

Brave new worlds

new thinking in legal services



January 2012

About the report

This study has been commissioned by Epoq and undertaken by the legal research company Jures.

About the author

Jon Robins is director of the legal research company Jures, a freelance journalist and an author. He has been writing about the law for the national and specialist legal press for over 14 years. Jon wrote Big Bang Report: Opportunities and threats in the new legal services market (Jures, November 2009), Shopping Around: What consumers want from the new legal services market (Jures, May 2010) and The New, New Thing (Jures, November 2010). They are available at www.jures.co.uk. Jon also wrote The Justice Gap (Legal Action Group, May 2009, with Steve Hynes).

About Epoq

Founded in 1994, Epoq has been a pioneer in changing the way legal services are delivered by using cutting-edge technology to enable legal documents to be completed faster and more easily than ever before. Epoq's document automation system combined with internet delivery allows even complex documents to be drafted simply by users completing online questionnaires tailored to their specific circumstances. Underpinned by its extensive range of detailed and up-to-date document templates, Epoq's system is being deployed by an increasingly wide range of law firms and organisations to deliver legal services with greater efficiency, convenience and profitability via the Web.

About Jures

Jures is an independent research company dedicated to the legal services market which was launched in January 2010. It combines expertise from a number of different disciplines: journalism; research; PR and communications; as well as publishing in both traditional and new media. The people behind Jures are journalist Jon Robins and Gus Sellitto and Richard Elsen, directors of the legal PR specialists Byfield Consultancy (www.byfieldconsultancy.com).

The idea behind Jures is to become a leading source of considered, independent-minded and thought-provoking commentary on the law in a way that informs and influences debate within the profession and beyond.

Foreword

The legal services deregulation programme set in train by Sir David Clementi's review back in 2003 is frequently characterised in the press by reference to the City's 1986 'Big Bang' with its ensuing mass deregulation of the financial services markets and the banking system. So far the more traditional end of legal profession remains resistant to the forces of liberalisation. Last month the much heralded 'start date' for the most radical part of the Legal Services Act 2007 - the licensing of Alternative Business Structures or ABSs – came and went. It is as unlikely to be 'Big Bang' or a 'damp squib'. Instead the date is likely to signify a controlled ramping up in both innovation in service delivery and restructuring in the provision of legal services. It is innovation around these two aspects of deregulation that this report is about.

'Competition is coming', began the Big Bang: Opportunities and threats in the new legal services market report which came out in November 2009. The study profiled retail giants such as the Co-Op, high street banks such as Halifax, membership organisations including the consumer group Which? and AA and insurers such as DAS, all (as the report put it) 'waiting in the wings' and with an interest in the legal services market, as well as some with hitherto little connection with the law (such as A4e). This report revisits some of those prospective ABSs, in addition to profiling some other new players.

David Edmonds, the first chair of the Legal Services Board, was asked at that time just how radical might be the changes about to be unleashed under the Legal Services Act. The former director-general of Of tel replied by saying that he had been approached 'at least three times over the 12 months by agitated lawyers saying: "Mr Edmonds, you're not going to change something that has over 800 years of history behind it". To which I reply the Legal Services Act gives me a set of duties and responsibilities which might well mean me changing 800 years of history - and is the fact that there are 800 years of history necessarily a good thing?'

Brave New Worlds is the third of three reports published by the legal research company Jures exploring the impact of Legal Services Act 2007 on the legal services market, following Big Bang: Opportunities and threats in the new legal services market (November 2009) and Shopping Around: what consumers want from the new legal services market (May 2010).

The study was commissioned by Epoq and looks at the differing approaches to the provision of legal advice and the delivery of legal services by 'the institutions' (i.e. the prospective alternative business structures or ABSs) as compared to the 'existing players' (i.e. traditional law firms). The focus is innovation in the delivery of legal services. The clients of law firms want and expect better standards of service and increased options in terms of how those services are delivered and how they are paid for. Opening up the legal services market – as controversial as many lawyers might find the process – marks a genuine opportunity for lawyers and their clients. We hope firms take that opportunity.

Richard Cohen
Epoq, executive chairman and group counsel

January 2012

Big bang, revolution, evolution... or damp squib

'For all the legions of column inches devoted to the Legal Services Act across the legal press, these reforms are less about lawyers and more about consumers,' wrote David Edmonds on the introduction of alternative business structures on October 6th 2011¹. 'The old ownership restrictions created artificial monopolies. For many consumers, this meant that engaging a lawyer was unaffordable, or at least felt unaffordable.'

It is a timely reminder that deregulation of legal services through the LSA isn't happening to make lives more difficult for lawyers but it is there for the benefit of clients. On January 3rd, the Solicitors Regulation Authority officially launched its new regime for accepting applications from would be ABSs. The official start date for the legal world's 'big bang' (October 6th) started with, if not a whimper; then something of an anti-climax because the SRA was not ready to begin licensing ABSs. However, the much smaller Council for Licensed Conveyancers (CLC) saved the day from being a total washout by starting the new regime (CLC members have been able to accept external investment for around a decade). Premier Property Lawyers (one of the biggest conveyancing businesses) secured the first mover advantage by becoming the first ever ABS. The Law Society this month reported that more than 10 initial applications were made on the first day: the Co-operative Legal Services and Irwin Mitchell confirmed they had 'begun the process'.²

What did the long-awaited October's deregulation of legal services mean for the clients of law firms? 'We've always said that one of the reasons for more competition under the LSA is "access to justice"', comments Chris Kenny, the LSB's chief executive. 'Those who have been anti-ABSs and anti-Clementi have always said that if any law firm closes because of more competition that means "access to justice" is jeopardised. We start from a position that we expect, as a result of new entrants and greater innovation and most likely a combination of the both, there will be greater accessibility in terms of location, media (online or by telephone) plus greater accessibility in terms of sustainable price competition. Frankly, all that seems to me to be rather good news for access to justice.'

'It's easy to exaggerate the "Big Bang" effect but also it's easy to underestimate long-term change,' reckons Crispin Passmore, the LSB's strategy director. Allowing for new business models is about removing 'anti-competitive restrictions' that are 'relics from a bygone age', he reflects. 'The regulators will intervene when there is a risk of consumer detriment, but otherwise the objective is to allow lawyers to respond to consumer demand in more competitive and imaginative ways.'

In the months preceding the publication of this report, a series of developments in legal services has attracted much comment in both the legal and mainstream business media. Increasingly, the non-law institutions with established brands (including banks such as NatWest and retailers such as the Co-Op) have been ramping up their presence in the legal services market. Against this backdrop of perceived new competition, traditional law firms have been responding to a changing marketplace. More recently, there was news from Irwin Mitchell, the largest claimant firm in the UK, that it was 'gearing up to become the first British law firm to float on the Stock Exchange under new rules that will allow non-lawyers to own shares in legal practices'³. Earlier this year there was QualitySolicitors.com and its apparently 'game-changing' deal with WH Smith⁴. The network will have staffed 'legal access points' in the retailer's stores. It appears to be an impressive leap forward for the nascent 'legal super-brand' (as the network styles itself).

NatWest and Epoq, the legal IT company that supports its online service and that of many of the new market entrants, are profiled in this report, as are QualitySolicitors.com, Irwin Mitchell and the Co-Op.

¹ www.thejusticegap.com, 6th October 2011

² Law Society Gazette, 6th January 2012

³ The Times, 20th April 2011

⁴ Legal Futures, 17th April 2011

Enter the dragons...

It is perhaps a sign of the times that Theo Paphitis and Deborah Meaden (panelists on BBC's *Dragons Den*) have turned their attention to the hitherto closed-off world of legal services. Smarta.com, founded by the social media entrepreneur Sháá Wasmund with the support of the two Dragons, earlier this year announced that they were to partner with RBS and Natwest to launch a legal service provided by Epoq aimed at small and medium-sized businesses under its 'Smarta Business Builder' banner. ('I'm not just proud to recommend Smarta Business Builder, I'm suggesting that all small businesses use it too!' enthused Paphitis in its press release.)

Clearly, making legal services affordable to cash-strapped start-up businesses is a compelling prospect. RBS also runs Mentor, a regulatory compliance service for 14,000 businesses, and RiskRemedy, an online self-service employment law and health and safety compliance package also aimed at the SME market. John Muncey, head of Mentor, sees deregulation of legal services as a 'huge opportunity' for RBS. He believes the big brands have 'the potential to dominate' a legal services market which at his estimation is worth £12bn (consumer) and £3bn (SME).

At the end of 2010, membership organisations AA and Saga launched legal services websites. The two companies, which have the same private equity backers following a merger in 2007, offer online legal services backed by the volume law firm Cogent Law, the claimant arm of Parabis. Legal documents are free to those with AA or Saga legal expenses cover attached to their home or car insurance. They also are entitled to a free half-hour of legal review and the service is accessible to those without insurance or even membership of either organisation. The AA has 15 million members, of whom around two million have insurance with it. Saga has 2.7 million customers. RBS, the AA and Saga all work with Epoq to provide their online legal services.

A notable characteristic common to many of the new wave of market entrants is their heavy promotion of Internet-based services, most notably online legal document drafting services, as a way of bundling legal services with existing complementary financial services or business advice. Barclays, DAS, NatWest, HBOS, RSA, MORE TH>N, Allianz and RBS are all non-law businesses with ambitions in the legal services sector.

There is a contrast between the enthusiasm for the new market entrants for online services, document automation and new models for delivering law, and the relatively small number of law firm early adopters.

However, firms are embracing new approaches. 'We're moving away from the days of business running 9-to-5. As consumers we expect to buy our groceries at 10 o'clock at night and we want to book our flights online,' says Stephen Goddard, business development manager at Kester Cunningham John Solicitors. The firm heavily

promotes its online services which are delivered through Epoq's DirectLaw service. 'We'll continue to offer personal services in just the same way that banks offer personal services, but we've seen the online service as a way that we can reach out to more people.' The claimant firm Russell Jones & Walker also uses Epoq's online technology and delivered over 1,200 online Wills to clients over the web in the past 12 months through its Your Legal Rights service.

The development of online legal services has taken off on the other side of the Atlantic in the face of considerable opposition from the legal profession. In particular, the online legal document service LegalZoom was recently reported to be readying itself for an initial public offering after raising \$66 million from two venture capital firms⁵. LegalZoom raised the money from Kleiner Perkins and Institutional Venture Partners bringing total funding to \$100 million. According to the American Bar Association Journal, it has served more than one million customers online in 10 years. It is impressive progress despite the fact that the company has faced numerous challenges from local Bars and a potential class action for 'unlawfully charging consumers for the preparation of legal documents'.

Back in the UK, Professor Stephen Mayson of the Legal Services Institute argues that Wills could be 'the frontline' of the newly competitive world of legal services⁶. 'Providing a user-friendly, consumer-focused, and affordable - or even free - service could well be a compelling proposition for the new entrant and, given how few people have a Will, a very welcome innovation,' he observes.

DPL Professional specialises in will-drafting systems. Its products are used by Irwin Mitchell LLP and Which? Legal Services as well as the Will writing company Just Wills. Irwin Mitchell provides its Will drafting service to high-volume corporate providers including HSBC, Barclays Trust, Lloyds TSB, as well as direct to a private client base. DPL recently launched its online (as opposed to desk top) service to law firms.

'It's about giving practitioners a tool to fight back in an area that's under threat from other players at a time when the profession is beleaguered,' reckons Alastair Cree, DPL

managing director, adding that they provide systems in Australia, New Zealand and South Africa. Around 800 firms use DPL's desktop systems. There has been much concern about the quality of Wills including the Legal Services Board's review of unregulated Will writing which sought evidence of consumer harm.

'There are firms that fear online processes and see them as a cheapening of the law, marginalising the role of lawyers and replacing a carefully crafted bespoke service with an influx of "pile em high, sell em cheap" legal products,' says Epq's Grahame Cohen. 'That is based upon a misunderstanding of the role of online legal services.'

Cohen argues that online legal services assist with easing three 'points of friction' between lawyers and clients: accessibility, convenience and price. Online services can be deployed to deal with those concerns by enabling websites to become an extension of the law firm's office.

For example, integrating online questionnaires into a law firm's website, which present the client with the same questions a solicitor would ask during a face-to-face interview enable clients to instruct a solicitor at their own convenience. And, as preprogrammed intelligence within the online questionnaire automatically generates a detailed first draft legal document for the solicitor to review, the process addresses the demands of consumers for greater accessibility, speed and convenience.

According to a recent study (YouGov SixthSense), the availability of online legal services was found to be a positive influence by more than four out of 10 respondents (42%) when looking for a solicitor. Over one-third (37%) could be 'persuaded to change from one law firm to another if a reduced fee was offered for the same service provided the client provided some initial details about the legal matter online'.

⁵TechCrunch, 24th July 2011

⁶Observer, 15th April 2011

The potential to dominate...

The Royal Bank of Scotland (RBS) runs Mentor, a regulatory compliance service for 14,000 businesses, and RiskRemedy, an online self-service employment law and health and safety compliance package also aimed at the SME market.

John Muncey, head of Mentor, sees deregulation of legal services as a 'huge opportunity' for RBS and reckons that the big brands have 'the potential to dominate' a legal services market which at his estimation is worth £12bn (consumer) and £3bn (SME). According to Muncey, as many as half of all consumers are open to the idea of using non-lawyers for legal services and six out of 10 are likely to use a bank. RBS/NatWest, he says, was number eight in a list of preferred suppliers of legal services.

It is a view that chimes with a recent poll that found that only four out of 10 consumers (40%) would NOT choose legal services from the big brands⁷. RBS wasn't on the list but another bank (Barclays) scored highest of the brands (19% of respondents expressed an interest in purchasing legal services from the bank) just ahead of the Co-Op and the AA (18%).

Smarta.com was founded by the social media entrepreneur Sháá Wasmund with the support of Theo Paphitis and Deborah Meaden of Dragon's Den fame. Earlier this year it announced that Smarta was to partner with RBS and NatWest to launch a legal service aimed at small and medium-sized businesses under its 'Smarta Business Builder' banner. 'We looked at the common reasons for failure in a business - not managing cash flow, not planning properly etc - and we found it easy to develop tools to address those problems,' explains Smarta's chief operating officer Kevin Burke. 'The default behavior of small businesses is "Don't do anything". They don't use accounting software, about 80% of small businesses use spreadsheets and most send the proverbial shoebox full of receipts to their accountants. More than 50% of businesses don't have a website and many small businesses don't bother to go to a lawyer.' The Business Builder service is to plug that 'access to justice' gap.

'The bundling of legal services with other complementary services is exactly the kind of one-stop-shop envisaged by Clementi,' reckons Richard Cohen, a solicitor and executive chairman of Epoq.

⁷ YouGov, SixthSense

'Our message is online legal capability is a tool of engagement'

The legal IT specialist Epoq was established in 1994 and has pioneered developments in online document creation through its Rapidocs® automation software. Initially delivered to consumers and businesses via a low-cost CD-ROM called 'Desktop Lawyer', Rapidocs® was made available online in 2000 through a partnership with ISP Freeserve. As the Internet became more established, Epoq partnered with many non-law institutions seeking to build a presence in legal services, including MORETH>N in 2002, which at that time was the first insurer to move into the consumer legal services market, and now HBOS, AA, Saga, NatWest, RBS, Barclays and Allianz, amongst many others.

'We started in the mid 1990s with the aim of improving access to justice and legal services for consumers and small businesses, in particular. It was clear to me that the Internet was going to become a major force in everyone's life,' says Epoq's founder and chief technology officer Grahame Cohen. However, Epoq's first relationships were with banks and insurers as these sectors were more open to embracing the Internet as a service delivery channel. The legal sector was and, to a large degree, still is, nervous about online and very reluctant to adopt it, mistakenly believing it will undermine the solicitor-client relationship.

'However, the market is moving rapidly as a result of the Legal Services Act reforms,' Cohen says. 'Life is about to become more competitive, particularly for the high street lawyer. Increasingly consumers are demanding fixed fees; they want improved access and greater price certainty and there needs to be an appropriate response from law firms.' Accessibility is key in this new environment, Cohen argues. 'But that doesn't mean that the client journey has to start with the client walking into the solicitor's office. Online access is increasingly important and Epoq's aim is to enable solicitors' firms to give their clients more choice in how they collaborate with their solicitor through our DirectLaw service.' Solicitors tend to be 'confused' about a couple of key concepts, argues Cohen, notably the role of 'online legal services'. 'They regard online processes as remote and having nothing to do with them as lawyers. The reality is that "online" is a powerful tool of engagement and should be seen as an extension of their service delivery and client development process.'

Furthermore, the term 'fixed fee' is 'often misunderstood', especially when discussed in connection to law firm-delivered online legal services. 'It is often taken by solicitors to mean a low price, "one size fits all" process that is bought by a client online. Actually, a fixed fee could be something that is specific for each individual client based upon an understanding of his or her circumstances following a lawyer-client conversation. For lawyers it's about price certainty and using online document assembly to make the agreed fee profitable.'

Grahame Cohen argues that the Clementi review and Legal Services Act came about because law firms failed to innovate and offer their clients improved easier access to their services. He believes that at the heart of this inability or reluctance to innovate is the partnership nature of firms, which hampers the driving of change from the top down. As a result, law firms have been left behind in a dramatically more competitive market.

Cohen concludes that the LSA reforms will provide the catalyst for new market entrants to offer radically different approaches to service delivery. 'Very shortly, we are going to see consumers being educated about their choices in access to legal services through major advertising campaigns by well-funded legal businesses, such as Legal Zoom and Rocket Lawyer from the USA. These campaigns will very quickly show how easily a legal service can be consumed online through simple questionnaires underpinned by document assembly. And once the consumer understands this, there is no going back. If law firms want to hold on to their clients, they will have to respond and respond fast.'

Cash injection....

'Irwin Mitchell is gearing up to become the first British law firm to float on the Stock Exchange under new rules that will allow non-lawyers to own shares in legal practices,' reported The Times in April 2010⁸. The Sheffield firm was credited with being the first firm to overhaul its partnership structure in anticipation of the Legal Services Act. So far there has only been one law firm flotation: the Australian personal injury firm, Slater & Gordon, which went public in 2007 (see below). Irwin Mitchell is being advised by Espirito Santo Investment Bank to identify opportunities for external investment. 'All options are up for consideration, with the aim being to raise a war chest to fund future growth,' reported The Lawyer⁹.

'Despite what the press has reported, we haven't said that we would definitely float,' qualifies John Pickering. 'It's one of a range of options that we are looking at. We haven't nailed our colours to the mast quite yet. We might do an IPO and we're considering other types of investment.'

'They have made no secret of their plans,' reflects Tony Williams, founder of the Jomati consultancy and former senior partner at Clifford Chance. 'They have been looking at this issue for at least a couple of years and it probably takes two years' hard work of sorting out the partnership before you are anything like ready to go to market.' Tony Williams was hired by Lyceum Capital as an adviser, one of a small number of private equity funds known to be interested in the legal services market. There are two very different sides to the Irwin Mitchell practice: the volume commoditised practice, most notably personal injury, and the more traditional business.

How attractive is that mix of business to prospective investors? 'There is a strong appeal to investors because there is a certainty of cash flow,' replies Williams. 'What investors like to see is predictability as to future income stream. They don't want nasty surprises. Plus they're a big enough firm to be of interest to the market.'

'The message from the market is that, if you're going to float, you need to be of £100m revenue,' reports Tony Williams. Irwin Mitchell has annual revenues (according to Legal Week) of £157 million. 'If they do go down that route a lot of people will watch very carefully.' So how excited is the investment community? 'They are interested. But there is always a degree of nervousness about "people businesses"'. What about Irwin Mitchell's reported ambition to raise £50 million? 'That sounds too high. It depends what percentage of shares they're going to sell out and what future profits partners are going to give up for cash today or share increases tomorrow. It's always one of the biggest cultural issues.'

⁸The Times, April

⁹The Lawyer, 8th April 2011

First mover advantage...

In April 2011, Irwin Mitchell announced its plans to go for ABS status as soon as the Legal Services Act allows. The firm is being advised by Espirito Santo Investment Bank to identify opportunities for external investment. 'All options are up for consideration, with the aim being to raise a war chest to fund future growth,' reported The Lawyer¹⁰.

Why? 'We want to position Irwin Mitchell to take maximum advantage of this new environment because we can see more opportunity than threat,' comments John Pickering, Irwin Mitchell's managing partner. The 'prime reason' for external capital is 'to enable us to more aggressively grow the business'.

The firm has made no secret of its plans to capitalise on deregulation of legal services. 'We have been looking at this from Clementi onwards,' says Pickering, adding that the firm has been preparing for the structural change for two years. 'We have put in place the corporate structure, reorganised the business internally, completely overhauled our practice areas and have created new divisions.' The LLP still exists and remains 'the principal vehicle through which legal services are delivered'. 'The LLP sits under the holding company. That means we have some of the benefits of the ethos of partnership whilst still running on a corporatised basis.'

The business now has a two-tier structure: 'a holding company sitting above the LLP. Our subsidiaries hang off the holding company. Obviously, it's a useful vehicle for us to take external investment but also to accommodate acquisitions and joint ventures. We see quite fertile territory for imaginative work in those areas post-ABSs.' It also has 'a fiscal benefit', he adds.

Why change the corporate structure? 'Growing a business under a traditional partnership model isn't necessarily the easiest of things. The funding comes from partners' capital and the bank overdraft and so when you deal with areas of work like litigation – particularly, litigation when you're working on CFAs [conditional fee agreements] - that imposes cash constraints.'

As a firm are you totally in sympathy with the LSA reforms? 'Yes, but with caveats; we've made detailed representations to ensure there is an even playing field for regulation. We don't want lawyers being made to observe higher standards than others who can participate in the same space.'

Has that been achieved? 'It remains to be seen. This is not finished business.' He cites the concern over Will writing.

According to recent research, Irwin Mitchell has the highest brand recognition factor of all law firms but still only 10% of the public know the name.¹¹ Deregulation will see the big-name brands move into the law en masse. Is that lack of general recognition a challenge or is irrelevant? 'No, it is not irrelevant. Amongst certain client sectors we have very good brand recognition but only amongst a small cohort of institutional clients.' The man on the street might not have heard of Irwin Mitchell, he concedes. 'But that's an issue if your business plan is to be "the legal brand". There are other ways of approaching markets.' These alternative routes include claims farmers or referrals through legal expense insurers. 'We have ideas there but that is not something I can talk about.'

The LSA or the civil justice reforms: which has the greater impact for the Irwin Mitchell? 'One of the frustrations with the civil justice reforms has been that it's enormously difficult for firms to do proper business planning. We still don't know where we're going to be one or two years' time and yet there are hundreds of people employed in this business depending upon that outcome is. Frankly, that's pretty rubbish.'

Where do they stand on Lord Justice Jackson's civil justice review? Ministers are proposing (under the Legal Aid, Sentencing and Punishment of Offenders Bill) to radically reform conditional fee agreements (including scrapping recoverability of both the after-the-event insurance premium and success fee) as well as scrapping referral fees. 'We don't think, as Jackson does, that the system is broken. We believe that the allegations of abuse have been excessively heightened and aren't a legitimate reason for wholesale reform. Our view is at odds with Lord Justice Jackson, but there it is.' However, Pickering adds that the firm has 'a very good track record of being able to manage change successfully', although 'it is a challenge we could do without'.

¹⁰ The Lawyer, 8th April 2011

¹¹ YouGov, Sixthsense

A dysfunctional market

Over the summer Australia's Slater & Gordon, the world's first publicly listed law firm, told investors that they were exploring the 'potential opportunity' in the UK as one of its business priorities for the coming year (Legal Futures, August 26th 2011).

Andrew Grech, the firm's managing director, calls deregulation under the LSA 'an enabler' which would allow them to invest in the UK. 'But that in itself isn't a strategy,' he says. 'My interest is where there is a market that is – and I mean this respectfully – dysfunctional and where there is pressure to try and correct those dysfunctional elements, then that provides a catalyst for change.'

Grech acknowledges a 'natural fascination' with 'our status as a listed company' in the UK legal press. 'But it somewhat misses the point,' he adds. His firm has devised the best business structure to suit its strategy. 'For me, the start is the company and its strategy,' he says. 'You develop the business structure, including the capital structure, as a means to an end but they're not an end in themselves.'

Grech sees the introduction of competition under the LSA as part of a wider cultural shift in the legal services market in Commonwealth countries. 'These changes are in my opinion inevitable because they're consumer led. Whilst there is a fascination with the machinations of the profession, the more important phenomenon is how client expectations and tastes are shifting.'

According to Grech, driving change are two other factors: commoditisation and developments in information technology. 'They're really challenging the way in which legal services can be provided and also changing demand on the part of consumers as to the kind of the legal services they expect to provide.' Slater & Gordon also has a strong commitment to online legal services – to do otherwise would be 'like denying climate change', Grech adds.

He points to 'very strong differences' between Australia and the UK. In particular, Grech, whose firm has trademarked 'no win, no fee', is not a fan of the UK version of conditional fee agreements. He reckons the Australian system is the same as England and Wales without 'pretending that the client is really at risk in the way that you do in the UK. We don't distort the market by selling clients insurance policies'. The UK regime 'simply allows insurers to again "clip the ticket" and increase the expense of legal services to consumers who end up paying even more through premiums or the cost of solicitors'.

It is a view that he acknowledges makes him out of step with most UK claimant lawyers. But as he puts it: 'I think Jackson is right and I'm afraid to say my brethren is wrong.' He supports Lord Justice's Jackson's proposal contained in the Legal Aid Bill to scrap the recoverability principle so that the losing party will no longer have to cover the cost of the success fee or the after-the-event insurance premium. "'No win, no fee" functions perfectly well in Australia without the distortion of your ATE insurance market,' he argues.

The other big difference between the two jurisdictions is how claims are gathered in the UK and in particular the control of the market exercised by non-lawyer claims management companies which (he says) are subject to 'very different levels of regulation and levels of commitment to ethical standards'. 'I see very little that's good in that system. All it does is introduce another mouth to feed and yet another cost burden to be borne by the poor unfortunate clients. It is a distorted market.'

Slater & Gordon is an established legal brand in the Australian market whereas no UK firms have managed to achieve that status. Grech notes that firms instead of 'being able to devote effort and capital into developing their own brands and their relationships with customers... spend their effort and capital developing the brands of claims companies'. How have they been successful in creating a brand? 'You don't establish a brand for nothing. You have to have integrity, you have to stand for something and that takes work.'

Battle of the brands...

The QualitySolicitors/WH Smith move polarises opinion between those who regard the retailer as the epitome of 'high street' and therefore the place to be and those who see the retailer as a bit too down market for the rarified world of legal services. 'I do not think there is another better deal to be done,' reckons Professor Stephen Mayson of the College of Law's Legal Services Institute. 'On almost any level WH Smith is quintessentially a high-street brand and to have access via hundreds of outlets that some people go to every day of the week is a pretty good message.'

In Jures' Shopping Around report (which drew on a YouGov study of more than 2,000 consumers), respondents were asked which of a series of household names they found the most 'appealing' brand in the context of the possible provision of legal services.

If you could purchase legal advice from the following brands, which one of the following would be the most appealing?

- Tesco: 5%
- Asda: 2%
- Marks & Spencer: 14%
- Barclays bank: 11%
- Halifax: 6%
- Virgin: 7%
- None of the above: 34%
- Don't know: 20%

The most significant finding was that more than half of the respondents either didn't know or ticked 'none of the above' showing that the public vote had yet to be persuaded by the incursion of brands into legal services. The consumers were unwilling to link Tesco with legal services, despite the retailer unwittingly lending its name to the movement. The overall winner was a retailer long associated with the quality end of the high street: Marks & Spencer. When people were asked which factors were likely to influence their decision to get legal services, 'reassurance of a well-known brand' (26%) came some way behind 'quality of service' (60%), 'fixed prices' (35%), 'ease of location' (32%) and 'speed of service' (27%). In Shopping Around Professor Richard Moorhead, deputy head of Cardiff Law School, reflected on the high scoring of 'quality of service'. 'Fair enough, but what does that mean? Most consumers have absolutely no idea of how to measure "quality of service". It might well be that they use the brand as a proxy for quality.'

Since that report came out law firms have been signing up in droves to solicitor-led marketing schemes aiming to establish legal brands instantly recognizable by the public to see off competition from all those household names heading their way. The rate at which firms have been signing up to the QualitySolicitors scheme - 100 new branches opened in March 2011 and the network claims to have a total of 220 branches - suggest a conversion on a sizeable part of the profession to a belief in the power

of collective schemes. Other networks include Face2face solicitors and Highstreetsolicitor.com and, in the personal injury field, initiatives such as Injury Lawyers 4U have been around longer (in response to the increased competition from non-lawyer claims companies which were established as a result of the Access to Justice Act 1999).

QS chief executive Craig Holt reckons that his network will have 30% of the private client and SME market within 'a relatively short period of time'.

In October last year the private equity house Palamon Capital Partners took a majority stake in the business and Holt now aims to reach the goal of more than 1,000 branches in every significant population centre by the end of next year.¹²

Professor Mayson is impressed by the 'the concept and the growth' of the likes of QualitySolicitors. 'It's always struck me as necessary in a market with a fragmented supplier base of traditional firms which is likely to be up against ABSs owned and driven by high street brands.' However, as he notes: 'The proof of the brand-fronting model is going to be a challenge - and that challenge will be around consistency of delivery.' Tony Williams, of the Jomati consultancy, believes that the new collective marketing schemes offer 'a very credible mechanism by which smaller firms at relatively little cost can get the benefit of a larger brand together with a degree of best practice in relation to their operations and back-office services'. But success depends on a number of factors, Williams argues: quality of the firms, the way the brand is promoted, the cost effectiveness of the centralised services and consistency of service delivery.

Is it possible to create a lawyers' brand on the model of Specsavers which was posited by the Legal Services Board in a 2009 paper as a possible template for a legal franchise? Each Specsavers is an independent business owned jointly by the franchise and the practitioners. The franchise offers economies of scale in product purchasing, training, support services and marketing. The analogy is apt because opticians, like lawyers, enjoyed a relatively charmed and protected life. However, in the 1980s their monopoly came to an end with the introduction of a scheme allowing people to buy their glasses wherever they wanted with NHS vouchers enabling retailers to

¹²The Times, 1st April 2011

sell glasses. Deregulation led to a small number of players (Vision Express, Boots Opticians, Dollond & Aitchison etc) capturing 70% of the market.

Not everyone is convinced by the possibility of creating a legal brand. For example, Neil Kinsella, chief executive of one of the claimant firm Russell Jones & Walker, reckons it's a futile endeavour to try and build a brand out of the 'solicitor' concept. 'A chocolate bar isn't a brand. A Mars Bar is,' he says. 'At the heart of any brand are shared values. It's difficult to build a brand around a disparate group of professionals coming together defensively. Different firms want different things.' Kinsella predicts joining collective marketing schemes could become a passing fad like 'gym membership', where people sign up with the best of intentions one year, drop out the next. QualitySolicitors sceptics point out the network is a collection of disparate firms without shared back-office systems, let alone a common ethos, and they question whether the network can offer long-term quality, consistency, delivery and price, in contrast to a fully-blown franchise like Specsavers.

As for the QS/ WH Smiths 'game-changing' tie up, it isn't without precedent. The Birmingham firm Blakemores has 40 mobile stands covering roughly 80 sites a month in shopping centres in various busy locations including Birmingham International which has an annual footfall of seven million through its Lawyers2You branch. Guy Barnett, the managing partner of Lawyers2You, is sceptical

about claims that the WH Smith relationship is going to generate a significant amount of work. It was reported that QualitySolicitors were 'amazed' by the response of 500 inquiries following two pilot schemes in two stores¹². 'On our best days we get 15 leads,' says Barnett. 'If you are telling me behind the "Harry Potter" books in WH Smiths there is a magic zone where legal clients go I'd be amazed.' Plus, he adds that there is 'a massive difference between leads and conversions'. 'Even with a dedicated call centre running seven days a week, 8 'til 8, you will be lucky to convert 25% of your leads.'

At last year's Gay Pride weekend in Birmingham they had 80 leads in two days as a result of marketing specific products to the gay community (prenuptial agreements and civil partnership agreements). 'About 70% of our enquiries involve people just wanting initial free advice and maybe they will come back at a later date. We have to convince a consumer we will give them a quality service at a good price.'

That said, Barnett is convinced that this direct approach – they have trailers, stands, and gazebos depending on the event, all manned by representatives – is a very effective response to the challenges faced by the profession. Barnett sees the post-LSA future as being 'about direct marketing'. 'It's about getting off your chair and getting out of your office to meet the consumer,' he says.

¹³The Times, 21st April 2011

The first legal superbrand

Craig Holt is chief executive of QualitySolicitor.com which, in its words, was 'formed as the legal profession's answer to the growing threat posed by supermarkets and banks as a result reforms of the Legal Services Act 2007, widely known as "Tesco law"'.

Where do you see QualitySolicitors (QS) being in the next five years? 'I believe we'll have a 30% market share,' Holt replies, defining market share 'as the total turnover of the group out of the total size of the private client and SME market'. 'The latter is estimated to be around £10 billion and we believe the QS group turnover can be grown to around £3 billion.'

How much marketing spend do you have to get the QS message out there? 'To take our position at the end of the year we will have around 400 offices (via 200 separate firms), each location contributing around £40,000 that equals £16 million. Almost all is marketing spend.' This will be invested across a range of marketing mediums mainly primetime terrestrial TV. Firms pay a fee (depending on a number of variables but mainly 'the size of and affluence of the population in their exclusive area') which typically equates to around 2-5% of a firm's turnover.

How important is 'quality' to the QS brand? 'It's of the most fundamental importance - hence the name. I think the public has a very good understanding of "quality" in legal services when the quality relates to the service they receive rather than the quality of legal advice or representation.' As far as the latter goes there is 'still a huge asymmetry of information' which 'benefits lawyers to the extent that the public don't know whether what they are saying is right or wrong'. Law Society 'kitemarks', Lexcel qualifications, are 'worthless' as far as the public is concerned 'as no-one has a clue what they are'.

How will the LSA change legal practice? 'The biggest impact of the LSA will be the entry, in a wide variety of forms and demographics, of brands in the legal market. From Tesco to Virgin and, as we have already seen, Co-op, AA & Saga there will be a variety of non-legal brands.'

The most effective way of establishing a new 'high street' brand alongside the banks, opticians and travel agents is 'to be amongst them and to have a visible, national physical presence', Holt adds. Holt expects the QS name to be 'catapulted into the public conscious by sheer force of our physical presence'. The combination of the two strands – 'physical presence and high profile marketing' - will 'prove extremely effective and place us as the first-ever household name legal brand'.

What's the core audience? 'We are pitching the brand at an ABC1 "John Lewis/M&S" demographic and focus on private client and owner-managed businesses/SME work. We do not intend to necessarily be the cheapest legal brand.' In fact, people will pay more for branded legal services as the Co-op is 'currently proving in their probate work', he adds.

Paradigm conditions

The legal market is 'highly fragmented with too much choice and it is too difficult to differentiate between those choices,' argues QualitySolicitors' Craig Holt. 'Those are paradigm conditions for brand success.'

Face2Face Solicitors is another attempt to create a national legal brand which was launched earlier this year. It claims to be 'the first solicitors' franchise' with a centralised back office. There are also the likes of Loyalty Law (which seeks to build 'a nationally recognised legal brand providing a quality legal service from smaller firms') and HighStreetLawyer.com (which 'aims to establish a recognisable law firm brand in a bid to compete with new market entrants when ABSs are sanctioned in October 2011'¹⁴).

'We're not interested in "pile it high and sell it cheap" and we don't think that solicitors are either,' comments Ray Gordon, who runs the Legal Mentors consultancy behind Face2Face Solicitors. 'What we'll be offering is a face-to-face service with someone who really cares about professionalism, client service and best practice.' This new scheme will be targeting 'the 50-plus age bracket and their younger friends and family who want a personal, affordable, professional service'.

Martin Wyatt, director of Legal Mentors, insists that Face2Face Solicitors will become a household name ('... otherwise we would not be doing it'). He argues that 'for too long the partnership model has mitigated against clear business decision-making' and the introduction of ABSs means that firms 'will all of a sudden be up against the big boys and [partnership] will no longer be a model that will work'.

HighStreetLawyer.com, backed by private equity, is the brainchild of former commercial property solicitor Gary Yantin. Last year, it launched a pilot with six firms offering fixed-price legal products through the brand, including conveyancing and Wills¹⁵.

Why now? 'Everyone says that the market that's going to be most severely affected is the high street but, as in other professions and industries, it doesn't happen overnight. There are survivors and those survivors are the ones with strategy and foresight to do something. This is our answer to that. We want to create a legal brand that is recognisable to the consumer that responds to what the consumers needs.'

There are three core functions of the network, according to Yantin: a referral mechanism; a recognisable brand; and back-office support to provide 'a buying club in order to aggregate the costs of services'. 'We are dealing with small firms that generally don't have a great deal of buying power,' he says. From the consumer perspective, he says

that there is only one element: 'a recognisable brand with clearly defined legal products that are consistent across the country with very clear customer service elements'.

Yantin (who worked as an inhouse lawyer for Thistle hotels) opts for Best Western hotels as 'the best analogy to describe what we are doing'. 'Member firms are independent. We're not telling them how to run themselves but by joining our network and becoming part of our reservation system they will take bookings from us in Wills, conveyancing and employment law matters. Plus, they can put the sign up on their door alongside their existing name. We'll only give it to one firm in each locality so they can exploit it properly.'

Isn't it prohibitively expensive to develop a recognisable legal brand? 'It is and it isn't,' says Yantin. 'Our objective is to go out there and be clever in the way that we attract the work.' He says that HighStreetLawyer.com has no immediate plans to invest in TV campaigns. 'Legal services aren't an impulse or desire-led purchase. They are led by requirement and by need. Perhaps some people do watch Coronation Street. It is different to advertising a car or washing powder.'

'The important thing is to differentiate yourself through customer service, product range, the way in which you deliver the product and the message you give to the consumer. All of our members, all the people delivering legal products, will be solicitors,' he says. 'There will be elements of the consumer society that will be happy to buy legal products from supermarkets, from a call centre, from a bookseller. That is absolutely fine. There will be an element of the market that still wants to buy legal products from an independent qualified solicitor.'

Are the solicitors that consumers find through QualitySolicitors, HighStreetLawyer.com and Face2Face any different from the firms they might randomly select from Yellow Pages? Some lawyers are unhappy that Craig Holt's network has appropriated the word 'quality', most recently the Law Society president Des Hudson. 'What about the other 9,870 firms?' Hudson asked at a recent conference¹⁶.

But what, if anything, does the word actually mean in the QS context? Well, there is its promise of 'a 5-star service' (explicitly identified as 'no hidden costs', 'same day response', 'direct lawyer contact' and 'first consultation free'). Admirable, but a claim that most solicitors firms would make and one that enlightened consumers might expect as standard. According to Craig Holt, all the

¹⁴Law Society Gazette, 23rd September 2011

¹⁵ Ibid

¹⁶ Legal Futures

franchise's firms are quality checked including PII claims history, complaints, Solicitors Regulation Authority involvement, panel memberships, history, accreditations and Legal 500 ranking. They also conduct client interviews.

Gary Yantin points out HighStreetLawyer.com firms will have to have a clean record in terms of professional indemnity cover; plus they sign service level agreements (about delivering fixed-price legal products and acting within fixed response times).

Not Tesco Law, Co-Op Law...

It is striking to contrast the considerable press coverage that QualitySolicitors has been attracting in the business and trade press compared to the quiet progress made by the Co-Op. Five years ago, when high-street lawyers still thought that they could stave off the forces of competition proposed by the Clementi review, the retailer began building its legal services arm from scratch.

The Co-Operative Legal Services now employs 370 staff and, according to a financial statement released in early 2011, the Co-Op's legal services' sales last year grew 19.2% to £24.2m. It aims to be one of the first ABSs. At the end of last year the retailer announced it was to launch a family law service spearheaded by leading family lawyers from London firm TV Edwards.

The retailer has 300 bank branches it could deliver legal services through – and in May announced a pilot. 'We will add credibility and introduce a trusted brand to the legal services market. There is no national brand at the moment,' says Co-Op legal services managing director Eddie Ryan.

Does the ability of the Co-Op to cross sell – for example, from its funeral business to its legal services business – concern the Legal Services Board? 'There is nothing to stop a high-street solicitor choosing to make that kind of partnership deal with their local undertaker if he wants,' replies the LSB's Chris Kenny. He reports that he recently received a cross-selling call from the Co-op ('... they buried my aunt 18 months ago...'). 'They did it very well. They handled it both sympathetically at the level of the individual grieving relative but also very sensibly in terms of protecting themselves.'

If there is one thing that the Co-Op understands, it's the high street...

Does the Co-Operative Legal Services (CLS) plan to become the biggest high-street legal brand in the country? 'We already have more retail outlets than any other organisation in the country,' replies Jonathan Gulliford, operations director. 'The brand exists - through the shops, banks, funeral parlours, and pharmacists. If there is one thing that the Co-operative understands it is high street. I am very confident that, if that is what we decide we are going to do, we would be able to do it very successfully.'

So, is that decision pending? 'Let me put it like this: I am convinced we will need a local presence.' A few weeks after this interview, the retailer announced a pilot scheme to deliver legal advice through three Bristol-based branches of Britannia. Over a two-week period customers are to be offered free legal advice on a 'drop in' or appointment basis and the results would 'be analysed to inform CLS's future strategy'¹⁷.

Every week 15 million Co-Op shoppers walk through its 3,000 stores and legal services are heavily promoted via in-store radio and till displays. There are more than five million Co-Op members with access to legal advice, plus 1.3 million Co-Op insurance policyholders. According to a financial statement released in March, the Co-Op's legal services' sales last year grew 19.2% to £24.2m.

So what does deregulation mean to the Co-Op? 'Once we apply - and hopefully get our ABS license - it will give us the ability to market to the whole of the UK public rather than just the Co-op members,' replies Co-Op legal services managing director Eddie Ryan. As Gulliford puts it: 'The challenge is how are we going to get the message out, not just to 15 million Co-op members, but 35 million adults in the UK.'

How important is legal services to the Co-Op brand? The provision of legal services is 'a really good fit with the Co-Op's principles and ethos,' reckons Ryan. 'Members feel warmth and an allegiance to the brand. The provision of legal services isn't something that the Co-Op has played to in the past. There is an awareness-building exercise needed. We are hoping those brand values translate to legal practice and into a trust that members will place with us.'

'Co-Op members tend to be in the C2/D social class grouping,' he says. 'They aren't the sort of people who have a couple of hundred quid in their pocket to get hours of legal advice and they are not the sort of people who feel comfortable in solicitors' offices.'

The potential under the ABSs regime is 'huge,' reckons Gulliford. 'We wouldn't be stuck with our current business model. We could actually have a whole host of different models which allow us to do different work in different ways.' How the Co-Op attracts people to residential conveyancing services 'might be very different to how you attract people into a family law business', he adds. 'The important thing is that the licence gives us authority to act in those other areas of law where we do not currently act - such as conveyancing, family law etc,' adds Ryan.

'We have to have a local face-to-face presence, and our challenge is how do we do that?' asks Gulliford. 'Do we do that through existing business premises, or do we do that in partnership with other business providers? Do other providers join us? The options are legion.' The Co-Op has been inundated by interest from, in their words, 'forward-thinking members of the profession' proposing 'franchising, licensing, joint ventures...'

¹⁷Law Society Gazette, 7th June 2011

First mover advantage...

In the Jures' Big Bang report we featured A4e, the Sheffield-based 'welfare-to-work' business run by the multimillionaire businesswoman Emma Harrison. The company was set up in Sheffield in 1987 as the steel industry was laying off workers in tens of thousands. Its founder Emma Harrison prides herself on the social benefits of her business– 'finding people jobs, tackling social injustice', as she has put it.

Two years ago A4e was only interested in the legal aid market. Since 2007 it has won a series of tenders (in partnership with the Sheffield law firm, Howells) for Community Legal Advice where it's the second biggest provider and runs the Leicester and Hull CLACs (community legal advice centre) and the Hull CLAC. A4e now has 150 staff working in legal services (including Howells staff) and is the largest CLA provider delivering 63,000 hours a year across social welfare and civil categories. Over the past year, A4e has made a decision to start looking at a wider offering in legal services – ironically, in response to the plans to significantly cut back on legal aid. A4e is 'taking a much longer, harder look at a wider section of the market than perhaps we were looking at 12 months ago', says A4e's director of advice services Chris Peel.

We have also profiled the insurer DAS legal expenses insurance which has announced that it plans to take advantage of the Legal Services Act regime to develop its own legal capacity as soon as it possibly can. DAS, the largest before the event insurance provider in Europe,

handles 50,000 claims a year through motor insurance and household insurance policies sold by intermediaries. It has five law firms on its panel.

In December 2011 the insurer revealed its acquisition of online legal services company Everything Legal Limited – a move which has been described by the Legal Futures website as 'a next step in its preparations to become an alternative business structure (ABS)'. Everything Legal employs more than 30 staff and is the owner of the legal advice website Law on the Web which claims to attract over a million visitors every year. The acquisition also brings a portfolio of more than a hundred niche legal websites into the DAS Group taking total, annual visitor numbers over 2.5 million. 'This will enable DAS to take a giant leap forward in delivering legal services online,' comments Paul Asplin, chief exec of the DAS UK Group. He reports that DAS is 'very well advanced' in its plans to convert to ABS status. 'We already work very closely with a law firm in Bristol and the minute that the SRA (Solicitors Regulation Authority) is happy to give us a licence we shall acquire one,' he said at the end of last year.

Market failure is an opportunity for us...

'Our interest in the legal market has been very much focused around legal aid,' says A4e's director of advice services Chris Peel. However, the problems with legal aid and the Coalition Government's plan to cut £350m from the £2.1bn budget means that (in Peel's words) 'we have had to re-address things'.

'We still see a strong future for legal aid in terms of getting access to justice to the most marginalised in society including people we're already dealing with elsewhere at A4e,' says Peel. 'But we can also use the opportunity of ABSs to think more innovatively about how we can move into services that are "paid for" but at much more affordable rates than presently in the market.' 'Our analysis has shown that there's a lot of market failure in the "paid for" legal services market as well as in legal aid,' he continues. A4e is focusing its energies on what they call 'the coping classes': the people who sit just above the eligibility line for legal aid but whose disposable income isn't enough to pay £200 an hour for a lawyer. Where there is unmet need amongst the coping classes, there is an opportunity for A4e.

What does that mean in terms of areas of law that A4e would look at? Peel says they are interested in 'a broad proposition' ('family, housing, conveyancing, Wills, personal injury, clinical negligence and probate'). How does this fit with the A4e ethos? 'The reason why we are keen to expand on our traditional socially excluded client base is that if you look at our core business - getting people back into long-term sustainable employment - we are contributing to the "coping classes". We're shifting people out of legal aid eligibility. It's a natural extension of our offer.' He also says that the business wants to develop a business-to-business service aimed at supporting small to medium-size enterprises and start-ups. 'Much of our work is supporting people who want to set up their own businesses as a way out of unemployment,' Peel says.

Will it develop through relationships with other firms? Peel replies by saying that A4e is looking to work with 'forward-thinking solicitors'. 'We want to share our vision to challenge normal models of delivery and bring professionalism and customer-focus today to those at the poor end of society. It's definitely a collaborative model.'

What do A4e offer to potential law firm partners? Three things, Peel replies: firstly, 'a route to the market through diagnosing the needs of existing customers'; secondly, using 'alternative delivery channels' through its experience with telephone- and Internet-based legal advice services; and thirdly, having the ability and resources for 'scalable delivery to our target cohorts on a national basis'. A4e has some 200 branches in the UK. How important is deregulation? There are a number of 'different options in terms of how we could structure an ABS', he replies. 'We are still evaluating what our best option is. We do not think that October will be this "big bang" with lots of different models entering the market on that date.'

A seamless transition...

Kathryn Mortimer, head of legal services at DAS Legal Expenses Insurance, talks about the impact of the Legal Services Act. DAS handles 50,000 claims a year through motor insurance and household insurance policies sold by intermediaries. It has five law firms on its panel.

What does the Legal Services Act mean to DAS? '[We're] hoping to acquire a firm to integrate into the group,' replies Mortimer; adding that the 'structure of the integration is still up in the air'. The lawyer calls the LSA 'a fantastic opportunity to open up legal services directly under a DAS banner to policyholders.

Such a firm might be 'a fully owned subsidiary of DAS'. 'It would operate independently because I think the Legal Services Board wouldn't want to see the independence of the law firm and the lawyers compromised by the referrer.' Is that frustrating? 'No, not at all; as a lawyer myself I think that's absolutely right. That would give comfort to the clients and to the regulators that there was no compromising the quality of service or independence.' However the arrangement would mean 'we could drive down costs even further because as a large insurer, we will be able to invest in systems, staff and everything that volume-related businesses requires'.

'The difficulty for us is the rules haven't been totally finalised. It is frustrating,' she says. 'We have a very good idea as to how we would integrate the firm into the group but ring-fencing, ensuring independence and that it can demonstrate compliance with the new outcome-focused regulation; we cannot finalise that until we see how the landscape is going to look. But we are truly committed.'

Mortimer describes the insurers' reduced small law firm panel (five firms as opposed to 20 three years ago) as 'good business partners rather than just outsourced providers'.

Is there a connection between DAS's aspirations and those of Lord Justice Jackson's review and the Coalition's legal aid Bill? Absolutely, says Mortimer: 'His remit is access to justice at a proportionate cost; as a legal expenses insurer we are waving that flag very clearly. For a very small premium, we're meeting up to £50,000 worth of legal fees but that could go a great deal further and do a lot more if we had closer control of costs.'

What are your ambitions under the Legal Services Act? As well as being 'regarded as a leading legal expenses insurer in the UK, we would also be a leading provider of legal services', Mortimer said. 'We aren't proposing to be a Linklaters but we are proposing to provide legal services to people and individuals who might otherwise not be able to get access to justice.' The criticism of legal expenses insurance [LEI] is many people have it – although they aren't aware of it and don't rely on it. Will LEI take off? 'It already has,' replied Mortimer. 'We are underwriting 10 million policies'.

How will the proposals to overhaul conditional fees and, in particular, to scrap recoverability impact upon the insurer and its changing business model? 'Whatever happens, we will adapt our legal expenses policies to protect people from costs. Even in the worst-case scenario, I don't think that will derail plans to eventually own a law firm.' The 'main threat' is the scrapping of the recoverability principle 'which isn't going to impact on what we do with legal expenses'. 'Obviously we also have to be mindful of the regulations relating to freedom of choice. I hope by being able to offer policyholders a seamless transition, we will be to persuade them that using the internal processes is the better option.'

What is the message to the consumer? 'By using our panel, the level of indemnity will go a great deal further. If we can manage the claim at significantly reduced user costs compared with a non-panel firm asking £300 an hour, that has to be better. Also, we cannot monitor the non-panel firm for quality effectiveness.'

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