



Information for Solicitors On Purchasing a Legal Practice

Exploring the Option, Valuing a Practice,
Negotiating and Doing a Deal



1. INTRODUCTION

Many solicitors have traditionally advanced their careers by either buying into a legal practice or by buying one outright. Also, practices themselves merge and/or purchase other practices for a wide range of reasons.

1.1 Why Solicitors Join Partnerships and Buy Practices

Some solicitors are offered the opportunity to become a part owner (and possibly full owner over time) of the firm in which they are employed. Other solicitors are offered this option as part of an employment offer. These opportunities are often a natural progression within a solicitor's career while they also facilitate planned succession within the firm. Buying into a partnership is not covered in this information leaflet but is dealt with in a separately dedicated leaflet.

Other solicitors purchase firms that they may have had no earlier involvement in. They do this in preference to setting up a brand-new firm for many reasons. Buying can fast-track how quickly a solicitor is able to progress into viable self-employment. It can also minimise many of the risks inherent in setting up from scratch.

Another notable reason currently exists - excellent value. The custom of solicitors buying practices has slowed up in recent years and many solicitors who would now like to sell - and who own valuable firms - can find it difficult to find a suitable buyer. This situation brings with it a lot of opportunities and real value for solicitors in the market for a practice.

1.2 Why Practices Merge and Buy Other Practices

Practices merge and acquire other practices for a myriad of reasons. Sometimes they want to expand their client base or grow their firm into a larger operation. Practices merge or acquire in order to access expertise that they lack but which exists in a targeted firm. Other practices purchase for other strategic reasons.

1.3 Information on commencing partnerships

Partnership agreements are not a matter that the Society will deal with as these are private matters entered into by the agreeing parties. A well drafted partnership agreement is important to address matters including decision-making, profit sharing, responsibilities, liabilities and dispute resolution. This will avoid any potential conflicts arising in the future of the firm.

Partners should be aware that they are jointly and severally liable for the firm which includes the client account and all client moneys. It should be noted that for regulatory purposes, the Society does not differentiate between a salaried and equity partner in a solicitor firm.

Commencing a partnership with the Society is similar to commencing a sole practitioner practice. The Practice Advisory Service is also made available to solicitors commencing this form of firm.

The Solicitors Accounts Regulations 2023 (S.I. 118 of 2023) require that one of the partners in the firm is nominated as the “compliance partner” and that this is notified to the Society. This partner is responsible for completing and signing on behalf of all the partners in respect of each reporting accountant’s report furnished to the Society on an annual basis.

Solicitor firms commencing as a partnership must do so through the Society first and once they have been issued with a firm number, they may then make an application to the Legal Services Regulatory Authority for authorisation to operate as an LLP. Currently, there is no dual process available to commence an LLP *ab initio*.

1.4 Existing partnerships merging with another practice

When a partnership or any other structure merges with another firm, one of the firms will be required to execute a cessation of their firm. This will, in most instances, require the continuing firm to confirm that they are going to be a succeeding practice to the firm that is ceasing. The firm that is ceasing will need to provide the Society with a closing accountant’s report also within 3 months of the cessation.

An existing firm that intends to merge with another practice should in the first instance be satisfied that they have conducted their due diligence on that firm which may include inter alia reviewing client files, reporting accountant's reports, professional indemnity insurance claims and any investigating accountant's reports from the Society. They should be entirely satisfied that the firm that is ceasing is suitable for merging.

If the continuing firm notifies their insurer that they are going to be a succeeding practice to another firm, there is no method available to nullify or renege on this. Any historic claims made on the ceasing firm will then become a matter for the continuing firm. The details of what constitutes a succeeding practice are set out in the relevant Professional Indemnity Insurance Regulations in force and it is not a matter that the Society can declare.

1.5 Existing practitioners taking on new partners

When considering taking on new partners they should do so on the basis of their expertise and skills as well as their compatibility with the firm and its values. Evaluating their track record in client retention and previous clients may also be of use in considering taking on new partners. Many firms take on partners on a salaried basis first with a view to becoming equity partners after a defined number of years satisfactory service and this should be made clear from the beginning; it may also assist defining the prospective partner(s) long-term goals.

1.6 Solicitors changing from sole practitioner to a limited liability partnership

Since the introduction of LLPs in 2019, a number of sole practitioner firms and sole principal firms have decided to become partnerships in order to take advantage of the LLP provisions in the Legal Services Regulation Act 2015.

In the case of a sole practitioner, these firms usually have other assistant solicitors working in the firm and the usual course of events is that the sole practitioner goes into partnership with one or more of the solicitors in their firm.

In order to do this, the sole practitioner should contact the Society (firms@lawsociety.ie) who will provide information on how to execute the cessation of the sole practitioner firm and how to commence a partnership firm. This can be done smoothly so that the first firm ceases on, for example, a Monday and the new firm commences on the Tuesday. The new partnership firm will, by definition, be a succeeding practice to the sole practitioner firm. This will ensure there is no break in practising history for any of the solicitors in the firm.

Once the new partnership firm has been commenced and a new firm number has issued, the firm may then make an application to the Legal Services Regulatory Authority for authorisation to operate that firm as an LLP.

1.7 Solicitors leaving a partnership

Where a solicitor leaves a partnership, whether the firm must change structure will depend on whether there are 2 or more partners remaining. If there are still 2 or more partners remaining in the firm, it will remain a partnership and there will be no need to change firm structure.

If, however, there were two partners and one of those partners leaves, this will trigger a change in firm structure and the remaining partner should contact the Society to execute a cessation of that partnership and details on how to commence a new sole practitioner firm.

1.8 Solicitors moving from being an employee to being a partner in a partnership

Such solicitors should review the partnership agreement carefully and recognise their role in the organisation. They may wish to seek independent legal advice on the matter if necessary. They should also evaluate the workload and responsibilities that come with being a partner in the firm to ensure they are prepared to meet these additional expectations.

As noted above, they should understand if they are being made a salaried partner with a view to becoming an equity partner in due course and assess if this meets with their long-term career goals.

On a regulatory level, they should familiarise themselves with the Solicitors Accounts Regulations 2023 (S.I. 118 of 2023) and the relevant Professional Indemnity Insurance Regulations in force.

1.9 Benefits of Buying

The big benefit of buying a legal practice or partnership tends to lie primarily in the goodwill acquired. Goodwill refers to client loyalty and the likelihood of repeat business. The firm's infrastructure can be valuable too - and expensive if you had to buy it all as you need it. Depending on the purchase agreement made, the acquirer of a legal practice may get the benefit of good cash flow from day one.

Another positive factor is that the purchase of a practice is often not too difficult to fund. This is even more so in recent years, with sellers more prepared to negotiate deferred payment terms.

1.10 Risks of Buying

It is important to understand that a legal practice is an intangible asset. It is quite different to a piece of land or a building and can be difficult to sell on at a later stage. The buyer needs to also assess the level of control that the seller exerts within the practice and judge whether that may compromise goodwill. The buyer needs to do careful due diligence in order to identify and consider any other possible problems.

Purchasing a legal practice or partnership usually involves a level of up-front investment but this is often dwarfed by long-term obligations taken on. Tread carefully in these circumstances.

1.11 Be Clear about Your Objectives

You should feel assured that you will be suited to self-employment before buying a practice or joining a partnership. Self-employment can be fulfilling and rewarding but it can often require huge personal effort and commitment. Quite simply, it's a lifestyle that does not suit everyone. And, even if self-employment suits you, is purchasing better than starting a firm from scratch? Be sure about the kind of practice that suits you and be very cautious about buying a type of firm that you know little about.

2. EXPLORING OPTIONS

Some solicitors and legal firms decide to buy a practice and go out to the market and explore what is available - and on what kind of terms. Other solicitors and firms find themselves considering this option after a proposal is put to them by a colleague.

Regardless of what has prompted you to consider buying a legal practice, best advice is to check out what's generally for sale and how the option you're considering stacks up against other, alternative buying options open to you.

2.1 Best Value Options

There are a whole host of factors that impact on the purchase/sale value of a law firm. Firms that do lucrative business are particularly valuable, especially if there is significant repeat business involved. It is best in the firm is not too centred on and dependent on one person. Automated work systems and good risk management control are two important factors that impact positively on a firm's value.

2.2 Sources of Information

If you're looking to find out about legal firms that can be bought, there are several information sources available and best advice is to access as many as you can. Word-of-mouth is important - so spread the word about what you are looking for. Contact the Chairperson and Secretary of Bar Associations too and anyone else who is well informed about what is going on locally.

Brokers, active in this marketplace, tend to know about firms for sale. Contact them. A list of the consultants is provided below.

Advertising, in your own name or through another party, such as an accountant, is another option. Solicitors place these types of advertisement all the time in the Law Society Gazette. Another useful option is the [Buy Sell Merge](#) facility on the Law Society website in the Business Hub Section.

2.3 Buy Sell Merge - Great On-line Resource

The Law Society's Buy Sell Merge facility is an important resource that solicitors should be aware of and one that you can use in a wide variety of situations. It can be accessed on the Law Society website - on the 'Solicitors' drop-down menu - and in the 'Business Hub'

Buy/Sell/Merge is a free, anonymous online forum that solicitors can use to advertise their interest in a wide variety of matters - such as:

- Buying a practice
- Selling a practice
- Merging a practice
- Sharing overheads

Solicitors who are considering the buying of a practice often find it beneficial if they can discreetly make contact with colleagues who may be interested in agreeing to a deal. Buy Sell Merge facilitates solicitors to make initial tentative steps, safe in the knowledge that their identity is not disclosed.

2.4 How to Use the Buy Sell Merge Facility

The first step is to register on Buy Sell Merge. Gain access to the Buy Sell Merge facility on the Law Society website. The facility has good instructions that will guide you through the simple process of registering. You can then put an advertisement up anonymously or respond to an existing advertisement that interests you.

All solicitors can browse advertisements listed. However, you must register / create a profile before you can post an advertisement or respond to one.

An interesting feature of Buy Sell Merge is that solicitors who place advertisements remain anonymous. It is simply not possible for anyone to identify them. Solicitors who respond to advertisements are identifiable to advertisers and advertisers can respond to them or not - according to their preference.

3. SUPPORTS AVAILABLE

Law Society of Ireland provides a wide range of supports to solicitors in the area of practice purchase. Please contact Justin Purcell Practice Support Executive.. Solicitors are welcome to email practicesupport@lawsociety.ie with any queries or concerns about purchasing a practice and/or any associated matters.

Buying a business is not something that anyone should attempt to do without competent professional support. The risks involved are huge. Every business purchase transaction is different and requires the input of professional advisers, an accountant, and a solicitor, who have up-to-date expertise in the purchase and sale of professional firms.

However, be careful not to instruct advisers to 'sort out the paperwork' and fail to familiarise yourself with every detail. Ultimately, the buck stops with you!

3.1 Consultants Who Support Solicitors Buying Practices

Firm	Outsource
Type of Business	Consultants to professional service firms
People Involved	David Rowe,
Telephone	01 678 8490
Email	info@outsource-finance.com
Web	http://www.outsource-finance.ie/index.html

Firm	Evelyn Partners
Type of Business	Accountants and wealth management consultants
People Involved	Paul Wyse/ Marc Lowry
Telephone	01 4911866 / 086 1955919 / 087 22276076788490
Email	Marc.Lowry@evelyn.com
Web	https://www.evelyn.com/

Firm	Haydon Chartered Accountants
Type of Business	Firm of accountants
People Involved	Hilary Haydon/
Telephone	01 2051700

Email info@haydon.ie; Hilary Haydon FCA hilary@haydon.ie
Web <https://haydon.ie/>

Firm O Reilly Business Services
Type of Business Accountants
People Involved Mike O Reilly
Telephone 087 257 0923
Email mikeoreilly@orbs.ie

4. WHAT YOU BUY

There are all sorts of ways that the purchase (or part purchase) of a legal practice can be structured. The business can be sold as a going concern with all assets of the business involved, including fixed assets such as the building that it operates out of.

More often legal practices that are sold as going concerns are sold without the ownership of buildings included. Sometimes the purchaser stays on in the same building through a letting arrangement made alongside the business purchase.

Work in progress and debtors can impact significantly on the value of a practice and can be included or not in a going concern purchase. Work in progress is most usually included but debtors are often excluded and left for the vendor to collect.

An alternative option is not to buy the practice but to just buy files. In between these two, very different options are all sorts of possible variations. For example, a legal practice might be purchased as a going concern but no ongoing responsibility for employees is taken on.

How agreements to purchase are structured can impact on professional indemnity insurance liability. As a result, it is critical that prospective purchasers are familiar with the succeeding practice rule.

4.1 Overview of the Run-off Fund and “Succeeding Practice Rule”

The professional indemnity insurance regulations are designed to prevent situations whereby a client’s valid claims are not covered by any professional indemnity insurance cover. Provisions in the regulations relating to succeeding practices and preceding practices are among the mechanisms put in place to achieve this objective.

This article explains the effect of the regulations in circumstances where there is a succession to a firm’s practice. A succession can occur, among other circumstances,

where one firm acquires the practice of another. The possibility of acquiring a practice often presents a very worthwhile opportunity for the acquiring firm.

However, it is important for solicitors to be aware of the impact of the regulations in such a situation and, in particular, of a firm's obligations in relation to the coverage of claims that may in the future be made against the acquired firm.

Background to the Succeeding Practice Rule

Professional indemnity insurance cover is on a 'claims made and notified' basis. This means that the insurance policy that will meet a claim is the insurance policy that is in place when the claim is made and notified to the insurer (or the insurance policy that was in place at the time the insurer is notified of circumstances that may give rise to a claim), and not necessarily the insurance policy that was in place when the alleged negligence occurred.

For this reason, all solicitors who were proprietors of firms which were ceasing practice were previously required to continue their professional indemnity insurance cover for a period after ceasing practice.

The old regulations were found to be inadequate. The availability of cover relied on the solicitor ceasing practice arranging the necessary cover. Some solicitors did not do so. While the Law Society could, and did, take regulatory action against these solicitors, there were no means of guaranteeing that the matter would be rectified and that cover was put in place.

Accordingly, there were occasions when clients who had a legitimate claim against their former solicitor could not recover because their solicitor had no means and was not insured at the time the claim was made.

Run-off Fund

The Run-off Fund was established in the 2011/2012 indemnity period in order to assist firms ceasing practice, make retiring more affordable for solicitors, improve public protection, prevent abuse of the system, and provide incentives for solicitors ceasing practice to do so in an orderly fashion.

The Run-off Fund provides run-off cover for firms ceasing practice:

1. who have renewed their professional indemnity insurance (“PII”) for the current indemnity period;
2. and subject to meeting eligibility criteria, including that there is no succeeding practice in respect of the firm.

When a firm ceases in practice in an indemnity period (between 1 December and 30 November), their PII remains in place for the remainder of the indemnity period and, if they meet the eligibility criteria, the ceased firm enters the Run-off Fund in the next indemnity period.

Further information on the Run-off Fund is available on the Law Society website at: <https://www.lawsociety.ie/Solicitors/business-career-resources/PII/Run-off-Cover>

4.1.1 Insurance to Cover Preceding Practice & Succeeding Practice

Under clause 2.5 of the minimum terms and conditions, a firm’s existing insurance must indemnify against civil liability to the extent that such liability arises from any provision of legal services in connection with what is defined as a preceding practice.

Under clause 2.6 of the minimum terms and conditions, where there is a succession to a firm’s practice, the firm’s existing insurance must indemnify against civil liability arising from any provision of legal services in connection with what is defined as a succeeding practice to the firm’s practice. In both cases, the requirement is subject to the proviso that:

- a) A claim in respect of such liability is first made and notified against the insured during the coverage period, or
- b) A claim in respect of such liability is made during or after the coverage period and arises from circumstances first notified to the insurer during the coverage period, or
- c) Arises from circumstances first notified to the Insurer within three (3) working days immediately following the end of the coverage period provided that the Insured was aware of such circumstances during the coverage period.

Full information on the succeeding practice rule is on the Law Society website.

5. VALUING A LEGAL PRACTICE

There are four traditional ways to value a legal practice and these are as follows:

- According to turnover
- According to profit
- Based on net assets
- By pre-agreement

In the past, professional firms were most commonly valued according to their turnover. In good economic times, a firm might be worth 100% of its annual turnover; in more difficult times, maybe 50% of annual turnover. So, the percentage might change depending on market conditions, but the base remained annual turnover.

As profitability increasingly began to vary among professional firms, valuations were often linked to profitability. Using this yardstick, a firm might be valued at eight times its net profit in good times and at four times profit in more difficult economic times.

A very different way of valuing a business is by reference to its assets less its liabilities. This is the way legal firms have tended to be valued for the last 10 years. Using this method, a value is put on the various categories of assets and liabilities and these determine the value. In difficult times with this method, a low to sometimes no value is put on some assets - especially intangible assets such as goodwill - and to a lesser extent work in progress.

Valuations based on pre-agreement are those where the owner of a firm makes an agreement with, say, a staff member that involves the other person taking over the firm at some time in the future. This kind of agreement tends to be more focused reaching a deal that works for both parties rather than financial Valuation per se.

5.1 Purchaser Priorities

When looking at a possible acquisition, astute buyers will focus on the future and how the firm is likely to fare given developing trends and expected changes.

Alongside factors affecting the future, continuity of business and safeguards, such as a good risk management system, are critical.

Within the current buyers' market, purchasers are focused on value and are slow to pay a great deal for matters such as goodwill - particularly on an upfront basis. In addition, it has become a great deal more difficult to access lending from banks and the consequence of this is often deals can only be done where vendors are willing to agree to deferred payment arrangements.

5.2 Purchaser Challenges

A business owner may provide very impressive turnover and profit figures but ascertaining just how reliable these are can be difficult especially in advance of due diligence. It can also be difficult to assess the quality of business,

The issue of staff is regularly a critical valuation matter - for all sorts of reasons. Sometimes you really need to be reassured that staff will transfer with the business. In other circumstances, the business needs to be acquired free of staff.

If a firm has a good, automated practice management system in place, this can provide a good deal of assurance. It generally reflects a commitment to doing things right and will make due diligence easier to complete in due course.

5.4 Matters That Complicate Practice Valuation

When business premises are included in the purchase of a legal firm, major problems can arise. The vendor may have a view regarding what the building is worth that is not in line with yours. Also, a different type of funding is usually required. Best advice is to do two separate deals, one for the business and another for the premises.

Other fixed assets such as office furniture might have cost a good deal and have a high book value but vendors should expect to be paid little for these items.

Vendors and buyers can find it very difficult to agree on a value for work in progress. However, increasingly it is less and less necessary to do this as purchasers rarely pay for work in progress up front. Arrangements to pay as income comes in are now more usual and, in these circumstances, valuations in advance are not necessary.

Debtors can impact significantly on a legal firm's value. A good argument exists for not including them in a purchase agreement and for letting the vendor collect them

The value of goodwill - and when it needs to be paid for - is really dependent on the relative strength of the purchaser and vendor. Currently, purchasers are generally doing better in negotiations on this front.

6. DOING A DEAL

You identify a legal practice that is a possible interesting purchase option, you talk to the owner and then the tough work needs to be done! First, there may be formalities, such as a confidentiality agreement. Then, you need to start getting information and explanations from the vendor in order to clarify a whole lot of matters, such as:

- Income, expenses, and profitability
- Complaints, claims, and litigation in process
- Information on employees, leases and service agreements

You need to reach a point when you are able to quantify all critical matters such as historic and projected income, expenses and profitability, work in progress, debtors and values for other assets and liabilities

6.1 Finalising Purchase Specifics

When you are confident that you have accessed all necessary information and made sense of it, it's a good idea to meet with the vendor and/or their professional advisors in order to finalise a whole lot of matters, including:

- Identified problems that exist discussed with the vendor.
- Both parties outline what they want to be contained in a purchase agreement.
- Compliance with indemnity insurance and regulations reviewed.
- Amount and source of funding to be used disclosed.
- Both parties declare their perceived asset and liability values.

6.2 Negotiating With the Vendor

Every purchase negotiation is unique. There may be an arrangement made for the vendor to stay on with the firm as a consultant or employee. Transition arrangements need to be made. Consideration needs to be agreed on and how and when it is to be paid must be agreed on. How and when consideration is paid can have significant tax implications for both parties. How purchase consideration will be treated for tax has the potential to be a late-stage deal breaker and needs to be properly considered.

7. DOING DUE DILIGENCE

When buying an established legal practice it is vital that you, the prospective purchaser, examine the firm in detail. This process is known as due diligence. Due diligence is generally conducted after the buyer and seller have agreed in principle to a deal, but before a binding contract is signed.

Conducting due diligence is the best way for you to assess the value of a practice and the risks associated with buying it. Due diligence gives you access to important and confidential information about a business, often within a time period specified in a letter of intent.

With this information, you can assess the practice's financial position and identify risks and ongoing potential. It is your chance to answer any questions you might have about the practice. Done correctly, due diligence can mean the difference between buying a firm that makes you money and buying one that costs you money.

You should always perform due diligence with the help of an expert solicitor, accountant and/or business adviser.

7.1 Your Due Diligence Investigation

Almost always, you won't do due diligence - but you will have an expert profession, such as an accountant, do it on your behalf. They will need to carefully review:

- Income statements
- Balance sheets, profit and loss accounts and tax returns for last 3-5 years
- Cash deposit and payment records, as reconciled with the accounts
- The seller's claims about their business (e.g. their reasons for selling)
- Information on clients, amount of business with each and frequency
- Information on the kind of legal work done and on fees charged
- Privacy of data arrangements (e.g. of employees, trading partners, customers)
- Intellectual assets and their security (e.g. trademarks, patents)
- Existing contracts with clients/staff and obligations involved
- Partnership agreements
- Lease arrangements

The person doing due diligence will be particularly interested in the firm's taxation position and to its employer obligations. She/he will also need to consider the likely eventual price in order to be able to offer an opinion on whether she/he views the expected asking price to be fair.

7.2 Warning Signs for the Buyer

Be wary of vendors who:

- Do not disclose important information (e.g. their reasons for selling, financial statements, licences and permits, staff contracts)
- Won't agree to a trial period or enough time to conduct due diligence (you will need at least 30 days)
- Won't introduce you to their suppliers, landlord or estate agent
- Are involved in legal proceedings
- Are keen to close the deal quickly
- Have a questionable credit record and history.

7.3 Critical Matters to Organise In Advance of Due Diligence

It's important to get agreement (or as close to agreement as possible) with the vendor on a whole raft of matters before you start due diligence. Key issues include:

- What exactly is being bought
- An estimated value of everything
- The basis on which final price will be calculated
- How and when purchase payments will be made.

There are also a large number of matters to organise in advance of due diligence. You'll need professional experts ready to commit to a few days dedicated work. You need to make sure that the people doing due diligence on your behalf will be provided with adequate access to records and everything else they need to review.

You need to make sure that the vendor understands what will be required of them for due diligence to proceed satisfactorily and that timely progress will be critical.

8. CONCLUDING A DEAL

After you've conducted due diligence and valued the practice, it's time to begin negotiations - usually with professional support and business advice. Negotiating the purchase of a legal firm usually involves making an offer, often followed by the seller's counteroffer and bargaining to reach an agreement.

8.1 Negotiation Tips

- Know your limit (the highest price you're prepared to pay) and stick to it.
- Never agree to the first price quoted. The seller's first price is the starting point.
- Open negotiation at the lowest price possible but make sure it's reasonable and you can substantiate it.
- Take your time negotiating. You're making a huge investment. An extra few days or weeks are worth it to ensure you make the purchase at the right price.
- Make your own list of items for negotiation, placing them in separate categories based on what you can compromise on and what you can't.
- Challenge the seller by asking 'what if' questions - 'What if a major client goes bankrupt?' - 'What if a key group of employees leaves following the changeover?'
- Do not reveal your own reasons for buying or how badly you want the business. If you do, you'll probably end up making more concessions or paying more for it.
- Avoid being overly critical or confrontational. Keep conversation focused on facts.
- Practise the negotiation in role play with a friend or relative beforehand.
- Be prepared to strike a deal if you're comfortable with the price. Be prepared to walk away if you're not
- Above all, keep emotions away from negotiations. If you can't do that, ask your professional adviser to negotiate on your behalf.

8.2 Smart Bargaining

Sellers are generally interested in making as much money as possible on the sale, doing the deal in the way that's tax advantageous for them and in severing liability ties. If you want to interest the seller, talk in terms that are important to them.

9. TAKING OVER THE FIRM YOU PURCHASE

Any person or legal practice acquiring an existing firm will be keen to achieve a smooth transition. A range of regulatory responsibilities also needs to be attended to.

If staff members are transferring as part of the purchase agreement, it is wise to talk to them as quickly as possible. They may be very anxious but informing them about plans for the new firm can often assuage many of their concerns. Risks need to be carefully controlled in a period of transition. It's a good idea to institute some framework for identifying and addressing the myriad of risks that can surface.

9.1 Regulatory Responsibilities

As the Law Society's guidelines outline - where the composition of a firm of solicitors is materially altered, prompt notification to the clients of the firm should be made. It is then a matter for each client to decide whether to continue to instruct the firm.

Law Society guidelines note that it would not be proper for the new firm to take over the affairs of any client, including money and papers held, without the client concerned first being notified. It is also noted that, when appropriate, notification letters sent to clients should mention the amount outstanding to the credit of the particular client account.

Law Society guidelines provide instruction on the release of undertakings following the purchase/sale of a practice. There are provisions in accounts regulations regarding the transfer of clients' monies as part of a practice purchase. Depending on how a purchase was organised, it may be necessary to issue an appropriate notice of change of solicitor to the courts and opposite parties.

As soon as any practice purchase/sale happens, the Law Society needs to be sent a formal notification so that its records can be updated and in order that the Register of Solicitors is given notice with 14 days as required by Section 81 of the Solicitors Acts. If, as part of the practice purchase/sale, some files have been transferred to another legal practitioner, the Law Society needs to be informed about this.