



October 2015 Strategic Review

Welcome to October's edition of the Relationship Management Strategic Review. With the start of the new Autumn season this month sees a welcome adoption of [consumer credit regulation](#) by the SRA, strong performances from national firms, and a new report into the possible economic effects of Brexit on legal services.

Market update

Comment

Fingers are firmly crossed that the recent years' upturn in the global economy doesn't take a sharp dip. As things stand most commentators suggest that UK GDP is expected to grow by 2.6% in both 2015 and 2016, but they also warn that the global economy presents a significant risk to these forecasts.

According to the Bank of England Agents' [Summary of Business Conditions Quarter 3 report](#), legal services fared relatively well over the Q3 period. Steady growth in accountancy, legal and consultancy services were driven by increasing corporate finance and mergers and acquisitions activity. That activity was associated with a modest increase in demand for bank lending. Some professional and financial services contacts reported a rebound in activity following a pre-general election softening. The Bank cautions however that demand from China has weakened over recent months for a range of goods, including capital equipment, infrastructure products, pharmaceuticals and cars. Exports to the United States continued to grow however.

The Agent's report summarised that:

- Activity has generally grown solidly on a year earlier, with contacts attributing increased demand to rises in real incomes and credit availability. Growth among export-oriented companies has been subdued overall.
- In property markets, demand for commercial property has increased alongside economic activity, and investment into the sector remained strong. Housing market activity has picked up by less than many contacts had expected.

London Leapfrogs New York to become the world's top financial centre

London has swapped places with New York to become the [world's leading financial centre](#), according to a detailed study of 86 cities. Michael Mainelli, chairman of the think-tank Z/Yen which produced the report, attributed London's better showing to reduced uncertainty following the general election, which produced a surprise win for the Conservatives.

National law firms outperform City leaders

Legal Business [reports](#) that this year has seen the dynamics of the UK legal market turn on its head as national-driven law firms outperformed those at the top of the table, including the Magic Circle.

Overall, total revenue for the Legal Business 100 for 2014/15 was down 1% to £20.64bn, while lawyer headcount had also decreased – down 2% to 64,024. However, these figures mask the positive performance from firms ranked 26-50, with average turnover up 6% to £112m. Profits were also up – with profits per equity partner (PEP) seeing a double-digit increase of 10% to £453,000.

Mergers & Acquisitions activity continues remains low

The total [number of mergers and acquisition](#) involving UK companies continued to record historically low levels of activity.

Economic effects of a UK withdrawal from the EU on the legal sector

Legal services sector could suffer from Britain's [exiting the EU](#) according to a new study. Commissioned by the Law Society, the independent economic analysis by Oxford Economics shows the range of possible economic effects of a UK withdrawal from the EU on the legal sector:

- the legal sector would continue to grow, but the rate of growth would be affected by a UK withdrawal from the EU
 - the negative effects on growth in the legal services sector compared with the UK economy as a whole are due to the sector's reliance on intermediate demand from sectors which are likely to be adversely affected by a UK withdrawal from the EU, such as financial services
 - the scale of those negative effects would depend on withdrawal negotiations and subsequent UK government policy actions.
-



International Update – New CCBE training portal

The Council of Bars and Law Societies of Europe (CCBE) has launched a new [training portal](#), which provides all you need to know about European and national developments affecting lawyers' training and education.

The [CCBE](#) represents the bars and law societies of 32 member countries and 13 further associate and observer countries, and through them more than 1 million European lawyers.

Unbundle legal services and make them more accessible

A new study by the [Legal Services Board and Legal Services Consumer Panel](#) suggests law firms are responding to consumer demand and developing affordable alternatives to full-service representation.

Information Security Breaches Survey 2015

The Department for Business, Innovation & Skills reveal [results](#) of its 2015 information security breaches survey.

The summary highlights that there has been an increase in the number of both large and small organisations experiencing breaches. 90% of large organisations reported that they had suffered a security breach, up from 81% in 2014. Small organisations recorded a similar picture, with nearly three-quarters reporting a security breach; this is an increase on the 2014 and 2013 figures.

Market developments

Pinsents offer extra £10,000 bonus for “excellent” client service

Pinsent Masons is to offer a bonus of up to £10,000 to reward lawyers who deliver ‘excellent’ client service. The pilot [bonus scheme](#) will apply in the UK throughout the financial year 2015/16 and will double last year’s bonus pot. The new incentive aims to move beyond rewarding employees based on the number of hours they work by recognising factors such as client engagement and innovation.

Freelance specialists

[Freelance specialist lawyers](#) contracted to a firm for a set period of time could increasingly be deployed to work for in-house clients and boost internal workforces, according to the latest law firm to announce a new contract lawyer offering.

Winning new clients - as easy as one, two, three

The aim of any law firm going into a competitive tender for work will be to win. This [featured blog](#), as part of the Law Consulting Service, outlines how to make the bid process stress-free.

Regulatory issues

SRA granted powers over partners in failed firms

Partners involved in firms which have gone into administration could face sanctions on their practising certificate applications, the SRA has confirmed.

The SRA board has approved a [recommendation](#) to allow the SRA to refuse or impose conditions on a PC application from those involved in partnerships that have entered administration but not yet been subject to insolvency or bankruptcy.

Information Security Breaches Survey 2015

Department for Business, Innovation & Skills reveal [results](#) of its 2015 information security breaches survey.

The summary highlights that there has been an increase in the number of both large and small organisations experiencing breaches. 90% of large organisations reported that they had suffered a security breach, up from 81% in 2014. Small organisations recorded a similar picture, with nearly three-quarters reporting a security breach; this is an increase on the 2014 and 2013 figures.

Practice notes

[CPD training: updated practice note](#)

The current CPD system is being replaced by the continuing competence scheme. As of April this year, solicitors can



choose to move to the new approach and it will apply to all from 1 November 2016. Our updated practice note explains the transitional arrangements and gives advice on how to get the most from your CPD activities.

[Publicising solicitors' charges](#)

The Solicitors' Code of Conduct (the SRA Code) sets out specific rules as to the way in which solicitors should publicise charges. This practice note aims to clarify how you should publicise your charges without breaching these rules. The Conveyancing Handbook also refers to your conduct in this respect. This practice note includes detailed advice on:

- what must be included when publicising the cost of services
- how to avoid providing potentially misleading cost information

A full list of Law Society [practice notes](#) is available.

Conferences and events

[National Property Law Conference 2015: the place for property practitioners](#) (9 October)

[Commercial litigation conference 2015](#) (5 October)

[Learn how to develop your firm internationally \(2 November\)](#)

[Law Management Section finance and business conference](#) 2015 (17 November)

For a full list of [events](#).