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UK200Group news

legal

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law firms record higher profitability despite cash flow issues

The latest 'Legal Sector Benchmark' report based on a survey of 100 law firms with up to 30 partners (such as members of the UK200Group) has revealed that small and medium-sized law firms recorded strong profit growth in 2016/17.

Overall, average net profit per equity partner reached almost £129,000 in 2016/17, up from £97,000 in 2015/16. In addition, average fee income per equity partner increased by 48% to £598,000 over the same period. However, the report has indicated that law firms with eight or more partners continue to outperform their smaller counterparts.

Firms with at least eight partners had an average net profit of £184,140 per equity partner in 2016/17, while overall net profit as a percentage of income reached 33.2%, up by 4.4% from 2015/16. In comparison, the average net profit at firms with less than eight partners fell by 1.8% to 30.1%. Overall, net profit of all law firms surveyed, regardless of the number of partners, fell by an average of 1% to 30.5% in 2016/17 when compared with 2015/16.

The report has also indicated that higher profitability levels have encouraged a growing number of firms to invest more in recruitment. The number of staff employed has gone up from 7.1 people to 9.2 people per equity partner in the 12 months to April 2017, while the average number of fee earners has increased from 3 to 4.1 fee earners per equity partner.

However, despite the fact that law firms are increasingly profitable, cash flow remains a challenge. The average time taken to bill work in progress has increased from 62 days in 2015/16 to 108 days in 2016/17. According to the report, this suggests that law firms are raising fees more slowly, and have had to take on a different mix of work due to the impact of economic uncertainty, which is causing clients to delay their plans.

Lock-up days, which is the total time taken to bill and collect debts, also increased from 122 days to 177 days in 2016/17 when compared with 2015/16. The report suggests that this could limit many law firms' ability to grow as they set aside funds to cover the costs of outstanding payments that could otherwise have been used to invest in the business.

The Survey was undertaken by newly appointed members of the UK200Group Armstrong Watson. Mark Sharpley Chair of the UK200Legal Group stated that *"since becoming members of the group our lawyer clients across the UK will benefit as part of the benchmarking process in the future, which can only enhance the groups offering."*

Read more about the report at: http://bit.ly/2DhTcXI

Legal UK200group

Land Registry publishes new business strategy

HM Land Registry is considering publishing comparative information about conveyancers as part of its business strategy for 2017 to 2022. The aim of the strategy is to make the organisation, which operates in England and Wales, 'the world's leading land registry for speed, simplicity and an open approach to data'. The strategy explains that publishing comparative information would provide clients with 'a real picture' of how their conveyancer is performing and enable conveyancers to check their performance against that of other firms.

The strategy also sets out how the Registry will use digitisation to make registry applications, queries and other services quicker and simpler. The Digital Street project is a key part of the Registry's digitisation plans and will focus on how land registration might work in 2030. A digital register for a small selection of properties will be piloted in 2018.

During the strategy period, the Registry will explore using encryption technology such as Blockchain to distribute registry data to conveyancers and other 'trusted partners'. This would enable conveyancers to update registry records directly in a secure and tamper proof environment. The Registry will also test an alternative 'proof of concept' digital register that would link a landowner's digital identity to their registry records and enable landowners to make simple changes, such as changing their name. In addition, the Registry will investigate whether artificial intelligence (AI) could assist with the land registration process. For example, the strategy suggests that AI may be used by conveyancers to automatically identify the issues that will need to be addressed when buying or selling a certain piece of registered land.

The Registry's business strategy for 2017 to 2022 can be downloaded in full from: http://bit.ly/2CSgQsO

Read more about the strategy at: http://bit.ly/2miE9VD

SRA finalises corporate strategy

The Solicitors Regulation Authority (SRA) has finalised its strategic objectives for 2017 to 2020, which are set out in its corporate strategy, following a consultation that was carried out in September 2017. Changes that have been made to the corporate strategy in response to the consultation include amendments to reflect firms' forthcoming obligations under the General Data Protection Regulation (GDPR), which will replace the Data Protection Act in May 2018.

Two of the SRA's objectives for 2017 to 2020 focus on its role as the professional regulator for the legal services sector. It promises to 'set and apply consistently high standards' for both the professionals and firms that it regulates, which will be flexible enough to allow for innovation while maintaining appropriate levels of public protection.

Other objectives outlined in the strategy include to increase the public availability of 'relevant and timely information' to help the public make informed choices about legal services, to make sure that regulatory arrangements work 'as effectively as possible' in the context of Brexit and to improve overall operating effectiveness, responsiveness and delivery of regulatory functions.

The SRA has also announced a complete overhaul of the SRA Handbook. Key changes, which are due to be introduced from autumn 2020, include the removal of the restriction that prohibits solicitors in unregulated firms from carrying out non reserved services and the creation of separate codes of conduct for individual solicitors and firms. Although the changes are intended to provide solicitors with more freedom and flexibility, the Law Society has warned that they may reduce consumer protection and result in a 'two tiered' profession.

Read more about the corporate strategy at: http://bit.ly/2D2KU9t

in brief...

Government urged to fund early legal advice

Research commissioned by the Law Society has revealed the positive impact of early legal advice on resolving issues more quickly. Of those people who have received early legal advice, 25% resolved their problem within three to four months. In comparison, only 25% of people who did not receive early advice had resolved their problem within nine months. In response to the findings, the Law Society has called for the Government to reintroduce funding for early legal advice for housing and family cases. Christine Blacklaws, Law Society Vice President, said: "If early advice was available to those who need it, issues could be resolved before they worsen and become more costly for the individual - and the public purse." http://bit.ly/2FsMezR

Cold-calling by CMCs to be banned

The Government has confirmed its plans to ban cold-calling by claims management companies (CMCs). The ban is expected to be introduced as an amendment to the Financial Guidance and Claims Bill, which is currently making its way through the House of Commons. The bill will also introduce a number of other restrictions on CMCs, including capping the fees that CMCs and legal service providers can charge customers for claims management services in relation to PPI. In addition, CMCs will no longer be able to charge customers fees in advance for financial claims, while some cancellation fees will also be capped. The new rules are expected to come into force from 1 April 2018. http://bit.ly/2D1KjUw

Clients prefer lawyers as main contact

Research from 'The Lawyer' magazine has revealed that almost 46% of law firm clients would be unhappy if a business services professional was their main contact at their law firm. Of those clients who said they would be unhappy, the majority believed it is important for a lawyer or partner to be their main contact, particularly with regard to accessing quality legal advice quickly. According to 'The Lawyer', significant client demand for lawyers to be their primary contact conflicts with a growing trend among law firms to make business services professionals more client-facing. Nevertheless, around 41% of clients would be happy to have a business services professional as their main contact. http://bit.ly/2qSgTnb

New short office leases for solicitors

The Law Society of England and Wales has issued two new short form model commercial leases for solicitors to help simplify and streamline commercial property transactions. The new leases are for commercial lets of up to 10 years that include one rent review. Joe Egan, President of the Law Society, said: "By creating a model lease that respects the rights of landlords and tenants, we hope to limit the need for long and challenging negotiations. These leases should also make the process for solicitors more efficient." While existing leases provided by the Law Society will remain available for use, they will only cover the simplest commercial lettings. http://bit.ly/2qWLMqC

To read the new leases, go to: http://bit.ly/2EutXkr

Report reveals fee changes

A report published by the Legal Services Board in November 2017 has revealed that while fees for family work has risen over the last two years, fees for conveyancing and powers of attorney have fallen. The average fee for lasting powers of attorney has fallen by 15% between 2015 and 2017. Conveyancing fees for leasehold purchase and freehold purchase have also fallen from 2015 to 2017 by 7% and 6% respectively. In comparison, fees for family work have increased by as much as 16% to around £2,900 for a contested divorce. http://bit.ly/2ANSsHf

Cost-cutting leading to fall in support staff

Cost-cutting measures in the legal sector are leading to a fall in the number of business services professionals, according to a new report from 'The Lawyer'. The 'Business Services' report has revealed that there were an average of just 0.7 business services professionals for every one fee-earner working in the legal sector in 2016/17, down from 0.72 in 2015/16. The business services staff to fee-earners ratio is expected to keep falling over the next few years, as law firms continue to invest in mergers and cost-cutting and efficiency measures that reduce the need for support staff. A growing number of law firms are also investing in new technologies that deliver the support functions previously provided by business services professionals. http://bit.ly/2D1x7Qx

SLCC statistics reveal increase in complaints challenges

According to the most recent annual report from the Scottish Legal Complaints Commission (SLCC), the number of complaints made against solicitors in Scotland rose by just 2% from 2015/16 to 2016/17. The SLCC received 1,155 complaints about Scottish solicitors in 2016/17 compared to 1,132 complaints received over the previous 12 months.

The number of eligible complaints that were upheld or resolved fell from 77% in 2015/16 to 63% in 2016/17 and the total amount of redress agreed or awarded fell from £324,400 to £201,863 over the same period. The report found that Residential Conveyancing, Litigation and Executries, Wills and Trusts were the areas of law that received the most complaints. Failure to communicate effectively, failure to advise adequately and failure to provide information were identified as the three main reasons solicitors' clients complained.

The report also revealed an increase in the number of solicitors holding a Practising Certificate, which was up from 11,422 in 2015/16 to 11,824 in 2016/17.

Following publication of the report, the Law Society of Scotland has renewed its criticism of the 12.5% increase to the general levy, which was set at £356 for 2016/17 compared to £315 in 2015/16. Law Society Chief Executive Lorna Jack told the SLCC there is 'real frustration' among solicitors at the proposed levy increase and questioned whether such an increase would have been suggested if the levy was payable by taxpayers.

Read more about complaints statistics at: http://bit.ly/2AP7axi

SRA addresses work experience concerns

The Solicitors Regulation Authority (SRA) has addressed concerns about whether work experience completed by Solicitors Qualifying Examination (SQE) candidates at a 'solicitor-free' firm, such as an educational institute or other organisation, can be signed off by a solicitor from another firm.

Under the new qualification regime, which will be introduced by 2020, in order to pass the SQE, candidates will be required to sit two exams and complete at least two years' qualifying work experience at no more than four separate law firms, educational institutions or other organisations. Work experience must be 'signed off' by a solicitor or compliance officer working at the same firm, or where neither is available, by a solicitor from another firm (an 'external solicitor').

The SRA has addressed concerns raised by universities and UK law societies as part of a consultation process carried out in 2017. The SRA has stated that it will strengthen rules on who can sign off a candidate's work experience. The rules now stipulate that if an external solicitor is to sign off work experience they must have 'direct experience' and carry out a review of the candidate's work and confirm that no issues occurred that raise questions about the candidate's character.

Paul Philip, SRA chief executive, said: *"We have listened to the feedback from the profession on the importance of qualifying work experience and made changes to how that is supervised. Our new approach to qualifying work experience will give candidates real flexibility, address the current training contract bottleneck and give the profession confidence that new solicitors have benefited from the training that only the workplace can provide."*

Read more about the SRA's response to the consultation at: http://bit.ly/2CPoHHO

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