

# FINANCIAL TIMES

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## Falconer aims for 'Tesco law'

Government wants legal firms to be able to float on the stock market

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A radical shake-up of the legal profession paving the way for law firms to float on the stock exchange and supermarkets to offer "Tesco law" was announced yesterday by the government.

In a move likely to lead to the legal world's own version of "big bang" deregulation, the government signalled it planned to allow companies to provide legal services to clients.

Lord Falconer, the constitutional affairs secretary, said: "There will need to be quality

control, but if we can get to the point where there is 'Tesco law', we think that's probably something of interest to the consumer."

At the moment, solicitors are forbidden from entering partnerships or incorporating with anyone other than fellow lawyers. The government also supports the ending of restrictions under which solicitors employed by companies can offer legal advice only to that company and not its customers.

The deregulation would open the door to mergers and diversification where accountants and

lawyers in England and Wales could combine to form complete business services practices. Investment banks could also set up, or take over, legal teams to provide a full transaction facility.

David Clementi, former deputy governor of the Bank of England and chairman of the insurer Prudential, will head an independent review charged with drawing up new principles that will sweep away restrictions that stop companies such as banks and insurers offering legal advice to their clients, so such services would be available on the high street, including at supermarkets.

Mr Clementi will also consider the creation of a new super-watchdog - an equivalent to the Financial Services Authority for the legal profession - that could regulate all solicitors and barristers as well as companies that break into the market.

Mr Clementi has been given until the end of next year to work out the details of how to regulate a more open legal market and safeguard the independence of the profession. His recommendations could lead to legislation. Announcing the review, Lord Falconer said there was a "significant chance" the Law Society, which represents 90,000 solicitors in England and

Wales, would lose its self-regulation powers. He stressed that Mr Clementi would be asked to work out how - rather than whether - such changes should take effect. The current maze of 22 bodies regulating legal services was "outdated, inflexible, over-complex, insufficiently accountable or transparent", he said.

Before the review, banks, building societies and insurance companies will be allowed to help bereaved families administer wills. Lord Falconer said the will market would be opened up straight away to allow greater competition.

The review was prompted by a 2001 report by the Office of Fair

Trading, which challenged competitive restrictions in the sector. It also called for the scrapping of the Queen's Counsel system of senior barristers.

Clifford Chance, a large law firm, welcomed the proposals, but many high street solicitors are worried.

The Law Society warned that new entrants to the market could "cherry-pick" the most profitable legal services and drive traditional lawyers out of business. It also insisted self-regulation was the only way to guarantee lawyers' independence.

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