

Barclays wins case over loans to law firm partners

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Barclays has won a High Court lawsuit against a leading US entertainment lawyer relating to the collapse of law firm Dewey & LeBoeuf.

The bank sued L Londell McMillan, who has represented music legends such as Prince and Stevie Wonder, for repayment of a \$540,000 loan as it sought to recoup money from partners at the failed firm.

Barclays had \$56m of outstanding loans to 220 partners of Dewey when it collapsed in 2012. More than 184 have since repaid the money.

Lawyers often take out loans towards working capital at law firms when they are elevated to partners.

If Barclays had lost the case it could have made banks more reluctant to lend to law firm partners, who are usually viewed as good credit risks.

Tony Williams, the founder of legal consultancy Jomati and a former managing partner of Clifford Chance, said: “This was a case closely watched by the banks because if Barclays had lost it could have pushed up the pricing of such loans or made them less available to law firm partners.

“These loans are low margin and quite long term, but banks like them as they are seen as a safe asset class.” he added.

Dewey filed for Chapter 11 bankruptcy protection in June 2012 with liabilities of \$315m, making it one of the biggest collapses of a US law firm.

It was created in 2007 through the merger of Dewey Ballantine — a mergers and acquisitions adviser — and LeBoeuf Lamb Greene & MacRae, known for its insurance and energy work.

After the merger it expanded aggressively and lured new partners by handing out multimillion-dollar guarantees. About 100 partners were on such guarantees, according to its 2012 bankruptcy filing.

Mr McMillan joined Dewey as head of its entertainment and sports practice in 2007 and was one of four former partners to fight the case against Barclays. Three settled before the High Court trial began.

Mr McMillan had argued that he had no obligation to repay, claiming it was in fact a loan to the firm, not to him personally. He also claimed it was part of a programme whose terms were negotiated with the firm, not the individual partners.

Giving his ruling in favour of Barclays, Mr Justice Popplewell found that Mr McMillan was “unwilling to accept what was plain on the face of the documents and seemed to me to have convinced himself of a version of events which was inconsistent with the contemporaneous record”.

Mr McMillan was “not a naive or vulnerable consumer” in signing the loan documents, he concluded.

In a statement, Mr McMillan said: “Certainly, I differ with the feelings and ruling by the judge in the UK courts. I never received loan proceeds from Barclays and my capital was paid in full. I look forward to defending myself in the US.”

Barclays said: “We are pleased with the court’s decision and reasoning, including the indemnity costs award. The vast majority of partners have repaid the sums owed already. Barclays will continue to robustly pursue those partners whose loans remain outstanding”.

The fallout from Dewey is continuing. Last month, a Manhattan prosecutor opened a criminal trial of three former executives accused of conspiring to hide the true nature of the firm’s finances from its banks and other creditors.

Former Dewey chairman Steven Davis, ex-executive director Stephen DiCarmino and ex-chief financial officer Joel Sanders deny any wrongdoing in the trial, which could last six months.

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