

PERFORMANCE DISCLOSURE SEE BLUE SECTION BELOW...

Barristers in interesting new role.

Reports from London in late March show an interesting new perspective on the relationship between solicitors and barristers. Whilst the English Bar operates a little differently from here the relationship between barristers and their solicitor clients is much the same. Herbert Smith, an 1,100 lawyer London based practice have, according to press reports, decided to open what amounts to a 'captive' set of chambers. Well known commercial Chancery QC, Murray Rosen, is reported to have set up chambers in what is the advocacy unit of the firm's litigation department. Other reports suggest a second QC is about to jump ship and join him.

Apparently Herbert Smith will continue to instruct other barristers where existing relationships exist but will endeavour to develop what some might call a 'team within a team' approach. Quite how the fiscal side of the relationship is going to work is not explained and Herbert Smith has declined to issue a press statement.

This innovative approach developing advocacy skills may start a trend. English solicitors cannot ordinarily appear in the High Court though a small number have obtained the relatively new status of solicitor advocate.

Limited liability partnerships.

Once partnerships adopt limited liability status (LLP) as they can in England their financial performance becomes a matter of public record. European and US law firms have been publishing data for some years unlike here where disclosure is considered to be unwarranted. The LLP data adds to the existing information by publishing the capital position and borrowing requirements. The number of LLPs is still small but the performance data are useful in terms of looking at liquidity and borrowings. A few recent, 2004, examples are set out below:

| Firm name | T/O £M | Borrowings £M | Partners' capital £M | Reserves £M | Profit per partner £ |
|------------------|--------|------------------|-------------------------|----------------|-------------------------|
| Freethcartwright | 18.3 | 5.25 | 3.9 | | 146,000 |
| Withers | 50.4 | 3.1 | 3.9 | 9.26 | 280,000 |
| Eversheds | 296 | 10.0 | | 12.0 | 330,000 |

No conclusions can be drawn from the fiscal data. Profitability, indebtedness, partners' capital relative to T/O and profits per partner do not show any patterns. The same can be said of much of the top 100 firms who publish their basic performance data. Attempting to correlate one piece of data with another does not necessarily produce statistically robust results. All firms, even the most profitable, are unique and have different operational characteristics – by choice. This is going to present real problems for traditional business analysts who lack knowledge of the legal services sector.

Banks reviewing panel solicitors.

The fact that most of the major international banks regularly review relationships with their solicitors will not be news to anyone. In the post Sarbanes Oxley era the review process may have an impact on NZ firms. The panel review process is primarily designed to control banks' spending on lawyers. The number of banks instructing 'off panel' is dwindling and decisions on who to instruct and the pricing arrangements are becoming commonplace. This is leading to decisions being taken in the banks' countries of origin but having an impact everywhere. International banks currently or soon to be reviewing their legal service provision arrangements include: Barclays, Deutsche, ABN Amro and HSBC.