



**Stuart Bushell** questions how solicitors will fare under the new business structures

## Win, lose or draw?

**T**he number of applications to the Solicitors Regulation Authority (SRA) from firms wishing to be licensed as alternative business structures (ABSs) appears to be growing fast and is reported to be approaching 100. However, it must be remembered that while much attention is being focused on a relatively small number of high-profile ABSs, which involve new entrants to the profession and/or the introduction of external capital, most of the applications are likely to relate to legal disciplinary practices (LDPs) wishing to convert to ABS status.

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Since March 2009, firms have been permitted to appoint up to 25 per cent non-lawyer partners, and as of 30 November 2011 there were 493 LDPs, most of which have elevated existing valued employees to partner status. Those LDPs that have non-solicitor lawyers as partners will be able to remain as LDPs, but the rest must either become ABSs by 31 October 2012 or jettison their non-lawyer partners and revert to being traditional firms. It is reasonable to suppose that this will result in more than 300 ABSs being formed from those LDPs with non-lawyer partners by the end of the year, and that these LDP plus firms, as they are frequently termed, will be the most common type of ABS for some time.

Within the profession, therefore, ABS is likely to continue to be seen as a means of enabling solicitors to concentrate on their lawyering and to delegate the management tasks that many find irksome. This chimes with the way in which solicitors are viewed by outsiders. Premier Property Lawyers (PPL), the conveyancing arm of myhomemove and one of the largest conveyancing businesses in the country,

is currently the only ABS in England and Wales, having been licensed by the Council for Licensed Conveyancers. It boasts 50 lawyers of various types, of whom 25 are solicitors, but it seems that none of them is part of the company’s senior management or ownership.

### Closer integration

To an extent this is positive. For several years, the profession and its commentators have expressed a concern that the traditional law firm model is flawed. Clearly the Legal Services Act is causing

this situation to be addressed, but the indications are that solicitors are content to remain as back-room technicians and to leave the initiative for developing and running businesses to others.

Clearly this is not what the Council of the Law Society had in mind some 15 years ago, when it made the initial moves towards removing the then prohibition against solicitors sharing their fees with non-solicitors. The concept being mooted at the time was that of the multi-disciplinary practice (MDP), and the hope then was that solicitors would benefit by being able to align their services with those of other professionals. Indeed, this is still in the mind of the Legal Services Board, which, in its formal decision approving the SRA’s application to become an ABS licensing authority, commented that ABSs “have the potential to bring significant consumer benefits through diverse delivery methods, new investment and new ways of running firms with better links to clients through association with other services”.

The most significant move towards MDP, however, is from the accountants,

who clearly understand the synergy between their tax work and the probate market. The one existing example of MDP within the legal profession to which Sir David Clementi was able to refer in his report – legal and financial – has now been snuffed out by the SRA’s concern to ring-fence the Solicitors’ Compensation Fund. Three firms in East Anglia – a solicitor, an accountant and a financial adviser – have clubbed together to provide a packaged advice service under the name of Family Fundamentals, but full integration is likely to be prevented by the SRA prohibition.

### Not ready to jump

So, the Legal Services Act has put solicitors on the defensive, sticking to their traditional services and in some cases seeking the comfort of collective groupings and perhaps a common brand name (though the likelihood seems to be that national brands are more appropriate for commodity services, and that individuality will continue to attract kudos in the advice market).

It is difficult to predict what the effect will be of more major players entering the market. Some have very high hopes for online legal documentation production, particularly the American firms Rocket Lawyer and LegalZoom, alongside British providers such as Epoq. Many observers think that British consumers are just not ready to dive into this as their American counterparts have done.

However, for now it looks as though the dominant ABS model numerically, LDP plus, will not be displaced quickly. This may be what solicitors want, for now. It may also play neatly into the hands of the new external providers of legal services who sense an opportunity.



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