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**FTSE 100 COMPANIES' LEGAL LIABILITIES JUMP BY 22% TO OVER £22 BILLION**

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*Scale of legal liabilities of oil & gas, pharma and banking dwarfs other sectors*

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**London, UK, FEBRUARY 18 2013** – The legal liabilities\* reported by the FTSE 100 companies jumped by 22% in 2012 to £22.1 billion, up from £18.2 billion in the previous year, according to analysis by Sweet & Maxwell, the leading legal information provider.

Sweet & Maxwell explains that the increase in these legal liabilities has been driven by businesses facing far more aggressive fines and compensation orders from government agencies rather than an increase in litigation between businesses.

Teri Hawksworth, Managing Director of Thomson Reuters Sweet & Maxwell, says that the sheer scale of FTSE 100 companies' legal liabilities explains why businesses have been so keen to build up their investment in in-house legal counsel and compliance teams.

"With individual fines against FTSE 100 companies now breaching the US \$1 billion mark, having a strong compliance culture and a highly capable in-house legal team is increasingly seen as an asset and not a cost," explains Teri Hawksworth.

"When the credit crunch started there was the expectation that legal liabilities would rise as commercial pressure led to more litigation between companies. What was not so widely forecast was that the biggest source of this pain would be from regulatory bodies such as the FSA, SEC, FDA and the CFTC\*\*."

Teri Hawksworth says that it remains to be debated as to whether the bumper fines that businesses have received are due to the normal process for recessions to uncover corporate malpractice or because regulators and government agencies are following public pressure to punish "big business" more severely.

"One way that businesses are responding to the rise in legal liabilities is to broaden the role of in-house legal teams. In-house counsel is moving from a role of just managing the costs of external law firms to clear up after a problem to taking a bigger role in ensuring that legal problems do not arise in the first place" adds Hawksworth.

**PPI fuels surge in FTSE 100 banks' legal liabilities**

Sweet & Maxwell says that the growth in legal liabilities is most visible in the banking sector, where the cost of settling claims by customers over Payment Protection Insurance mis-selling is reflected in the legal and regulatory liabilities reported by several FTSE 100 banks.

Sweet & Maxwell reports that the banking sector showed a sharp rise in legal liabilities last year, with a more than sixfold increase – jumping from £991 million in 2011 to £6.3 billion in 2012. The sector made up 29% of the total legal liabilities for FTSE 100 companies in 2012, compared with only 5% in 2011.

"The tough new approach by government regulators is most clear within the banking sector. In response, the banks are now hiring the most senior regulators that they can to help their in-house compliance and legal teams put things right," says Hawksworth.



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**Oil & gas businesses suffer complex legal issues from exposure to extreme environmental and political risks**

Sweet & Maxwell also says that the largest portion of disclosed legal liabilities came in the oil & gas sector, which made up 37% of the 2012 total. The amount set aside for probable legal and regulatory action in this sector fell from £8.6 billion in 2011 to £8.1 billion in 2012.

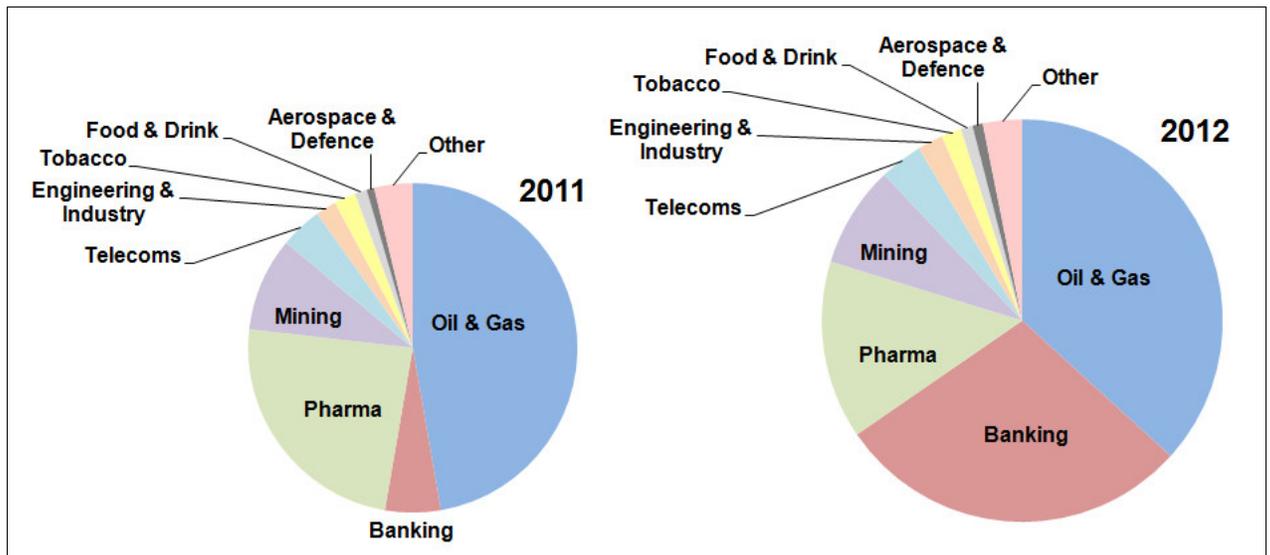
Sweet & Maxwell says that the need for resource companies to operate in extreme physical and political environments plays a role in the legal costs they incur.

“There has been a significant amount of litigation for oil & gas companies that relates to working within legal systems that are less clear cut than in the UK or the US – what should be simple contractual issues turn out to be not so simple,” says Teri Hawksworth.

“The result can be complex disputes with local shareholders and partner companies, and occasionally with governments attempting expropriation of assets. This means that due diligence over legal and compliance issues must be undertaken extremely carefully.”

“In addition, there have been allegations of bribery and corruption against some of these companies, which may well require a robust and costly legal defence. For many companies that deal extensively in emerging markets, having a strong, well-funded in-house legal team is the best way to ensure that the risks of operating in emerging markets do not become excessive,” says Hawksworth.

**Legal liabilities of FTSE 100 companies by sector, 2011 and 2012**





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Sector	2011	2012
Oil & Gas	£8,605 million	£8,132 million
Banking	£991 million	£6,335 million
Pharma	£4,385 million	£3,173 million
Mining	£1,677 million	£1,809 million
Telecoms	£749 million	£766 million
Engineering & Industry	£370 million	£452 million
Tobacco	£384 million	£357 million
Food & Drink	£216 million	£210 million
Aerospace & Defence	£136 million	£185 million
Other	£689 million	£698 million

\*Contingent legal liabilities (legal liabilities that are probable and can be reasonably defined) within annual reports as of Dec 31 2012. Includes cost of regulatory action and of PPI remediation.

Costs as reported to shareholders. Approximate legal liabilities for one FTSE 100 constituent were based on additional information provided by that company outside of its results.

Separately, figures for Oil & Gas companies exclude clean-up costs for the Deepwater Horizon oil spill, but include the cost of litigation and legal claims related to Deepwater Horizon.

\*\* Commodity Futures Trading Commission

**Notes to Editors:**

Sweet & Maxwell, through its highly acclaimed online services Lawtel and Westlaw UK and its print and other digital publications, is now the leading provider of information and solutions to the legal and professional markets in the UK and Ireland.

Part of Thomson Reuters and with over 200 years of history and heritage in legal publishing, Sweet & Maxwell offers detailed and specialist knowledge, understanding, interpretation and commentary across a wide range of subjects in a variety of formats to meet customers' needs – online, books, journals, periodicals, looseleaves and DVDs.

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**CONTACTS**



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Paul Sandell  
Manager, PR & Communications  
(44) 207 393 7386  
[paul.sandell@thomsonreuters.com](mailto:paul.sandell@thomsonreuters.com)