



KYSEN Legal Services Act Update



Welcome to the Winter 2015 edition of our Legal Services Act Update, an e-update detailing recent press coverage of how the professional services community and regulatory bodies are responding to the major changes facilitated by the Legal Services Act 2007.

This issue highlights both business innovation and regulatory challenges and reactions in the years since The Legal Services Act came into force. As ever we welcome your feedback.

Best regards,
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Press summary Issue: Winter 2015

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This issue

When alternative business structures were first licensed in March 2012, they were seen as the child prodigies of the Legal Services Act. Nearly four years on and more than 400 ABSs later, aspirations for a new legal order are being reassessed.

ABSs for everybody

Many well-known law firms have become alternative business structures to bring non-lawyers into the equity. One of them is charity law specialist Bates Wells Braithwaite, which now has an 11-strong team of business advisers led by an accountant equity partner.

Other organisations, which perhaps the LSA promoters had not anticipated, have joined their ranks. A few local authorities have showed interest, with Essex county council about to convert its legal department into an ABS. Universities too, such as Nottingham Law School, which is turning its pro bono legal advice centre into a 'teaching law firm'.

Conversely, more and more accountancy firms are eyeing up the legal services market. Their regulator has just issued its 100th ABS licence and some observers predict that the Big Four will soon start taking work away from the large commercial law firms.

Private equity

The other fundamental change that the ABS model brought was the possibility for private equity to invest in the sector. US online legal services provider LegalZoom is the latest to do so, having just bought Wakefield-based Beaumont Legal, one of the UK's largest conveyancers.

Meanwhile, Knights, the law firm backed by Dragons' Den entrepreneur James Caan's private equity fund, is finalising the acquisition of Oxfordshire firm Darbys.

Fate was less kind to the Parabis Group, however, one of the first fully integrated insurance legal services businesses to gain ABS status. The group entered administration in November and has been broken up and sold off. Former Commercial Director Tim Roberts and other founders are buying up its defendant arm, and he remains upbeat that the deal offers "a sound platform" to continue growing the business.

Government reforms

At regulatory level, the Government has responded to earlier calls for reform of the Legal Services Act, albeit in a seemingly uncoordinated fashion. Justice Secretary Michael Gove revealed this autumn that he had instructed officials to look into further deregulation of the legal services sector. Just a few weeks later, however, the Treasury unveiled its own plans for reforms to the Legal Services Act. These would bring about the complete independence of frontline regulators from representative bodies and would remove barriers to entry for ABSs. The proposals have been welcomed by the regulators but they may not be sufficient to address the concerns of those fundamentally unconvinced by ABSs.

Industry initiatives

Away from government initiatives, operators have been adapting to market changes, with more firms 'northshoring' some of their services. But perhaps the most significant change to come is at the consumer end, with the setting up of a TripAdvisor-style rating site for lawyers. A few sites already exist but the one just launched by QualitySolicitors former financial director Saleem Arif, ReviewSolicitors, may well have the momentum required for such a service to take off.

TRADITIONAL LAW FIRMS BRINGING IN ACCOUNTANTS

Leading charity law firm expands accountants' team

Charity law specialist firm Bates Wells Braithwaite has been steadily expanding its team of non-lawyer advisers set up at the time it became an ABS in 2014.

The team, led by Baker Tilly's former head of public sector and not-for-profit Jim Clifford, an equity partner, has grown from two to 16 in the past 11 months.

"We're moving from just being lawyers and accountants to being business advisers and we see that as being the way forward," said managing partner Martin Bunch.

Mr Bunch added that integrating an accountants' team into the firm has not been easy but that more and more work, including pitches to clients, was now done together.

"Accountants are about ten years ahead of lawyers in marketing their services. There is a lot we can learn from them," he said.

Source: [Legal Futures](#), 18 November 2015

LOCAL AUTHORITIES AND UNIVERSITIES AS ABSs

Essex latest local authority to consider ABS option

Essex county council has approved the conversion of its legal department into an alternative business structure that could generate £1.8m revenue for the local authority by 2020.

Subject to approval by the Solicitors Regulation Authority, the new organisation will operate as Essex Legal Services (ELS), an entity created in 2009 but which has since been dormant.

ELS would join a handful of local authority legal departments that have gone down the ABS route: Buckinghamshire Law Plus and HB Public Law, set up by the London boroughs of Harrow and Barnet (see [Kysen Legal Services Act Update, January 2015](#)). Earlier this year Cambridgeshire and Northamptonshire also launched a joint legal services ABS, LGSS Law.

ELS believes the ABS model will allow it not only to generate greater income but also to work for organisations other than local authorities and public sector bodies.

At present, a quarter of English councils generate external income from legal services. A further 43 per cent are said to be considering doing so.

Source: [Law Society Gazette](#), 21 October 2015; [Local Government Lawyer](#), 21 October 2015; [Legal Futures](#), 26 October 2015

Nottingham Law School revamps legal advice centre as 'teaching law firm'

Nottingham Law School is to turn its legal advice centre into a 'teaching law firm' after being granted an ABS licence in October.

Students assigned to the centre already work on live matters but the ABS licence means they will have the "opportunity to work in a fully regulated organisation as part of their studies, replicating the professional environment and working practices of an external law firm," the law school said in a release.

Nottingham Trent was the first university to apply for ABS status in March 2015 (see Kysen Legal Services Act Update, [May 2015](#)). The law school's legal advice centre currently deals with housing, property and environmental cases, welfare and employment issues. Using its newly acquired status, it is now looking to provide commercial law advice to start-ups and social enterprises.

"Operating as an ABS will give students at all levels the chance to experience a wide range of legal professional practice," said the centre's director Nick Johnson. "The work will not only cover various areas of law, but will also teach students about issues relating to access to justice."

Source: [The Lawyer](#), 9 October 2015

ACCOUNTANTS GROWING LEGAL SERVICES OFFERING

ICAEW issues 100th ABS licence

The Institute of Chartered Accountants in England and Wales (ICAEW) has issued its hundredth ABS licence, to Brentwood-based five-director practice Tiffin Green.

The institute is one of eight frontline regulators authorised by the Legal Services Act to issue ABS licences, although for probate services only. It can also, separately, authorise firms to provide probate services without becoming an ABS, where all principals in a firm are authorised individually.

The ICAEW issued its first probate ABS licence 12 months ago to top-20 accountancy firm Kingston Smith. Recently, East-Midlands firm PKF Cooper Parry also joined the ranks of ICAEW-licensed ABSs. In the meantime, Kingston Smith has become a fully-fledged ABS licensed by the Solicitors Regulation Authority and has recently expanded its commercial law services.

Accountancy firms large and small have since obtained ABS licences, including Big Four firms PwC, KPMG and EY (see Kysen Legal Services Act Update, [January 2015](#)).

Source: [Accountancy Age](#), 28 October 2015; [Legal Futures](#), 28 October 2015; [Accountancy Age](#), 11 November 2015; [Legal Futures](#), 18 November 2015

Big Four accountants poised to target elite legal work

The Big Four accountancy firms have been taking work away from mid-tier law firms and are soon to start competing with large law firms, according to RBS's latest annual review of the legal services sector.

Accountants, according to RBS head of legal James Tsolakis, have the technology resources and cheaper cost centres required in a commoditised environment.

"With much legal work becoming increasingly process-driven, these accountants have an instant appeal to today's cost-conscious clients, who value efficiency [...] and a move away from expensive hourly rates," Tsolakis said.

Until now, Tsolakis commented, accountants have focused on areas that immediately complement their existing work such as compliance and tax. But "the smart money," he added, "was on accountants going head-to-head with the established legal order over lucrative capital markets and transactional activity."

Heads turned this autumn when one of the Big Four, EY, announced it was launching a law training contract scheme. According to law student news site [Legal Cheek](#), whether accountants can provide the same training and career prospects as large law firms would be a decisive factor in the battle over legal talent.

Source: [Legal Futures](#), 9 November 2015; [Legal Cheek](#), 9 November 2015

THE UPS AND DOWNS OF PRIVATE-EQUITY BACKED ABSs

LegalZoom makes first UK acquisition

LegalZoom, the US online legal services provider which obtained an ABS licence in January 2015, has announced its first UK acquisition.

The Texas-based business is buying 200-year-old Wakefield firm Beaumont Legal, one of the largest conveyancing practices in the country.

"We're building a unique next-generation law firm, from the ground up, with a singular, relentless purpose: to best meet the needs of consumers and businesses in the modern era," said LegalZoom UK chief executive Craig Holt. "Beaumont Legal is an important piece of that jigsaw."

Holt, best known for founding QualitySolicitors, left the network to join LegalZoom in November 2014. The US business has secured private equity investment from several backers, including Permira, which will help fund the Beaumont Legal acquisition.

Source: [Yorkshire Post](#), 7 December 2015; [Law Society Gazette](#), 7 December 2015

Private equity-backed Knights to buy Darbys Solicitors

Midlands firm Knights Solicitors, which is backed by Hamilton Bradshaw – the private equity house of entrepreneur and former Dragons' Den investor James Caan – is to buy Oxford-based firm Darbys Solicitors.

The deal, to complete in January 2016, will create a new top-100 firm employing more than 300 legal professionals with a turnover estimated at around £40m. It is believed to be the first involving a purely commercial law firm; equity investments have so far been made in firms with significant consumer practices.

Both firms focus on property and landed estates work, with real estate accounting for their largest income streams.

Knights CEO David Beech said the firm was looking for further acquisition opportunities, and was "actively seeking" professional business services to add to its core law offering, especially tax and accountancy specialists as well as real estate advisers.

Source: [The Lawyer](#), 23 November 2015; [Legal Futures](#), 23 November 2015

Parabis Group broken up for sale

ABS pioneer Parabis Group, one of the first legal entities to be granted an ABS licence and to secure private equity backing in 2012, is being broken up into seven pre-pack sales after entering administration in November.

Plexus Law – the group's set of defendant law firms including the original Plexus Law and Greenwoods – is being bought by Parabis founders including Andrew McDougall, Tim Roberts and Nick Addyman. The founders are also buying the consumer law element of Cogent Law – Parabis's claimant business – and the group's claims management arm, Parabis Claims Solutions. This represents the largest part of the group's business.

Tim Roberts, a long-standing Parabis figure, said this was "the dawn of an exciting new chapter" and that Plexus Law, with "strong relationships with insurer clients and a great team of legal and support staff", had "a sound platform from which to build the business going forward."

Parabis's claimant business, Cogent Law, has been split between law firms Lyons Davidson – including the joint venture with Saga – and Carpenters.

Medical reporting company Premex is to acquire Parabis's rehabilitation and reporting arm Argent Rehabilitation and Argent Investigations, while the Davies Group is buying Argent Property Adjusters and Argent Liability Adjusters.

Source: [Law Society Gazette](#), 23 November 2015; [Legal Futures](#), 23 November 2015; [The Lawyer](#), 23 November 2015

GOVERNMENT LSA REFORMS UNDERWAY

Justice Secretary considers legal services review

Justice secretary Michael Gove has instructed officials to start looking into a review of the Legal Services Act. The move follows an announcement in June, when the Lord Chancellor appeared in front of the justice committee, that he intended to review the regulatory structure set up by the Act. There was "a danger of regulators falling over each other's feet", he said at the time (see [Kysen Legal Services Act Update, Autumn 2015](#)).

Civil servants have already started discussions with regulators but Mr Gove has also said that he was considering a separate consultation on deregulatory amendments to the Act ahead of the review.

The announcement comes in response to letters by the Legal Services Board and other frontline regulators sent to the Government in July. It is understood that regulators were questioning why alternative business structures were subject to stricter requirements than traditional law firms. They are also believed to have suggested amendments to the rules on the handling of client money.

Source: [Law Society Gazette](#), 19 November 2015

Government to consult on Legal Services Act reform by spring 2016

The Government will consult on extensive reforms to the Legal Services Act by spring 2016, according to a Treasury policy document published at the end of November.

Among the key proposals contained in '*A better deal: boosting competition to bring down bills for families and firms*' are the removal of current barriers to entry for alternative business structures and making regulators independent from representative bodies.

The announcement was made less than a fortnight after justice secretary Michael Gove said he would set in motion his own [plans to review legal services](#) and follows an exchange of letters over the summer between regulators and the Government.

LSB chairman Sir Michael Pitt welcomed the news, saying "lack of independence between regulators and representative bodies is slowing reforms that would otherwise benefit both the profession and consumers."

The SRA – a long supporter of complete independence from the Law Society – has also welcomed the plans. "It is impossible to see how a regulator could have the confidence of the public if it is also the body that represents those who are regulated," said SRA chair Enid Rowlands.

The Law Society however voiced concern. Chief executive Catherine Dixon said the setting of rules and standards should be free from government interference.

Source: [Law Society Gazette](#), 30 November 2015; [Solicitors Journal](#), 30 November 2015; [Law Society Gazette](#), 2 December 2015

Alternative business structures have been a 'spectacular failure'

Proponents of alternative business structures are refusing to acknowledge the "litany of failures" that the new legal services business model has produced, bemoans solicitor Kerry Underwood in his latest column for the *New Law Journal*.

Mr Underwood takes issue with the Legal Services Board's latest report, published in July 2015, which found that ABSs have been used successfully to extend service range, improve service quality and attract new clients. Only one point, Underwood says, is accurate: that ABSs have not, in the main, resulted in bringing down the cost of legal services nor in providing greater access to justice.

A much more worthwhile objective for the government and regulators, Underwood suggests, would be to start tackling the increasing number of litigants in person and to ensure that those most in need of advice in relation to housing, immigration, family law and benefits, are actually able to find providers to help them.

Source: [New Law Journal](#), 15 October 2015

LEGAL BUSINESS INITIATIVES

Northshoring, the latest business move in legal services

A growing number of City law firms are relocating legal and back-office services to the north of England in a bid to escape high office costs associated with London.

Last year Freshfields took up 80,000 sq ft of office space in Salford. Now US firm Latham & Watkins is the latest to open a business services office in Manchester to support its growth in Europe. This, says Europe chief administrative officer Rod Harrington, will allow the firm to provide 'follow the sun' support to its lawyers around the world.

For legal services providers, "this is our version of the industrial revolution," said associate head of Manchester Metropolitan University law school Jackie Panter.

But other changes, including the gradual deregulation of legal services and the shrinking of legal aid, are also forcing firms and aspiring lawyers to think differently. These have had such an effect on the market that students are turning away from once popular subject such as crime and personal injury litigation, according to Panter.

Source: [The Independent](#), 20 November 2015

Rating website for solicitors launches with 500 firms

A rating site for solicitors has launched with 500 law firms signed up as members, including 300 as premium subscribers.

ReviewSolicitors, set up by former QualitySolicitors executives Saleem Arif and Michael Hanney, allows clients to comment on the service they have received and law firms to respond to feedback.

ReviewSolicitors co-founder Peter Storey, however, insists that the new site is not intended as "a place for disgruntled customers to air their dirty laundry, nor for trolls or indeed firms themselves to write fake reviews".

Deals with a number of legal technology providers allows law firms with premium memberships to integrate the site into their feedback process. This automatically invites clients to comment and allows lawyers to respond.

About a dozen legal comparison websites are already active in the UK but none so far appears to have achieved the prominence of their US counterpart, Avvo.

Some stakeholders in Britain remain sceptical, including in particular the Law Society, whose president Jonathan Smithers said accreditations schemes provided more objective evidence of a lawyer's skills and expertise.

Source: [The Times](#), 24 September 2015; [Legal Futures](#), 5 October 2015



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