

Deloitte

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Mixed Fortunes as Law Firms Continue to Face Tough Conditions



- Growth rates slow -
- Further pressure on rates -

The findings from the latest Quarterly Legal Sector Survey, from business advisory firm Deloitte, show modest growth across the UK's top 100 law firms with fee income growing by 2.4 per cent and chargeable hours per fee earner by 1.2 per cent.

However, the average figures across the top 100 firms mask widely differing results across firms with some performing strongly while others struggle.

Firms ranked in the 26-50 category by size have achieved an increase of 6.7 per cent in fee income compared with 2.2 per cent across the top 10 firms during the quarter ended 31 October, compared with the same period last year.

The past quarter has been particularly tough on the firms ranked in the 11-25 category which have experienced an average decline (-0.3 per cent) in revenues compared with the same quarter 12 months ago.

With regard to chargeable hours per fee earner, the top 10 firms had the highest increase at 4.3 per cent compared with the firms in the 11-25 category where chargeable hours per fee earner only grew by 1 per cent.

Stuart Cottee, partner at Deloitte in Leeds, commented: "These results demonstrate that it is still a very challenging market for law firms in the UK. Fee income has slowed down in the second quarter compared with the first which is disappointing.

“Looking at the past quarter, the average increase in chargeable hours per fee earner of 1.2 per cent across the top 100 firms is higher than the average increase in fees per fee earner of 0.7 per cent which suggests that firms are recovering lower rates than in prior years.

“While this partly reflects the higher fee earner to partner leverage firms now have - with some impact on rates achieved due to seniority factors - the fall suggests that the much publicised pressure faced by firms on their rates may be starting to filter through to results.”

Analysis of law firms’ performance over the past six months, from 1 May to 31 October, shows that the top 100 law firms have, on average, enjoyed a 3.8 per cent increase in fee income when compared with the same six month period last year.

Ends

Notes to editor:

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