

## Law Matters Newsletter

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## SRA Announces First ABS Firms

The **co-operative**  
legal services

This morning, 28<sup>th</sup> March 2012, the SRA announced the first 3 approvals of ABS firms that they regulate. These are Co-operative Legal Services, John Welch & Stammers of Witney, and Lawbridge Solicitors Ltd of Sidcup. They become authorised on dates between today and 16th April.

That the Co-op are among the first to be authorised is no surprise, and it means that the threat they pose to High Street law firms is real and increasing, not theoretical.

## More Competition: Riverview Law

Riverview Law has been in the news recently, as a company providing legal services to businesses on a fixed fee basis. They sell themselves as a disruptor of the present set up – much as Direct Line was to traditional High Street insurance brokers. They also segment the market, offering different services to small, medium and large companies.

The work is done by Riverview Barristers, of which there appear to be a large number, and Riverview Solicitors. This consists of one principal and four assistants, with a head office at Flat 27B. This gives a surprisingly unprofessional impression, although few of its prospective clients will visit the Law Society's Find a Solicitor site to check. Some at least of the solicitors work remotely. The result is that Riverview has relatively low fixed costs for the legal expertise available.

They also have funding, expertise in providing computerised advice, and the backing of one of the largest law firms, DLA Piper.

The attraction to clients? The certainty of a fixed fee. In reality, of course, this means in some cases paying more than is justified, in others less.

Are they a threat to law firms? Certainly. This is particularly the case for those firms looking at moving away from high street work to lower level commercial work, as a reaction to "Tesco Law" and its effect on personal legal services.

Even those firms with an established reputation may suffer, particularly with smaller businesses. Larger companies who are used to managing a portfolio of law firms may possibly find a fixed fee less attractive. We must wait and see.

How to react? It is difficult for a small law firm to provide too much work at a fixed fee, since there is a danger of undercharging overall. Some fixed fee and cheap work (such as debt collecting) is

worth providing. Beyond that, consider stressing the benefits of working face to face, help your clients avoid problems in the first place and think of adding value, for example by legal or business briefings. Cuddle you clients!

Is it all black? No. Remember that there have been firms offering employment law services on a subscription basis for some years, and that they have not yet cornered the employment market.

As always, do not carry on as though the profession is still as it was in 1968. It has changed and will continue to do so at a rapid rate.

## RBS: “Cut Fee Earners”

Coincidentally, RBS has produced a review of the legal profession. It notes that recorded hours are patchy, saying

“This is one of several indicators that would suggest that the UK market remains over-lawyered. In the absence of large new sources of instructions, which we do not expect, **new business models and organisational structures, resourced differently than the traditional law firm, will be required to improve chargeable hours to levels that can be expected to deliver materially improved profitability over time.** Alternatively, additional restructuring will be required to further eliminate fee-earner capacity. That chargeable hours continue at sluggish levels is of particular concern, given the significant fee-earner capacity that has been removed from the market over the last two years..... Firms’ views on billable hours capture this point, with the majority not expecting any material improvement over last year.” (My emphasis).

Each firm is different, of course, and many have taken steps already to have the right balance between staff numbers and available work. That is the aim: to have enough of the right people at the right level to give a good and profitable service, taking account of succession issues and possible changes in work load. If you can square that circle, you are doing well! Many firms reacted to the recession by putting staff on short time, or allowing career breaks, rather than making redundancies. Whether all those staff have been absorbed back in to a full fee earning role is an interesting question.

I have always taken the view that expensive solicitors spend too much time doing work that does not require their level of expertise. To some extent this is unavoidable, particularly in small firms with insufficient staff to give much flexibility. But getting the structure right should make the firm more profitable by utilising solicitor time at a full charging rate, as well as potentially making the service cheaper to clients. Win:win.

Always bear in mind that one way of matching staff numbers to workload is to increase the workload. If you can do it, this saves making people redundant and good people moving elsewhere. So review your marketing, particularly if you accounting year runs to the tax year. Remember that the core of marketing means finding out what the market wants, and then supplying it at a decent profit. It is not just selling.

## Business Planning

This is the time when many firms review their business plans, and this year the developments above make this even more vital. This should include a marketing plan. We are always happy to help you by coaching through the process or by facilitating meetings. Please call us on 0121 698 2318 to arrange a discussion.

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