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**Law Society chief tries to allay fears over changes**

By Bob Sherwood, Legal Correspondent  
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The head of the solicitors' profession will today attempt to calm fears among lawyers that the opening up of legal services will put many of them out of business.

In a speech to the annual conference of the Law Society, which is both the professional association and regulator for solicitors, Edward Nally, the society's president, will hold out the promise of a "new beginning".

But he will also warn that law firms will need tough new rules to preserve their ethical standards in a new world in which outside investors will be allowed ownership of legal practices.

Sir David Clementi, Prudential chairman and former Bank of England deputy governor, is poised to recommend rule changes that would allow non-lawyers to own law firms for the first time. However, many solicitors fear the advent of "Tesco law" could see high street practices driven out of business by new legal companies with deeper pockets.

Mr Nally, head of the society that represents 116,000 solicitors in England and Wales, will tell the conference the prospective changes will herald a "new beginning" for the profession and "offer more career choice, perhaps even a better quality of professional life, more options for business expansion and for external investment".

But he will add: "There will need to be rules to prevent inappropriate cross-selling of services within [new-look legal practices]. And safeguards against conflicts or any improper interference by external investors with the actual business of delivering legal services."

Mr Nally will also pledge to review the contentious new rule that allows solicitors to pay organisations "referral fees" for passing on work. In December, the Law Society decided to allow the payment of referral fees, to increase the transparency of referral arrangements, so such payments are now legal. However, the move sparked uproar among many sections of the profession and a ballot of solicitors this month voted overwhelmingly to reinstate the ban.

The incident had come to the fore after hundreds of smaller law firms that took on "no win, no fee" personal injury cases from The Accident Group were ordered to reimburse claimants millions charged in referral fees - which had been illegal at the time.

Claimants had to pay a so-called "investigation fee" of £364 - £310 plus value added tax - to The Accident Group to cover the cost of investigating their cases, paid for out of a loan covered by insurance. But in May, the Court of Appeal ruled that was in reality an illegal "referral fee" paid to TAG for passing the work on to the law firms.

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As many as 800 law firms were on TAG's panel, although many did not use the investigation fee. The Law Society has told firms involved they must repay the fees or face potential disciplinary action. Philip Long, of accountants PKF, said the sum due to be paid back could "easily reach £50m".

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