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Report backs companies to own law firms

By Bob Sherwood, Legal Correspondent
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Companies will be allowed to own law firms for the first time under radical proposals outlined by a government-commissioned review on Wednesday that are set to change the face of the legal profession.

The plans, which urge the government to give the go-ahead to introduce so-called "Tesco law", also raise the prospect of law firms floating on the stock market and allowing finance, management and other business professionals to become partners in legal practices.

The moves, proposed by Sir David Clementi, the Prudential chairman and former deputy governor of the Bank of England, would give investors access to the lucrative legal sector in a way that is almost unparalleled. The proposals were welcomed by the government, which pledged to introduce legislation to reform legal regulation.

Currently, non-lawyers cannot own stakes in law firms and solicitors employed by companies are barred from offering legal advice to their employer's customers. Sir David said: "I do not believe that many of the restrictive practices under which lawyers work can still be justified as being in the public interest."

Companies and investors would be allowed to own law firms outright or take smaller stakes, subject to safeguards to protect clients and regulation by a new legal services board.

The report was welcomed by the RAC, the motoring organisation, which has long planned to set up its own-brand law firm once restrictions were lifted. Industry observers predict many businesses, including supermarkets, will be examining the possibility of offering legal services in the light of the report. The report stops short of backing "multi-disciplinary practices" one-stop professional services firms of accountants and lawyers working together largely because of the difficulties of regulating them. But Sir David said liberalising legal practices would be "a major step towards MDPs, if at some subsequent juncture the regulatory authorities considered that sufficient safeguards could be put in place".

There will be no Financial Services Authority-style super-regulator for the law an option widely opposed by the legal profession. Instead, Sir David recommended a Legal Services Board be set up to oversee the regulatory functions of the Law Society, the solicitors' body, and the Bar Council, which represents barristers.

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