

Elite UK law firms lose market share to US rivals

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Elite UK law firms are losing market share to their US rivals, which have been expanding aggressively in London on the back of US corporate deals, research shows.

The UK's top 100 law firms saw combined turnover fall to £20.64bn in its 2015 results — a drop of 1 per cent on the £20.82bn reported in the 12-month period ending April 2014 — after some firms were hit by foreign exchange fluctuations including the weak euro.

The number of lawyers employed by the UK's top 100 firms has fallen 2 per cent to 64,024, according to the research published on Friday by Legal Business magazine.

By contrast, the top 100 US legal firms, which are among the world's largest, have seen average growth of 5 per cent with total revenues of \$92.87bn.

Since 2011 the US firms, whose partners can command million-dollar salaries, have been expanding their London offices. They have been taking market share from their UK rivals as they leverage off their tight client relationships with US banks in areas such as investment banking.

Separately, research by legal consultants Jomati indicates that US law firms, especially in London, have been busy recruiting experienced UK lawyers in their 50s and late 40s who fear that their UK law firm will force them to retire early to make way for younger lawyers.

The Jomati research says that UK law firms risk losing high-quality lawyers because they have a history of being poor at handling partner retirements. It found many lawyers were going to high-paying US firms before any discussions about retiring had begun with their firms.

The same study, which interviewed 50 partners from leading law firms, concludes that law firms needed to do more to handle partners' retirements.

Alex Novarese, editor-in-chief at Legal Business, said UK elite firms were ceding market share to US rivals in key practice areas such as dispute resolution.

Since 2011, US firms that have expanded in London have seen a growth in business on the back of US-based merger and acquisition activity as well as from their expertise in areas such as global bribery and corruption issues where some clients would prefer the knowledge of a US firm, he added.

“UK elite firms have, at a more fundamental level, failed to transform themselves into the Anglo-American organisations they need to be to succeed,” he said.

The Legal Business research shows that DLA Piper remains the UK's biggest law firm. However, that firm saw revenue fall 4 per cent to £1.5bn, with profit per equity partner — a closely watched metric of a law firm's health — at £903,000.

Slaughter and May's partners remain the highest earning — with its top-earning partners taking home £3m.

Eight firms in the top UK 100 have average profit per equity partner of £1m, meaning 1,868 partners are millionaires. Lawyers at Stephenson Harwood have seen the largest increase in profits per equity partner, rising 40 per cent to £746,000, according to the study.

On average, revenue per lawyer across the UK's top 100 firms is £322,000.

The legal profession continues to struggle with gender equality, the research found. While at junior lawyer levels the numbers are equally matched, just 27 per cent of partners at law firms are women.

Source: <https://www.ft.com/content/ef972c00-52ea-11e5-8642-453585f2cfcd>