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Most top law firms looking at limited liability

By Bob Sherwood, Legal Correspondent

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An overwhelming majority of the UK's top 50 law firms are preparing to convert to limited liability status within two years, as City solicitors seek greater protection against the nightmare of a catastrophic damages claim.

As many as 84 per cent of the biggest law firms have already converted or are actively reviewing changing to limited liability partnerships, according to research by Legal Week magazine.

But so far just 14 of the top 50 have moved over, with Allen & Overy the only member of the "magic circle" of top five firms to have done so. Difficulties with tax regimes in countries that do not recognise UK LLP status and worries about the requirement to publish transparent, audited financial accounts have proved the biggest obstacles.

Another 28 of the top 50 are planning conversion to LLP status or are considering it, according to the research. Lovells, Norton Rose, Denton Wilde Sapte and Beachcroft Wansbroughs are to vote on LLP conversion this autumn, while Berwin Leighton Paisner and Trowers & Hamlins have agreed to convert.

Just three out of the top 50 firms told Legal Week they had "no plans" to become LLPs: Slaughter and May; Simmons & Simmons; and Clyde & Co.

UK limited liability status is designed to protect individual partners from "armageddon" negligence claims - as long as they were not directly and personally involved. Even though the business may be wrecked by such a claim, limited liability status would protect a partner's house and pension, for example.

The main drawback is that one of the conditions, unlike in the US, requires firms to publish independently audited accounts every year. These would show how much money lawyers are making. Solicitors have been reluctant to divulge such details.

Allen & Overy this year became the first of the top international firms to produce and publish accounts, and insisted that the rest of the legal sector would have to follow its lead if they were to be taken seriously as modern, competent businesses.

Paul Hodkinson, Cityeditor at Legal Week whoco-ordinated the research, said many firms had been waiting to see how LLP status worked before switching. "Now that the likes of Wragge & Co, Eversheds and Allen & Overy have done it, they feel it's a lot safer. They know they are not going to be so much in the spotlight."

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