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City lawyers cut fees to compete

By Bob Sherwood, Legal Correspondent
Published: July 29 2004 5:00 | Last Updated: July 29 2004 5:00

City lawyers are increasingly "low-balling" - offering cut-price fees - to win new clients, according to research published today.

In a survey of more than 100 senior commercial lawyers, all respondents said their firms offered clients discounts on fees, with 47 per cent saying it happened often and 5 per cent saying cut-rate deals were struck "all the time".

More than 60 per cent admitted to doing work for corporate clients at unprofitable rates, though 39 per cent of the City lawyers said they would never countenance charging rates that would lose them money, according to the survey for Legal Week magazine.

The figures suggest low-balling is on the rise in the wake of the recent corporate slowdown as firms battle to win new instructions. More than 40 per cent of the respondents to the survey, conducted by Legal Week and EJ Legal, said the frequency of low-balling had grown "a little" and 32 per cent said it had grown "a lot" over the past five years.

One partner told the researchers: "The market remains competitive and where it is competitive that feeds through to fees. Every law firm has flexibility [on billing]."

But another senior litigator said there was no longer the same level of "buying of business" as there had been when the market was at its most sluggish.





As many as 95 per cent of the lawyers said their firms had lost instructions to low-balling rivals.

However, 79 per cent of City lawyers told researchers they did not believe that doing work for unprofitable rates was an effective way of winning market share in the long term. John Malpas, Legal Week editor, said: "This survey highlights the intensity of the competition taking place in the UK legal market. But it is interesting that so many lawyers do not believe low-balling is an effective way of winning clients in the long term, despite the fact that they indulge in the practice themselves."

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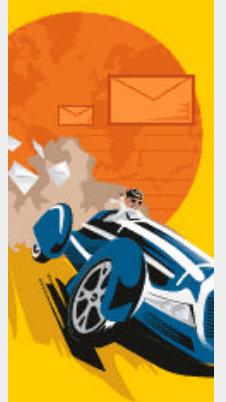
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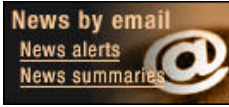
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