

Date: 20 June 2013

R3

Law firms in Yorkshire continue to be at risk



Almost a quarter (23%) of law firms in Yorkshire and the Humber are 'at risk' according to the latest research by R3 using data from Bureau van Dijk's 'Fame' database. Out of a total of 509 active legal firms in the region, 14 were considered 'high risk' and 104 were in the 'caution' band. However, these figures show a slight fall from last year when 27% of local firms were 'at risk' and they are also more positive than the national picture with 31% (2,556) of law firms cross the UK at risk of failure in the next 12 months.

The legal sector is continuing to face the challenge of The Legal Services Act or 'Tesco Law' which has made legal services easier to access by allowing non-lawyers to invest in and own legal businesses via Alternative Business Structures (ABS).

"By opening up the legal market, the Legal Services Act has increased competition at a time when there is already pressure on client budgets and over supply in the sector, and this combination of factors poses a real threat particularly for small high street firms," explained Robert Adamson, chair of R3 in Yorkshire and Northern restructuring partner for Mazars.

"Already, we have seen a great deal of consolidation in the regional legal market with a number of mergers such as that of Keeble Hawson and hlw Commercial Lawyers LLP; DWF's acquisition of



media relations and profile

Cobbetts; and the recent merger of Dickinson Dees with Bond Pearce. This is a trend that we expect to see continuing with small practices unable to afford the level of branding and marketing or the technology to compete with Alternative Business Structures.”

He continues: “Next month, partners in law firms will once again have to make their second tax payment of the year, which can be a real squeeze on cash flow if it hasn’t been carefully planned for. Ideally, a tax reserve fund will have been maintained for this purpose and this should be monitored and steps taken to apply for a reduction of payments on account if earnings are expected to reduce over the coming year.

-Ends-

Photo shows: Robert Adamson, chair of R3 in Yorkshire and Northern restructuring partner for Mazars

For further information please contact:

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Methodology:

Compiled by R3, the Insolvency Trade Body using Bureau Van Dijk's 'Fame' database

‘At risk of failure’ is defined as a company that has a QuiScore below the normal band. The QuiScore is a measure of the likelihood of company failure in the twelve months following the date of calculation.

The QuiScore is given as a number in the range 0 to 100. For ease of interpretation, that range may be considered as comprising five distinct bands:

82-99 The Secure Band:

57-81 The Stable Band:

37-56 The Normal Band:

19-36 The Caution Band:

01-18 The High Risk Band:

Legal firms - UK SIC (2007) 69.1 legal activities

Notes to editors:

- R3 is the trade body for Insolvency Professionals, and is made up of 97% of the UK’s Insolvency Practitioners.
- R3 promotes best practice for professionals working with financially troubled individuals and businesses; all R3 members are regulated by one of nine recognised professional bodies.
- R3 stands for ‘Rescue, Recovery, and Renewal’ and is also known as the Association of Business Recovery Professionals

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