

After the Legal Services Act



The Solicitors' Regulation Authority has announced that Alternative Business Structures for the delivery of legal services will be permitted as from 6 October 2011, and the accepted prediction is that the result will be a 30% reduction in the current law firm population. According to the Legal Services Policy Institute, the axe is likely to fall principally on firms which will be vulnerable to competition from banks, supermarkets and insurance companies moving into business areas centred on moving home, personal injury, employment and social welfare.

The need for change

Many law firms will be driven up market, to business areas where the value of their technical expertise will be rewarded. They will also have to overcome the negative perceptions associated with the solicitor brand - namely that solicitors are interested only in "matters", not in client relationships, and are not concerned with clients' wider professional needs. As the Managing Partner of Trethowans commented in the magazine of the Law Management Section of the Law Society, "*Law in many instances is seen as a distress purchase. Generally, clients try to avoid spending any money on legal services unless they have to.*"

In order to face up to the challenge, many firms will need to change:

- to take a wider view of their clients' needs
- to maintain regular contact with their clients
- to improve their team working and their utilisation of standardised procedures and shared client data
- to consider strategic alliances with other Professionals who possess complementary skills.



Business Models



A Director of Lyceum Capital, a private equity firm which is currently eyeing the legal market, commented in a recent interview that there are three broad paths to success for law firms:

- achieving scale, critical mass and efficiency
- developing brand recognition
- developing a niche offering in the higher net worth market.

Business Models Continued

A handful of firms have already adopted the HNW niche business model by providing a combined legal and financial client proposition which capitalises on the decline of the private banks and reclaims for solicitors their historic role as “trusted advisers”. Some of these firms have also addressed the branding issue by either abandoning the “solicitor” tag altogether or adopting client-friendly descriptions such as “family offices”.

For private client lawyers, financial advice provides the natural complement to legal advice in business areas such as trusts and estates, older clients, pensions in divorce and personal injury work. Furthermore, the fee-based financial adviser model involves maintaining regular contact with clients, reviewing and reporting on investment portfolios and up-dating personal financial plans.

Consequently, for most firms some form of strategic alliance with an IFA firm may be the way forward, possibly taking the form of a closer referral relationship or a joint venture. When considering such alliances, solicitors will need to satisfy themselves on the score of independence (as required by the SRA) and that the IFAs are fee-based.

Exercising due diligence in the selection of IFAs should also assist firms to address the threat to quality standards which arises when individual fee-earners are permitted to establish their own individual IFA relationships.

Business management processes

The value of an alliance with an IFA firm, such as ourselves is not confined to the complementary client services which we can provide. It extends also to our business management and marketing skills.

The SRA is currently in the process of amending the solicitors’ Code of Conduct and is adopting the principles based approach to regulation which has been pioneered by the Financial Services Authority over the past nine years. Importantly, this extends to prescribing an operational framework in the context of which the rules are applied, and which includes the compilation and analysis of client data and the implementation of common processes within firms, to ensure consistency of advice and standards - precisely the elements which are missing from many law firms’ skill sets.

We are fully familiar with these processes and can **share our experience with you to mutual advantage. We can also share the comprehensive data which we are required to compile on all the clients who are referred to us, and thus assist you to build your own marketing database.**



We will be pleased to provide a business procedures pack for you; and a set of alternative templates for joint ventures will be available shortly.



Get in touch...

For further advice and assistance please e-mail marketing@monahans-fsl.co.uk

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