



The winding road to ABS conversion

Don't underestimate the time and preparation required to file through for an application to become an ABS.

Stuart Bushell reports first hand

Part of my day job is to provide consultancy advice to firms of solicitors, and others, who wish to form an alternative business structure. This week has been a little special because the first of the firms we have been advising has been granted its licence by the SRA. So, after a few moments of post-authorisation reflection; here are some thoughts about the licensing process.

First, the background. Our client firm is a small niche practice in the north-west of England which wanted the non-lawyer husband of the sole principal to become a director, and the COFA, of the proposed new limited company; and for the single legal executive to be the firm's COLP - all as soon as possible.

Early contact

Early contacts with the SRA in January 2012 proved helpful and we were able to form a plan for the entire three stage application process. Consultants are not accepted as the SRA contacts for the application, which seemed unhelpful at first but does ensure that at least one member of the firm is completely engaged all the time and that things are not just being left to the consultant.

The Stage 1 application was fairly easy to complete – no more than an elaborate registration exercise really, and the Stage 2 forms are available online within a week. A point to note is that it is not worth submitting the Stage 1 form until you are in a position to answer all of the detail in Stage 2. This is not easy because the SRA will not allow anyone to have sight of the Stage 2 forms until they have completed Stage 1.

The SRA's Stage 2 application forms are the meat of the application process and something of a contrast to the relative

simplicity of Stage 1. Our ABS was relatively small and uncomplicated but there were still 134 pages of documentation to complete, plus a range of supporting documents. There are separate forms for the COLP and COFA, for the individual managers and, most importantly, the "applicant body details" form which contains the main SRA requirements. As an absolute minimum, every applicant will need a business plan, risk register and compliance plan, as well as satisfactorily completing the forms. Most of the supporting material, particularly the projected accounts information, needs to be ready quickly.

Tight deadline

The Stage 2 application was submitted to the SRA in April. Despite thinking that we were already well-prepared, it had taken more than two months to finalise the documentation. We had agreed with the SRA that the application would be submitted within three months and only just made that deadline – we might have had to start again if it had been missed. ABS applications are a little like catching a plane, there is a lot of hurry up and wait involved.

In May, five weeks after the submission of the Stage 2 application, the first substantive reply from the SRA arrived. It posed two questions, one asking for a copy of the memorandum and articles of the new company, and the other asking more about how the COLP would operate. We were encouraged by this and wondered if these are all the questions that the SRA had.

More questions

In July an email arrived from a new SRA contact, the third person with whom we have liaised. This contained 19 new questions under three headings – although

none of the questions were very difficult to answer or outrageous in its demands. It took a couple of weeks to submit the answers and supporting material. Most of the questions were about how the COLP and COFA would undertake their roles when neither is the firm's current principal.

We were advised that the application was at Stage 3 and that the fees were now payable to the SRA. This was followed by a copy of the report from the SRA case handler to the chief executive, recommending that he authorise the licence - a welcome early indication of success. The final authorisation came through two days later, when champagne was duly consumed.

Testing process

So, what was it like? It was thorough, repetitive (particularly the form-filling) and testing. SRA staff, despite changes of personnel, were unfailingly polite and helpful. It was long: over seven months from start to finish, although three months of that was down to us. For larger and more complex ABSs the potential time delays could be lengthy unless you are exceptionally well-prepared. On a personal level, it was very satisfying.

I recall, as a member of the Law Society staff, sitting down in 2004 with David Clementi and discussing what these new businesses involving non-solicitors might be called. To see an ABS through from conception to a happy birth in 2012 was a good experience.



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