

AUTUMN 2025

Hazlewoods

Legal Focus



INSIDE

- Beyond compliance: Adding value with strategic solutions

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Expert Witness and Compliance Support

We have recently undertaken a number of expert witness assignments, including a case where a law firm was reprimanded by the Solicitors Regulation Authority (SRA) for non-compliance with the SRA Accounts Rules. A detailed review of the firm's procedures was carried out, benchmarked against guidance from the SRA, ILFM, and ICAEW. This led to the identification of key areas for improvement, which were followed up in subsequent months to ensure progress.

In another matter, we were asked to provide an expert opinion on whether a reporting accountant should have identified client and office money frauds during the annual SRA Accounts Rules audit and accounts preparation. Our analysis helped clarify the responsibilities and expectations placed on reporting accountants in such scenarios.

COFA Training and Risk Management

The role of the Compliance Officer for Finance and Administration (COFA) is crucial to maintaining financial integrity and regulatory compliance. We regularly deliver targeted training, both online and in person, to COFAs and their teams, helping them translate regulatory requirements into confident daily practice.

In a recent training session, we examined risks associated with firms holding client's own accounts, particularly those operated with single signatory authority. We highlighted the compliance risks when such accounts are not properly identified or integrated into the firm's financial controls and discussed real-world examples of misappropriation due to inadequate oversight.

Regulatory Developments and Sector Insights

Our team remains actively engaged with regulatory developments affecting the legal sector. Through our involvement with the Institute of Legal Finance and Management and the ICAEW Solicitors Advisory Group, and regular dialogue with the SRA, we stay informed about upcoming changes. Recent discussions have focused on the implications of the Axiom Ince case and the SRA's evolving approach to client money and firm supervision.

We are closely monitoring the SRA's roadmap to compliance with the Legal Services Board's directives, which may include revisions to the SRA Accounts Rules and renewed emphasis on financial stability monitoring. Our position within these advisory circles enables us to provide clients with timely, informed guidance and, in some cases, contribute to shaping regulatory policy.

Cashflow Forecasting and Financial Planning

Cashflow management remains a key challenge for many law firms. We recently assisted a client by preparing detailed 12-month cashflow forecasts, based on their budgets, financial data and other key assumptions. These forecasts provided a clear and realistic view of their financial position, enabling them to secure short-term funding. Lenders were reassured by the viability of the business and the repayment plan outlined in the forecasts.

We regularly prepare forecasts tailored to different scenarios, whether for growth, navigating financial challenges, or improving visibility. These can be flexed for longer periods and adapted to suit each firm's unique needs.



Client Money Interest Reform

We have been actively involved in recent discussions surrounding proposed reforms to the treatment of interest earned on client money held by law firms. In addition to the SRA's review of whether firms should continue to retain this interest as a source of income, the Ministry of Justice (MoJ) has launched its Interest on Lawyer's Client Accounts (ILCA) consultation, which we attended as part of our ongoing engagement with sector policy.

During the MoJ roundtable, it was confirmed that the consultation applies to all law firms, although the specifics of how the scheme would operate and how any collected interest would be used remain unclear.

Concerns were raised by attendees regarding the potential impact of removing interest retention. It was widely acknowledged that the removal of this income stream could lead to redundancies and, in some cases, firm closures.



Strategic Transaction Support and Valuation Advisory

We recently acted as lead advisors to a large law firm during its strategic disposal to a private equity-backed firm. Our support covered the full transaction lifecycle, with a focus on maximising commercial and tax outcomes. Key elements included:

- Stakeholder engagement through tailored presentations and a bespoke “master matrix” illustrating individual capital gains tax exposures
- Structuring the transaction for optimal tax efficiency
- Negotiating deal terms to enhance overall consideration

In a separate engagement, we supported a private equity entrant with limited sector experience in acquiring a law firm. Our involvement included:

- Conducting financial and tax due diligence
- Advising on the Sale and Purchase Agreement (SPA)
- Reviewing and finalising completion accounts

Our deep sector knowledge enabled us to identify risks, benchmark the target firm, and provide strategic insights that enhanced the client’s understanding of the acquisition landscape.

Succession Planning

We are currently advising a firm on long-term succession planning. The current senior directors are considering stepping back, with other internal senior solicitors identified as potential successors. Whilst those solicitors are interested in taking on greater responsibility, they hold differing views on equity involvement and long-term commitment.

Our role has been to help the directors explore restructuring options that support a smooth transition while protecting their interests. This includes:

- Evaluating company buyback mechanisms for a tax-efficient exit
- Considering the introduction of a holding company to support flexible funding
- Assessing the suitability of an Employee Ownership Trust (EOT)
- Exploring growth shares to allow successors to benefit from future growth without requiring an upfront investment in existing value
- Providing tax planning guidance to ensure any future changes are efficient and compliant for all parties



We also provide valuation support to law firms responding to acquisition interest. Many firms decision-making. Our strategic reviews help firms:

- Understand their realistic market value
- Evaluate the fairness of offers
- Make informed decisions about whether to engage in negotiations

Each engagement is tailored to the firm's goals, whether they choose to proceed with a sale or remain independent.

Employee Ownership Trust (EOT) Transitions

We are currently supporting several law firms through the transition to Employee Ownership Trust (EOT) structures. With four EOT-owned firms already in our client base, we guide owners through the decision-making process, helping them assess whether an EOT would be beneficial for both them and their staff. Once they've decided to proceed, we prepare valuations for the firms, advise on the most appropriate structure and can also obtain HMRC clearance, liaise with lawyers and assist with the completion and filing of forms.

Top five COFA responsibilities

We've outlined the top five COFA responsibilities every law firm should be aware of – from ensuring compliance with the SRA Accounts Rules to acting as the key liaison during financial audits. Scan the QR code to find out more.



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