



# The City of London Law Society

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**David Hobart**  
Chief Executive

3<sup>rd</sup> February 2016

Dear Director,

## **LEGAL SERVICES STUDY**

I am writing to you in my capacity as Chief Executive of the City of London Law Society (CLLS). The CLLS is the professional representative body for 60 of the largest national and international law firms in the City of London (Square Mile and Canary Wharf). The 15000 City solicitors make up some 15% of the profession in England and Wales.

I note that your study will be concentrating on the provision of legal services to individuals and SMEs, where one might expect a greater potential asymmetry of information between customers and suppliers than, say, in the relationship between large City firms and their sophisticated commercial clients. Nonetheless, your study will be of considerable interest to the City firms in at least two respects.

First, you refer in your Statement of Scope to the government's intention to launch a Spring 2016 consultation on making legal services regulators independent from their representative bodies. The extent to which the CMA study informs, or is informed by, the Spring 2016 Consultation may have a significant impact on the large City firms. Today's regulatory funding arrangements for the legal sector, dictated by the terms of the Legal Services Act 2007, result in the City firms and their 15000 solicitors paying some £25m annually towards the regulatory costs of the sector. Put differently, that £25m is broadly equivalent to the amount raised annually under section 51 of LSA 2007 by our Approved Regulator – the national Law Society – to permit it to carry out certain 'permitted' non-regulatory tasks. Arguably, the £25m paid by the City firms is an unwarranted overhead that serves merely to make the City law firms less competitive than they should be vis a vis their national and international competitors. Crucially, a growing number of our competitors in this jurisdiction are not subject to the same overhead, by virtue of their entry into the legal sector as entities employing unregulated staff. It seems to me that this growing asymmetry is relevant to the examination of the issues under your proposed Theme 3.

Second, I was struck by your intention to include **Commercial Law Services** as a potential third case study that would include advice relating to commercial contracts. Again, I realise that your focus is individuals and small businesses, but you will be aware that commercial contracts go to the heart of City legal activity. The CLLS has a Commercial Law Committee that has considerable expertise in transactions that ensure that large clients can contract successfully with SMEs and individuals.

Finally, your Next Steps include the intention to gather evidence by meeting relevant representative groups through roundtable meetings and workshops. If you would find it helpful, the CLLS will be happy to contribute to your evidence gathering, and should be able to marshal the required subject-matter expertise.

Yours sincerely,



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David Hobart