



Welcome  
**Bruce MacEwen**  
[Edit Profile](#)  
[Take a Tour](#)  
[Log out](#)

- Home
- World
- Business
- Markets
- Markets & funds data
- Industries**
- Aerospace & defence
- Autos
- Basic industries
- Consumer industries
- Drugs & healthcare
- Energy & mining
- Financial Services
- Insurance
- IT
- Media
- Professional services
- Property
- Retailing & leisure
- Telecoms
- Transport
- Utilities
- Lex
- Comment & analysis
- Technology
- Business life
- Your money
- Arts & Weekend
- Sport
- Jobs & classifieds
- In today's FT

- FT Reports
- Creative Business
- FTfm
- FT-IT
- World reports
- Business Reports

**FINANCIAL TIMES**  
[Subscribe to the print edition](#)

- News in depth**
- [Pre-Budget 2004](#)
  - [Iraq in Transition](#)

- Columnists**
- [Philip Stephens](#)
  - [Quentin Peel](#)
  - [Lombard](#)
  - [Martin Wolf](#)
  - [Lucy Kellaway](#)
  - [Amity Shlaes](#)

Industries / **Professional services**

[Print article](#) | [Email article](#)

**Firms mean business**

By Bob Sherwood  
 Published: December 20 2004 02:00 | Last updated: December 20 2004 02:00



Certain lawyers dislike being described as part of an industry. They see a conflict between lawyers as professionals and lawyers as business people."

So wrote Sir David Clementi, the former deputy governor of the Bank of England, in his government-commissioned report recommending sweeping reform of legal regulation in England and Wales last week. But he concluded: "The idea that there is a major conflict is in my view misplaced."

The notion of the law as a consumer-focused, profit-driven business was at the centre of the report, which seems set to change the way many lawyers provide their services. Sir David's recommendations, which the government appears minded to accept, are likely to lead to an influx of private capital into legal practices and allow companies outright ownership of law firms in a way that has few precedents around the world. No longer would investors be barred from taking a stake in legal practices or non-lawyers prohibited from becoming partners in law firms.

But the proposals for such dramatic change have not gone down well with all UK lawyers, leading some to question whether they are indeed part of a profession or an industry.

The Bar Council, the body that represents and regulates courtroom advocates, is worried by the blurring of business and profession, fearing it could lead to a clash between commercial pressures and ethical duties. Stephen Irwin, its chairman, warned that "injecting private capital into law practices would compromise their independence and act as a motor for unnecessary litigation".

The most dramatic effect of the reforms would be to allow companies such as supermarkets, banks and service groups to offer legal services to their customers through subsidiary law firms. The RAC, the motoring and breakdown recovery organisation, has been among the first to announce plans to create an own-brand law firm.

However, even for traditional law firms that reject the notion of allowing outside ownership, the reforms are likely to have an impact on the way they run their business. The report proposes that solicitors' firms should be able to take on non-lawyers as partners to help them run what are fast becoming large businesses.

Although the biggest law firms already employ professional managers, few wield real power and the restriction on equity is often a bar to recruiting the best business specialists.

Sir David said: "The skills necessary to run a modern legal practice have developed; but whilst those with finance or IT skills may sit on the management committee of a legal firm, they are not permitted to be principals in the business."

Christopher Honeyman Brown is such a manager. He was brought in as chief executive of asb law, a firm in south-east England, to help develop the practice after a three-way merger. But as a chartered accountant, he cannot be a partner or have voting rights in the firm he runs.

He insists that lack of equity ownership does not hinder his role, but agrees that it is rare for a non-lawyer to have similar power in a law firm. "Once you have that ownership commitment it puts you in a different place mentally," he says. "I cannot see how the integrity of a law firm is threatened by having a professional manager as a partner."

Clifford Chance, the world's biggest law firm, needs no convincing that law firms are first and foremost profit-driven businesses. Stuart Popham, its senior partner, says the

**Search & quotes**

Go  
 News  Quotes  
 • [Power search](#) \$  
 • [My portfolio](#)

**Editor's choice**

- [Report backs companies to own law firms](#) \$
- [Clementi proposals split the profession](#) \$
- [Law practices face shake-up in ownership](#) \$
- [Legal sector faces loss of power under new plans](#) \$
- [Boost for RAC in attempt to launch practice](#) \$

**Site services**

- [Personal office](#)
- [Download news ticker](#)
- [FT mobile](#)
- [FT Research Centre](#)
- [FT conferences](#)
- [Currency converter](#)
- [Working at the FT](#)

**Research tools**

- [Analyst reports](#)
- [FT Research Centre](#)
- [Free annual reports](#)
- [Market research](#)
- [Growth companies](#)
- [D&B business reports](#)



reforms are overdue and must be forward thinking enough to allow law firms to develop in the future.

"The reforms need to encompass not just what we might want to do tomorrow, but also what we might want to do in years to come," he says. He insists that allowing investors to take a stake in the firm, perhaps through an initial public offering, are "not on our agenda today", but nevertheless "I cannot rule it out at some point in the future".


He also agrees that current regulations barring non-lawyers from taking equity stakes do not reflect the reality of running modern law firms. "There are elements that are just like running any other big company, and that wasn't the case years ago when the regulations were conceived."

 [EMAIL ARTICLE](#)

 [PRINT ARTICLE](#)

 [MOST POPULAR](#)

---

 = requires [subscription](#) to FT.com

[Home](#)

[World](#) | [Business](#) | [Markets news](#) | [Markets & funds data](#) | [Industries](#) | [Lex](#) | [Your money](#)  
[Comment & analysis](#) | [Reports](#) | [Arts & Weekend](#) | [Sport](#) | [In today's FT](#) | [Media inquiries](#)

[Contact us](#) | [Help](#)

© Copyright [The Financial Times](#) Ltd 2004. "FT" and "Financial Times" are trademarks of the Financial Times. [Privacy policy](#) | [Terms](#) | [Advertising](#) | [Corporate](#)