer claims, with respondents highlighting widespread concerns about poor due diligence, inadequate client communication, and profit driven practices that prioritise volume over consumer outcomes. These firms often issue blanket data or claim requests without verifying client eligibility or entitlement, creating unnecessary administrative burdens for financial firms and delaying resolution for consumers.
- Respondents agreed that the SRA’s current approach – largely reliant on thematic reviews and reactive supervision – is insufficient to address systemic risks in this market. A more robust and proactive regulatory

framework is needed, encompassing both strengthened authorisation requirements and ongoing compliance oversight. This could include pre-authorisation checks on firms' financial resilience, client onboarding practices, and third-party relationships (such as with funders or claims generators), alongside regular reporting and audits to confirm adherence to SRA principles.

- Several respondents noted that law firms in this space operate more like industrial claims processors than traditional legal practices, underscoring the need for tailored regulatory expectations.

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?

- Consumers' interests must remain central in any file transfer process, particularly in high-volume consumer claims where firms may collapse or sell their casebooks. Evidence from recent firm failures demonstrates that many consumers are unaware their files have been transferred and are not given the opportunity to consent or understand the implications. This can leave them tied to new contractual terms, fee structures, or funding arrangements without their knowledge.
- To address this, any transfer should require explicit, informed consumer consent, with consumers given clear explanations of why the transfer is occurring and the option to withdraw if they do not wish to proceed with the new firm. The receiving firm should conduct a full re-onboarding process, including reassessing the merits of each claim, explaining its funding model, terms, and conditions, and confirming any third-party interests such as litigation funders. Transparency about financial arrangements between firms is also essential to prevent conflicts of interest or the continuation of poor-quality claims purely for commercial gain. Members highlighted that this also applies in the context of group litigation, where each claim should be assessed to ensure the method being pursued is in each individual's best interest.
- Members noted that consistency in standards between the rules governing claims management companies and those governing law firms is critical. Where an enhanced onboarding process is implemented, it should also apply when consumer claims are transferred to another firm. This should ensure consumers fully understand the implications, obtain consent before the transfer, and have the option to withdraw their claim if they do not wish to be represented by the new firm. Any interest from litigation funders over

the claim should be fully disclosed as part of the onboarding process of the new firm.

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?**

- There is clear scope to strengthen consumer protection through a more coordinated and consistent regulatory approach across the wider system. At present, fragmented oversight creates opportunities for regulatory arbitrage, where firms exploit the differing standards and expectations between the SRA, FCA and other bodies. Greater collaboration and data sharing between regulators would help identify systemic risks earlier, prevent duplication, and support a coherent approach to consumer redress.
- Respondents also emphasised the need for consumers to be fully informed about alternative redress options, including the Financial Ombudsman Service (FOS) and any existing industry redress or reimbursement schemes, before agreeing to legal action. Consumers should confirm their understanding that pursuing litigation is not the only route available – and that, in many cases, the Ombudsman or statutory redress processes may offer a quicker, fairer, and less risky outcome. This aligns with HM Treasury and the FCA's recent proposals to manage 'mass redress events' and to extend the FCA's powers under section 404 of FSMA. These reforms must not be undermined by law firms encouraging unnecessary litigation or duplicate claims for their own commercial benefit.
- There would also be value in adopting structured oversight mechanisms inspired by Group Litigation Orders (GLOs), such as mandatory pre-issuance certification of due diligence, centralised reporting for high-volume claim firms, and clear procedural gateways for mass or templated claims that fail to meet basic standards of merit or individualisation. Members suggested creating a more transparent and communicative process for reporting concerns about SRA-regulated law firms to the SRA, for example through a formal process with defined timelines for SRA responses, as outcomes can currently take years, by which point firms may have failed and harm may already have occurred.

END