



The Legal Services Act – what does it mean for me?

Monday 14 November 2011

In association with:



The Legal Services Act – what does it mean for me?

8.00am	Registration and breakfast
8.30am	Introduction – Andy Poole, Armstrong Watson
8.45am	Professor Stephen Mayson
9.30am	Stuart Bushell, SIFA
10.00am	Questions – Ian Appleby, RBS
10.30am	Close

The Legal Services Act – what does it mean for me?

Introduction

Andy Poole

Legal Sector Director

Armstrong Watson

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New Entrants

- “Tesco Law”?
- “Google Law”? – Rocket Lawyer
- “Google Law”? – Law Pivot
- “Co-op Law”?
- “Right Move Law”?
- “Freeserve Law”?
- “Halifax Law”?
- “National Accident Helpline Law”?
- “LawVest Law”?

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Alliances

- Quality Solicitors
- Contact Law
- Simplify the Law
- The Legal Alliance
- Face2Face Solicitors
- Lawyers2you
- High Street Lawyer
- Connect2Law

The Legal Services Act

- External investors
- Flotation
 - Slater and Gordon
 - Irwin Mitchell?
 - Everyman Legal
- Consolidators

Responses

- Alliances
- Mergers
- Virtual law firms
- Outsourcing
- Change performance/delivery
 - Epoq
 - Legal Zoom
- Technology
 - iphone
 - website

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Responses (cont)

- Change access
 - hours
 - website
- Niche focus
- White labelling
 - Irwin Mitchell
 - Pannone/Affinity Solutions
 - Parabis Law

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Case Study

MTA Solicitors

Summary

www.armstrongwatson.co.uk/industry/legal-sector

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Legal Services Institute

The Impact of ABS

Professor Stephen Mayson

Director of the Legal Services Institute

Pressures driving change



- Complaints and restrictive regulation
- Client expectations, bargaining power, and cost/funding/ value for money
- Access to work/ volume capture and distribution
- Use of lawyers; project management; cost-efficiency
- Resources and supply chain management
- Accessibility (real and virtual)
- Ownership vs. management, and the quality of management
- Access to capital
- The broken business model

Impact on the profession



- A new regulatory framework
 - entity regulation
 - the professional principles and OFR
 - ‘tiering’ of regulation: individual, entity, LSB
 - built around the ‘reserved legal activities’:
tenuous foundations?
- New business structures and access to capital;
new (regulated and unregulated) competition
- Permission to innovate the business model

Impact on the public



- Competition for custom
 - loyalty to brands; complaints handling
 - buying power and scale economies
- Innovation in delivery
 - geographical dispersion; virtual access
 - more consumer-focused, user-friendly, accessible
 - standardisation and commoditisation
- One-stop shops?
- Cheaper and higher quality?

ABS: reinforcing a new future



- Limited ownership/investment in incumbents?
 - create new ventures; extend brand, share and loyalty
 - ownership of work (scale) and new processes (BPO, LPO)
- Effects:
 - separation of returns (owner, investor, manager, worker); reallocation (internal and external)
 - distinction between capital and income
 - difference of timescale – short term vs. long term
 - corporate structure, governance and discipline
 - cost control, case management, unbundling, innovation
 - scale and economies of scale



Legal Services Institute

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The Legal Services Act opportunity

**Stuart Bushell
Legal Affairs Director
SIFA**

A word about SIFA

- Founded in 1992 by a solicitor to assist solicitors to provide financial services
- Recognised by SRA and FSA as the representative body for solicitor IFAs
- Providing compliance, training, manuals and helplines to 170 firms of fee-based IFAs who work with solicitors
- Now assisting solicitors to address the Legal Services Act challenge/ opportunity

More types of legal adviser requires more regulators

- 10 professional bodies applying to LSB to be licensed to regulate legal services including ILEX, CLC, ICAEW
- LSB staffed by ex-Telecoms regulators, whose main priority is to encourage competition rather than to preserve traditional professional standards
- Law Societies concerned to protect their compensation schemes

The current reserved activities

Activities currently reserved to solicitors:

- Rights of audience
- Conduct of litigation
- Reserved instrument activity
- Probate
- Notarial work and administration of oaths

LSB review of reserved activities

- The LSB has issued a call for evidence as to whether will-writing should be reserved, along with all elements of probate and administration of estates which are also currently not reserved.
- However, they remain unconvinced that this is appropriate

The losers

“ABSs are going to kill off the commodity firms at the bottom of the (solicitors’) food chain. I don’t think they have an inkling of what is going to happen to them”

Sir Nigel Knowles, DLA Piper
Law Society Gazette, 16 June 2011

Seeking a positive response

SWOT analysis

1. The flaws in solicitors' proposition:

- Dependence on transactions
- Lack of firm-wide client database
- Services seen as a necessary evil
- Lack of management disciplines

Clients' perceptions

“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”

Managing Partner, Trethowans

“Solicitors held in “awe”, but when things went wrong they “talked down to you”, sought to “bamboozle you with words” and were seen as a “law unto themselves who used language and terminology that many struggled with”

LeO consumer research, February 2011

Seeking a positive response

SWOT analysis

2. Solicitors' advantages

- Trust and respect as professionals
- Client contacts (albeit unstructured)
- Work which links to that of other professionals

A conclusion

- Solicitors can benefit from regaining the pivotal role (vacated by the bank manager) of **trusted adviser**
- Providing the wider service of co-ordinating clients' affairs
- Thereby maintaining regular client relationships

What solicitors had hoped for

*“69% of solicitors who responded to the GT survey said they regarded **accountants** as the most suitable business partners”*

(Intendance survey, 2008)

However:

- Legal + audit are “*fundamentally incompatible*” (Richard Susskind)
- Accountants are unenthusiastic

The reality

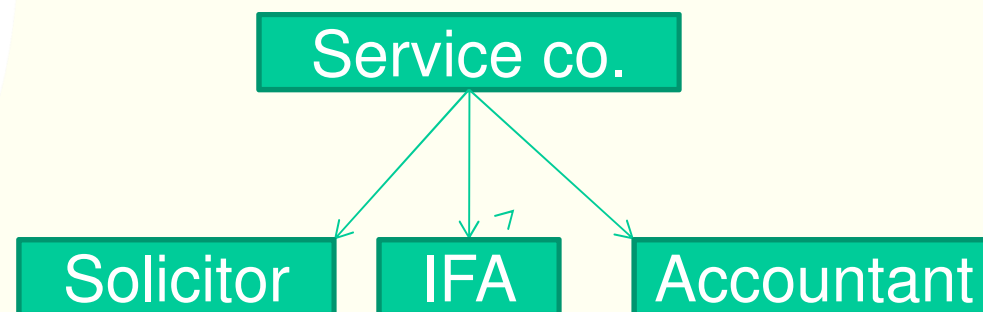
- Law firms are not attractive acquisition targets – private equity investors don't like partnerships
- Solicitors live from hand to mouth
- Solicitors aren't managers:

“Perhaps the main requirement for all of these (ABS) options will be good and well developed management and skills only found in a minority of firms at present”

Law Society Law Management Section

An MDP variant which might work

“Hub and spoke” combinations – e.g. solicitor, accountant and IFA working in close harness and sharing common admin, systems, HR, marketing and perhaps branding. E.g. Capita/ Optima



Clementi on ABS

"It should be noted that a form of MDP already exists within the current framework for legal services. A number of practices currently offer financial services as part of an all-round service to their customers. These arrangements appear to work in a satisfactory manner and should be "passport" into the new regulatory regime."

But legal + financial has declined

- Lack of interest by solicitors
- Lack of trust in IFAs
- Difficulty in judging IFA horse-flesh
- No partnership for the good 'uns
- Now fewer than 50 Authorised Professional Firms (APFs)
- APFs can't be ABSs

Post-LSA, things are changing

*“risks to legal suppliers could be mitigated by the possibility provided by ABSs that **practitioners from different professions would be able to join up to provide legal and associated services**”*

Jonathan Djanogly, Minister of Justice

Also, IFAs have changed as a result of:

- Tougher qualifications
- Move to fee-based remuneration

Benefits of working together

- Money matters pervade client affairs
- FS demands regular client contact
- IFAs can share client factfind data
- Can assist with client segmentation
- Provide the basis for communications
- FS is more interesting to clients
- FS provides the basis for market *differentiation*

Areas of common ground

- Trusts and estate
- Matrimonial
- Older clients
- Personal Injury and Court of Protection
- Corporate/ employment
- Offshore
- Property
- Portfolio management

Lexcel due diligence criteria *for solicitors selecting IFAs*

1. Independence
2. Direct authorisation by the FSA
3. Fee-based remuneration
4. Qualifications
5. Disciplinary record
6. Listed in Law Society endorsed Directory at www.sifa-centre.info

Types of relationship with IFAs

- Solicitor to IFA **referral relationships** (unremunerated) will continue to be the main form of relationship, but:
 - subject to SIFA/ Lexcel due diligence
 - subject to panelling and review
- Next step could be a **Joint Venture**. This:
 - enables solicitors to delegate compliance
 - enables them to receive dividends
 - enables them to use their law firm name

Horses for courses

- Establish sound referral relationship before considering JV
- Decide whether IFA will provide a GP service or a specialist service
- With larger law firms, consider confining JV to a single department
- Consider single and multiple JVs

Outcomes Focused Regulation

- Adopted by the Financial Services Authority to enable it to regulate differing business models
- Now adopted by SRA for the same reason
- Woolly principles built on firms' improved management systems and controls
- Controlled function holders – COLP and COFA

Learning from FSA experience

*“Many law firms do not undertake (Know Your Client procedures) in as great a level of detail as, for example, **financial services** companies... and should consider how doing so could provide benefits to them in the long term”*

Law Management Section magazine, February 2010

Does Lexcel tick the boxes?

Halliwells achieves Lexcel accreditation

Halliwells is one of the UK's most progressive law firms, delivering high quality legal advice across a number of specialist fields throughout offices in Manchester, London, Liverpool and Sheffield.

Halliwells has achieved the prestigious Lexcel standard for the first time this year. Awarded by the Law Society, Lexcel accreditation demonstrates to clients that a firm is managed to the highest standards and delivers exceptional client service.

Joanne Edwards says of implementing the Lexcel standard,



"Lexcel accreditation serves as an acknowledgment of the high quality of client care offered by Halliwells. All aspects of practice management, such as customer care, case management, financial and risk management are inspected to confirm that the highest possible quality internal standards

are maintained, ensuring the delivery of consistent excellence in legal services across each of the firm's four offices.

The Lexcel assessment has encouraged a new improved method of communication between all offices regarding risk and compliance. Staff are now aware of the proper procedures, and consultation is now much easier and more productive.

The qualification has given a stamp of approval to the procedures that Halliwells has been implementing over recent years and means that we can be confident that our practice management skills are the best they can be.

The Lexcel qualification is also beneficial for recruitment. It is appealing for prospective employees, as it reassures them that they are joining a quality firm with very high standards."

The whole team has assisted in the incorporation of the Lexcel standard and the dedication of the participating departments has certainly paid off, Halliwells has also received the Investors in People (IIP) accreditation alongside the Lexcel award. This means that the firm has been acknowledged for not only taking care of its clients, but its staff too.

Joanne Edwards is Learning and Development manager at Halliwells.

Paul Rose, training and recruitment partner:



"We set out to obtain Lexcel accreditation as it is in keeping with our philosophy of setting ourselves apart from the market in offering consistent excellence in providing our legal services and ensuring that our clients' objectives are met.

Obtaining Lexcel accreditation sets in place rigorous and thorough systems that mean we provide a superior service to clients.

The award is important to us, because it is a formal reflection of the attitude and the manner in which we manage our work, placing emphasis on keeping our clients informed and always acting in their best interests."

In order to meet Lexcel requirements, new roles and responsibilities have emerged within the organisation. Una Doyle, Head of Risk and Compliance comments:



"By achieving the Lexcel quality mark we have been able to show that we have exceptionally high service standards. The award has also seen the emergence of a dedicated Risk Management function staffed by qualified professionals.

Aligning the entire firm with a single policy of risk management has meant having both professional and support staff all trained on the same programme. This ensures that all the advice given is the same whatever the source. Following Lexcel means the information available to staff and clients is always consistent and always correct."

Brave new world

“The past two years have witnessed a desire for holistic advice from advisers, as opposed to individual services in silos delivered on a transactional basis.

*This means that law firms must re-shape their relationships with their clients so that they become **trusted advisers**”*

Sir Nigel Knowles, DLA Piper
Daily Telegraph 25/10/2010



Accentuate the positive

Questions & Close

Ian Appleby

Professional Practices Director

RBS



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