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*Changes to legislation: There are currently no known outstanding effects for the Legal Services Act 2007, Part 1. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 13

#### OWNERSHIP OF LICENSED BODIES

##### PART 1

##### INTRODUCTORY

###### *Restricted interests subject to approval*

- 1 (1) The holding by a non-authorised person of a restricted interest in a licensed body is subject to the approval of the relevant licensing authority in accordance with the provisions of this Schedule.
- (2) In relation to a licensed body which is a partnership, for the purposes of section 34 of the Partnership Act 1890 (c. 39) (dissolution by illegality) the holding by a non-authorised person of a restricted interest in the body without the approval of the relevant licensing authority does not make it unlawful for the business of the partnership to be carried on, or for the partners to carry it on in partnership.

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###### **Commencement Information**

- I1** Sch. 13 para. 1 in force at 1.10.2011 by S.I. 2011/2196, art. 2(1)(d)

###### *Restricted interest*

- 2 (1) “Restricted interest” means each of the following—
- (a) a material interest;
  - (b) if licensing rules are made by the relevant licensing authority under subparagraph (2), a controlled interest.
- (2) Licensing rules may specify that a controlled interest is a restricted interest for the purposes of this Schedule.

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###### **Commencement Information**

- I2** Sch. 13 para. 2 in force at 1.10.2011 by S.I. 2011/2196, art. 2(1)(d)

###### *Material interest*

- 3 (1) For the purposes of this Part of this Act, a person holds a material interest in a body (“B”) if the person—
- (a) holds at least 10% of the shares in B,

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- (b) is able to exercise significant influence over the management of B by virtue of the person's shareholding in B,
  - (c) holds at least 10% of the shares in a parent undertaking (“P”) of B,
  - (d) is able to exercise significant influence over the management of P by virtue of the person's shareholding in P,
  - (e) is entitled to exercise, or control the exercise of, voting power in B which, if it consists of voting rights, constitutes at least 10% of the voting rights in B,
  - (f) is able to exercise significant influence over the management of B by virtue of the person's entitlement to exercise, or control the exercise of, voting rights in B,
  - (g) is entitled to exercise, or control the exercise of, voting power in P which, if it consists of voting rights, constitutes at least 10% of the voting rights in P,
  - (h) is able to exercise significant influence over the management of P by virtue of the person's entitlement to exercise, or control the exercise of, voting rights in P.
- (2) Licensing rules made by the relevant licensing authority may provide—
- (a) that the references in sub-paragraph (1) to 10% are to have effect as references to such lesser percentage as may be specified in the rules;
  - (b) that in relation to a partnership, for the purposes of this Part a person has a material interest in the partnership if he is a partner (whether or not the person has a material interest by virtue of sub-paragraph (1)).
- (3) For the purposes of sub-paragraph (1) “the person” means—
- (a) the person,
  - (b) any of the person's associates, or
  - (c) the person and any of the person's associates taken together.
- (4) For the purposes of this Schedule, material interests held by virtue of different paragraphs of sub-paragraph (1) are restricted interests of different kinds.

**Commencement Information**

**I3** [Sch. 13 para. 3](#) in force at 1.10.2011 by [S.I. 2011/2196](#), [art. 2\(1\)\(d\)](#)

*Controlled interest*

- 4 (1) For the purposes of this Schedule, a person holds a controlled interest in a body (“B”) if the person—
- (a) holds at least x% of the shares in B,
  - (b) holds at least x% of the shares in a parent undertaking (“P”) of B,
  - (c) is entitled to exercise, or control the exercise of, at least x% of the voting rights in B, or
  - (d) is entitled to exercise, or control the exercise of, at least x% of the voting rights in P.
- (2) For the purposes of sub-paragraph (1) “the person” means—
- (a) the person,
  - (b) any of the person's associates, or
  - (c) the person and any of the person's associates taken together.

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- (3) In sub-paragraph (1), “x” means such percentage as may be specified in licensing rules made by the relevant licensing authority under paragraph 2(2).
- (4) Licensing rules made under paragraph 2(2) may specify more than one percentage.
- (5) Any percentage specified by licensing rules made under paragraph 2(2) must be greater than—
  - (a) 10%, or
  - (b) if the relevant licensing authority makes licensing rules under paragraph 3(2) (a), the percentage specified in those rules.
- (6) For the purposes of this Schedule—
  - (a) controlled interests held by virtue of different paragraphs of sub-paragraph (1) are restricted interests of different kinds;
  - (b) if licensing rules made under paragraph 2(2) specify more than one percentage, controlled interests held by virtue of each of those percentages are restricted interests of different kinds.

**Commencement Information**

**I4** Sch. 13 para. 4 in force at 1.10.2011 by S.I. 2011/2196, art. 2(1)(d)

*Associates, parent undertakings and voting power*

- 5 (1) For the purposes of this Schedule “associate”, in relation to a person (“A”) and—
- (a) a shareholding in a body (“S”), or
  - (b) an entitlement to exercise or control the exercise of voting power in a body (“V”),
- means a person listed in sub-paragraph (2).
- (2) The persons are—
- (a) the spouse or civil partner of A,
  - (b) a child or stepchild of A (if under 18),
  - (c) the trustee of any settlement under which A has a life interest in possession (in Scotland a life interest),
  - (d) an undertaking of which A is a director,
  - (e) an employee of A,
  - (f) a partner of A (except, where S or V is a partnership in which A is a partner, another partner in S or V),
  - (g) if A is an undertaking—
    - (i) a director of A,
    - (ii) a subsidiary undertaking of A, or
    - (iii) a director or employee of such a subsidiary undertaking,
  - (h) if A has with any other person an agreement or arrangement with respect to the acquisition, holding or disposal of shares or other interests in S or V (whether or not they are interests within the meaning of section 72(3)), that other person, or

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- (i) if A has with any other person an agreement or arrangement under which they undertake to act together in exercising their voting power in relation to S or V, that person.
- (3) In sub-paragraph (2)(c), “settlement” means any disposition or arrangement under which property is held on trust (or subject to a comparable obligation).
- (4) For the purposes of this Schedule—
- “parent undertaking” and “subsidiary undertaking” have the same meaning as in the Financial Services and Markets Act 2000 (c. 8) (see section 420 of that Act);
  - “voting power”, in relation to a body which does not have general meetings at which matters are decided by the exercise of voting rights, means the right under the constitution of the body to direct the overall policy of the body or alter the terms of its constitution.

**Commencement Information**

**I5** Sch. 13 para. 5 in force at 1.10.2011 by S.I. 2011/2196, art. 2(1)(d)

*The approval requirements*

- 6 (1) For the purposes of this Schedule, the approval requirements are met in relation to a person's holding of a restricted interest if—
- (a) the person's holding of that interest does not compromise the regulatory objectives,
  - (b) the person's holding of that interest does not compromise compliance with the duties imposed by section 176 by the licensed body or persons to whom sub-paragraph (2) applies, and
  - (c) the person is otherwise a fit and proper person to hold that interest.
- (2) This sub-paragraph applies to any employee or manager of the licensed body who is an authorised person in relation to an activity which is a reserved legal activity.
- (3) In determining whether it is satisfied of the matters mentioned in sub-paragraph (1) (a) to (c), the licensing authority must in particular have regard to—
- (a) the person's probity and financial position,
  - (b) whether the person is disqualified as mentioned in section 100(1), or included in the list kept by the Board under paragraph 51,
  - (c) the person's associates, and
  - (d) any other matter which may be specified in licensing rules.
- (4) Licensing rules must make provision about the procedures that will be applied by the licensing authority when determining whether it is satisfied of the matters mentioned in sub-paragraph (1)(a) to (c).

**Commencement Information**

**I6** Sch. 13 para. 6 in force at 1.10.2011 by S.I. 2011/2196, art. 2(1)(d)

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*Approval of multiple restricted interests*

- 7 (1) This paragraph applies if a person (“P”) holds a kind of restricted interest in a body (“B”) by virtue of—
- (a) holding a particular percentage of the shares in B or a parent undertaking of B, or
  - (b) an entitlement to exercise, or control the exercise of, a particular percentage of the voting rights in B or a parent undertaking of B.
- (2) If the relevant licensing authority approves P's holding of that interest, it is to be treated as also approving P's holding of any lesser restricted interest in B held by P.
- (3) A lesser restricted interest is a kind of restricted interest held by P by virtue of—
- (a) holding a smaller percentage of the shares mentioned in sub-paragraph (1)(a), or
  - (b) an entitlement to exercise, or control the exercise of, a smaller percentage of the voting rights mentioned in sub-paragraph (1)(b).

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**Commencement Information**

**I7** Sch. 13 para. 7 in force at 1.10.2011 by S.I. 2011/2196, art. 2(1)(d)

*Board's power to prescribe rules*

- 8 In this Schedule “prescribed” means prescribed by rules made by the Board for the purposes of this Schedule.

*Lord Chancellor's power to modify*

- 9 The Lord Chancellor may, on the recommendation of the Board, by order modify—
- (a) paragraph 3 (material interest);
  - (b) paragraphs 4(2), 5, 6(3)(c), 38(3), 41(3) and 42(3) (associates).

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**Commencement Information**

**I8** Sch. 13 para. 9 in force at 1.10.2011 by S.I. 2011/2196, art. 2(1)(d)

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