



The Law Society

**Legal breakfast summary**  
**2009 and the challenges ahead: leading firms through the**  
**global downturn**  
January 2009

supporting  
solicitors

The Law Society Legal breakfast series was launched in May 2008 with the aim of exploring the opportunities for legal business operating in the regulatory environment created by the Legal Services Act.

The fourth legal breakfast event was held on 21 January 2009 to address the challenges facing City firms over the coming year and to map out a path for firms to remain competitive in the face of the global downturn.

The speakers were:

- Ian Luder, Lord Mayor of London
- David Morley, senior partner, Allen & Overy
- Paul Myners, financial services secretary to the Treasury

Each speaker gave a ten minute address, after which questions were taken from the audience and a lively debate ensued.

## **Remaining competitive in the global downturn**

Provision of value and efficiency were held to be central to remaining competitive in the downturn.

Ian Luder stressed the need for appropriate emphasis on modern billing and collection procedures and the control of lock-up and capital requirements. He predicted that mediation and alternative dispute resolution would grow over the course of the recession, as firms seek to control costs.

David Morley felt that law firms which are run as businesses, which can adapt to the market and which invest in their people will continue to thrive 'come rain or shine'. He thought that new and tougher competition would ensure a heightened emphasis on the provision of 'more for less' in order to remain competitive, both during the downturn and in the future. Business models therefore needed to be refined as appropriate in order to drive greater efficiency, reduce client costs and to forge greater clarity of purpose. One upshot of this was a need for firms to be more selective about the clients that they agree to take on.

He called on firms to maintain perspective in reacting to the downturn and to keep sight of long-term goals rather than sacrificing them to satisfy short-term exigencies. He offered reassurance that demand for high-end legal services would continue to grow as the world becomes more complex.

Mr Morley also sounded a stark warning to firms who failed to invest in technology, predicting that they would be 'out of the race'. He argued that technology would transform the way in which solicitors work and would place a premium on collaboration, and firms with a collaborative culture. Market identity, or branding, would also become particularly important owing to the need to separate firms in an increasingly competitive market. He anticipated that law firms required greater flexibility in terms of the application of resources to allow them to move people and adapt very quickly to the changing demands of the market.

## **Regulation and regulatory discourse**

All three speakers concurred that the era of 'light-touch' regulation was over as a consequence of the effect of the banking crisis on political discourse. David Morley and Ian Luder accepted that the legal profession had a duty to consider the sensitivity of the public when deciding the regulatory framework by which it would be governed. However, they also argued that this does not obviate the need to recognise that regulation cannot protect society from bad management or replace the application of common-sense and sound judgement.

Lord Myners concurred on this point and said that he had 'challenged' the corporate world to think about the proper approach to corporate governance. He was expecting Adair Turner, the Chairman of the FSA, to identify the right approach to financial services regulation in his report due before the Budget (22 April).

In terms of the legal profession, David Morley added that the notion of 'light-touch' regulation was rendered redundant by the recognition that a one-size-fits-all regulatory regime is no longer sufficient, given the enormous diversity of firms overseen by the SRA. He welcomed Lord Hunt's independent review into the regulation of law firms and warned of the dangers of inappropriate and ineffective regulation.

## **International operations and protectionism**

The speakers reacted to concerns expressed in some quarters that the economic downturn could result in increased protectionism in some overseas jurisdictions.

David Morley felt that the threat was a real one. He felt that the unravelling of globalisation was 'one of the biggest and most real and present dangers' and 'one of the biggest threats to the long-term security and prosperity of the world.' He warned that a 'double-headed monster of financial and trade protectionism could rise up from the angry and uncomprehending reaction of the popular vote.' He expressed confidence that politicians in general, and UK politicians in particular, were alive to the threat, but added that the profession had a responsibility to speak up in favour of global cooperation. He cited his personal experiences in New York as the basis for

his belief that such cooperation was not inevitable and that there are parts of the world which 'do not necessarily see global cooperation as an unalloyed good thing'. He felt that London was uniquely well-placed to express a need for global cooperation due to its interest in retaining its position as the crossroads of the financial world.

Ian Luder expressed confidence that shared domestic necessity in preventing depositor losses across Europe would lead to greater cross-border regulative cooperation, which would in turn destroy the spectre of protectionism. Nonetheless, he pledged to continue to fight against protectionism and to try and open doors where restricted practices prevent freedom of operation. He pointed out that it was easy to identify places where opening up markets to overseas law firms had actually produced work for local practices, rather than taking it away.

Lord Myners said that the regulatory reforms instituted by the Legal Services Act would lead to a significant creation of new opportunities for legal firms and would secure their continued strength. He cited the importance of a liberal legal services market to emerging economies, and the work that UK Trade and Investment is doing with HM Treasury in emerging markets to promote an environment in which international legal services can operate and flourish. He highlighted the efforts of the UK-India joint economic trade committee to secure the liberalisation of the Indian legal services market by promoting the potential benefits of involvement by overseas lawyers in the Indian legal service market. He said that collaboration between the Law Society and UK Trade and Investment was essential in opening up markets to UK law firms.

## **Other issues**

Issues addressed in discussion following the speeches were:

- The degree of confidence that measures taken by the government would kick-start corporate lending across the spectrum.
- How to achieve global regulation and rationalisation of regulation and what the government can do to secure it.
- The need or otherwise of the separate regulator for big City firms.
- Whether policy-makers has been sufficiently reactive to the concerns of big City firms.