



**PROFESSIONAL
STANDARDS
DEPARTMENT**



ICAEW RESPONSE

Ref: PSD2025/002

LSB Consultation on Upholding Professional Ethical Duties

28 May 2025

icaew.com/regulatoryconsultations

EXECUTIVE SUMMARY

Introduction

1. ICAEW welcomes the opportunity to respond to the Legal Services Board's (LSB) consultation on its proposed statement of policy on upholding professional ethical duties.
2. This response dated 28 May 2025, reflects the views of ICAEW as an Approved Regulator and Licensing Authority for the administration of oaths and probate under the Legal Services Act 2007.
3. ICAEW is a global professional body established under Royal Charter to serve the public interest. The key objects of our Royal Charter include 'to preserve at all times the professional independence of accountants in whatever capacities they may be serving' and 'maintain high standards of practice and professional conduct by all our members.' Our role as an improvement regulator is to strengthen trust in ICAEW chartered accountants and firms. We do this by enabling, evaluating, and enforcing the highest standards of ethical behaviour in the profession. Chartered accountants are expected to demonstrate the highest standards of professional behaviour and ethics is integrated throughout our regulatory framework.
4. ICAEW's improvement regulator work is carried out by the Professional Standards Department (PSD). We supervise and monitor over 11,000 firms and around 800 insolvency practitioners. On behalf of ICAEW, PSD undertakes the responsibilities of a regulator under statute in the areas of audit, insolvency, investment business, anti-money laundering and legal services. We also monitor compliance with the ICAEW Practice Assurance scheme. All work carried out by PSD is overseen by the ICAEW Regulatory Board. ICAEW accredits 334 firms to undertake probate activities.

Summary of our position

5. We welcome the LSB's proposed statement of policy on upholding professional ethical duties. ICAEW chartered accountants are expected to demonstrate the highest standards of professional conduct. Ethical behaviour by chartered accountants plays a vital role in ensuring public trust in financial reporting and business practices and upholding the reputation of the accountancy profession. As a legal services regulator, we embed ethical principles into our framework and apply a range of targeted regulatory tools to promote and enforce ethical conduct.
6. Our regulatory approach is underpinned by [ICAEW's Code of Ethics](#) (ICAEW Code), which sets out five fundamental ethical principles that reflect the profession's duty to act in the public interest. These principles play a key role in ensuring public trust and require chartered accountants to prioritise ethical responsibilities above client interests where these are in conflict. Failure to adhere to the ICAEW Code may result in a member becoming subject to disciplinary action. Compliance is further reinforced through our [practice assurance monitoring](#) inspections and mandatory annual ethics Continuing Professional Development (CPD).
7. Support to uphold ethical behaviour is further provided through our [online resources](#) including articles, videos, guidance materials, [and CPD course materials](#) on ethics. We support chartered accountants to navigate difficult ethical decisions through our [Ethics Advisory Services helpline](#). We also recognise the importance of fostering an ethical workplace culture to ensure ethical decision-making is embedded in everyday professional practices. This year, we are strengthening the fundamental principle of professional behaviour in the Code of Ethics to enhance public and consumer confidence in the

profession.

8. The proposed statement of policy is in alignment with ICAEW's own thinking and practise in relation to professional ethics. For that reason, we are confident that we fully meet the LSB's outcomes in the proposed statement of policy. We support the emphasis on achieving high standards of ethical conduct and accountability. However, we believe the policy statement would be more effective if the expectations under each outcome were less prescriptive and allowed for greater flexibility, particularly given the diversity of the legal services sector and different regulatory models within the sector. A prescriptive approach may unintentionally constrain regulators' ability to take a proportionate, risk-based approach or respond effectively to emerging ethical challenges.

CONSULTATION QUESTIONS

Q1. Do you agree with our proposed definition of professional ethical duties?

9. We welcome the proposed definition and support establishing a clear, shared understanding of professional ethical duties. The proposed definition usefully restates the principles in the Legal Services Act 2007 and emphasises that duties to the court, independence and integrity take precedence over client interests when conflicts arise. We recognise that this provides clarity in light of evidence that some lawyers disproportionately focus on the interests of the client to the detriment of their ethical obligations. However, given the ethical scandals seen in the profession in recent years, the duty of lawyers to the court may be too narrow. As such, we suggest that the final sentence of the definition may benefit from being broadened to refer to the concept of the public interest and introduce an obligation for lawyers to always consider this as an overarching duty.

Q2. Do you agree with our proposal to set general outcomes?

10. Yes, we agree with the proposal to set general outcomes. We note that the LSB's intention is to provide a flexible framework, recognising that regulators might need to pursue different approaches. While we support this intention, we question whether this is borne out in the prescriptive expectations that underlie the general outcomes. We believe it is important that a general outcomes model does not turn into inflexible and prescriptive regulation, which could limit its effectiveness across different parts of the sector.

Q3. Do you agree these proposed outcomes address the harms and unethical behaviours presented in the evidence? Are there any further outcomes we should consider?

11. Yes, we agree that the proposed outcomes adequately address the harms and unethical behaviours presented in the evidence. Each outcome targets a key area which we agree is essential in encouraging ethical practices, maintaining high standards of ethical behaviour in difficult situations, and addressing misconduct.

Q4. Do you agree that the proposed general outcomes should be met by regulators through a set of specific expectations?

12. While suggested expectations are useful to illustrate how regulators may choose to meet an outcome, we think it is unnecessary for prescriptive mandatory expectations to be set under each outcome. The drafting of the expectations as "regulators *must*..." does not suggest that any deviation is permitted. A prescriptive approach risks undermining the flexibility needed in a diverse legal services market. This is particularly relevant where established frameworks are already in place that set ethical standards and address emerging risks.

13. An outcome-based approach with suggested activities to achieve the desired output would

preserve consistency of outcomes while enabling regulators to adapt to the specific needs and risks of those they regulate.

Q5. Do you agree that regulators should demonstrate that evidence-based decisions have been taken about which expectations are appropriate to implement for those they regulate

14. We believe that regulators should have to explain and justify which expectations are appropriate to implement for those they regulate. The knowledge that regulators, and their regulatory boards, have of their part of the legal services market and their regulated populations, is relevant evidence that is taken into account when determining what is appropriate action.
15. Our approach is informed by data from a range of sources including monitoring activities, stakeholder engagement, complaints, and disciplinary outcomes.

Q6. Do you agree with the proposed outcome 1?

16. We agree that authorised persons should have the right knowledge and skills on professional ethical duties, both at the point of qualification and throughout their career. This is essential to ensure professional ethical duties are understood and applied in practice. The ACA qualification includes an element of ethics content in all papers, as well as an Ethics Learning Programme, to ensure Chartered Accountancy students consider ethics throughout their training.
17. A structured and ongoing approach to training helps to ensure ethical principles remain relevant amidst evolving legal and ethical developments. Consequently, mandatory ethics CPD of one hour per year was introduced into our CPD Regulations in 2023 and free CPD ethics modules have been produced to support members in meeting this obligation. Three new modules have been produced for 2025 including a general Code of Ethics update, and modules on AI ethics and ethical cultures. ICAEW also produces training films that bring ethical dilemmas to life, and challenge mindsets about how to deal with difficult decisions, focussing on professional scepticism, ethics and everyday business challenges. We also support professional development on ethical conduct more widely with a range of resources and guidance focused on ethics on our website.

Q7. Do you agree with the specific expectations proposed under outcome 1?

18. The proposed expectations align with ICAEW's own thinking and existing approach in relation to ethics learning. Therefore, we are confident the ICAEW already meets the expectations in terms of our overall education and training framework that sets the standards of ethics for an authorised person both in the lead up to qualification and throughout their career. For example, what professional ethical duties mean for authorised persons is set out in our entry qualifications and CPD ethics modules to ensure high professional standards. We also provide resources to members to help them navigate situations in practice where different duties come into conflict. From a training perspective, we have found that the use of our educational training films focusing on ethical risks are a highly effective training method.
19. We agree that sharing best practice is valuable, and we are open to collaborating with other legal services regulators in relation to this area.

Q8. Do you agree with the proposed outcome 2?

20. Yes, we agree with the proposed outcome 2. Regulators should have a framework of rules, regulations, guidance and other resources which make clear that professional ethical duties are integral to the way authorised persons are expected to behave and act

throughout their careers. Embedding professional ethical duties into regulatory frameworks is essential to ensuring that these duties are not just theoretical ideals but integral to how legal professionals operate. The ICAEW Code of Ethics reflects this approach and is underpinned by a principles-based threats and safeguards framework, that guides ethical behaviour, including managing conflicts between fundamental ethical principles.

Q9. Do you agree with the specific expectations proposed under outcome 2?

21. Our comments in relation to the specific expectations are as follows:

- a. We agree that regulatory arrangements, guidance and other resources should be clearly set out so that professional ethical duties are integral to the way authorised persons, their managers and employees carry out their roles.
- b. We also agree that regulators should consider what rules, regulations, guidance or other resources are needed to support the needs and work of the legal services they regulate, to clearly and unambiguously address the handling of professional ethical duties when they come into conflict.
- c. We agree that regulators should gather intelligence from an array of sources to maintain understanding of categories of behaviour where professional ethical duties may be undermined. However, the extent of the other intelligence that should be gathered should be at the discretion of the regulator. We also agree that regulators should use intelligence that they hold from disciplinary and enforcement activity and risk assessments, to inform development of regulatory arrangements, guidance, and other resources.

Q10. Do you agree with the proposed outcome 3?

22. Yes, we agree with the proposed outcome 3. Regulators should ensure that authorised persons are supported and empowered to uphold their professional ethical duties when they are challenged. Guiding ethical behaviour even when challenged is at the core of our regulatory framework because acting in the public interest is the underlying ethos of work carried out by a chartered accountant. This will be further reinforced by revisions to the 2025 edition of ICAEW's Code of Ethics relating to professional behaviour and the role and mindset expected of all professional accountants. This includes strengthening the Fundamental Principle of Integrity by requiring professional accountants to act appropriately in difficult situations and to promote an ethical culture.
23. Furthermore, chartered accountants are empowered by the 'Non-Compliance with Laws and Regulations' ([NOCLAR](#)) framework, which sets out the actions professionals should take when faced with ethical challenges. NOCLAR reinforces the principles of integrity and professional behaviour, ensuring that accountants act in the public interest by identifying and addressing unethical or unlawful behaviour. The key objectives of NOCLAR are to comply with the principles of integrity and professional behaviour and report or deter unethical behaviour that breaches any laws or regulations. This empowers chartered accountants to take action when they become aware of any illegal or potential illegal act. Additionally, ICAEW members have a [duty to report](#) misconduct under ICAEW Disciplinary Bye-laws. We also provide a range of guidance and technical helpsheets on our website to guide practitioners when facing ethical dilemmas. For example, [Ethical problems - framework for resolution | ICAEW](#) helps members resolve ethical problems through self-assessment by using a decision tree framework.

Q11. Do you agree with the specific expectations proposed under outcome 3?

24. While we agree with the intention of the expectations, we are concerned that they are too extensive and prescriptive – seven expectations in relation to supporting authorised persons seems disproportionate and would be better presented as suggestions or illustrations of what regulators could do if relevant to their regulated populations. There are

also requirements that are difficult to meet in reality – for example, “ensure authorised persons foster work environments and cultures where ethical decision-making is supported and valued”. While we can encourage such behaviour, ensuring that this happens in every firm at all times is not a realistic achievement for any regulator. All chartered accountants and ICAEW firms have an obligation to report misconduct to ICAEW under the Duty to Report Misconduct so we would support this being adopted more widely across legal services regulators where it does not already exist.

25. Mandating that regulators must collaborate with other regulators in other sectors also seems overly prescriptive; instead it could be encouraged where relevant. In relation to the expectations which relate to in-house practice, our accredited probate practitioners work solely in professional services firms; however the expectations are framed as ‘must’. This means any deviation must always be justified, which seems disproportionate. It would be better if this expectation could be expressed such that it permits regulators to adjust their approach based on their regulated population.

Q12. Do you agree with the proposed outcome 4?

26. Yes, we agree that regulators should identify and use appropriate tools and processes to monitor and supervise the conduct of authorised persons, and where necessary take effective action to address non-compliance with professional ethical duties. We note the LSB’s observation that ethics are not always a specific focus of current compliance activities. At ICAEW, all accredited probate firms are subject to monitoring visits by our Quality Assurance Department, who check compliance with a wide range of regulatory requirements, including the Legal Services Regulations and relevant parts of the ICAEW Code of Ethics. Monitoring visits assess compliance through reviews of policies, procedures, and client files, and may result in guidance, follow-up visits, or referrals to our Conduct Department where necessary. ICAEW probate practitioners are also required to demonstrate compliance with regulatory obligations through data provided on ICAEW annual returns.

Q13. Do you agree with the specific expectations proposed under outcome 4?

27. We agree that drawing on a range of data sources to assess compliance provides a more complete picture of compliance with ethical duties in practice. ICAEW already collects data from a wide range of sources, including those listed. However, a prescriptive list of data sources that **must** be used may force regulators to undertake data collection in areas where it is not relevant for their regulated populations. It would be more proportionate for the list to be suggestions for regulators to consider.

Q14. Do you agree with the proposed outcome 5?

28. Yes, we agree with the proposed outcome 5. Regular evaluation ensures that regulatory measures remain effective and responsive to emerging ethical challenges. We are committed to maintaining a robust and adaptive regulatory framework that upholds professional ethical duties. For example, our practice assurance reviews assess firms’ adherence to ethical and professional standards and help to identify trends, emerging risks, and areas requiring policy or regulatory intervention. Our regulatory policy team also plays a key role in horizon scanning and addressing evolving ethical concerns, contributing to a dynamic and forward-looking regulatory approach. Our CPD ethics modules and educational training films reflect real-world ethical dilemmas and are updated to reflect emerging regulatory issues.

Q15. Do you agree with the specific expectations proposed under outcome 5?

29. We agree that regulators should have methods in place to measure the effectiveness of their approach in relation to professional ethical duties and take steps to adapt their measures to ensure they remain fit for purpose. One such example of how ICAEW takes steps to adapt measures is by analysing complaints data. This can serve a crucial role in highlighting key risks that may require a regulatory response or adjustments to existing policies. However, while some evaluation of effectiveness is valuable, there are limitations of what this can show. It is difficult to measure degree of effectiveness across a profession because we only receive reports of unethical behaviour, and not reports of good practice on a day-to-day basis, for example where members have acted in the public interest or the interests of the court in priority to client interests.

Q16. Do you agree with our proposed timelines for implementation?

30. We are content with the proposed implementation timeframe as we consider that it will not involve significant changes to our rules or regulatory framework, on the basis that we are confident that we meet all of the outcomes already.

Q17. Is there any reason why a regulator would not be able to meet the statement of policy outcomes within the timeframes proposed? Please explain your reasons

31. While we cannot comment on the position for other regulators, ICAEW is comfortable that the policy outcomes can be met within the timeframes proposed (and indeed are already).

Q18. Have you identified any equality impacts, we haven't considered which, in your view, may arise from our proposed statement of policy?

32. No, we have not identified any other equality impacts.

Q19. Do you have any evidence relating to the potential impact of our proposals on specific groups with certain protected characteristics, and any associated mitigating measures that you think we should consider?

33. We do not have any evidence to suggest that the proposed measures would have a disproportionate impact on specific groups with protected characteristics. However, we remain committed to monitoring and assessing any potential impacts through ongoing stakeholder engagement.

Q20. Are there any other wider equality issues or impacts that we should take into account and/or any further interventions we should take to address these in our statement of policy

34. We have no further comments on equality considerations.

Q21. Do you have any comments on the potential impact of the draft statement of policy, including the likely costs and anticipated benefits?

35. No further comments. We will continue to monitor the impact of any changes but do not foresee material financial or operational burdens as a result of the proposals.

Q22. Do you have any further comments

36. No.