



ABS is not the only route to the multi-disciplinary model

The SRA's actions have prompted firms keen to continue offering financial services to seek out alternatives to ABSs, says **Stuart Bushell**

Multi-disciplinary practices have long been expected to be the main new structures for law firms doing private client work after the Legal Services Act. That brave new world may have a somewhat different form to that often anticipated. A few weeks ago three Norwich firms – a solicitor, an accountant and a financial adviser – announced the introduction of Family Fundamentals, a new joint service providing a financial, taxation and legal health check service to individuals and their families. Applicants for the service are required to complete a questionnaire, which provides the basis for a report for which a standard charge of £495 plus VAT is charged. This contains a review of clients' current circumstances, analyses their existing arrangements, and highlights areas requiring attention.

Significantly, the questionnaires are to be returned, electronically, to the offices of the financial adviser member of the triumvirate which, unlike its solicitor and accountancy colleagues, is required by its regulator to conduct comprehensive 'fact finding' on all new clients (other than execution-only clients) before proffering advice. So, essentially, the service could be viewed as a standard IFA service, which incidentally serves to identify other professional needs and to refer these to the participating firms.

The service underlines one of the major flaws in solicitors' current business proposition, namely the failure to look beyond the transaction in hand and to work the wider potential of the client relationship. This is an issue to which the magazine of the Law Society's law management section drew attention in February 2010, when it commented: "Many law firms do not undertake ['know your client' procedures] in as great a level of detail as financial services companies... and should consider how doing so could provide benefits to them in the long term."

The fact that the new service is to be delivered electronically is a reminder of another deficiency in solicitors' proposition, namely the frequent lack of firm-wide client databas-

es that extend beyond the contact information required for marketing purposes.

Family Fundamentals is a collaboration between firms that stops short of ABS. However, financial services firm the Portal Group has submitted what appears to be the first stage two ABS application to the SRA for the licensing of financial plus legal combination Goodwin Knight Law LLP. Among the companies in the Portal Group are two specialist claims management companies focusing on mis-sold PPI cases, and the ABS, which will have one solicitor owner and five IFAs, will operate as a

not wholly in the hands of lawyers will be one in which the lawyers have no need to conduct incidental financial services activity – i.e. firms in which the dominant element is the financial advisers, and the lawyers play a restricted supporting role.

The model that firms affected by the SRA's action are tending to favour is that of a separate financial services company, which, in terms of ownership, is a mirror of the divesting law firm. In the case of law firms that are limited companies, it would be a wholly owned subsidiary. The financial services managers are appointed as non-

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personal injury practice initially, though there are plans to move into other areas of law, such as clinical negligence and debt.

Withdrawn protections

What is striking is that at the same time as financial advice companies are moving into the legal market, those solicitor firms that are authorised by the Financial Services Authority are for the most part planning to ship out, on account of the SRA's decision to withdraw its consumer protections from ABS firms that are dual-authorised by itself and the FSA. An unintended consequence of this action is that solicitors in such firms would be denied the ability to conduct those types of financial services business that are incidental to and a necessary part of their legal work and are exempt from FSA regulation.

The ironic consequence of the SRA's action is that the only legal plus financial MDP combination that will in future be viable in firms whose ownership and management is

executives in the law firm, with partner status, but conduct FSA-regulated activity only through the financial services unit – and their remuneration is related specifically to the performance of this unit.

Clearly, the hiving-off process is time-consuming and costly, because a fresh application needs to be made to the FSA for authorisation. However, subject to the usual disclosures and safeguards, the hived-off unit can continue to operate from within the same building as the law firm, and, being a solicitors' separate business, can adopt a variation of the name of the law firm. Furthermore, the structural separation avoids possible conflicts of regulation and compensation schemes.

ABS may be the term on everyone's lips, but it is not the only way of skinning the multi-disciplinary cat.

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