

**Plenary 3: Becoming an ABS**  
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**Co-operative Legal Services**  
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- The Co-Op**
  - 5,000 retail outlets
  - 7.5m members
  - 5th largest retailer
  - Largest funeral provider
  - Launched in 2006
  - Limited services to their members
  - Became an ABS in March 2012
  - The first consumer brand to be approved
  - Offices in Bristol, London, Manchester
  - £34m turnover in 2012
  - < 600 staff (growing daily)
  - "Here for you for life" – brand strapline
- Our difference?**
  - Clean sheet of paper to start from
  - Needed an ABS license which took time
  - Focus on consumer issues
  - Had time to look at the market
  - Profit important but also social goals as a "mutual"
  - All employees, no "Partners"
  - Opportunity to fill the gap left by LASPO
  - 78 face-to-face Legal Aid contracts
  - One national telephone Legal Aid contract
  - Working with Manchester Metropolitan Uni to develop young people
- What do we share?**
  - Professionalism
  - Commitment to quality
  - Engagement with the legal community
  - Access to justice
  - Desire to be commercially focused
  - Highly focused management board
- Our place in the market**
  - Value for money, transparent & fixed pricing
  - Wide appeal across England & Wales
  - Have a great brand to leverage
  - Access the membership & cross-sell from group businesses
  - Continue to deliver Legal Aid
  - Consumer champion
  - Promotion & delivery via banks may grow
- Work collaboratively**
  - Work with the Bar & Mediators
  - Vast majority of work done inhouses
  - Entering period of rapid growth
  - May have an external legal panel as required
  - Developing their IT systems
  - Here for the long term
- Regulation & brand**
  - Must not have brand damage
  - Compliance team has grown five-fold since 2006
- The scramble for talent**
  - Looking to grow to 3,000 people
  - That's 6x growth
  - Putting the consumer first
  - Lawyers have a career choice – law or operational
  - MMU initiative
- Is Private Equity the right choice?**
  - Bank debt
  - Partner debt – Lots of different models
  - External investment
  - Standing still is not an option
  - Progress involves investment
  - Timescales are longer than you think
  - Need to be committed to the outcome

- Keoghs LLP**
  - £60m turnover
  - 50 partners
  - 1,050 staff
  - Bolton, Coventry, Manchester
  - Corporate structure
  - Defendant dispute resolution. No claimant, no corporate law
- Getting ready**
  - Don't put the cart before the horse
  - Articulate your vision & strategy
  - Have a clear 3yr business plan
  - Understand your Partners' objectives
  - Then and only then, decide on your business model!
- Choosing the route**
  - Commoditisation of services (£1,000 previously now only £350/case)
  - Further consolidation of the market e.g. insurers
  - Developing the corporate model
  - Requirement for further investment (systems & processes)
  - Desire to maintain control AND realise some capital value
- Deciding on an investment partner**
  - Primary lending – banks?
    - The Partners – decided not to
    - Outside investment means sharing future profits
    - They understand consolidation & acquisitions
    - Did not want to increase Partner debt or primary lending
  - Why Private Equity?
    - Wanted help developing the corporate model
    - Larger funds to develop their strategy
    - PE encourages more entrepreneurial model
  - Advisers were crucial
    - Doing the research
    - Explaining our objectives
    - Articulate your strategy & vision
    - Legal = DLA
    - Accountants = Deloittes
    - The prospectus – vision, strategy, finances & plans – for 3 years
  - Due diligence
    - Lots & lots & lots
    - Around the business plan & sales numbers
    - Interrogation & dissection of budgets & forecasts
    - Crucially it has to be a two-way process
- The process**
  - The SRA
    - Maintain a good relationship throughout
    - Be realistic about the process & timeframes
    - A great deal of information needs to be submitted
    - You will require a great deal of internal resource at your end
    - The SRA require information about ALL of your business
    - Took Keoghs around a year in total
- Dealing with the Partners**
  - To tell or not to tell?
    - It's incredibly distracting
    - Keep the deal team tight. Invite the Partners only when necessary
    - Importance of the go/no go meeting
    - Keep them out, but keep them informed
- Communications**
  - Be open with clients
  - Be open with the staff
  - Less open with the media if you can
  - Have one spokesperson
- Conclusion**
  - Huge amount of time on the warranties & legal's generally
  - Contractual consents may be required (from clients)
  - Completion conditional on SRA approval
  - Set aside a weekend (or two, or three.....)
  - The costs can be eye watering
- Learning points**
  - Be realistic about them
  - Make sure costs are "contingent" if possible
  - Track "online submissions"