



# **THINGS TO CONSIDER WHEN STARTING A NEW LAW FIRM**

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Establishing Your Business



Forecasting your Cash Flow



Headquarters



PII and SRA Approval



Accounts Rules Compliance



Paying Your Employees



Contingency Planning



Power of Attorney

## 1. Establishing Your Business

**Choose the type of business you're looking to set up:**

- LLP (Limited liability partnership)
- Limited company
- Sole practice
- Traditional partnership

### **Create your Business Plan**

A detailed business plan provides the foundations to setting up a legal practice successfully.

**The essential questions to ask yourself include:**

- What legal services will I be offering?
- How will I develop new client relationships and their subsequent business?
- How will I obtain funding?
- What steps will I need to take when dealing with risk management and contingency planning?
- How should I approach SRA compliance?

## 2. Forecasting your Cash Flow

For a new start law firm to successfully run, an initial cash flow forecast is necessary right from the early beginnings. Directors must be realistic in their approaching, bearing in mind that business generation is often slow in the early months, as well as for existing clients to pay. In your budget, the SRA and your funder will require precise forecasting, and that your business has the ability and support to generate profit for the future.

## 3. Headquarters

Choosing a suitable location for your business to run from is a major decision as it will be the premises in which you will meet clients. Ask yourself whether you will have fixed business premises, or if there's potential to branch out and outgrow.

## 4. Professional Indemnity Insurance and SRA Approval

It's a given for every solicitor in private practice to at least have a minimum level of PII cover from a qualifying insurer. Following receipt of this, the SRA require details of the cover you intend to take.

When setting up a solicitors practice, The SRA further require you to apply for the authorisation of a Compliance Officer for Legal Practice (COLP) and the Compliance Officer for Finance and Administration (COFA). Be aware that this process can last up to 16 weeks, or longer in the case of ABS's.



## 5. Accounts Rules Compliance

On top of authorisation there is compliance, and this refers to complying with the Solicitors Accounts Rules. When operating client accounts, unless you are planning to outsource, you will have to consider your accounts package. Though often a larger cost, it's worth the expense given that you are liable for breach of these accounts rules.

Understanding the Solicitors Accounts rules doesn't have to be a venture into the unknown, training courses are available. When outsourcing or even with internal employees however, you will have to prepare for not only the cost, but for the trusting another party with your key regulatory responsibilities.

## 6. Paying your Employees

If applicable, an accountant will be integral to paying your employees through a PAYE (pay as you earn) scheme. They will also be essential in resolving tax issues, and registering for VAT.

## 7. Contingency Planning

Closure of a practice involves regulatory and financial consequences and in the unlikely case of the business closing, you will need preparations in place for the payment of run off cover in case a practice intends to succeed your business. This cover provides six year's insurance for the cost of a single premium of approximately three times the cost of your last annual premium. By setting up, you commit to at least four year's insurance cover minimum.

Moreover, the SRA also require knowledge of contingency plans so that possible closure is compliant with regularly obligations, ranging from the structures in place for client files to what happens when you're ill or on holiday.

## 8. Setting Up a Will and Power of Attorney

In the unfortunate case of your death or incapacity to work, you will need to appoint a solicitor who is responsible for dealing with the practice.

With that all said, you have everything you need to set up your new start law firm. With advances in cyberspace, setting up your own has never been easier with better mobility, expansive expertise and cloud technology.

For assistance with Professional Indemnity Insurance (PII), please contact QPI Legal, our preferred partners so that you can find the right insurance policy for your company that offers real value for money.

Wishing all the best of luck!

**For more information or assistance with your Professional Indemnity Insurance please contact us.**



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