

BLG faces merger redundancies

August 2, 2011 12:47 am
By Caroline Binham

Some 15 per cent of partners at Barlow Lyde & Gilbert are expected to leave the London law firm ahead of its merger with Clyde & Co.

The tie-up, approved by both parties' partnerships late last week, will create a new entity with a turnover of more than £300m (\$490m), specialising in advising clients in the insurance sector. The move should be completed by November.

The firms' profitability is mismatched. At £605,000, Clyde's average profit per equity partner, a key marker of firms' health, is almost double BLG's. Legal market observers have said it is inevitable that BLG must shed partners ahead of the tie-up. The formal signing of the agreement has not yet taken place.

BLG has 97 partners, with 15 understood to be facing redundancy. Clyde's, a top 20 UK firm by revenue, billed £212m in the last fiscal year and has 184 partners, according to its most recent earnings report.

"In any merger between two firms with different profit per equity partner (PEP) profiles, difficult decisions need to be taken to bring the finances into line at a level of PEP that will continue to attract and retain the very best lawyers globally. This is vital to a firm with ambitions to continue aggressive international growth," said David Jabbari, chief executive of BLG.

Clyde's declined to comment on potential redundancies.

Even the largest law firms have suffered from the effects of the financial crisis as lucrative mergers and acquisitions work that had driven profitability has dried up. Consolidation in the sector is being driven by a need to boost profitability in the continued absence of M&A work and while clients are still under pressure to cut costs.

The approval of the merger comes a week after two other UK insurance-specialist law firms, Beachcroft and Davies Arnold Cooper, agreed to combine.

"The insurance sector, which went through its own consolidation, is perhaps a few years ahead of other markets and they are looking to reduce their legal costs and reduce the number of firms on their panels," said Tony Williams, the founder of legal consultancy Jomati and a former managing partner at Clifford Chance.

"But we're starting to see similar demands in other sectors and so I think we'll see a number of domestic UK deals between firms over the next couple of years as they come to terms with this."

Mr Williams advised DAC on the merger.

Source: www.ft.com