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Legal profession admits “Big Bang” will have seismic impact

- ∞ 58% of solicitors say impact of reforms on high street law firms will be drastic
 - ∞ Partnerships to become thing of the past

The legal profession now expects the Legal Services Act to have a seismic impact with the shockwaves felt first by the high street law firms, reveals research by Intendance the consulting firm and Sweet & Maxwell, the leading information provider.

According to research 58% of solicitors and 41% of barristers now think that high street law firms will be “drastically” affected by the reforms. 60% of solicitors surveyed think that high street law firms will be a “rarity” by 2015.

The Legal Services Act opens up high street firms to competition by allowing non-lawyers to own law firms. These new “Tesco Law” competitors are expected to use their branding, existing channels to the retail market, IT capabilities and economies of scale to take significant market share away from small high street law firms.

The Intendance/Sweet & Maxwell research reveals that scepticism as to whether “Tesco Law” would compete effectively with high street law firms has now dissipated. Sweet & Maxwell is a Thomson business (NYSE: TOC: TSX: TOC).

The research points out that the provision of legal services through the UK’s approximately 8,500 high street firms creates a duplication of costs that leads to higher prices for customers (each firm needs to recoup basic start-up costs and are unable to achieve substantial economies of scale).

To compete in the changed environment the research quotes estimates that as many as 3,000 high street law firms, or 35% of the total, may have to disappear before high street law firms reach an optimal size.

The introduction of “Tesco Law” is also expected to accelerate the provision of legal services through the internet. 37% of barristers and solicitors feel that in five years time most high street legal advice will be delivered online.

Stephen Mayson, Director of the College of Law’s Legal Services Policy Institute explains that there has been a doubling of the number of qualified lawyers in the last 20 years but that a lot of them are doing work that does not actually require a highly paid qualified lawyer to do it. It is through the provision of low cost online and call centre based business models that lawyers see much of the competition for high street work coming.

Smaller high street law firms are also thought to be put at a disadvantage by the shift of Legal Aid payment to a flat rate system. This has led many lawyers to expect their high street brethren to be hit by a “double whammy”.

Summing up the gloom one CEO of a major law firm commented “Who’d be a high street legal aid practitioner now?”

James Tuke, Head of Intendance Research comments: “There is hope that more nimble high street firms through consolidation, effective use of IT and systemisation of processes will actually be able to reinforce their position as trusted local or specialist suppliers.”

Commercial law firms & barristers

The Intendance/Sweet & Maxwell research found that commercial law firms and barristers are also expecting the reforms to introduce dramatic changes into their worlds.

With the reforms allowing partnerships to restructure into companies, issue shares, raise capital and even float on stock markets, half (50%) of all respondents feel that in 10 years time most law firms will no longer be partnerships.

Whilst commercial solicitors seemed enthusiastic about the opportunities that the reforms bring barristers are much more opposed.

- ∞ 37% of solicitors say that the reforms may encourage their firms to take on outside shareholders.
- ∞ 37% of solicitors say that they expect their organisation to bring barristers onboard as partners.
- ∞ 18% of barristers described the idea of solicitors and barristers forming partnerships together as anathema!
- ∞ 80% of barristers say that they would not welcome their Chambers being taken over by a law firm.
- ∞ 26% of solicitors said their firms may be encouraged by the reforms to spin off or repackage some of their work outside of their business (eg conveyancing, debt collection).

James Tuke adds: “Many are comparing the Legal Services Act to the Big Bang that changed the way that the London financial markets operated. Big Bang saw partners of City firms scoop up windfalls from deep-pocketed corporate buyers. It also eventually led to the end of every domestic institution’s dreams of entering the “bulge bracket” of global investment banks.”

“No doubt fortunes will be spread unevenly this time around too. Whatever happens we look set for a period of change for the legal profession in this country unprecedented in our working lives.”

About the research:

The 85 page report is the first in-depth research of its kind into the implications of the Legal Services Bill.

The research includes the results of surveys and interviews with 89 senior respondents and more in-depth discussions with high-profile commentators such as Law Society president Fiona Woolf, Bar Council chairman Geoffrey Vos QC, former managing partner of Clifford Chance and Anderson Legal Tony Williams, and director of The College of Law's Legal Services Policy Institute Professor Stephen Mayson. LPA Legal Recruitment helped coordinate the interviews.

The report will cost £750 a copy and is available from 6th July 2007. To order, go to www.sweetandmaxwell.co.uk

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Intendance Research (www.intendance.com) is a division of Intendance Limited, a London and Paris-based company specialising in the research, consultancy and development of websites and online business systems. The division publishes a series of benchmark reports each year, one of its best known reports is the 'Intendance Fast Fifty'; an annual investigation into how law firms present themselves online and their attitude towards their websites.

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