

# Alternative Business Structures: Is it for you? What's involved?

Andrew Jackson – Connect2Law

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# Andy Poole

## Legal Sector Director, Armstrong Watson

### Agenda

- Reasons to become an ABS
- The impact of banning referral fees
- Links between Claims Management Companies and Alternative Business Structures
- Potential structures to adopt
- The process



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## Reasons to become an ABS

- External investment
- Promote non-lawyer managers
- Spouse ownership
- Joint ventures
  - Claims Management Companies
  - Estate Agents
  - Insurance Brokers
  - IFAs



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# The impact of banning referral fees

- Reduced inflow of work to lawyers
- Reduced expenses
- Offset by reduced fixed recoverable portal costs
- Portal extension
- Impact on Claims Management Companies
- Can the ban be avoided?



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# Links between Claims Management Companies and Alternative Business Structures

- CMCs impacted by referral fee ban
- Joint Ventures with lawyers as ABSs
- Reduced fixed recoverable portal costs
- Number of different joint ventures?
- Vertical integration



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# Potential structures to adopt

- Partnership
- LLP
- Limited Company
- Corporate Partner
- Partnership of Corporates
- Hybrid
- Joint Venture



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## Structure: Issues to consider

- The Legal Services Act
  - External Investment – capital growth
  - Spouse Investment
- Liability
- Image
- Financing
- Impact on partners/succession
- Conversion issues/simplicity
- Public disclosure/accounting
- Flexibility
- Tax Savings



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# Trading structure options

- Partnership
- LLP
- Limited company
- Corporate Partner
- Partnership of corporates
- Hybrid
- Joint Venture



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# Trading structure options

- Partnership
- **LLP**
- Limited company
- Corporate Partner
- Partnership of corporates
- Hybrid
- Joint Venture



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# Trading structure options

- Partnership
- LLP
- **Limited company**
- Corporate Partner
- Partnership of corporates
- Hybrid
- Joint Venture



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# Trading structure options

- Partnership
- LLP
- Limited company
- **Corporate Partner**
- Partnership of corporates
- Hybrid
- Joint Venture

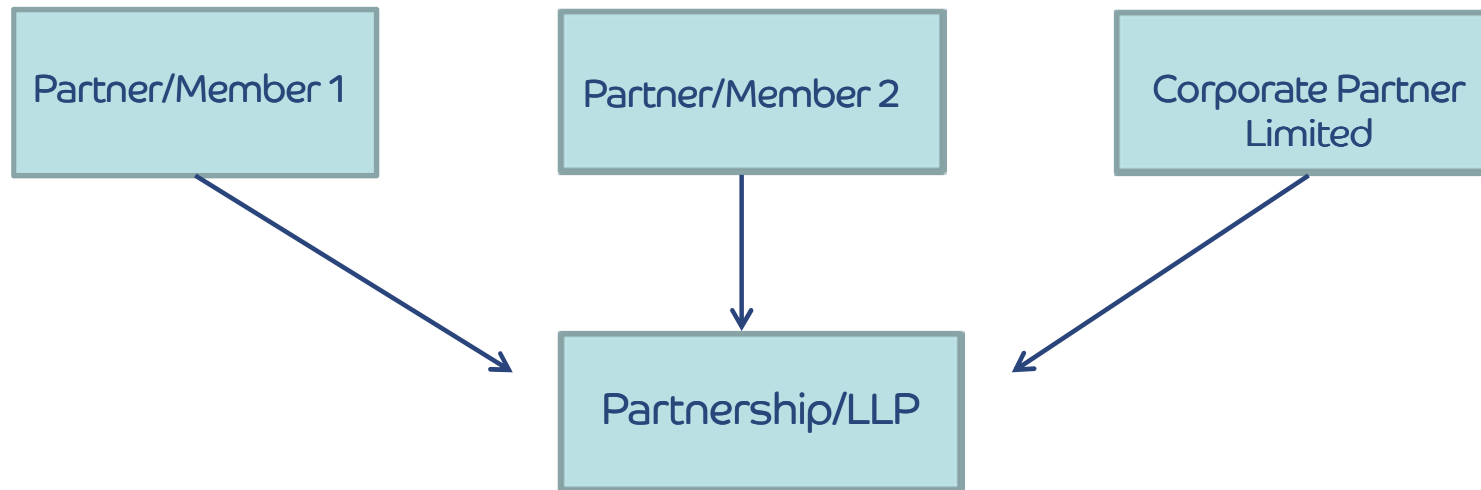


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# Trading structure options



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# Trading structure options

- Partnership
- LLP
- Limited company
- Corporate Partner
- **Partnership of corporates**
- Hybrid
- Joint Venture

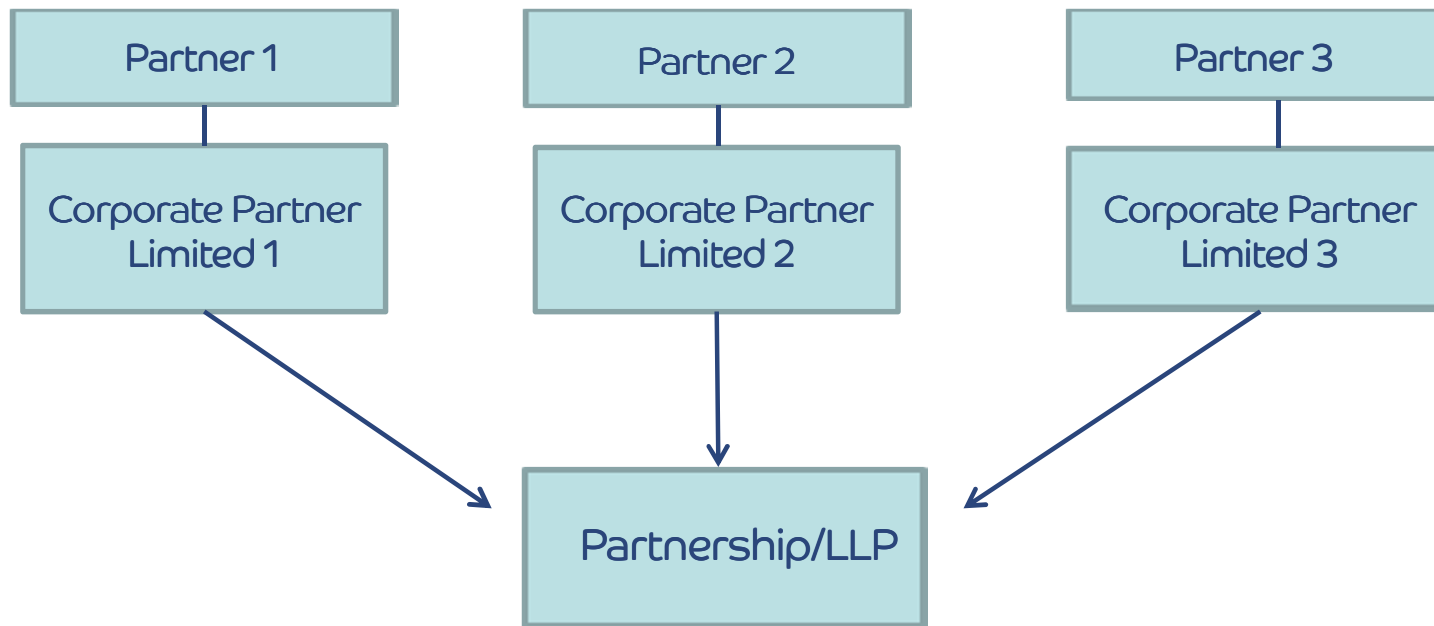


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# Trading structure options



# Trading structure options

- Partnership
- LLP
- Limited company
- Corporate Partner
- Partnership of corporates
- **Hybrid**
- Joint Venture

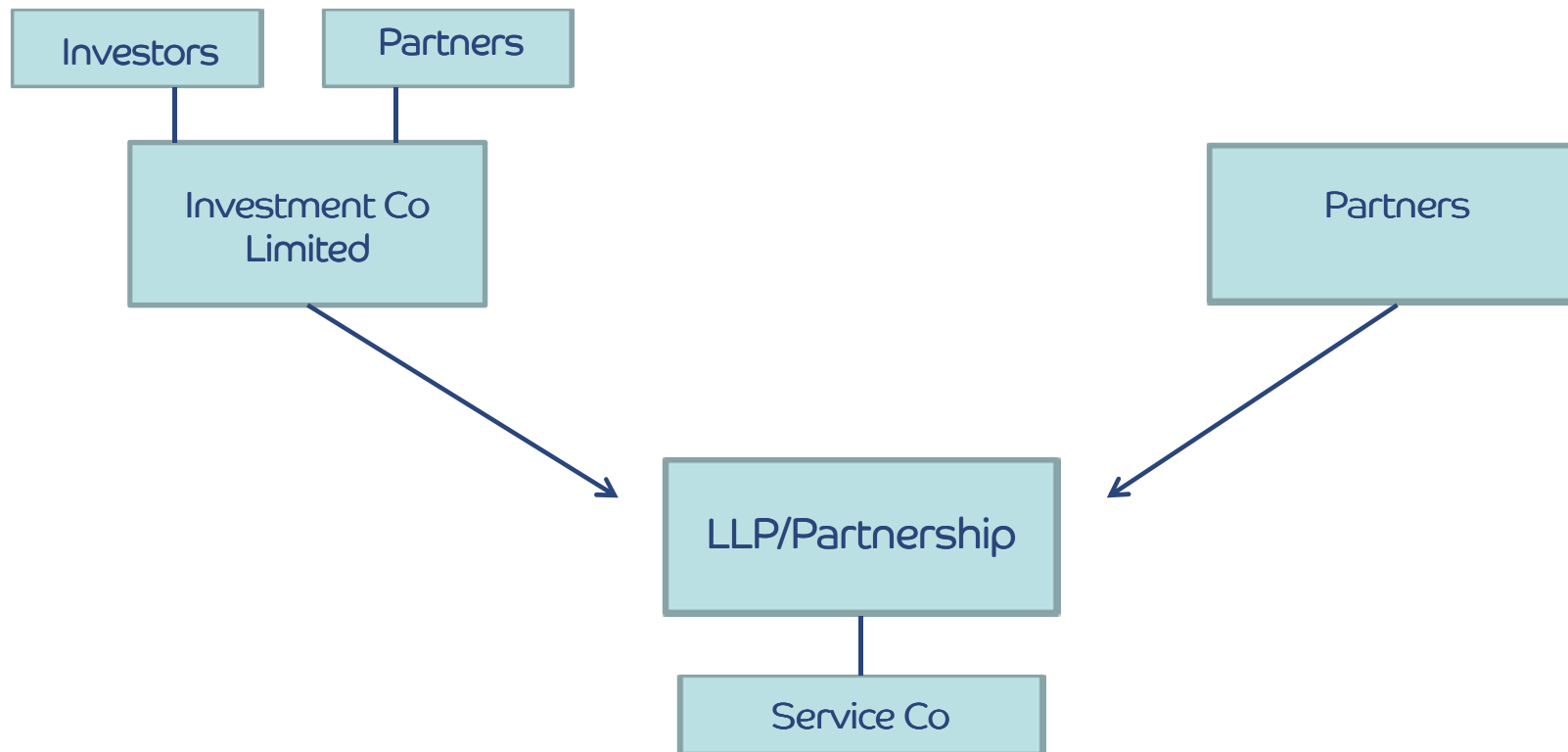


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# Trading structure options



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# Trading structure options

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- Limited company
- Corporate Partner
- Partnership of corporates
- Hybrid
- **Joint Venture**

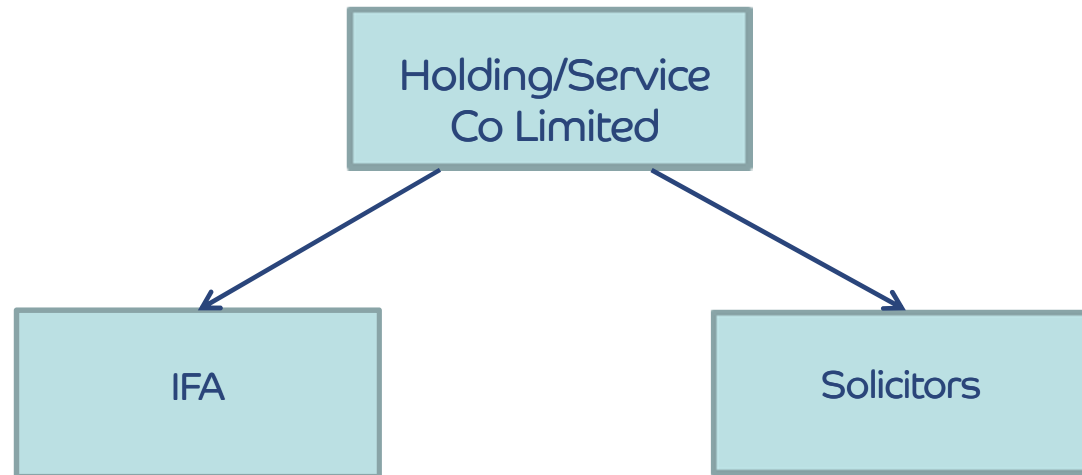


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# Trading structure options



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# The process

- Getting started
- Format
- Information to provide
- Timescale



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# The process: getting started

- Have objectives clear in mind
- Timescales required
- Structure
- Funding
- Professional indemnity insurance
- Regulatory requirements – other regulated services?
- Premises/staff
- COLP/COFA



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# The process: getting started

- Essentially – business plan



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# The process: format

- Stage 1: registration
- Stage 2: detail – 130 pages for standard ABS in 4 sections
  - Individual managers/owners
  - Applicant body
  - COLP
  - COFA
- Stage 3: decision



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# The process: information to provide

- Fit and proper persons
  - criminal record
  - regulatory record
  - CCJs/IVAs
- Financial forecasts
- Business plan – including structure and governance
- Continuity plan
- Compliance plan
- Risk register
- PII cover



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# The process: timescale

- SRA allowed 6 months – can extend to 9 months
- From point all information received
- 60 days to provide stage 2 information – can extend to 90 days
- SRA additional questions
- Fast tracking simple applications



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