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FOCUS ON LEGAL

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Welcome

Welcome to Haslers's Focus on...bulletin, looking at news and information relevant to specific business and industry sectors.

This Focus on Legal bulletin takes a look at some of the issues affecting these businesses, including why law firms could be forced out of the conveyancing market and fines for alternative business structures.

If you have any feedback on this issue of Focus on Legal, or would like to know more about our services or how we can help you, please contact us on **020 8418 3333** or email **Hiten Pate**l (Partner, Business Services Group) **hiten.patel@haslers.com**.

Law firms could be forced to leave conveyancing market

Up to two-thirds of law firms could be forced to leave the conveyancing market due to increasing regulatory pressure and decreasing transaction volumes.

Property specialists have predicted a "significant" fall in the number of conveyancing firms in 2011, as solicitors face a "perfect storm" created by decreasing workloads in this area and proposed changes to professional indemnity insurance (PII).

Eddie Goldsmith, chairman of the Conveyancing Association and a partner at London-based firm Goldsmith Williams, said all the signs pointed to a significant reduction in the number of conveyancing firms.

He said the Solicitors Regulation Authority's (SRA) plans to remove claims by lenders from the minimum terms of PII cover would cause an "immediate departure from the market" of firms that only carried out conveyancing work on an occasional basis.

Meanwhile, Law Society property spokesman Paul Marsh said 2011 was going to be a "very challenging" year for firms relying on conveyancing work, calling the SRA's PII plans "fatally flawed".

The problem was not just the decline in work, which he predicted would remain low for the next two to three years, but the way in which the work was shared around.

There are also fears that legal services reforms which will allow new entrants into the market from October will add to the challenges already faced by conveyancing firms.

Multi-million pound fines for alternative business structures

Alternative business structures could face fines of up to £250 million while individuals working for them could have to pay as much as £50 million, under proposals outlined by the Legal Services Board (LSB).

While the potential fines may seem high, they will be preferable to the LSB's original plan to impose unlimited fines. This idea was scuppered after the Ministry of Justice pointed out that the Legal Services Act 2007 did not permit such a move.

Setting maximum fines was the preferred option of the overseer of the legal regulator, which favoured the plans over the alternative of calculating penalties based on a percentage of turnover.

In a consultation published in December, the regulator said maximum fines had the "strongest deterrence" and would give licensing authorities the flexibility to deal "proportionately and in a targeted way" with a wide range of licence breaches.

In considering how much individuals can be fined, the LSB said it looked at reports that partners handling miners' compensation claims had earned millions, with one making more than £30 million over a five-year period on matters that led to him being struck off the roll of solicitors.

In setting the entity fine, the LSB looked at the size of firms currently in the market, potential entrants to the market, the deterrent effect of penalties and the size of penalties imposed by other regulators.

The paper said: "We are aware that the amounts proposed are large. We consider that these will have strong deterrence in the market and avoid situations where any entity or individual may consider "pricing in" non-compliance."

The consultation closed on 24th January 2011, and the Lord Chancellor will need to give his consent before the rules can be implemented.

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