



# KYSEN Legal Services Act Update



Welcome to the Autumn 2011 edition of the Legal Services Act Update, our e-update detailing recent press coverage of how the professional services community and regulatory bodies are gearing up for the major changes facilitated by the Legal Services Act 2007.

We hope that you find this update of interest and as always welcome your feedback.

Best regards,  
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## **This Autumn...**

Though originally planned for 6<sup>th</sup> October 2011, ABS day, when [alternative business structures](#) (ABSs) were to be licensed for the first time by the [Solicitors Regulation Authority](#) (SRA), has been delayed due to pending legislation and is likely to kick off in January or February 2012 now.

Though the 6<sup>th</sup> October has come and gone, the legal services market is still striding ahead with changes ushered in by the Legal Services Act (LSA).

Chief Executive of the SRA has said that the regulator has had around 500 general inquiries and 'in-depth discussions' with 50 firms looking at becoming ABSs. And according to a survey by LexisNexis, mid-market law firms are already adapting their business development strategy as a result of the LSA. Almost half (48%) of firms have either changed, and 30% will change, their business development strategy in response to the introduction of ABS.

Premier Property Lawyers, has become the first to register as an alternative business structure under The [Council for Licensed Conveyancers](#); Prolegal has adopted a new radical strategy to take on board the LSA; Everyman Legal plans to list on the Sharemark stock exchange; and the Co-op is branching out into family law.

Moreover, Russell Jones & Walker (RJW) is to extend consumer offerings through Claims Direct. Private equity firm Palamon Capital bought a majority stake in the network of high street law firms Quality Solicitors; DLA bought a stake in [LawVest](#); and [Abbey Protection](#) revealed plans to 'take advantage of the opportunities' afforded in 'the deregulation of legal services'.

Also, The Council for Licensed Conveyancers was the one regulator that did get organised in time for 6 October D-Day to license ABSs, and on the same day Premier Properties became the first ABS.

## **ABS delay**

6 October was supposed to be ABS day – when ABSs were to be licensed for the first time by the SRA. However, as some aspects of the legislation are yet to be approved by parliament it is now unlikely licensing will kick off until January or February 2012. However, the liberalisation process is already beginning to take shape. The [Council for Licensed Conveyancers](#) has begun its licensing of ABSs, with Premier Property Lawyers, part of myhomemove, becoming the first to register as an ABS but under the Council for Licensed Conveyancers, which is currently the only regulator able to grant ABS licences. And [Everyman Legal](#), a network of consultant solicitors, has said it would apply for ABS status in early 2012 with a view to be listed on Sharemark by the end of the year. Main founder James Hunt said: 'This is ... evidence that smaller law firms can take advantage of the Legal Services Act,'.

Meanwhile, investment bank Espirito Santo published a report *The Legal Services Market: The Race is On*, that suggests the launch of ABSs will herald a 'seismic re-appraisal' of law firm partnerships as they face the 'full forces of the market'. The bank advises smaller and mid-market firms to specialise or consolidate.

*Information source: Guardian, 19 October 2011; Law Careers.net, 13 October 2011; New Law Journal, 20 October 2011; Solicitors Journal, 7 October 2011*

## **Prolegal**

Edward Fennell kicks off a new monthly column in *The Times* examining the impact of ABSs on

the market generally, particularly how non-ABS firms are responding. In his inaugural column Mr Fennell talks to Simon Edwards, principal equity owner of Prolegal about his response to change. Edwards explains 'The kind of work that I grew up with as a lawyer in private practice – especially in areas like personal injury – is going to disappear. There is no point in pretending that this is not going to happen – but most firms are still in denial.' Prolegal has changed its strategy in response (moving upmarket and expanding into new practice areas; also its structure, creating a series of LLPs beneath the Prolegal corporate entity). The heads of each LLP can have equity stakes and are accountable for the performance of that division. If successful, the LLPs can expand; if unsuccessful, they can be closed, limiting impact on the wider business.

*Information source: The Times, 6 October 2011*

### **Family law at the Co-op**

Three leading family lawyers from London based law firm TV Edwards have moved to Co-operative Legal Services (CLS) to launch a new family law service in mid-2012. This comes after a successful application by the Co-op for a licence under the Legal Services Act. CLS family law advice will be available to its shopping and banking customers. Meanwhile, DLA Piper, has announced it will be a one-third investor in LawVest, a company that plans to set up a network of legal services aimed at small businesses.

*Information source: The Times, 4 November 2011*

### **RJW expands PI offer**

Russell Jones & Walker (RJW) is to expand consumer services offered through Claims Direct, to compete with the advent of ABSs. The non-profit making claims management arm of RJW acts as a hub for personal injury (PI) claims and divides them between the firm and a panel of 35 others. RJW said it will also provide probate, family and employment work through Claims Direct. Marketing director Andy Hoe says: 'We want to be the number one provider of personal law services'.

*Information source: The Lawyer, 24 October*

### **Quality Solicitors secure investment**

Private equity firm Palamon Capital has bought a majority stake in Quality Solicitors, in what the *FT* suggests is the first investment as part of the deregulation of the legal profession. It is claimed that Palamon Capital Partners, which also has shares in Towry, the financial adviser, and Cambridge Education Group, has invested over £10m in Quality Solicitors.

*Information source: The Financial Times, 21 October 2011*

### **Investec in law firms approach**

Investec bank has approached Baker & McKenzie, MJ Hudson and Reed Smith among others to offer external investment under the LSA, though reports suggest only MJ Hudson is continuing talks with Investec. Investec set up a professional services finance unit at the end of 2010 to invest up to £10m per firm seeking to expand and take advantage of the LSA. Jonathan Harvey, the Investec private banker in charge of the initiative, said: 'We will not take a stake in firms in return for the investment, or have any say in management decisions, which differentiates our offering from the private equity approach. Instead, we will take a high interest coupon on the loan.'

*Information source: Legal Week, 1 September 2011*

### **SRA sets new suitability test**

The SRA has revealed a new suitability test to protect standards for individuals and businesses working in regulated legal fields. The SRA is set to replace its existing 'Character and Suitability Test' with a new 'Suitability Test'. It is differentiated from the previous test by widening the type of offences that could prohibit an individual from working in the legal industry. Such areas include being convicted for criminal offences involving fraud, dishonesty, bribery, perjury or racially aggravated crimes. SRA chief executive Antony Townsend says: 'The changes we've introduced are designed to make the process more transparent. However, the basic standard remains the same; we expect those we regulate to have the highest moral and ethical standards, because they have important responsibilities and trust placed upon them.'

*Information source: Legal Week, 2 September 2011*

### **CMCs in law firm deals**

Some claims management companies have already struck deals with law firms to become ABSs, according to Darren Werth, chairman of the Claims Standards Council. According to *The Law Society Gazette*, the 'claims management companies would effectively become the advertising wing of the law firm, a move which may get round the Ministry of Justice's forthcoming ban on referral fees in personal injury cases'. The Claims Standards Council has called for clarification from the government regarding the definition of a referral fee and how and when the ban would come into force.

*Information source: Law Society Gazette, 17 October 2011*

### **Young lawyers are quids-in with the LSA**

A report from Espirito Santo bank on the future of legal services *The Legal Services Market: The Race Is On*, suggests ambitious young lawyers will want to secure 'bespoke incentive plans' quickly rather than wait decades for rewards under partnership. John Llewellyn-Lloyd, head of professional services at Espirito Santo, said: 'Increasingly, young lawyers have been unimpressed and discentivised by the anachronistic structure that requires continuous employment for 25 years to monetise their talent. The modern young lawyer will naturally respond to shorter remuneration cycles. ABSs will provide managers with the tools to break the long partnership remuneration cycle and replace it with bespoke incentive plans based on three to five years.'

Meanwhile Viv Williams, chief executive of business consultancy 360 Legal Group, said niche and exclusive firms could prosper if they take the right approach to the LSA changes. He explained: 'There will be failures and sad stories along the way, but if people are prepared to grasp this opportunity there are big rewards out there'.

*Information source: Law Society Gazette, 13 October 2011*

### **New strategies in the mid-market**

According to a survey from LexisNexis, mid-market law firms are adapting their business development strategies as a result of the LSA. Almost half (48%) of firms have either changed, or 30% will change, their business development strategy in response to the introduction of

ABSs. The report reveals that 47% have beefed up their expenditure on business development over the past year, and 56% expect to in the next 12 months. Commercially-orientated firms were the highest spenders on business development. Charles Green, managing consultant of EMR, said: 'The onset of the Legal Services Act [...] will create an unprecedented need for brand differentiation and increased client awareness'.

*Information source: Commercial Dispute Resolution, 29 September 2011*

### **DLA Piper takes stake in ABS**

DLA's co-chief executive, Sir Nigel Knowles, has been appointed non-executive chairman of [LawVest](#), a holding company that is developing a new brand, pricing and service delivery model for business clients, with DLA taking a minority stake.

*Information source: Legal Futures, 28 October 2011*

### **SRA receives 500 ABS enquiries**

Chief Executive of The Solicitors Regulation Authority has told the *Law Society Gazette* that the regulator has had around 500 general inquiries and 'in-depth discussions' with 50 firms seeking to become ABSs. Meanwhile, [Abbey Protection](#) announced at the same time that it plans to 'take advantage of the opportunities' afforded in 'the deregulation of legal services'.

*Information source: Law Society Gazette, 5 September 2011*



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