

LAW FIRMS IN LOCKDOWN – WEEK 3

SURVEY RESULTS / REPORT – 15th APRIL, 2020

Introduction

With a huge thank you to those firms who participated in this week's survey, I set out below latest feedback "from the front".

It makes very interesting reading. I believe we have entered the foothills of a cash squeeze on law firms.

Some firms are blessed with work-types that are completely unaffected adversely by all of this – quite the opposite in some cases.

Some firms have already left no stone unturned to make them battle-ready. Others are taking a "suck-it-and-see" approach.

As I said in last week's report, many firms are living off their "fat" at the moment, but we are fast approaching the first real signpost of the Lockdown that'll tell us so much more, namely April's month-end billing performances.

That – and the inflow (or lack of it) of Government cash - will be game-changers and could mean that firms will have to sharpen their pencils and return to the drawing board.

In terms of where you might focus right now, if you go to the Law Society's website you'll see the Toolkit for law firms that I participated in, and you'll also see there the video in which I set out in detail the specifics of what I would do now were I leading a law firm in the current climate. In essence, I set out there, in detail, the key aspects of the Perfect Legal Business, that mythical law firm that I talk about in my forthcoming book, that are most relevant right now.

I'll do a further survey at the end of Week 4. If you get anything of value out of reading these reports, why not make them even more valuable? If you would like your firm to participate, please just email me at simon@mccrumandco.com

In closing, I hope again that the following report is of value to you. Any feedback is gratefully received.

Best wishes to you and your teams.

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LAW FIRMS IN LOCKDOWN – WEEK #3 REPORT

QUESTION	ANSWER
<p>As at the end of Week 3, what has happened to your chargeable hours?</p> <p>A – no change B – down by 10% C – down by 20% D – down by 30% E – down by 40% F – down by 50%</p>	<p>A+ - our hours are higher! (Private Client firm) A+ - our hours are higher! (Personal Injury firm) B B C C C C</p> <p>A – but bear in mind our conveyancers do not record time, so the answer is a false reality as the overall productivity has decreased. Two out of four of our conveyancing teams are on a period of agreed furlough</p> <p>Time recording has taken a bit of a dive in the first 2 weeks, so we are currently focusing on addressing that.</p> <p>Our Week 2 chargeable hours increased again and were actually higher on a like-for-like basis than any other week since the beginning of February.</p> <p>We have seen an increase in chargeable hours – due to increase in wills and probate work</p> <p>Conveyancing new instructions have dropped by 70%. Our existing pipeline remains full for now though and clients are not aborting any more than usual. Re-mortgage new cases have dropped by 40% but we expect them to rally. Probate work has increased by 30%</p> <p>We have reduced staff and are running about 20% below targets overall, but that hides patterns in individual teams. Our Residential team is now reduced by 50% but is still busy taking matters through to be ready to exchange with clients agreeing amended costs. Constructions is seeing a rise in disputes.</p> <p>We had a very good March and have had a reasonable April to date, but chargeable hours are down 30%</p>

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<p>If chargeable hours have gone down, why?</p> <p>A – We haven't yet got to grips with remote working</p> <p>B – We have fewer lawyers working on files</p> <p>C – We have fewer files being opened</p> <p>D – Clients of some teams have pressed "stop"</p> <p>E – Other law firms or organisations are affecting us</p>	<p>Our hours have been affected because the courts have been a bit chaotic, but we think this will settle down soon</p> <p>There is a hold on work progressing in property areas. We have seen a rapid decline in new instructions on transactional work in commercial and residential property areas, so C & D.</p> <p>Certain areas of work are seeing a reduction in instructions, most notably residential conveyancing.</p> <p>We have fewer lawyers working on files</p> <p>We think our hours are down due to a combination of the impact of childcare on homeworking (quite a number of our staff have young children and sharing childcare with their partners) and slowdowns at other organisations that in turn slow us down.</p> <p>C and D</p> <p>C and D</p> <p>B and C and D</p> <p>Primarily B & D</p>
<p>Are you having to consider further staff changes?</p>	<p>Only to the extent of making minor adjustments to the deployment of existing resources – moving lawyers from quiet teams to help out in busy teams.</p> <p>Yes, we are having to consider further changes.</p> <p>We are going to furlough another couple of staff and keep that very closely monitored.</p> <p>We are looking at it, possibly one or 2 more to be furloughed</p> <p>We are monitoring it and may need to furlough some employees or reduce hours and pay</p> <p>Not for the time being</p> <p>We have furloughed 30% of staff already. Will look at further furloughs when the current conveyancing pipeline can no longer be worked on. For the moment the incoming post is as busy as it's ever been</p>

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	<p>We are looking to Furlough a couple of property fee-earners</p> <p>Yes – potentially more people to furlough</p> <p>We are reviewing new starters due to arrive between May and September – though some of them have delayed giving notice to their current employers.</p> <p>We are looking at re-structures in areas worst impacted by furlough to be better equipped for the return from lockdown.</p> <p>Yes, but by way of recruitment rather than reducing numbers. We feel very fortunate having the work-types that we have.</p> <p>Mainly admin and support staff whose roles are not there at the moment, have been furloughed. This has helped put a stop to some recruitment pressure as the remaining support staff are now in a central pool.</p> <p>Yes - we have weekly, phased plans, looking at primarily Property and support staff over the next 2 weeks</p>
<p>What happened to “file opening” numbers across your teams in Week 3?</p>	<p>We have had lots of enquiries generated by our blogs but not many have led to new instructions.</p> <p>File-openings are down by 10%</p> <p>Down 50%</p> <p>We beat billing target in March but last week firm-wide file openings were 66% of the running average. It doesn’t bode well.</p> <p>Recent Personal Injury file openings have spiked as a result of a marketing campaign that took place in March. This is likely to settle down again.</p> <p>Private Client file-openings have increased again.</p> <p>File-openings are down</p> <p>File-openings have fallen by 60%</p>

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	<p>File-openings are down 50% in number as residential and commercial property have reduced by 75%. That reduction in file numbers does not yet reflect in fees, although we are budgeting from May onwards for fees to be 50% lower than norm.</p> <p>Most file-openings have held up, but residential conveyancing and corporate transactional work dropped.</p> <p>File-openings are up in Wills and Probate. They are steady in Care, Family, Court of Protection. They are down in Litigation, Commercial, Commercial Property and Residential Conveyancing.</p> <p>File-openings have reduced or stopped apart from being stable in Private Client and partially in Commercial Property</p> <p>File-openings have reduced and the work we are getting in is low value as opposed to larger transactional work.</p>
<p>Are clients still fully engaged and wanting their cases progressing?</p>	<p>Yes, clients are fully engaged</p> <p>Yes, on the whole</p> <p>A handful of transactional matters are paused or not progressing, pending the outcome of the lockdown and / or the subsequent economic landscape, plus we have a large proportion of our conveyancing caseload effectively stuck in the pipeline due to the lockdown</p> <p>A mix – some clients have stopped work on their cases, and a few are demanding transactions be carried out without any delay. This latter demand has proved most difficult to comply with in the area of Residential Conveyancing as many support businesses (e.g. removal companies) are not operating.</p> <p>It varies depending on work type – some areas are extremely busy (Private Client, Court of Protection particularly with regard to Support Worker issues) and others are quieter where we rely on other organisations to progress matters.</p> <p>It is a mixed bag. On cases that are near their end, we are being harassed daily to get these finalised. On cases nearer the beginning, clients are less likely to engage.</p>

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	<p>Residential conveyancing is progressing where possible but with renegotiations on price (undertaken by us, as the estate agents are closed); litigation cases are also slowing down. Others are as normal, with extra urgency on wills.</p> <p>Yes, it seems so – even more litigious work.</p> <p>Yes in Private Clients and Litigation, with Employment also still busy</p> <p>Yes, generally. Very few aborts due to corona and quite a lot are very keen to complete – their reasoning being that they would rather be locked down in their new house!</p> <p>It is patchy – clients are still engaged in litigious matters and in Private Client matters, but we have had no new Family instructions and some types of Commercial Property transactions are on stop.</p> <p>The biggest impact for us is the inability to complete conveyancing transactions</p> <p>Some clients are still pressing on whilst others are asking us to put matters on hold. Will they resurrect? We don't know.</p>
<p>Have clients stopped paying you – are debtor days increasing?</p>	<p>No, not yet, we ran a hard year-end a month early in March to get to the top of the pile of bills for clients to pay, plus we have a strong policy on monies on account.</p> <p>Not yet - still okay for the moment</p> <p>Yes absolutely – this problem has started.</p> <p>Commercial clients have slowed down when it comes to paying.</p> <p>Legal Aid payments are still being processed quickly.</p> <p>We've not noticed any change in debtor days.</p> <p>We have updated our debt policies to try and reflect the mood of benign assistance whilst trying to remain firm with those who are seeking to exploit the situation. So, we are extending repayment plans, reducing the default interest charge, and are marketing this as an "assistance fund".</p> <p>We are agreeing staged repayment terms over 2/3 months for the larger debts.</p>

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<p>Can you yet feel cash becoming tight?</p>	<p>No, not yet, as we have negotiated deferment on lots of our outgoings. We have done a wide range of things from smoothing rent from quarterly to monthly, taking advantage of TTP and deferring capital repayments at the top end of the scale, right down to little things like decommissioning the coffee machines, pausing car parking contract spaces, reducing the cleaning contract as the building is empty, cancelling DX subscription, negotiating a reduction in case management licence costs.</p> <p>Not yet. We expect the strain to hit in July and August when furloughing has finished and staff are back at work. It is likely that some redundancies will be needed.</p> <p>No cash impact is yet being felt and the VAT payment in early May has been deferred.</p> <p>Cash is starting to run low especially as we're having difficulty in collecting debts.</p> <p>Yes – we have seen an increase in debtor days in the last week</p> <p>We've cancelled or deferred what we can. Whilst we have the cash to pay everything, we prefer to keep hold of it for now as we anticipate an initial decline in new instructions and more problems with clients paying.</p> <p>Fees are not looking good this month. The Bank are being very supportive, and we have applied for a CBIL loan just in case</p> <p>We've budgeted for 6 months of financial disruption, but we firmly believe Family Law will be very busy after this period so hopefully we will catch up financially later in the year.</p> <p>Our worry is July and August when we get back to work, furloughing is finished, and we need 6/8 weeks to generate work to bill to pay for everything - so in effect we'll need to fund 2 months staff costs and Partner drawings.</p> <p>We had a very good month in March, and money is still coming in this month. We are though expecting May to be much tighter.</p>
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	<p>The banks and lenders have been good in providing repayment holidays on loans. However, our cash position may look okay in April, May, and June given “furloughing” but we suspect many firms will still owe Q1’s VAT payment, possible tax payments, and deferred loan repayments. No tax payment in July will help but the last 6 months of the year will drain cash unless we have a surge in work after the lockdown finishes.</p> <p>Cash is still holding up at present and bank have offered support</p> <p>We don’t have a cash problem. Very good relationship with our bank but we’ve not had to call upon them for help, so we’ve not tested it!</p>
<p>Is your bank being supportive?</p>	<p>Yes, they are</p> <p>Yes, very.</p> <p>Our bank is saying the right things but there is no action.</p> <p>Banks seem overwhelmed by the applications for the Government-backed loans</p> <p>Yes, they are – as they can see what we are doing to help the situation</p>
<p>Have you received any cash yet as a result of any Government scheme?</p>	<p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>Nothing received yet</p> <p>Not through CBILs or through any rate grant, but yes through prompter payment by the Legal Aid Board</p> <p>We expect to take advantage of the deferral of VAT payments, and possibly look for a Time To Pay arrangement for PAYE</p>
<p>Anything else you’d like to add or share?</p>	<p>As Management, we are beginning to return to strategic thinking as opposed to short term operational decision-making.</p>

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Court of Protection bills are now taking longer to be assessed which is slowing down fee collection, and that was on top of a pre-existing backlog at the Court of Protection.

We're seeing real benefits of working at home – in terms of ease and increased productivity.

When lockdown ends, there will certainly be some aspects of this that we'll be taking forward – e.g. more collaboration, use of Zoom between offices, probably allowing even more work flexibility. That said, it will be good to get back to some sense of normality.

We are expecting a slowdown on Legal Aid bills for Care work as some hearings are not finalising due to a combination of self-isolation by parties, technological failures at the court, and litigants not having the technology to participate in the hearings.

Lenders struggling to cope with deferred payment holiday requests

Staff are used to the 'new normal' now.

The main restrictions on us are external – lenders reducing their mortgage products has impacted on new Re-mortgage matters; the lockdown has affected new conveyancing matters and has stopped existing ones completing. If those bottlenecks were removed, we could move towards normal volumes

I think it's about survival right now. And trying to 'pivot' the business. We have increased our marketing, but time will tell if that has worked.

We are expecting homeworking and just a skeleton crew in the office to continue for at least the next month and we are developing our management and communication strategies accordingly.

Private-paying domestic violence injunctions are up in number...