

APRIL 2017

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WELCOME

The Legal Services Act was enormously transformative – but it might just have been the start of a radical regulatory reformation in legal ...

Regulation. Can't live with it, can't live without it. Or can you? We'll soon find out if the SRA's proposal to deregulate unreserved work goes ahead.

There's an argument that this change would make the legal market enormously more competitive, drive down overheads and prices, and generally achieve what the Legal Services Act didn't (LSA Part Two, if you wanted to give it a bad movie title). Some SME firms are already in a position to take advantage of the deregulation, while others will be forced to innovate – or wither on the vine.

The other argument is that deregulating unreserved work could send legal the way of the 2007 financial industry. Will driving up competition mean all that much if consumers aren't protected or they stop trusting firms? See what SME legal leaders had to say about it in this month's feature on p28.

But it's not the only change firms need to prepare for. Pricing transparency requirements will likely put a strain on firms – at least those that aren't leveraging the full potential of their data. And legal may also be faced with the prospect of combining nine current regulators into a single overseeing body – which could be a good thing for streamlining compliance (so why do I keep picturing Bentham's panopticon?).

Elsewhere in the magazine, Jane Pritchard at TV Edwards shares her tips for fighting off cybercrime (p17) and Sean Stuttaford delves into the benefit of strategically analysing your market (p15). We're also particularly pleased to feature the Twitter king in the north, Brian Inkster – who's given his tips on how firms can use social media effectively. Incidentally, #croftinglaw is now my favourite hashtag.

Goodbye for now, LPM readers, and have a good bank holiday weekend. [LPM](#)

Patrick Wingrove, assistant editor
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“Regulation. Can't live with it, can't live without it. Or can you? We'll soon find out if the SRA's proposal to deregulate unreserved work goes ahead.”

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Rupert Collins-White is editor-in-chief of LPM magazine. He has written about the legal sector since 2005, before which he endured years as an IT hack until he tunneled out with a plastic fork.
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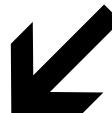
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IN PRACTICE

Edited by Patrick Wingrove

SNAPSHOT ARTICLE 50 SHADES OF GREY?

Spring is here, LPM readers – traditionally a time of growth and prosperity. Let's hope that's still true post Article 50, and that greater certainty is on its way – because 2016's Brexit uncertainty didn't exactly help the legal sector flourish.

The UK legal market's 2016 value fell by £700m from the previous year, partially because of Brexit uncertainty, according to a report from market research consultancy IRN Research. The consultancy's seventh annual UK legal services market report also suggested that SME firms' revenues suffered while larger firms were mostly unaffected, and that the legal sector will only grow modestly over the next two years.

But Brexit isn't responsible for all the sector's problems. **Only 10% of people with legal problems use a solicitor, and often only after seeking other sources of advice first,** according to research from the Ministry of Justice. The ministry's report, The legal problem resolution survey, found that out of 10,058 people surveyed, 32% had experienced a legal problem over the past 18 months, but most did not seek legal advice.

Where the industry perhaps lacks in client procurement, however, it somewhat makes up for in diversity. **Women now majority-own more than a third of law firms in England and Wales,** according to the Law Society – well ahead of the 21% national female-ownership average.

Meanwhile, **MPs warned the government that its personal injury reforms were more likely to harm genuine claimants than reduce the number of fraudulent claims.** Chair of the transport select committee Louise Ellman said: "The government should demonstrate how proposals to reduce levels of compensation will deter fraudulent claims while allowing those with a genuine claim to get appropriate restitution."

But consumers won't be the only ones



that suffer. According to a report from Capital Economics, commissioned by Access to Justice, **proposed PI reforms could have a disastrous impact on legal** – particularly smaller firms that rely on road traffic accident claims as a key source of income (see this month's In Numbers for more detail).

It's not all bad news this month for SME firms. According to marketing consultancy Hit Search, **smaller firms are more likely to have mobile-responsive sites than larger firms.** Their report emphasised that small firms can compete with big law, despite lower marketing budgets.

Let's hope SME firms continue to innovate and flourish – because PI reforms and Brexit alone might herald an early winter for them this year. **LPM**

✓ Have you got a story or report for us? Write to lpmmag@lpmmag.co.uk

IN NUMBERS

Up close and personal injury

Economic research business Capital Economics suggests personal injury reforms could have dire consequences on legal

25%
£

of PI firms could lose virtually all revenues

50%

of PI firms receive over 60% income from sub-£5,000 claims

40%

of jobs in firms are in those that specialise in sub-£5,000 claims

Source: Economic value of personal injury claims specialists, Capital Economics (2017)

"We finally have our coffee – I just wish it hadn't cost £700m."
"That's Brexit for you darling."



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FAYE MCMAHON
FINANCE AND
OPERATIONS MANAGER,
PHILLIPS SOLICITORS

Yes. We currently take monies on account of costs for matrimonial matters and search fees for conveyancing matters. If firms did this and extended it to other areas, it could take the pressure off cashflow management and assist with the problem of clients refusing to pay. But the SRA is proposing changes to its accounts rules, making it mandatory to place such funds into a firm's office account rather than client account - which could raise issues over VAT due in advance of a bill of costs being raised.

KATE ROBOTOM
PRACTICE MANAGER,
SPENCER WYATT

Perhaps not. Taking money on account of costs has always been a relatively common practice, but as a small firm we've tried to avoid it where reasonably possible. Part of our unique selling point is accommodating smaller and less well-funded clients with greater flexibility. That said, there is little doubt that clients and legal services are changing, and we require upfront payments more regularly to cope with added cashflow pressures.



JACKY ELLIS
VICE CHAIR, ILFM

Although requesting funds on account isn't appropriate in all work types and for all client bases, doing so provides reassurance to firms, particularly where paying out disbursements. Many industries ask individuals for a deposit to purchase - and there's an argument that firms, which have to outlay costs to provide services, shouldn't be any different. But what I wouldn't like to see with the SRA's proposed changes to the accounts rules is firms using money on account to hold up their business. Firms need to ensure that where matters have funds held on account, there are internal processes to progress them so they're not forgotten in favour of new business.



PAUL ROGERS
FINANCE DIRECTOR,
DEVONSHIRES SOLICITORS

It depends. Currently money on account of costs (subject to possible SRA rule changes) is client money. However, this does allow the firm to collect monies when payment is required and therefore reduces the credit or payment delay risk. This would be sensible for some clients assessed as a greater credit risk or certain work types (litigation, for example) where costs could escalate rapidly. But it may be more difficult to negotiate with long-established clients who historically have settled their bills in accordance with the firm's terms of business.



SARAH MITTEN
HEAD OF FINANCE, WIGGIN

I believe they should, because it minimises risk and exposure, and helps with clients who push payments past 90 days. But whether a firm can start taking money on account of costs often comes down to its relationship with clients and what those clients expect. If you've already set a precedent for not taking monies up front then it may be difficult to suddenly switch. But you could phase a money-up-front system in slowly. We try to take payment on account of costs with new clients - though, depending on the type of client and deal, it isn't always applicable.



GLYN MORRIS
FINANCE DIRECTOR,
HIGGS & SONS

No. The question raises two interesting concepts: knowing your clients and being paid in a timely manner for good work. Asking for payment up front will properly test an unknown client's intent - but how many firms would enjoy asking for that from a valued repeat client? Besides, taking money up front v payment on completion is probably much of a muchness to most firms - because the working capital cycle provides some flexibility (for example, salaries paid allows a few week's grace and VAT outputs a few months).

YOUR VIEW



With SME firms under increasing pressure to improve financial hygiene and cash collection, we ask LPM readers:

“Should firms take money on account of costs (receive funds before work is undertaken)?”



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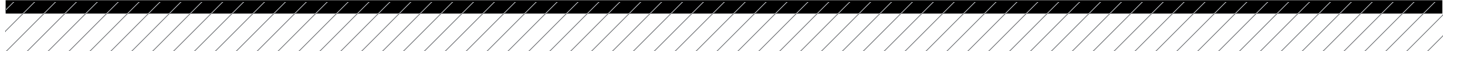


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ASK THE EXPERT



GET SOCIAL MEDIA SAVVY



Brian Inkster, managing partner of Inksters Solicitors and twitterati king north of the border, shares his top tips on how firms can conquer the world of social media

1 SME firms should definitely be using social media, particularly if they want to attain competitive advantage over Big Law rivals. SME firms can be much better and more effective at social media and have the ability to come across more personable and social in a way that would frighten the socks off most big firms. Make sure you **don't forget the importance of tweeting in convoy** - your individual lawyers are the more nimble destroyers and your firm account is the battleship at the centre of things.

2 Have fun and don't just tweet about the law. **Engage with people so they remember and interact with you on a social level.** Then, when they do need a lawyer, they might well think of you. During the Edinburgh Festival Fringe we sponsor This is Your Trial, an improvised court-based comedy show, with the audience tweeting the best bits with #trialinksters.

3 When it comes to choosing which social media platforms firms should use, I (like a certain president) still

have a soft spot for Twitter - although unlike him I refrain from tweeting at 3am. Twitter helps you connect with the people you'd have liked to have gone to school with - and is a better tool for reaching out to potential clients. Facebook, on the other hand, simply connects you with the people you did go to school with. **LinkedIn is super boring, but an important and necessary part of a firm's social media toolkit.**

4 Baker Small, the firm that 'gloated' over a tribunal win

against parents of children with special needs, didn't think before it tweeted - but you should. **Lawyers have a code of conduct - which covers any type of spoken or written word - and social media should be approached no differently.** Law firms should trust their employees to think before they tweet as they think before they speak. Don't, whatever you do, outsource your social media activity (I wonder if Baker Small did?). You wouldn't pay a third party to attend a networking event on your behalf, would you? **LPM**

WHY BE SOCIAL?

RESEARCH FROM SOCIAL MEDIA AGENCY WE ARE SOCIAL'S REPORT, DIGITAL IN 2017, SHOWS PERHAPS WHY LAW FIRMS SHOULD VAMP UP THEIR SOCIAL MEDIA PRESENCE



SOCIAL MEDIA USERS IN THE WORLD



OF PEOPLE IN THE UK USE SOCIAL MEDIA



MORE UK USERS THAN LAST YEAR

SOCIAL STUDIES

INKSTERS SOLICITORS' MANAGING PARTNER BRIAN INKSTER SHARES SOME EXAMPLES OF HOW HIS FIRM HAS ENGAGED CLIENTS AND THE PUBLIC THROUGH SOCIAL MEDIA

"At the Royal Highland Show, farmers/crofters and their children can get their photo taken with Inky the prize-winning sheep (our cardboard cutout stand-in) and post the images to social media with #croftinglaw."



"At Christmas we get people to send images of #inksterschristmashats, and give out prizes for the best ones. Last year we added an extra theme, which was to take a photo with someone or something close to your heart #headsandhearts."

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HR AGONY AUNT

LEARN THE DIGITAL WAY



Polly Jeanneret, LPM's HR guru, answers questions on digital dilemmas and impersonal partners



Q We have a marketing and events manager whose role really needs updating to embrace digital. How do we manage this?

A Going digital is not just about upskilling (see LPM Q&A from last month). You can teach someone how to navigate Google, about SEO, about the different channels and how they should be navigated. But they also have to learn how to think in a different way, or rather they have to unlearn the analog way.

Let's use a marketing example, such as the increased use of video. There are predictions that 80% of all internet traffic will involve video streaming over the next few years. So your marketing manager will have to understand that technology, for sure, but also think in terms of what digital can do. Can they collaborate (digital buzzword par

excellence) with others to make a video? Do they know what role video plays in client experience? And the most important bit: when should video not be used? That is, do they understand what elements of the analog world are worth holding on to, and what elements can be disrupted and redefined by digital?

Fortunately for you, marketing types do tend to be a pretty open-minded bunch, so your employee may well be happy to undertake this migration into the digital world.

Q We have a partner who is very reserved and formal. Some staff think he's stand-offish. How do we get him to open up?

A I have a special file called 'partner problems', and it keeps filling up. This particular conundrum reminds me of

another dilemma I came across at a firm where there was a partner dining room, which was not only used every day for lunch, but also for tea. It took a new member of staff one day to mention something about the arrangement being out of touch.

But this partner may really struggle to open up and I have some sympathy with that. Is there anyone more annoying than the person who, when you're feeling a bit low, says: "Cheer up, it may never happen!" What we want

from this partner is more interaction - "hello" in the morning, small talk before a meeting, and a warm, smiley thank you after it. My preference would be to talk about courteousness, because he will understand the term a lot more than 'being more relaxed'. **LPM**

Polly Jeanneret is an expert in HR and an employment lawyer at Halebury to boot - she's seen and heard it all.

Send her your HR questions: ASKPOLLY@LPMAG.CO.UK

THIS MONTH IN NUMBERS

SME FIRMS PACK A DIGITAL PUNCH

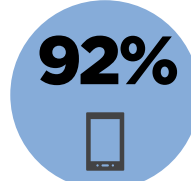
RESEARCH FROM MARKETING CONSULTANCY HIT SEARCH SUGGESTS SME FIRMS ARE DOING BETTER IN DIGITAL THAN YOU MIGHT EXPECT

The small firms domain rating is only



points behind firms making over £1bn

And, a whopping



of SMEs have mobile-responsive sites

In the list of top-20 organic performers



firms earn less than £20m a year



BOOK REVIEW

A MONTH OF REVELATION

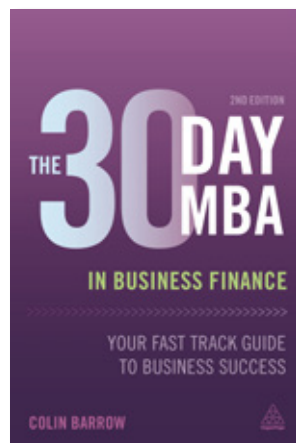
As a finance manager I spend most my time discussing financial performance with partners and presenting the financial results for the previous year at our annual conference. So the challenge for me is: how can I get the required message across without it being too technical and, more importantly, not too boring. This is what Colin Barrow tries to achieve in his book. He takes a lot of complex and technical topics and tries to simplify them using examples and illustrations, supported mostly by free online video courses, lectures and case studies from top business schools.

The book is broken down into three sections: the fundamentals of business finance, corporate capital structures, and financial strategies and special topics – which, according to the author, form the core subject areas of an MBA business finance programme. However, don't be fooled by the title – you're very unlikely to get an MBA in business finance in 30 days just by reading this book. It certainly wouldn't help you pass an MBA business finance exam, that's for sure – but it may be of interest to someone considering taking an MBA in business finance and wants to explore what's involved.

For me, as a qualified accountant and having recently completed an MBA, a number of the topics covered in *The 30-Day MBA in Business Finance* are just too technical to be adequately explained over a few pages. Take the capital asset pricing model, for example – without studying this beforehand, it's difficult to understand the terminology, concepts and calculations.

I do quite like the history-based introductions at the start of each chapter, which provide a historic context for modern ways of thinking in business finance – but I'm not sure how relevant or interesting that is for non-finance managers, especially considering the amount of other complex issues they have to get their heads around. In addition, I feel Barrow relies too heavily on online resources to help the reader learn about each topic.

Part one of the book, business finance fundamentals, starts by introducing the reader to double entry bookkeeping. But, again, without a good understanding of the concepts this topic can be quite challenging, though that may just be a reflection on my intellect. From my point of view, double bookkeeping isn't really necessary for a non-financial manager to know and they wouldn't learn it



The 30-Day MBA in Business Finance: Your Fast Track Guide to Business Success
Colin Barrow



Reviewer: Michael Willis, finance manager, Urquhart-Dykes & Lord

Publisher: Kogan Page
Publication date: 3 January 2016
Price: £16.99

from this this book anyway. To be fair to the author, he does try to simplify some of the calculations by including illustrations. Sometimes these illustrations work, sometimes they do not.

There is a good section (in part one, chapter four) on cost, volume and pricing. The book clearly sets out a comprehensive model on how to calculate the breakeven point and to work out the volume of sales required to achieve a desired profit level.

But in my opinion the best part of *The 30-Day MBA in Business Finance* is part two – corporate capital structures. This part of the book gives a high-level overview of the different types of corporate structures and sets out the different types of debt and equity finance with a lot of useful case studies – using familiar businesses to illustrate the main points.

The third and final part of the book focuses on financial strategies, including practical advice such as checking credit worthiness and monitoring aged debt, and provides an excellent explanation of directors' responsibilities and duties and the role of auditors in business finance.

The book finishes with a chapter on "additional core general MBA subjects," but, to be honest, this seems to just be there to promote Barrow's other books in the *The 30-Day MBA* series.

The author claims that his book will enable the reader to think like a financial strategist, but I very much doubt it. However, it could be useful to anyone who wants to get to grips with financial reporting. **LPM**

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SEAN STUTTAFORD, COO



“Clients want value for money, accessibility and clarity – but they just assume firms already have a high technical ability.”

In my column for LPM November 2016 I discussed the importance of considering culture when undertaking a strategic review. Assuming firms have engaged staff in the strategic process, understand where resistance to change may emanate from, and are confident that their workforce is willing to pull together, it's time to take a closer look at services, capabilities, the market and clients.

Begin by analysing the 'external context'. A PESTEL analysis provides a good initial framework for understanding the political, economic, social, technological, environmental and legal issues that can affect your business. Take time to look at the legal sector on both local and national levels and review legal service reforms with a focus on clients rather than technical expertise. Clients want value for money, accessibility and clarity – but, to a large degree, they just assume firms have a high technical ability.

Look at competitive rivalry and ask yourself: “How would a major organisation entering the local market impact my firm and clients?” Advancements in technology will shift the focus of legal services from being knowledge intensive to technology/labour intensive – so find out how this will impact your teams.

Your staff will know a lot about the business's competitors, so make sure you regularly engage with them during the strategy review process – they're on the frontline, after all. Ask your fee earners where they think the business's competition comes from geographically, and to gauge rivalry from about half a dozen local towns. Provide them with a list of local competitor law firms, including your own firm, and ask them to rank in order of market positioning. It's also useful to ask your lawyers to rank their own departments compared to local competitors. A “don't know” response to any questions may indicate a lack of awareness of the local competition that the firm needs to address.

Pool the knowledge about your marketplace. What rumours are circulating? Who's recruiting? Is there a change of leadership at a competitor firm? Take a look at your firm's capabilities and assess them against the market and anticipated industry change.

Analyse your firm's departments – what proportion of their annual target does each team achieve? What pricing structures do they use and what rate per hour does their work realise?

Openly and honestly rate the potential of your current expertise areas. Another useful tool is the Boston Consultancy Group (BCG) matrix, which uses four categories to rate work types on their potential for growth and current market share.

Finally, score your firm's resources and capabilities on a scale of one to 10 for both future strategic importance and current strength. Resource examples include technology, location, brand, processes, finances and client base. Capabilities include individual legal teams, leadership, strategy implementation, recruitment and retention, and skills development.

You will have hopefully already investigated your firm's culture, normative environment and analysed the forces influencing your firm's strategy. Following these steps should provide a good foundation to formulate strategic options and, most importantly, consider their consequences. **LPM**

ABOUT

Sean Stuttaford
COO
Thompson Smith and Puxon
www.tsplegal.com

Revenue: £4.2m

Corporate status: Limited company

38 fee earners, 78 total staff

Offices: Colchester and Clacton-on-Sea



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PRACTICAL DIGITAL PRECAUTIONS

JANE PRITCHARD, SYSTEMS AND BD MANAGER

The warnings are everywhere in conferences, articles and emails – but what practical steps should we be taking to tackle cybersecurity? It's almost an all or nothing culture in SME legal businesses – some are building digital bunkers to protect themselves from cybercrime, while others are sitting it out, turning the lights off and hoping to avoid a hit.

The good news is that our size and structure as SME legal businesses means we can adapt and change to meet the risks head on – with an almost immediate safeguarding impact. We can share resources, skills and knowledge to neutralise the threat by following some sensible, practical planning steps.

The first step should be to identify your data estate. Look at what data you store and how you can store it. Ask yourselves: Are we cloud-based and benefiting from security designed to protect large-scale platforms? You could have a local area network with bespoke security solutions which also rely on a reinforced front and back door to your business. How do you communicate data with your clients? How do you provide access to data for staff? Do you have mobile devices, phones or laptops that need encryption? And what other types of users have access to your platform – perhaps your accountants, consultants, auditors and IT professionals?

Next, develop and implement a security strategy. Once you've mapped out your estate you can decide how hardcore you want to be and what the right balance is for security measures impacting on normal business activities. Email is a big issue – as we all seem to live in our inboxes – and you need to question whether any or all emails should be encrypted. Most software providers combine it with scanning and virus protection, but you need to think about ransomware and preventing staff from accessing links which take them to a cybercrime site. There are numerous software development processes that can assist in virus protection, such as aligning sources of funds with instructions to move funds and changing policy to determine criteria for how instructions are accepted – which costs nothing other than collaboration between the accounts and finance teams. Your policy should specifically refer to 'Friday fraud', and the pressure to complete transactions at the end of the week. Give your accounts team the tools to stand up to senior staff and know which transaction requests will be rejected if protocol isn't followed.

The next, and perhaps one of the most important steps, is to test and maintain scrutiny. Even the best-laid plans are worthless if they're not maintained, tested and continuously scrutinised. We all know that diversions – the lure of winning a prize, the stress of wanting to leave work on time for a change, or just wanting to do the best for clients – can leave us open to threat. A culture change is, therefore, your best bet. Train employees on induction and repeat training at least annually – and test and incentivise your current team to comply with new policies.

Last but not least, make sure you have cyber insurance or that your current policy covers cyberattack. It's a new and emerging market, so be sure to get the best deal you can by demonstrating how robust your policy is. **LPM**



“ Some SME firms are building digital bunkers to protect themselves from cybercrime, while others are sitting it out, turning the lights off and hoping to avoid a hit. ”

ABOUT

Jane Pritchard
Systems and BD manager
and head of housing and
community care
TV Edwards
www.tvedwards.com



Revenue: £7m

Corporate status: LLP

100 fee earners,
130 total staff

Offices: London

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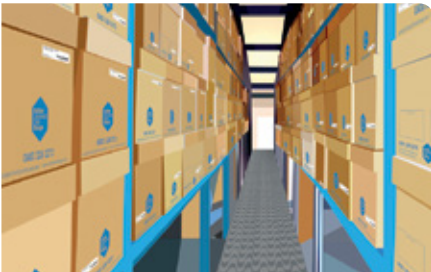


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PROFITABILITY, PRICE AND EASY

JANINE PARKER, THE BROKER

Profitability is very important for any business. From an insurer's perspective, profitable law firms tend to have better claims records. Those firms experience a positive cycle where premiums remain competitive because the firm is an attractive risk. However, the opposite can occur. Firms that struggle financially may take measures to increase revenues and save costs – taking on work that's outside their area of expertise or reducing staff. But fee earners that are put under too much pressure due to an increased workload will make mistakes. Dabbling in work that's outside an area of expertise will also lead to mistakes. And if claims start to materialise, premiums can increase and profitability will be affected.

In 2005, it was rare for insurers to look at the financials of law firms – very few would ask to see the accounts of a prospect or client. After the financial crash and the subsequent loss of many firms to bankruptcy, however, insurers started to scrutinise the financials of firms in great detail. Changes to the minimum terms and conditions added to this – so if a firm went into liquidation, the last insurer would be responsible for providing run-off insurance. Insurers would have to provide this cover for six years and there was little to no chance of them ever receiving the premium due for this.

Insurers like to see that firms are profitable – but they also like to see that firms charge appropriately for their legal services. Less can sometimes be more – and conveyancing is an excellent example of this. When calculating your insurance premium, a typical rate applied by insurers would be around 10% and can be as high as 15%. For every £100 of fee income your practice generates from conveyancing, you will pay £10 to £15 for your insurance. In your commercial litigation department, this may only be £2 for every £100 of fees generated.

As such, when insurers see a firm charging only £200 on average for conveyancing work, they take notice. How can this be profitable? What level of experience does the fee earner have if the practice can afford to sell this service at £200? Often, the simple answer is that the firm is not making money from carrying out this work. Granted, firms may wish to offer certain services as a loss leader in the hope of additional instructions, but this is a vulnerable business model.

Of course, it is a hugely competitive market where prices and fees are always being challenged by potential new customers. This challenge is shared by insurers, brokers and solicitors alike. But firms that charge appropriately can reap numerous rewards. Clients that are prepared to pay accordingly for legal services and see the value of a more thorough service tend to enjoy a better customer experience. Their expectations are met, they're more likely to provide additional custom, and a claim becomes less likely.

It's also worth mentioning the value of keeping clients informed on bills – billing regularly and keeping clients up to date with potential changes to the estimated cost of a piece of work will improve client satisfaction. Clients don't like nasty surprises.

And as in every industry, transparency and communication are key – and if this can also assist with increasing the profitability of your practice, then it should certainly not be ignored. **LPM**



“Firms may wish to offer certain services as a loss leader in the hope of additional instructions, but this is a vulnerable model.”

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AGENDA

08.30 Breakfast is on us, it's time to meet your fellow delegates

09.00 **Conference chair open**
Shaun Jardine, CEO, Brethertons

09.15 **A blueprint for a secure cyber future**

- How real is the threat, and how sophisticated are cybercriminals?
- Be a cyber leader – enhancing client experience and client data security through digitisation
- How to take a proportionate and pragmatic approach to reducing risk

Tom Burton, director, KPMG (London) / Christian Toon, chief information security officer, PwC (Birmingham)

09.45 **All change! Preparing for a major compliance shake-up**

- The implications of the SRA accountancy rules 2017 proposal
- Exploring the evolving responsibilities of COFA and COLP roles
- Destruction regulations for personal data and handling information requests post-GDPR
- Data protection and information security – compliance and competence
- The move away from prescriptive CPD and the introduction of statements of competence for solicitors

Chair: *Robert Bond, partner and notary public, data protection and cyber risks expert, Bristows*
Katie Jackson, director, Honne
Caroline Wallace, strategy director, Legal Services Board (London)
Steve Brooker, head of research and development, Legal Services Board (Birmingham)
Alison North, international business consultant – disruptor, AN Information (Birmingham)
David Clarke, head of infosecurity, GDPR expert, Vciso (Birmingham)

10.30 Coffee, networking and problem sharing

11.00 **Quality over quantity – finding an oasis of talent when the legal desert is dry**

- Attracting and retaining talent
- Self-determined job seeking – is this the end of recruiters?
- Offering workplace flexibility to recruit high-quality people
- Succession planning for SME firms
- Diversity and inclusion

Chair: *Sue Bachorski, head of human resources, Peters and Peters*
Deborah Manclark, head of human resources, Hamlins
Kris Phelps, group client account manager, Stonewall
Duncan Bradshaw, director of membership programmes, Stonewall (Birmingham)
Mavis Amankwah, award-winning entrepreneur, diversity and inclusion expert adviser (London)
Sasha Scott, diversity and inclusion manager, The Inclusive Group

11:50 **LONDON ONLY streamed sessions**

STREAM 1

Blind Data Game with your host Anne Onymous

With GDPR coming in May 2018, is it a burden or an opportunity? Our expert panel will outline your duties and obligations and guide you through this regulatory terrain.

- A risk-based approach to data processing
- The real impact of breaches on your SME business
- Creating a level playing field and global standard for data and privacy
- Maintaining business continuity through data protection

Natasha Rawley, the file queen, ADDS
Alison North, international consultant, AN Information
David Clarke, head of infosecurity, GDPR expert, Vciso

STREAM 2

Breaking the mould: Examining non-traditional law firm models

Learn about new ways to (re)structure your firm more effectively, and take a leaner approach to matter management and increasing profitability.

- Structuring an SME for maximum agility
- The pros and cons of 'dispersed'/virtual law firms
- Agile working rules – what are the health and safety implications for staff working outside the office?
- Working with alternative legal providers to grow your firm

Chair: *Lucy Scott-Moncrieff, Scott-Moncrieff & Associates*
Warren Wooldridge, CEO, McCarthy Denning
George Bisnought, managing director, Excello Law
Chris Setford and Guy Setford, co-CEOs, Setfords Solicitors

BIRMINGHAM

Breaking the mould: An examination of non-traditional law firm models

Learn about new ways to (re)structure your firm more effectively, and take a leaner approach to matter management and increasing profitability.

- Improving your brand in a crowded market
- Structuring an SME for maximum agility
- The pros and cons of 'dispersed'/virtual law firms
- Rules around agile working – what are the health and safety implications for staff working outside the office?
- Making virtual law firms a reality
- Working with alternative legal providers to grow your SME business

Chair: *Lucy Scott-Moncrieff, managing director, Scott-Moncrieff & Associates*
Warren Wooldridge, CEO, McCarthy Denning
Richard Beresford, chair, McCarthy Denning
George Bisnought, managing director, Excello Law
Chris Setford and Guy Setford, co-CEOs, Setfords Solicitors

14.00 - 14.30
SURGERY 1

Plus five minutes to select your next surgery session

14.35 - 15.05
SURGERY 2

Plus five minutes to select your next surgery session

15.10 - 15.40
SURGERY 3

THEME 1

Exploring business development strategies around pricing

- Fee setting – staying competitive
- Where work is coming from – analyse your pipeline
- Tendering and securing work effectively for a fixed price
- Pricing solutions/strategies for different practice areas (private client, crime, legal aid)
- Improving cashflow – billing the WIP, chasing debts and a structured accounting approach

Graham Moore, managing director, Katchr, plus a law firm case study

THEME 3

Cultural evolution and revolution

- Gen X are from Mars and millennials are from Venus
- Changing culture – progressing from lip service to honest and embedded changes
- Agility – cut costs and increase flexibility to attract talent
- L&D programmes to help you retain talent
- Plan to succeed with good succession planning
- Cultural evolution in a time of merger

Joanna Kingston-Davies, group chief operating officer, Jackson Canter Group, plus a law firm case study

THEME 2

Visualising the value and vulnerability of your data

- Fortify your tech reputation with clients
- The practicalities of cyber and infosecurity
- Data deadlines – how long should you keep info and where?
- Improve accuracy and datamine efficiently
- Disaster recovery – what to do in the worst-case scenario
- Real-time applications of cloud technology

Alan Barrett, head of IT, TWM

Alan Cousins, practice director, Paris Smith (Birmingham)

Richard Roebuck, managing director, Accesspoint (London)

THEME 4

Bribery, fraud and corruption

- Requirements of the Fifth AML directive – the intense scrutiny that firms will be under and due diligence they must follow in relation to identifying and reporting financial crimes
- Risk and compliance issues under the Fifth AML directive
- Identifying threats and implementing a culture of compliance

Daniel Berner, managing consultant at Lysis Financial, previously due diligence manager, RBS

PLUS a bonus London-only surgery on cloud, featuring a case study and comment from **Pulsant**

15.45 Afternoon coffee break and networking

16.15 New frontiers and black holes for legal IT

- The potential of cloud-based systems for the legal sector
- New innovations for technology in legal
- How can we prepare for change?
- What are the current legal IT challenges and influences?
- Where is legal IT heading in the future?

Richard Roebuck, managing director, Accesspoint (London)

16.35 LONDON – Digital v human

BIRMINGHAM – Using technology effectively to counter technology risks

- A map of possible AI futures
- Idea generation – are we limited by our own vision?
- How is technology transforming business?
- The true sophistication of cybercriminals
- Five steps to cybersecurity – how to identify and eliminate the threats to your firm

Richard Watson, author, lecturer, futurist in residence, Imperial College London (London)

Andrew Sheldon, co-founder, CTO/head of innovation, Evidence Talks (Birmingham)

17.00 Conference chair close

Shaun Jardine, CEO, Brethertons

LPM
LEGAL PRACTICE MANAGEMENT
ONE-DAY CONFERENCE

TOMORROW'S TECH PROS

NICK HAYNE, CLOUD EXPERT



“IT managers are moving out of the role of ‘keeping the lights on’ and playing a more strategic role in the business.”

There’s been a lot of change in IT over the past few years, driven by the emergence of new technologies like cloud that make businesses more efficient and effective. This change affects IT managers and managers responsible for IT who need to understand these new solutions and applications and how they benefit the business.

IT used to be seen merely as a business function – a necessary expense – but as the technology landscape has shifted, the role of IT has changed. IT is now more encompassing, more supportive, and is seen as an enabler of both growth and innovation.

But alongside this change in attitude is the realisation that in-house teams don’t necessarily have the resources and skills needed to offer strategic insight – which is why the role of the IT supplier has changed as well. A supplier is no longer just a supplier, but offers both consultancy and solutions that help businesses on a much more strategic level.

I’ve seen this evolution first-hand – it’s the nature of our business and an acknowledged industry attitude. In the legal sector, where cloud adoption is gaining momentum (albeit a little slower than, say, retail) IT managers are moving out of the traditional role of ‘keeping the lights on’ and playing a more strategic role in the business.

This is especially relevant looking at transformation initiatives as a whole. From implementing programs, systems and applications to updating infrastructures, digital transformation is becoming an increasingly important goal for law firms. This shift will help build competitive advantage, streamline business processes and increase transparency and efficiency.

IT managers and CIOs are leading this charge towards digitisation, but they may not have the knowledge or time to explore new technologies, migration strategies and implementation. In addition to the constraints involved with transformation and regulation, the adoption of individual technologies can present its own set of challenges.

Look at cloud computing as an example. While the technology offers multiple benefits – organisational agility, cost-effectiveness and flexibility – there are still concerns around security, data privacy and availability. Furthermore, there are several cloud models available (public, private and hybrid) and decisions need to be made about which data, systems and applications should be moved to the cloud and which to keep in-house.

It’s in these decisions that the evolution of the service provider becomes most apparent. With a deep understanding of the landscape and industry, as well as the technologies themselves, the new breed of service provider is well positioned to understand its customers’ requirements, business goals and proposed technology roadmap – matching technologies to fit into that environment.

There’s little doubt that to remain competitive and successful, law firms need to adapt to the changing landscape. The degree of transformation or digitisation will ultimately depend on the business itself, its current IT estate and wider strategic objectives. While there’s no recipe or formula for creating the perfect transformation initiative, the role of both IT and strategic service providers should always be considered. [LPM](#)

ABOUT

Pulsant
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www.pulsant.com
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Duncan Macintosh was photographed at Bevan Triumph, Cardiff by Jon Goldberg

Duncan Macintosh, Capital Law

PRACTICE MAKES PERFECT

A law firm founder and lawyer-manager on the thrill of business development on two wheels

I've always liked motorcycles. I first rode a bike (a bright yellow Vespa scooter, in fact) at university in wet, cold Glasgow – though I was born and raised in India so I'm more accustomed to warm weather. I was a law student but got completely fed up with studying, and moved to America for a season to play cricket for the Seattle Cricket Club. While there, I was lent a Honda motorcycle by a club member and rode it around Washington and Oregon – in the cities, over mountain roads, through national parks, up Mount Rainier and Mount Hood. It was an amazing experience. It confirmed to me that biking is a good thing, and as soon as I could afford it I bought my own Honda. Over 30 years I've had two bikes – a Buell Ulysses and now my wonderful Triumph Tiger Explorer.

It's a fantastic motorcycle – a big, upright, high-ground clearance, comfortable machine, commonly known as an adventure bike – though at my age I fiercely avoid adventure. I often commute to work in Cardiff and take long trips on it. My wife and I live in Wales but we also have a house in Scotland. Each summer she decamps there with the grandchildren and the dog, and I make the ride from Wales to Scotland and back on the Triumph. I take a different route every time, avoiding motorways where I can. It's a long but wonderful ride

through the UK.

But the best trip I ever made was up and down Mount Rainier – which, standing at 4,027 metres, is one of the tallest mountains in the Cascades range. It was a beautiful sunny day – though very cold in the early morning – and once I got to the top I freewheeled 20 miles down to the bottom. It was a foolhardy thing to do, and almost impossible with modern bikes because a lot of their systems need a running engine. But it was fabulous. I'm trying to convince my wife to let me buy a Honda, but she rightly says I have enough.

I think motorcycling is misunderstood. Most people seem to think it's for self-deluded men or hooligans – but there are plenty of people who just like it because it's a great experience.

After I left the US, I qualified and worked as a lawyer for several years until 2005 when I and two others founded Capital Law in Cardiff. We split the management responsibilities between us, and the bit I do is client-facing. I'm responsible for making sure we have the right tone of voice and approach, and come across well to clients, contacts and the public. This aspect of the business is very important, and has helped it scale significantly in a short space of time. I spend a lot of my time travelling the country, and the world, on my bike to visit clients. [LPM](#)

LPM FIRM FACTS

Capital Law

Revenue: £9.2m

Corporate status: LLP

76 fee earners, 120 total staff

Offices: Cardiff and London

Specialisms: Employment, commercial disputes, commercial property



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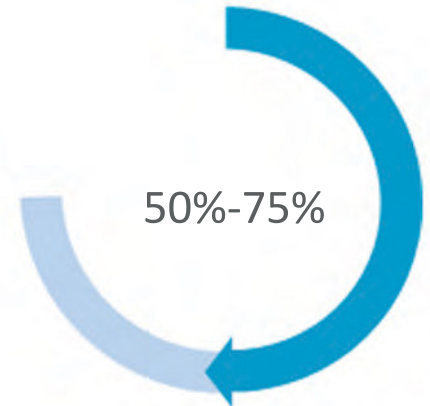
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REGULATION EXPLOSION

Legal needs much greater change than the LSA brought. But might this much medicine kill the patient? Patrick Wingrove reports

The Legal Services Act, nearly a decade old now, shifted the legal sector's regulatory landscape enormously – introducing new regulators, alternative business structures and other extensive changes. But the LSA might just have been the beginning of radical regulatory disruption. Noises of a single regulator, deregulation of unreserved work and pricing transparency requirements have emerged – and the question on SME legal leaders' minds is: "Will these changes benefit my business or mean the end of the world as we know it?" The short answer is: no one knows for sure – and there are compelling arguments on both sides.

According to the Legal Services Board's 2016 evaluation of 2007-2015 market changes, the LSA had a positive impact on the market, but it wasn't far-

reaching enough. The act helped the sector's turnover rise to an unprecedented £32bn, and encouraged innovation (particularly among ABSs), but failed to significantly increase competition and make legal services more affordable. Last year, the Competition and Markets Authority concluded that consumers still didn't have enough information about legal services to help them choose between legal providers.

Chris Handford, director of regulatory policy at the Solicitor's Regulation Authority, agrees with the CMA and LSB, and says that new regulation plans will help modernise legal and achieve what the LSA didn't.

"Restrictions on solicitors and legal businesses currently goes much further than legislation requires. Proposals to liberalise unreserved work and improve price transparency would make the legal market more

competitive, make it easier for firms to innovate, and benefit consumers by giving them more choice and access to cheaper legal services from qualified and regulated solicitors.”

But not all SME firms agree with the regulators. Many say more change could significantly strain firms and negatively impact consumers. Michelle Edwards, risk and compliance manager at MTA Management (part of MTA Personal Injury Solicitors), says firms will struggle to adapt to increased competition created by deregulated work. “Cheaper services won’t mean much if clients are left high and dry by firms that don’t have professional indemnity insurance, and pricing transparency may seem like a good idea on paper but could present some significant problems.” But, she adds, there may be considerable appetite for a single legal regulator, which could streamline regulation and ease compliance.

UNRESERVED CHANGE

Deregulating unreserved work could potentially be advantageous to SME law firms – making operations considerably cheaper for those only practising unreserved activities. Compliance costs, including staff salaries, insurance and time – a 2016 Federation of Small Businesses report said 76% of business owners spend more time on compliance than they’d like – are expensive and likely to become more so in the future.

Handford at the SRA says that if unreserved activities were deregulated for solicitors, many firms wouldn’t need to be regulated and could attain competitive advantage by passing savings on to consumers.

“Not only will this make legal more competitive but give many consumers a higher-quality service for less

cost. Non-solicitors can currently provide legal advice from an unregulated body, so why not solicitors who are trained and governed by a code of conduct?”

And what about firms that practise reserved work? Michelle Garlick, head of Weightmans’ compliance consultancy Compli, says some SME firms may be in a unique position to take advantage of deregulation if they’re small enough to easily shed reserved activities.

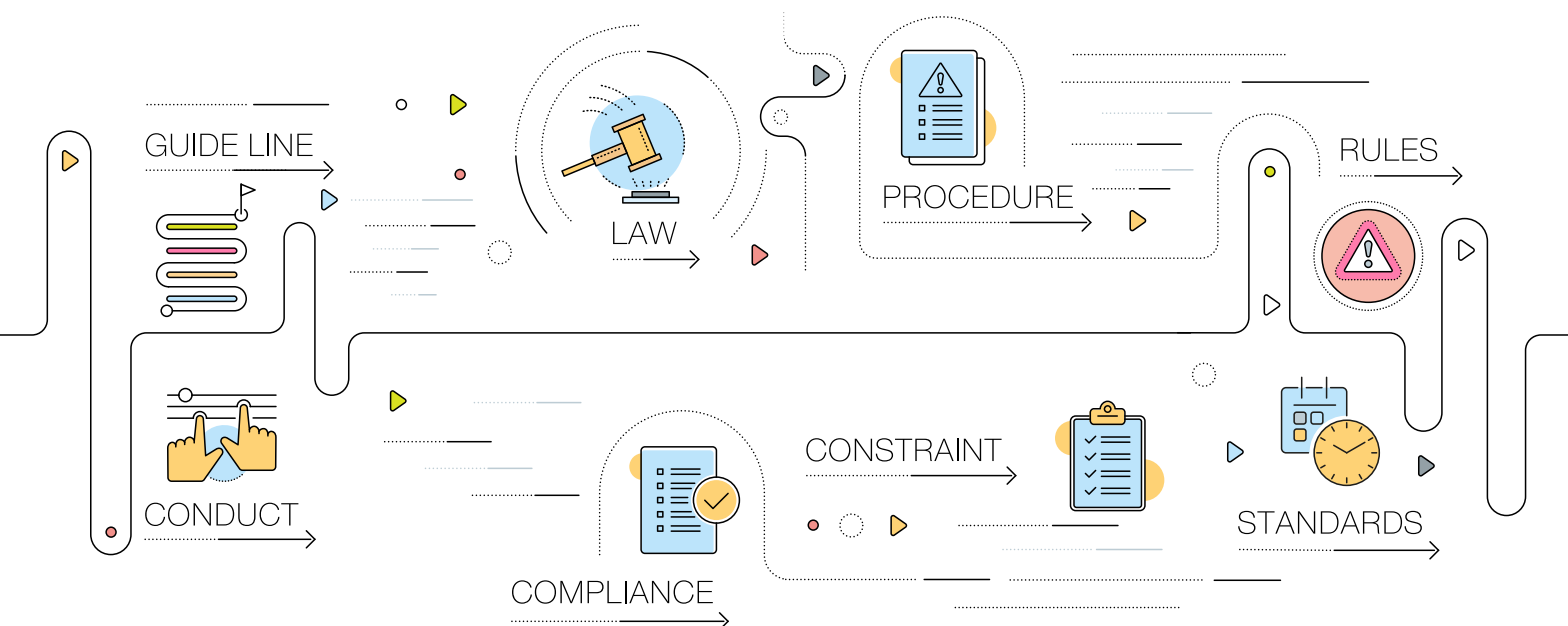
“Firms could theoretically downsize, become unregulated entities, and be more profitable. It will, however, be difficult for some firms to get to that point and completely impractical for others – the benefits will be very firm-specific.”

But for firms that can’t deregulate, she adds, deregulation will open the market to more competition from nimble new entrants and big law.

“We could see a lot of new legal businesses enter the market to take advantage of these changes, and an increased ‘hiving off’ of unreserved activities into separate unregulated businesses among larger firms. Smaller firms won’t necessarily have the resources to do this, though medium-sized ones might consider it an option.”

Though many firms are uneasy about the potential surge of competition, others are planning to take advantage of the change. Gemma Garen, head of quality and compliance at Essex firm Ellisons Solicitors, says extra competition will revitalise legal and keep older firms like hers on their toes.

“Ellisons, for example, is 253 years old and it’s good for it to be challenged and forced to adapt like it was after the LSA – so it doesn’t go the way of the dodo. We’ve started proactively preparing for the changes by branching off services, such as creating Ellisons Financial Planning. Deregulation will allow our



THE BIGGER PICTURE



Law firms have plenty of certain and potential regulatory changes to contend with over the next two years – and not just those in the main feature. These include:

- 1 The Fourth AML Directive** will apply to firms in June 2017 – impacting PEP management and the time client records are kept for.
- 2 The EU's General Data Protection Regulation** will hit firms in May 2018 – imposing stricter individual rights and higher penalties for data breaches.
- 3 Changes to the SRA's handbook** will see the guide simplified and divided into sections for individual solicitors and legal businesses.
- 4 The SRA may soon require firms to publish their complaints data**, in an effort to make the legal market more transparent.
- 5 PI reforms**, while legislative, may lead to regulatory consequences for firms that can't survive the financial impact of the proposed changes.

solicitors to work from this financial company, which will give us a huge competitive advantage.” She adds that the threat of deregulation is a scary prospect for firms, but those that innovate and take advantage of change could benefit from it.

Other firms, however, argue that deregulating unreserved legal work could have a detrimental impact on firms and the legal industry more broadly. Samantha Haines, director of risk and compliance, at Midlands firm Ladders Solicitors, says the benefits of driving down costs will likely be outweighed by the lack of a client safety-net.

“Consumers might be able to buy a house for only £300 of legal fees from a deregulated firm, but they won't be protected if something goes horribly wrong.” Edwards at MTA agrees, and says: “The benefits of ‘competitiveness’ will wash away once a few stories of catastrophe hitting unprotected clients hit the newspapers. People will start asking: ‘Do you have professional indemnity insurance?’ and if the firm doesn't then they'll look elsewhere.” She adds that firms that save by deregulating will likely lose more money in the long run – and if SME legal loses its reputation it could have a devastating effect on the industry, since fewer consumers will seek legal expertise when they need it.

HOW MUCH?

Deregulation isn't the only source of potential ‘regulation anxiety’ coming to legal. The CMA launched its legal services market study last year, and found that only 17% of legal providers publish their prices, only 22% of consumers compare legal services on offer, and 65% of legal businesses price on a case-by-case basis (which could allow some providers to price-discriminate rather than commit to standard for the same service).

Handford at the SRA says that consumers currently lack the information and expertise needed to find their way around legal services – and the legal industry needs to become more transparent by publishing its prices.

“If legal businesses are compelled to publish prices it'll make it easier for consumers to pick and choose between providers – increasing competition and giving consumers incentives to purchase legal services.” He adds that the SRA is discussing options, and won't require all firms to publish everything at once, but may propose change in phases – starting with simpler pricing areas, such

as divorce, wills and conveyancing.

But Haines at Ladders argues that even the price of a will could vary radically depending of the client and their needs.

“You could advertise a will as £400, but unless you're providing a complete fixed-fee service you can't possibly know if it'll cost that much. If work is done on an hourly rate, you won't realistically know how long the service will take until it's finished.” Edwards at MTA agrees, and adds that publishing prices might give clients a reason to dispute the final cost of a service.

“You can price a divorce, for example, at £1,000 – but if the bill ends up being £1,200 because of variable circumstances, then clients could turn around and say: ‘That's not how much you quoted, I'm only going to pay £1,000’.” She adds, however, that it may encourage firms to introduce fixed fees – though they won't be a practical solution for every legal service.

If SME firms are to comply with new pricing requirements, many will need to become better at capturing and using data. Garlick at Compli says data can help firms more accurately price their services.

“If a firm isn't currently capturing its data, it should start soon. From a commercial perspective, it will help them more accurately price their services, but it'll also make compliance easier in the future when the SRA starts looking at price transparency in greater detail.”

Richard Clark, chief operating officer at Manchester firm CFG Law, agrees with Garlick, and adds that other sectors have long been using data to effectively price services.

“The way banks priced their services fundamentally changed after data became readily available. Firms need to ask themselves: ‘What actually happens inside those hours it takes to produce a solution? What's going on outside the process? What's happening broadly within the transaction?’” He adds that there are always several repeatable steps that can be mapped and analysed – and if firms start doing that

“Consumers might be able to buy a house for only £300 of legal fees, but they won't be protected if something goes horribly wrong.”

Samantha Haines, director of risk and compliance, Ladders Solicitors

LPM FIRM FACTS

Lodders Solicitors

Revenue: £8m

Corporate status: LLP

**60 fee earners,
130 total staff**

Offices: Stratford-upon-Avon, Henley-in-Arden, Cheltenham

Ellisons Solicitors

Revenue: £11.9m

Corporate status: LLP

**89 fee earners,
179 total staff**

Offices: Colchester, Ipswich, Clacton, Dovercourt, Frinton

CFG Law

Revenue: £4.5m

**Corporate status:
Limited company**

46 fee earners, 75 total staff

Offices: Stockport, Cheadle

MTA Personal Injury Solicitors

Revenue: £13.5m

Corporate status: LLP

Offices: Bromley, Manchester

now it'll help them get ready for any price transparency requirements coming their way.

SINGLE AND READY TO MONITOR

Perhaps a more welcome change potentially on its way is combining the legal industry's nine governing entities into a single regulator. Handford at the SRA says the problem with having multiple legal regulatory bodies is the crossover between them.

"From the beginning, people have asked whether it would be better to have one regulator. Ultimately, this will be a government decision. It would likely be a big undertaking to have one regulator recalibrating regulation across providers and activities." He adds that the SRA doesn't see the creation of a single regulator as a priority.

Garen at Ellisons says that a single regulator could make compliance significantly easier for law firms currently juggling multiple expectations from different bodies.

"We're currently dealing with the SRA's continuing professional development regime, but we have 51 fee earners governed by the SRA and another 35 regulated by Cilex of the CLC. As such, I spend lots of time trying to merge and align those regulators' requirements into a coherent continuing development strategy."

Haines at Lodders agrees with Garen, but emphasises that if a single regulator were to

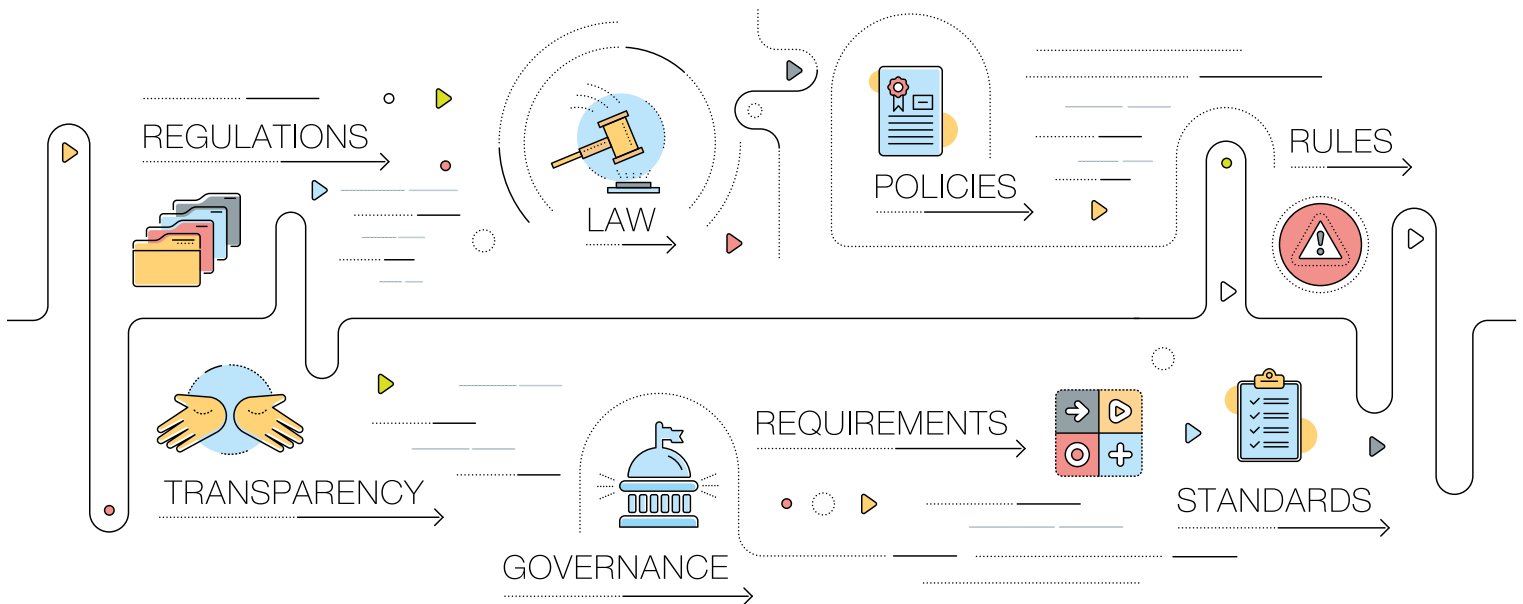
emerge it would have to be the right one.

"Having a single regulator would probably make things easier, but it would have to be effective and have sufficient power and not put too much onus on organisations and expect them to comply with unreasonable requirements."

Garlick at Compli, however, says she's doubtful about the practical implications of creating one governing regulator.

"The theory is all well and good, but how will it work on a practical level? A singular entity could potentially take the best elements out of each current regulator and create one fantastic body. But I have concerns - each regulator has its own flaws and culture, and we might find that they're simply incompatible with each other."

It's difficult to gauge whether these changes will ultimately benefit the legal industry or usher in a regulatory apocalypse. Deregulating unreserved work could make operations cheaper, lead to cheaper legal solutions and compel firms to become more nimble and competitive - or firms and consumers will ultimately suffer from a lack of regulation. Pricing transparency could put a significant strain on firms, but perhaps also force them to make better use of their data while making the industry more competitive. A single regulator also sounds like a good idea, but will it be strong and united enough to be truly effective? We'll have to wait until 2018 to find out. **LPM**





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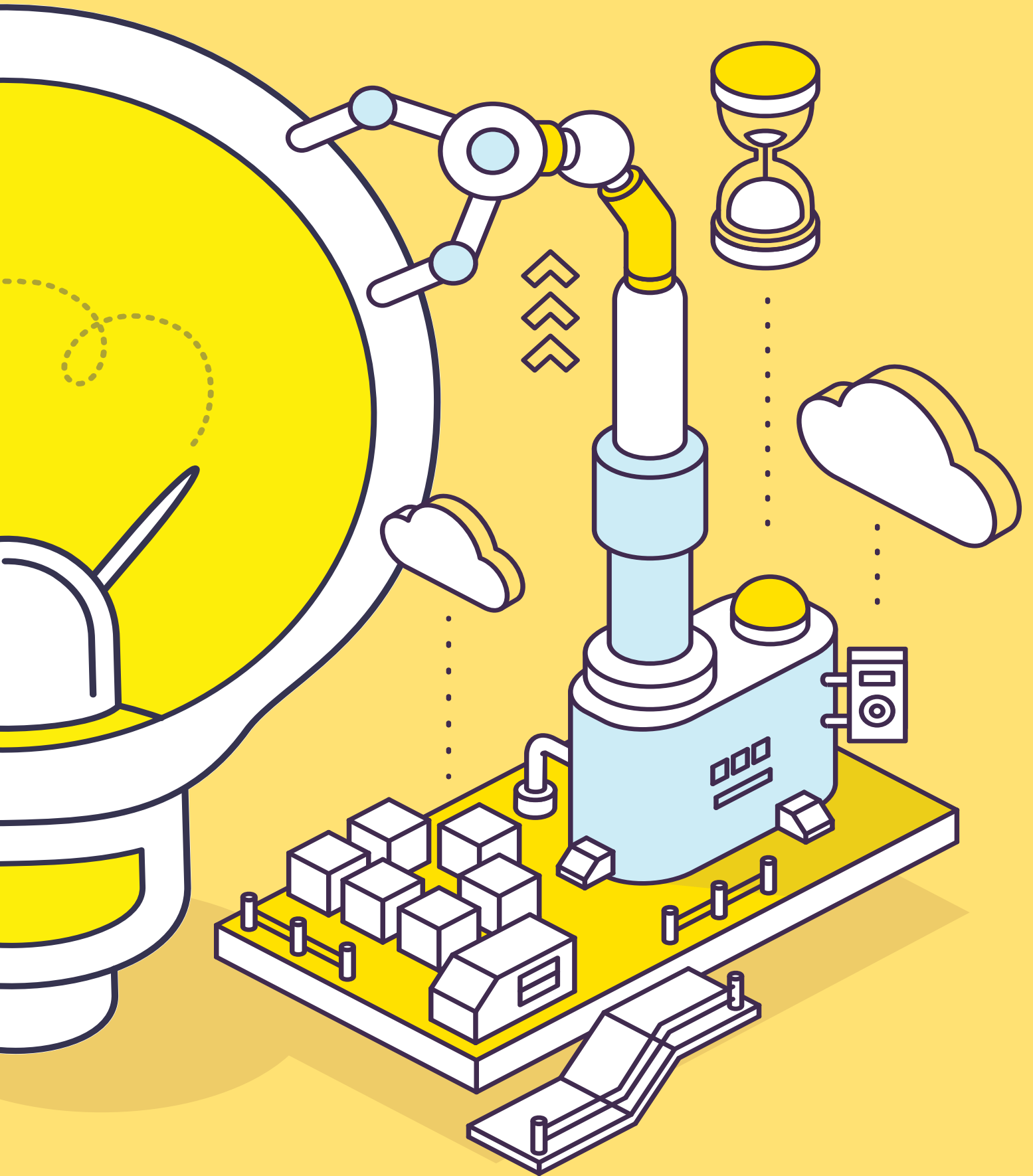
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RECIPE FOR RECOVERY



Victor van der Poel, director at Accesspoint Technologies, tells LPM about the importance of preparing for disaster – and how to create an effective plan

Are SME firms prepared for disaster? In the past, they mainly had to contend with fire or flood, but in an increasingly digital world there are more catastrophes waiting to strike than ever – and firms may not be as prepared as they think.

Victor van der Poel, director at Accesspoint Technologies, says there are numerous disasters that could cause businesses to cease operations for hours, days or even weeks – but perhaps the most common and damaging are tech failures.

“Firms rely so heavily on their technology that a failure in their systems could be disastrous. What would happen, for instance, if someone dug into a law firm office’s main comms feed, or an upstream

provider made a mistake configuring a central piece of routing equipment, which happened last year in a central London datacentre and forced a major part of London offline? Could the business survive without communication with clients for that time?” He adds that these disasters are simple yet frequent and often have devastating effects on businesses.

Though there are no magic-bullet solutions to prevent disaster, but Van der Poel says most risk be mitigated with an efficient and effective disaster recovery and business continuity plan in place.

“Many businesses don’t prepare for disaster until one forces them to. Some are lucky enough to endure their first tumble and rectify any serious issues, but others are

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Accesspoint are independent legal IT specialists who consult on a variety of information technology-related issues, offering the best in IT solutions to help firms work more effectively.

www.theaccesspoint.co.uk

Accesspoint

where people make the difference

forced to cease trading shortly after the disaster strikes. It's incredibly important to prepare and make sure that the business can not only recover after a catastrophe but continue to operate virtually undisturbed."

He adds that developing a disaster recovery and business continuity plan can seem complicated, but it's simply a matter of looking at the key points of weakness in a business and preparing for them.

"Legal managers should ask themselves: What happens if a fire or tech failure occurs – can everyone work from somewhere else so that daily operations aren't negatively impacted? Is our data safe? What can I do to get everything back up and working as quickly as possible?" These plans can, according to Van der Poel, be supported with the right legal tech solutions, "leaving firms on cloud nine."

STORM OR CLOUD?

Van der Poel says a key area of weakness in any business is premises – particularly for those whose staff are tied to their desks.

"If no one can access the firm's premises – perhaps because it's been damaged by fire, weather or projectiles – or the building loses its ISP comms connection for a prolonged period, employees won't be able to work and the business will lose money."

But, he adds, if businesses embrace the cloud – which allows employees to work from virtually anywhere with a decent internet connection – they can incorporate it into their business continuity plan.

"Cloud technology should be part of any effective business continuity plan. We have clients that've lost connectivity with their offices and within 30 minutes were able to redistribute employees to other offices or remote locations, such as their homes or coffee shops, where they could continue working. This significantly reduced the impact of these disasters on their businesses."

Van der Poel says that cloud services have the added benefit of enabling employees to work with the same applications as they would use on their office desktop, which allows them to work at full capacity from their remote posts. In particular, he adds, a cloud-based email platform will give workers full access to their emails – which is particularly important for fee earners who need to keep in touch with clients.

"If your emails are stored on an internal server then a business will lose access to them if they lose connectivity or are for any reason forced to

leave the premises. But with managed emails, they can be accessed anywhere."

But, he continues, law firms shouldn't assume they're safe just because their IT infrastructure is hosted.

"The mistake most businesses who host their platforms make is assuming they're guaranteed uninterrupted access to platforms and data – but that isn't necessarily the case. Technology remains technology, and whether it resides in your office or hosted in state-of-the-art datacentres, hardware will fail. You need to make sure that your provider is prepared for that." He adds that Accesspoint, by example, structures its datacentre so that there's no single point of failure, using dual data feeds to mitigate the risk of connection losses.

SAVE THE DATA

Van der Poel says that business continuity is only half of an effective disaster plan – the other half is recovery. And perhaps the most important

element of disaster recovery is data retrieval.

"In a digital world, data is worth its figurative weight in gold – but data can be destroyed or corrupted." He adds that if firms want to make sure their data is safe they need to make sure it's frequently backed up to a safe location.

"Regularly backing up data is vital to disaster

recovery, but it is a monotonous process – which is why many firms use a hosted provider that will store data safely on cloud servers." Accesspoint, he adds, backs up all its clients' critical data as part of its standard service.

The problem, however, is that no matter how sophisticated backup software has become, vast amounts of data still can't be recovered within an acceptable time for a business – but there is a solution.

"With Accesspoint, for example, clients can also choose to have their hardware replicated in real time, allowing them to switch to cold standby platforms (which is replicated in real time with your production environment) in minutes."

Creating an effective disaster recovery and business continuity plan can seem like a daunting process, but it is vital for any business that wants to survive should the worst occur. It's a complex issue, but Van der Poel says there are a few easy solutions firms can adopt to make sure they're covered. If firms backup data, use cloud-based applications, and choose an IT provider which has taken every precaution against disaster, they should survive if disaster strikes. **LPM**

“Technology remains technology – whether it's in your office or hosted in state-of-the-art datacentres, hardware will fail.”

LPM FIRM FACTS

BPL Solicitors**Revenue: £5.1m****Corporate status: Limited company****24 fee earners, 91 total staff****Offices: Dorchester, Bristol, Bournemouth****Specialisms: Conveyancing, commercial property, construction**

CASH CAPABLE



Kevin Cole, financial controller at Dorchester-based BPL Solicitors, tells LPM how Groupit from Aurum Solutions provides the predictability it needs to reduce risks in handling client money

Dealing with high-volume, low-value transactions – where firms take significant risk for a small reward – it's essential to remove human error where possible. Groupit's reconciliation software from Aurum Solutions reduces risks and gives Dorchester-based BPL Solicitors the consistency it needs to do business effectively.

Financial controller Kevin Cole says: "Our existence as a firm has obviously crossed the timeline of some turbulent financial events post-2007. Fortunately, we were using Groupit at the time, so while we had to downsize we had an automated product that enabled us to cope with the financial strain."

Being able to run smooth transactions and manage clients' accounts effectively is the firm's pressing business need and why it needs a finance tool like Groupit, he adds.

Now that conveyancing firms have largely forgotten about the hardships of the recession, BPL has embarked on a mission of growth – seeking to build the firm to a stature where it can hold its own. "And the firm continues to use Groupit to aid that growth," says Cole.

FAST AND FURIOUS CASH

As a part of growing the firm and its offerings, BPL has begun practising construction litigation, where it represents either side in the building industry. But this move adds another layer of cashflow to manage.

Cole says: "Conveyancing transactions generate numerous receipts and payments in a firm's bank account, which builds up to an incredibly busy point just before someone moves house. And nowadays money is moved using many different methods, often at the last minute." Managing that money is a challenge and big risk for the firm, which has to consider external risks from cybercrime and money laundering and, therefore, be extremely vigilant in how it deals with financial transactions.

Cole says that law firms are generally required to identify receipts that come into their bank accounts within 48 hours. "And with a large number of

transactions, doing manual bank reconciliations is nearly impossible – but Groupit can do all of that in minutes."

He adds that the software removes the challenge of making sure the firm correctly and quickly identifies money going in and out.

"At the end of the day, the finance team's objective is to make sure that the client's account has been effectively managed, so that it's at nil balance when a transaction has completed," Cole explains.

"We're talking about large sums of money, typically £150m a month, which represents a lot of transactions in a short amount of time – and mistakes could easily be made. This is why timely bank reconciliation is so important."

By reconciling accounts before 9am, Groupit allows the firm to let its legal teams know precisely what money has been or has yet to be identified.

Cole says: "In conveyancing you're often asking clients or other parties to transfer monies for a transaction at the last minute and frequently mortgage advances arrive only on the day of completion."

HELPING HAND

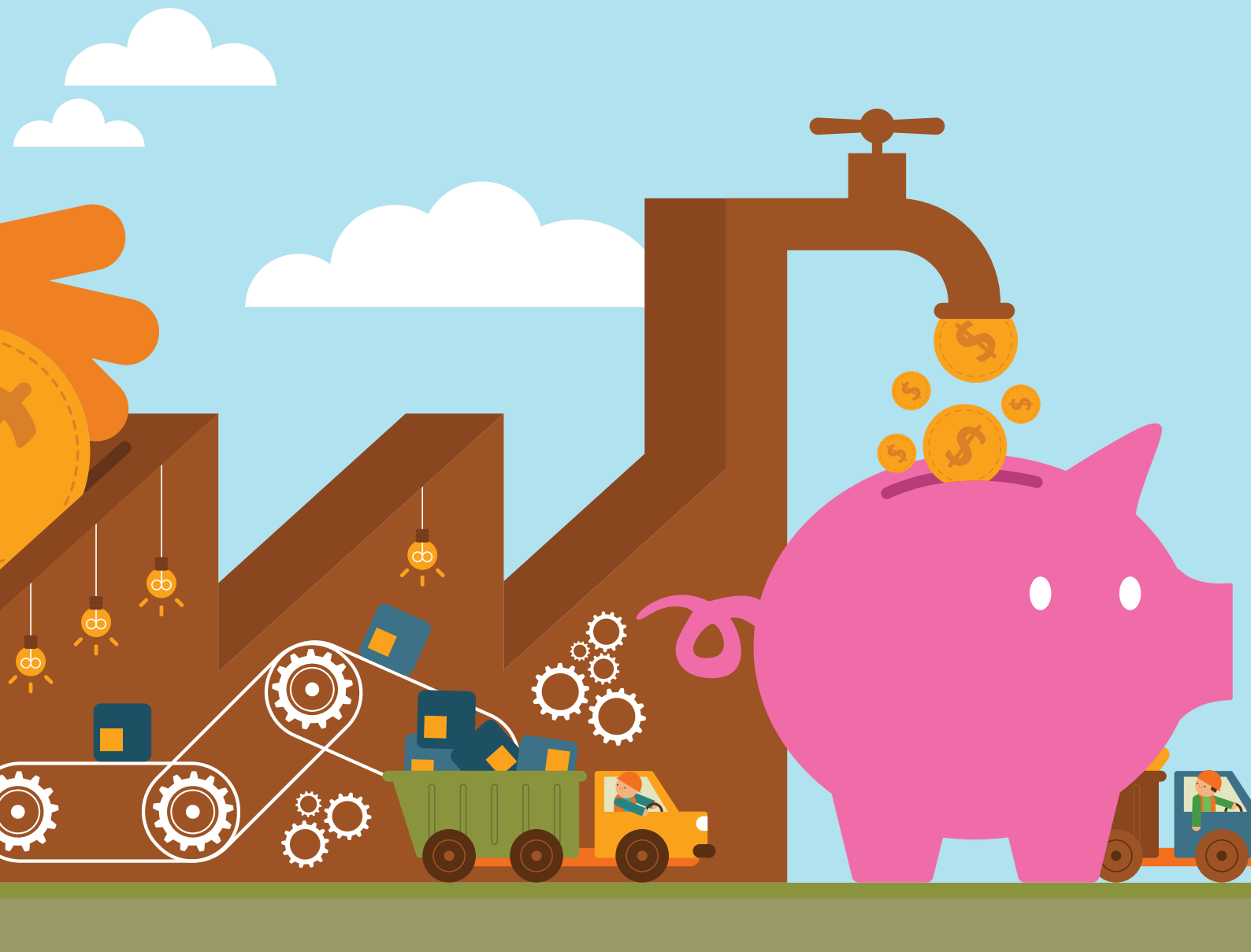
But it isn't just good software and a drive from business needs that have kept Aurum close to BPL's heart. Cole says that another thing Aurum does excellently is provide first-rate support.

"When we first dealt with Aurum, not many other firms out there were doing automation in this way. We definitely felt like they are at the forefront of innovation in the market."

"Since then, more software has come on to the market, but the key to us is that Groupit sits as a standalone software and has been with us every step of the way. If we ever have a problem, I know that I can always call and someone will be there to help." He adds that he doubts the firm and its staff could get the same degree of support with an accounts package with a built-in bank reconciliation feature.

Another point to make about Groupit is its automation, Cole says, which allows firms to look at

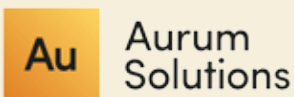




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Aurum Solutions helps a wide range of organisations manage their reconciliation and data-matching processes by providing highly configurable and fully featured software applications.

www.aurum-solutions.com



bank statements and flags 'weak' information.

"Once you've gone through identifying a particular bank profile, you can build up your own 'inferences' that allow you to match commonly used names in your system with those used by the bank. It's one of the great advantages of the Groupit software – which again saves the firm a lot of time."

With the support and software function it needs to identify money in a timely fashion, BPL has reaped significant financial benefits for a long time. Aurum's Groupit enables the firm to recover easily from mistakes by allowing it to roll back on tasks and make corrections. It also introduces efficiencies by automating otherwise monotonous financial tasks, and generally takes the strain out of cashflow processes.

But it isn't just the quality of Groupit and the value it adds to the business, but the level of support the firm receives should a problem arise.

Cole says: "For us at BPL, Aurum's Groupit is mission-critical software. The product has long delivered, and continues to provide, a dependable and effective bank reconciliation system that's driving efficiencies and helping the firm grow." **LPM**

TOP THREE

THE BEST BITS

Kevin Cole, finance controller at BPL Solicitors, outlines the best features of Groupit from Aurum Solutions

1 Automation: "We're a fairly uncomplicated firm, but even we've found Aurum's automation features useful. Once you've taught the software what you want it to do, it's easy to use and saves time on monotonous tasks."

2 Reliability: "It hasn't let us down, especially with human errors. These often occur with bank reconciliation tasks, and it's great to have a system that allows you to roll back those tasks to correctly match things that should've been done properly the first time."

3 Support: "Aurum's technical support is swift and does its job to ensure any problem we run into is fixed."



WHAT'S IN THE BOX?



Siobhan King, records management consultant at Mitie Connect, on how firms can benefit from an effective records management strategy

Schrödinger's cat is a thought-experiment used to describe how two potential realities can exist at the same time. In the experiment, the cat is sealed inside a box with poison – there are two possible fates for the cat. The cat may be poisoned and is dead, or not. While the box remains sealed, the fate of the cat is unknown – and in terms of quantum physics it's both alive and dead at the same time. It is only when the box is opened that one reality is set.

And so it goes for records held in boxes in offsite storage. The records you hold may be of little importance and due (or overdue) for destruction review, or they may be of long-term value. Both are true

while you do not know the contents of the box.

Poor or absent listings of legacy records are common problems for organisations attempting to apply retention rules to offsite holdings. Without basic information about the matter, record creator, age profile or business context of records held offsite, businesses struggle to identify the correct retention rules to apply. The scenario where a high proportion of boxes contain materials subject to legal discovery is enough to make most hesitate when planning destruction exercises for offsite records.

There are four ways in which companies can address this issue: retain the status

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Mitie Connect are specialists in document and data management

www.mitie.com/connect





quo, retrospective cataloguing, flip the lid, and destroy all unlisted boxes.

HERDING QUANTUM CATS

Every organisation I've worked for has adopted the retain-the-status-quo approach, regardless of sector. Saying this approach is a strategy by design is perhaps a little too kind. In most cases this has not been by design, more because the problem has seemed too big and too difficult to tackle. That is, until someone notices the growing offsite storage bills and complains about costs.

If your firm is willing to adopt an approach of retaining unlisted items and take on the cost of that indefinitely, this is a legitimate strategy. However, you may be ignoring your responsibilities or legal obligations to provide full accountability to your clients or to external audit bodies.

The logical solution to the Schrödinger's box question is, of course, to open the box to find out whether records need to be retained or destroyed. Retrospective cataloguing can be an answer to this problem.

But this approach isn't always practical, for numerous reasons. There may be a large proportion of records that are uncatalogued, requiring a lot of resource to relist. The majority of records held may be of low value, leaving in question the value of committing so much resource to a

retrospective cataloguing exercise. Costs may be exclusory relative to the benefits.

Finding out what is in each box may reduce risk by allowing retention rules to be applied and legal holds to be protected, but it may also increase the business's exposure to risks. For example, it can expand the pool of records which must be managed in accordance with the EU's General Data Protection Regulation. Businesses must be aware of both the increase and decrease of risk exposure when cataloguing.

Like retrospective cataloguing, an exercise may be undertaken to review box contents while carrying out an on-the-spot disposal and retention review. Records of long-term value would be identified and ring-fenced, and the remainder sent for bulk destruction. As with retrospective cataloguing, this is a resource intensive option which may not be practical if there are a large number of boxes to review.

Destroying all unlisted boxes seems like the easiest solution, but it is also the riskiest. There is an argument to be made that unlisted records

aren't easily discoverable, and depending on the rule of proportionality this may be true. This argument focuses more on the fact that if you don't know a record is there it can neither help you nor harm you in a legal case.

The problem is that there's always a risk that the boxes may contain documents relevant to cases, and destruction of paper is permanent. This is why most people are reluctant to authorise destruction, even with the correct due diligence and robust management in place.

PRACTICAL APPROACH

The reality is that these approaches alone won't necessarily resolve the problem. Instead, a risk-based approach must be adopted which employs a combination of these strategies. Records management teams need to work closely with legal and compliance to design an approach appropriate to the firm.

Records management teams need to provide the following: the number of records that are not catalogue, the number of years the records have been deposited in offsite storage, and the number

of times the items have been requested. They also need to provide a due diligence report which demonstrates all known resources at the time of review have been checked for data pertaining to unlisted records, a sample of the contents of boxes, and a quote on the resource required to catalogue, destroy or

store as unlisted records.

These factors will help you decide whether it would be practical to retrospectively catalogue all holdings, flip the lid, or carry out bulk destruction.

Legal teams can support this by providing records teams with legal holds listings, and helping to define a robust process to apply legal holds. Legal teams may also be able to help identify areas of the business which are subject to greater risk of legal challenge, and consider the cost and risk of losing cases because of lack of documentation.

Compliance can support addressing unlisted records by assessing the risk of destroying a proportion of or all unlisted records, and providing guidance of the risk undertaking.

Making a decision to deal with the unknown is a first step to resolving your unlisted legacy data. By gathering the right information from records, legal and compliance teams can help eliminate the element of quantum physics from records management, and hopefully make your reality a little easier. [LPM](#)

“Making a decision to deal with the unknown is a first step to resolving your unlisted legacy data.”



SHOW ME THE LAUNDRY



Wayne Johnson, CEO at Encompass, delves into the EU's Fourth Anti-Money Laundering Directive and what it means for law firms

Since the implementation of the Third Anti-Money Laundering Directive by the Financial Action Task Force (FATF), legislators have been looking for ways to further thwart the risk of money laundering and other criminal endeavours.

As a result, the EU's Fourth Anti-Money Laundering Directive was launched in 2015, and comes into full effect in June this year – as the two-year period member states were given to write the directive into national law comes to an end.

These new compliance regulations will have wide-reaching effects on the legal industry, impacting the steps law firms take when onboarding new customers. The

new directive also affects risk assessments and the vetting of politically exposed persons (PEPs) – individuals that typically present a higher risk to businesses. In addition, the new directive requires EU member states to produce a central register of beneficial owners – defined as those with ultimate control over funds in an account.

The goal of the Fourth AML Directive is to provide greater transparency in legal transactions, making it more difficult to disguise money laundering and easier for authorities to identify law firms who are unwittingly or deliberately caught up in money-laundering activities. In addition, the FATF wants to improve consistency

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across EU member states and remove any ambiguities that may exist within current anti-money laundering legislation.

CDD CHANGER

Customer due diligence (CDD) is already playing an important role in the fight against money laundering and terrorism, with 'know-your-customer' policies ensuring clients are who they say they are. But under the Fourth AML Directive, employees dealing with compliance must be aware of a business's know-your-customer policies and how that policy varies according to different clients. They must also show evidence that the process is followed for each and every client. The problem, of course, is that these processes are often long and drawn out, meaning it could take weeks or even months for clients to be onboarded.

Legislators are also likely to be stricter in their enforcement of customer due diligence, and law firms have to ensure policies are fully enacted – or they could be subject to sanctions and fines. Those who fall foul in terms of customer due diligence could also face embarrassment and reputational damage.

Customer due diligence policies must also be standardised under the Fourth AML Directive, as must the implementation of national laws, regardless of location – meaning the same due diligence must be carried out on a customer whether they open an account in London or Lisbon (or anywhere else in the EU).

Regulators will be looking for evidence that firms have taken all appropriate steps to assess, understand, identify and mitigate risk associated with anti-money laundering and counter-terrorism risks.

As well as looking at new accounts opened, law firms must consider their current client base – as they have an obligation to regularly review existing clients. This is because the new directive is more prescriptive regarding the monitoring of existing clients.

TAKING REGISTER

But perhaps the most radical change from the third to the fourth AML

directive is the requirement for each EU member state to hold information on beneficial owners of all corporate entities incorporated within their territory in a national central register. In the past, complex corporate structures have made it difficult to identify beneficial owners – with authorities often resorting to identifying them through company statements – but this new central register will make it simpler for firms to see who the beneficial owner of a company is.

The new directive will also see a departure from the classification of a PEP – broadening and strengthening regulations to include domestic and foreign PEPs. In addition, the period before an individual is subject to reduced monitoring has been increased from 12 to 18 months. The challenge for law firms is to ensure compliance while mitigating risk and associated cost.

REGULATION REMEDY

The answer to the challenges of this new directive for many firms is to use the know-how of regtech software providers. These providers offer automated know-your-customer compliance solutions that lower cost and the need for manual labour, while ensuring compliance. Using data aggregation and visualisation, software solutions allow for resources to be directed to client-facing roles while minimising risk, accessing information from a wide variety of data providers, visualising complex structures and remediating clients at the touch of a button.

The impact of these regulations on the legal community will be far reaching, requiring additional manpower, resource and process to be in place to ensure compliance with regulations. In addition, the wealth of new information (including access to the central register of beneficial owners) is a double-edged sword. Customer due diligence processes may be more robust, but the increased information that makes this possible also has the potential to make institutions ever more vulnerable to data breaches. The need to stop money laundering occurring must not increase the risk of data infringements. **LPM**

DIRECTIVE ROUNDUP

Encompass CEO Wayne Johnson breaks down key changes coming with the Fourth Anti-Money Laundering Directive. It will:

- 1** Require EU member states to produce a central register of beneficial owners.
- 2** Impact management of politically exposed persons.
- 3** Include additional activity within the gambling sector.
- 4** Include tax crimes in the criminal activity classification.
- 5** Require customer records to be held for up to a decade.

Day in the life

JULIA WARRILOW FINANCE AND OPERATIONS DIRECTOR, THURSFIELDS LEGAL

The finance and operations director at a West Midlands firm on her daily life, 'Thursty Thursdays' and fun runs



6.30am

I always wake up to a cup of strong tea made by the husband and spend the next 15 minutes checking my social media accounts before getting up and getting myself ready. But the mornings can be a bit of a rush and are usually managed like a military operation - getting five of us in and out of showers while fielding a myriad of questions from the kids. I have three children, who are 19, 17, and 11, and though the first two are old enough to sort themselves out, I'm still expected to act as their personal assistant. I normally grab a piece of fruit before I leave, and drive my Kia Sorento from Wolverhampton to a breakfast meeting in the Black Country.



8am

Wolverhampton and the Black Country are connected by the M5/M6 so the journey can take anything from 30 minutes to three hours depending on traffic. Once I arrive at the meeting, I have a bit of time to enjoy a croissant and another cup of tea before we start the discussion. The meeting provides details on the latest tax updates and the UK's economic outlook - identifying risk and, of course, the potential impact of Brexit. Contrary to national press coverage, there is real post-Brexit optimism in West Midlands business communities, partly driven by the enthusiasm around the

'Midlands Engine' that promises £34bn worth of productivity and growth.



10am

After my breakfast meeting, I drive to one of Thursfields' eight offices, make myself yet another strong cup of tea, and start to work through the dreaded daily deluge of email correspondence. Then I turn my attention to the financial stuff - this time of year I focus on the budget. I analyse all current-year expenditure across the business and forecast expected spend for the coming year - including specific project costs and the impact of growth on profits and cashflow. I also review contracts to ensure we get the best prices from suppliers and keep abreast of changes to products and services in legal.



1pm

I have lunch with one of the department heads - just to have a friendly chat about what's going on in their part of the business and get their view on costings, IT and other things. We normally go out for a coffee and a piece of cake, but sometimes we'll just have a salad or a sandwich in the office. After that I'll start to work on the business's IT needs. I wear a lot of hats in the business (IT is one of them) and I have a list of various IT priorities to work through. We're currently working on upgrading the firm's antivirus

software, rolling out new printers, and I have frequent discussions with our outsourced IT provider about new technologies and cybersecurity issues.



3.30pm

The firm has recently set up business development hubs for its three main geographical locations, with a board member chairing each group. I'm chair of the Black Country BD hub and have a list of tasks and networking duties to complete. So, in the mid-afternoon I work on reaching out to new contacts, touching base with existing contacts or supporting our fantastic group of junior lawyers with setting up their own events. I also provide support to our 'Thursty Thursdays' networking event which goes on tour around various locations - the last Black Country event is scheduled to go ahead very soon.



6pm

I finish work and drive home. When I get back I normally go and have a walk with my friend next door. We're taking part in a family fun run in July to support a local rotary club, so we're currently 'in training'. Later in the evening, after dinner, I sit down with my husband to plan the next family holiday. We're off to the south of France this summer - so plenty of planning to do around different French villages to visit. [LPM](#)

“ We're taking part in a family fun run in July to support a local rotary club, so we're currently 'in training'. ”



ALL ABOUT

Julia Warrilow

Lives in Wolverhampton

Works around the West Midlands

Favourite colour: Yellow

Biggest pet peeve: Bad grammar