The Economist

Jan 28th 2012 | LONDON AND NEW YORK | from the print edition

Legal services

Psst, wanna buy a law firm?

Non-lawyers can now own law firms in Britain. Where's next?

LAWYERS have long considered themselves a breed apart: highly educated professionals, not dim-witted businessmen who think a "whereas" is a man who turns into a small member of the horse family when the moon is full. Many countries bar business types from owning even a bit (much less all) of a law firm. But in Britain, that law changed in October.

Companies are queuing up to form new "alternative business structures" (ABS). The Solicitors Regulation Authority, the biggest legal regulator, has received at least 65 applications. The first ABSs should be approved in February.

The "alternative" possibilities are many. Irwin Mitchell, a big personal-injury firm, may float its shares. Slater & Gordon, which in 2007 became the first Australian firm to go public, has since bought some smaller firms and nearly tripled its revenues, to A$182m ($194m).

Another new structure will be that of the Co-operative, a membership organisation best known for its supermarkets, but which also runs a bank and buries and cremates more people than any other entity in Britain. The Co-op already has a legal arm for its members. Approval as an ABS will let it sell the same services to the general public. In anticipation, it plans to add 150 people to its current legal staff of 400.

Liberalisation will make lawyering cheaper, say its boosters. Tech-savvy entrepreneurs may buy or start law firms and offer more services online. Quindell Portfolio, a software-outsourcing company, has said it will seek approval to buy Silverbeck Rymer, a Liverpool-based law firm. Newcomers may be less deferential to tradition, and more innovative. Tony Williams of Jomati, a consultancy, says that if lawyers "insist they're not a business, they'll carry on until they're out of business."

Many lawyers fear that cheap, off-the-shelf products will replace expert advice.(The nickname "Tesco Law" has stuck, though Tesco, a supermarket chain, has not applied to become an ABS.) Critics of change also fret that taking outside capital might make lawyers favour investors over clients. But lawyers have always cared about making money, and giving duff legal advice is seldom a good business plan.

Liberalisation will probably affect low-end services first, such as will-writing and conveyancing. Britain's "Magic Circle" of big profitable partnerships (Clifford Chance, Allen & Overy, Linklaters and Freshfields Bruckhaus Deringer) show little interest in being bought—by Tesco or anyone else. But if their new rivals prove capable, they may have to adapt. Some see this. Clifford Chance has had a back office in India for years. Allen & Overy launched one in Belfast last year. Recession-racked clients demand value for money.

Foreigners are watching Britain's example with interest. Current American law on this issue is like Britain's used to be. But Jacoby & Meyers, a big personal-injury firm, is suing three states (New York, New Jersey and Connecticut) for the right to raise outside capital. The managing partner, Andrew Finkelstein, has already talked to potential outside partners about buying in, but can go no further unless the rule is overturned. (He has not yet talked to investment bankers about going public, but he says he is interested.) The states are trying to get the suit thrown out on a technicality. Jacoby & Meyers may lose this round. But if Britain's reform is successful, the American old guard may struggle to win the next one on the merits.