

Response of the Institute of Business Ethics to the Legal Services Board Consultation on Policy Statement on Professional Ethics

23rd May 2025

Introduction

The Institute of Business Ethics (IBE) is a non-profit dedicated to championing the highest standards of ethical behaviour in business. Established nearly 40 years ago, we develop insights and best practice on ethical leadership, ethical culture and values-based decision-making.

We have long supported leading organisations - including professional services firms and associations - to embed ethics in their operations. We have advised regulators and professional bodies on strengthening their ethical frameworks and standards, as well as designing and running advisory services and training programmes, including support for ICAEW's professional ethics training.

In 2023, the IBE was invited to host the Taskforce *on Business Ethics and the Legal Profession*. This was an 18-month review of how UK law firms decide which clients and matters to take on, particularly in the context of kleptocracy, state capture and grand corruption. The Taskforce's recommendations, published in April 2025, offer a practical framework to help firms align client acceptance with high professional standards and accountability.

The IBE warmly welcomes the Legal Services Board's initiative to enhance professional ethics in the legal sector. We are delighted to have the opportunity to contribute to this consultation, particularly at this moment in time, when as the LSB's consultation itself states, "the challenges facing legal professionals are complex and evolving, from serving commercial interests and powerful clients to technological disruption". In our experience, companies and leaders that embrace ethical leadership, culture and systems are better equipped to thrive, innovate and grow in times of change: values are a vital compass for navigating uncertainty.

General comments

The IBE strongly supports the LSB's proposed Policy Statement on Professional Ethics. We agree with the diagnosis that professional ethical duties are not always well understood in the sector, and that some authorised persons are failing to uphold these duties. This has led to clear societal harms and undermined trust in the profession. Regulators have a crucial role to play in raising standards of professional ethics.

At heart, what the LSB has identified is a matter of culture. The issues under discussion are complex, multifaceted and dynamic. Culture cannot be directly regulated – it evolves through norms, expectations, values, and behaviours that emerge over time. In our experience, leading organisations invest significant amounts of time, resource and expertise to guide and oversee ethics and culture. Whilst regulators cannot prescribe culture, they can set the rules and frameworks that anchor professional ethics in the public interest.

In doing so regulation plays a formative role. It can shape culture by articulating clear public interest objectives that appreciate the wider context: values, leadership, and workplace structures, incentives, and the ethical climate of firms and institutions.

In our experience, one of the most effective ways to build and sustain strongly ethical workplaces is through practical, scenario and dilemma-based training that brings values to life in context. This needs to be backed by the systems and processes that we call an "enabling environment for ethics" to support ethics in day-to-day decision-making and behaviours.

Our response highlights four key areas where the Statement and expectations could be strengthened:

1. **A clearer definition of "professional ethics"** - including what "integrity" entails, and how ethics goes beyond compliance. Regulators can help by also providing a stronger steer on what good looks like.
2. **Greater emphasis on ethical values and the duty to act in the public interest**, which should be positioned as a core principle of legal professionalism.
3. **A stronger recognition of the role of ethical leadership**, and how leaders within the sector can actively shape culture by modelling ethical behaviour, setting expectations, and creating space for ethical reflection.
4. **Practical guidance and tools for ethical decision-making and performance improvement**, beyond codes and principles - including models to weigh competing values and create open cultures, and mechanisms for measuring outcomes at a leadership, organisational and societal level.

The aim of professional ethics should be to make ethical values part of everyday working life. This means that rules and standards are vital, but they are not enough. Education, training and supporting mechanisms need to provide clear direction, explain practical relevance, and enable sustained reinforcement.

Answers to the consultation questions

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

Yes – but we believe it is incomplete.

The IBE Taskforce on Business Ethics and the Legal Profession's research and extensive engagement found that there is currently confusion in the legal profession around what constitutes "professional ethics". Integrity is typically seen as a shorthand to express the "higher standards which society expects from professional persons and which the professions expect from their own members"¹. However, the proposed statutory statement of policy leaves it relatively open to interpreting what acting "with independence and integrity" entails.

The proposed definition could be strengthened in two ways. Firstly, by explicitly recognising the role of ethical values. Values are fundamental to ethics. The definition should emphasise that ethics involves an appreciation of values, whether personal, professional or societal. Crucially, the interaction between different values is what makes ethics challenging.

Secondly, the proposed definition could be made clearer by framing the duty to act in the public interest as a defining objective of the legal profession. This duty is referenced in the consultation, but we suggest it should be elevated more clearly as a central, guiding principle for the profession. This would help regulators articulate how wider duties beyond those to clients should be understood by the profession. As currently defined, we believe there is room for regulators and the sector to interpret this quite differently.

Sharper definitions - and stronger guidance on what ethics means and how it is achieved and measured in cultures and leadership approaches – are needed to achieve the stated vision of "a holistic approach to transform workplace and leadership culture".

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

Yes. Provided the definitions of "professional ethics" are explicit and clearly understood, high-level outcomes offer clarity of purpose whilst allowing regulators to tailor implementation.

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

Yes. The outcomes correspond well to the issues identified. One suggestion is to strengthen the definition of "professional ethical duties" as foundational for understanding and delivering the other outcomes.

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

Yes.

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?

Yes.

Q6. Do you agree with the proposed outcome 1?

Yes. Education and training are one of the key building blocks for an "enabling environment for ethics" and the foundation of professional ethics². Knowledge alone is insufficient – professionals also need practice in ethical decision-making to develop skills and capabilities. Getting better at ethics is like a muscle: it improves with practice, support and guidance.

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

¹ *Taskforce on Business Ethics and the Legal Profession*, Institute of Business Ethics, April 2025

² *Ethics at Work: 2024 International Survey of Employees*, Institute of Business Ethics, 2024

Yes. The IBE strongly supports the specific expectations that regulators must set standards for education and training. This should include defining professional ethics duties “having regard to professional principles”, “how to prioritise different duties in practice when they come into conflict with each other” and “using appropriate resources to deliver effective training, such as case studies, which include good practice examples and lessons learned from real-life”. These are all much needed.

We suggest also referencing values and values-based decision-making - not just principles and duties. We recommend that regulators incorporate ethical decision-making models into education and training. These frameworks - widely used in other sectors and refined over decades of practice - provide structured pathways to navigate dilemmas and balance competing values. Examples include scenario planning, stakeholder analysis, and step-by-step ethical decision trees. Training professionals to use such tools would help to apply ethics in a values-led and consistent way.

However, it is worth stating explicitly, this is not just about individual ethical competency. For ethical leadership, an individual also needs to understand what it takes to create ethical cultures at an organisational level, and what ethical systems are required to thrive. There are technical skills and core competencies that deliver measurable improvements. They should be considered in the same way that we would not allow an unqualified individual to lead a finance team, no matter how good they were at talking about finance.

Q8. Do you agree with the proposed outcome 2?

Yes. We agree that regulators’ current approaches and definitions of professional ethical duties are not always understood or applied in practice and more explicit guidance, and support, is needed.

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

Yes. We particularly welcome the expectation that regulators must consider changes needed to “clearly and unambiguously address the handling of professional ethical duties when they come into conflict”. This provides a helpful lens to review the current approach, surface dilemmas and explore what practical guidance is needed.

The requirements to gather intelligence on the “categories of behaviour where professional ethical duties may be undermined” and use datapoints such as from disciplinary and enforcement activity are also very useful. This is because ethics is not a fixed concept, and regulators need to be mindful of its changing nature as new issues emerge.

Q10. Do you agree with the proposed outcome 3?

Yes. Regulators must consider the complexity of culture in devising means to support and empower professionals. This includes the role of ethical leadership, including role-modelling behaviours. The IBE’s *Ethics at Work* research shows that, globally, 15% of employees say that they feel pressure to compromise their organisation’s ethical standards³. The key drivers are pressure from senior colleagues or bosses and high workload with tight deadlines – a particularly pertinent factor for the legal sector. Our research shows that organisations can put in place key components to create an enabling environment for ethics. This includes:

- Written standards – a clearly communicated code of ethics that expresses the organisation’s values and ethical expectations.
- Training and communication – regular ethics training and internal messaging to ensure understanding and reinforcement.
- Speak up mechanisms – trusted, confidential ways to raise concerns, supported by a culture of non-retaliation.
- Governance and oversight – clear accountability for ethical conduct, often via ethics committees, senior responsibility, and regular reporting.

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

Yes. There is clear best practice on the steps needed to create and sustain an ethical culture, including how to nurture psychological safety. By embedding what the IBE calls an “enabling environment for ethics”, our research shows that organisations can create a culture where highest ethics standards are experienced, as measured by

³ *Ethics at Work: 2024 International Survey of Employees*, Institute of Business Ethics, 2024.

employees. Regulators should expect and encourage the legal profession to assess and strengthen these pillars as part of their duty to uphold professional ethics.

We recommend a clearer focus on the role of leadership, as outlined in our Business Ethics Framework. Whilst the expectation refers to “managers”, leadership could be made explicit. Authorised persons can be supported and empowered to uphold professional ethical duties through leadership that models ethical behaviours, sets clear expectations and creates space for ethical reflection, feedback and openness.

Q12. Do you agree with the proposed outcome 4?

Yes. It is vital for regulators to monitor and supervise the conduct of authorised persons.

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

Yes. Ethics should be monitored proactively using both qualitative and quantitative data.

Regulators should also consider the role of whistleblowers and whistleblowing data in this regard.

Q14. Do you agree with the proposed outcome 5?

Yes. It is critical for regulators to evaluate the impact of their measures and adapt approaches as things change. Horizon scanning to stay abreast of new trends in ethics is vital, including changing societal expectations.

The reference to AI is helpful: IBE research has found that many workplaces are currently not well prepared for AI and employees are seeking additional guidance specifically on the ethical aspects of AI⁴. The IBE has produced best practice guidance for organisations to implement an ethical approach to AI that includes monitoring evolving expectations and uses.

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

Yes.

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

Yes.

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.

We do not have a view on this question.

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

We support the statement on the harm caused by poor ethical conduct to vulnerable consumers. Stronger ethical standards can play an important role in protecting those most at risk in society who often lack voice to speak for themselves.

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?

We have no additional comments on this question.

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?

We have no additional comments on this question.

⁴ *Ethics at Work: The Future of the Workplace*, Institute of Business Ethics, March 2025.

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

We agree that the benefits - including improved trust, professional standards and client outcomes - should outweigh any implementation costs. Our experience of working with businesses on ethics for nearly 40 years suggests multiple and enduring business benefits from ethics. An ethical culture can strengthen performance, talent retention, risk management and organisational resilience as well as providing more consistent decision-making and early warning signals for leadership. Beyond the individual and firm level benefits, there is also a powerful benefit at a societal level: a more ethical infrastructure that underpins everyday life.

Q22. Do you have any further comments?

We welcome this initiative and stand ready to support. As a non-profit, the IBE can contribute by sharing our thinking: frameworks, research, benchmarking and insights on ethical leadership, culture, and decision-making. We also offer paid for, advisory services and ethical leadership development programmes to support leaders and organisations with ethical best practice and culture. Further to that, we would be open to establishing, if there was interest and support from the profession, an IBE Legal Network where we can foster safe spaces for discussion, connections and insight on best practice, emerging issues and help to shape and create new standards and solutions to support the profession into the future.

The Institute of Business Ethics
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For any comments regarding the IBE's response to this consultation, please contact info@ibe.org.uk