



## HOW TO ASSESS RISK

By Bernard George

[bernard@socrates-training.co.uk](mailto:bernard@socrates-training.co.uk)

Risk assessment is compulsory\*. But how do you do it?

Looking at your firm's claims history is OK as far as it goes. After all lightning often strikes twice in the same place. But remember only a tiny proportion of mistakes produce claims, so your claims data does not tell you enough.

Also look at complaints. Losing a good client can cost as much as paying out on a claim. So scrutinise your firm's own complaints records, but also check out the data from the Legal Ombudsman (<http://www.legalombudsman.org.uk>). That shows that clients mostly complain about a failure to crack on, rather than mistakes (failing to advise or keep the client informed, or to make progress accounts for half of complaints). Do you have adequate training, guidelines and supervision to address those issues?

Also check your records on time written off. Again, firms lose more money through write-offs than claims. And the people who are writing off time and producing complaints are probably the ones who are creating other risks too.

Use a structured approach. There are many potential risk areas, so think carefully about all your management systems. Socrates publishes a questionnaire that takes firms through the key areas.

People issues are often neglected, but that is where big risks can lie. For example do you have some rogue elephants in your firm, who refuse to submit to normal procedures and supervision? Do you have anyone who is serially unreliable, or has a drink problem, or (whisper it quietly) you do not trust? These are tricky problems to resolve, but the first step is to acknowledge that they exist.

For each risk identified, estimate its likelihood, and the seriousness of the potential consequences. It can be helpful to plot them on a grid, like this:

	High		
<b>Likelihood</b>			
	Low		
		Minor	Major
		<b>Consequences</b>	

When you have identified the risks with serious consequences, which have a significant likelihood of occurring, you have to set about mitigating them. But that is for another day.

\* Code of Conduct Outcome 7.3 requires that you “identify, monitor and manage risks to compliance with all the Principles, rules and outcomes and other requirements of the Handbook, if applicable to you, and take steps to address issues identified.”