Risk Management and Liability of Multinational Professional Practices

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Three Sources of Pressure

1. from within the professional firm
2. from clients
3. from regulators

● WHY?
  - Work has dried up
  - Clients cutting back on the cost of professional advice
1. Pressure From Within The Firm

- Suing for fees
  - Late payment of fees by unreasonably tardy clients
- Claim for payment followed by counterclaim
- Original fees eventually written off
- Poor communication and consultation before action
- Bad calls
1. Pressure From Within The Firm

- Redeploying professionals in fields out of their expertise
  - Specialist work dropping off and too much capacity
  - Other areas becoming busier and at full capacity
= REDEPLOYMENT

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RISKS

- Specialisation should not be underestimated
1. Pressure From Within The Firm

- Accepting inappropriate instructions and accepting instructions from inappropriate clients
  - Bending the rules on the type of work and the type of clients the firm accepts
  - Warning bells and red flags
  - Turning a blind eye to a suspicious sign
1. Pressure From Within The Firm

- Knock on effect from boom time
1. Pressure From Within The Firm

- Knock on effect from boom time
  - Overtrading leads to...
    - Mistakes begin to surface from
      - overtrading and
      - cutting corners and
      - commoditisation
1. Pressure From Within The Firm

- Redundancy
  - 92,300 in professional services 2007 reducing to 77,300 by the end of 2009 (*Centre for Economics and Business Research*)
  - Careful management of cases assigned to departing lawyers

- Taking an eye off the risk management ball…
  - Risk personnel made redundant
  - “…as firms make staff redundant there will be fewer people left to carry out the necessary compliance tasks” Peter Williamson, Chairman of Solicitors Regulation Authority
  - Potential for **serious** problems to occur
2. Pressure From Clients
2. Pressure From Clients

- Outsourcing
  - Cheaper advice
  - *Rio Tinto* outsourcing to India, *Pinsent Masons* outsourcing litigation work to South Africa
  - Work done at a lower cost but at the price of an increased risk?
  - Who’s responsible?
2. Pressure From Clients

- Remote Working
  - Working from cheaper locations
  - Potential data loss resulting from remote working (*Kroll Ontrack*)

- Greater risk… same rewards
  - Greater lengths to please clients
  - Unusual level of responsibility

- Secondments
2. Pressure From Clients

- Working for unrealistically low fees
  - Commonly seen in the construction field
  - June 2009: RIBA warns architects against…
    - Making unrealistic bids for work
    - Dangerous as the practice cannot adequately resource the project and deliver work of sufficient quality
3. Pressure From Regulators

- Increase in regulation on the horizon
  - FSA heavily criticised for credit crunch
“There is a view that people are not frightened of the FSA. I can assure you that this is a view I am determined to correct. People should be very frightened of the FSA”
Hector Sants, FSA Chief Executive, March 2009

- Law society increasing its grip

- Accountants facing the most scrutiny following investigations by liquidators, the SFO or the DTI
STAY ALERT