

# Client Protection Fund Report

AGM

19 June 2025

# Report of the Convener of the Client Protection Sub-Committee (CPSC) on the Scottish Solicitors' Guarantee Fund (trading as the Client Protection Fund) for the year ending 31 October 2024

## Outturn for year

The Fund reports a surplus for the 2023/2024 financial year of £726,000 (2022/2023: deficit of £64,000).

## Income

No Guarantee Fund subscription income was collected in the 2023/2024 financial year following the decision of Council to set the subscription level at zero. This followed a recommendation from the CPSC after their consideration of the overall operating environment for the Guarantee Fund.

Other income in 2023/2024 consisted of investment income of £221,000 (2022/2023: £200,000) and dividend recovery from previous Guarantee Fund grants of £183,000 (2022/2023: £190,000).

## Expenditure

Three grants to compensate applicants were approved by the CPSC in the year amounting to £70,000 (2022/2023 - £22,000). Other items of expenditure were consistent with the previous year.

## Investments

After taking additions and disposals into account, the investment portfolio increased in value in the year to £6,070,000 at 31 October 2024 (2022/2023: £5,325,000). This movement also reflects investment gains of £628,000 for 2023/24 (2022/23 – loss of £341,000).

## Reserves

Reserves increased to £7,855,000 at 31 October 2024 from the previous level of £7,129,000.

The lack of subscriptions collected in the year has not had a significant impact on reserves due to the low value of claim approvals and investment performance.

## Risk Management

The CPSC has continued to monitor the key risks impacting on the Guarantee Fund's operating environment, including investment policies. During 2024 there was no material change in the position reviewed other than the change in investments valuation noted above. Council is satisfied that it is appropriate that the accounts for the Guarantee Fund are prepared on the going concern basis.

## Looking ahead

CPSC has again recommended to Council that no Guarantee Fund subscriptions should be collected in 2025/2026. Subscriptions were last collected in 2019/2020. Subscriptions were initially not collected in response to the COVID-19 outbreak, but this approach has been continued more recently because of the financial strength of the Client Protection Fund and after annual consideration of the claims outlook. While not collecting potential revenue increases the possibility that the fund's reserves will be reduced during that year, the impact on reserves will depend on the extent to which the current low level of claims activity continues and on the ongoing performance of the fund's investments. The CPSC will continue to monitor these indicators during the year.

After a comprehensive review process, the CPSC has decided to change its investment managers with the funds moving to the new managers during 2025.

CPSC continues to work with its investment managers to monitor the position regarding global markets.

During 2025/2026, the CPSC intends to review its policy that no Guarantee Fund subscription will be levied unless the value of the Client Protection Fund has fallen to or is projected to fall below £5m. This will ensure that the policy remains appropriate for the years ahead.