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## Australia's 'assembly-line' legal service eyes Canada

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Critics have derided it as "cookiecutter" law or even "Wal-Mart" law: a massive personal injury law firm run with the ruthless efficiency of a publicly traded corporation - because it is a publicly traded corporation.

Australia's Slater & Gordon Ltd. became the first law firm to be listed on a stock exchange in 2007. And despite its critics, it has since been busy growing revenue at a rapid clip, gobbling up rivals at home and in Britain. It now has its eyes on Canada.

However, before Canadians injured in car accidents will be able to call up a Slaters' call centre, regulators here would have to loosen rules that largely ban non-lawyer shareholders from owning law firms, reforms Australia and England and Wales have already enacted.

A divisive debate is under way in the legal profession on the concept in Canada and in the United States, where it also remains mostly banned. A report from a working group of the Law Society of Upper Canada, the Ontario legal profession's selfregulatory body, outlined possible rule changes last year and the Canadian Bar Association endorsed the idea.

But since then, critics here have become increasingly vocal. The concept was an issue in Law Society of Upper Canada elections earlier this year. The Ontario Trial Lawyers Association (OTLA), which

represents personal injury lawyers likely to face competitive pressure if Slater & Gordon enters Canada, endorsed a list of candidates opposed to the idea.

Twenty-seven of the 40 lawyers who won what are known as "bencher" seats on the law society's governing body were OTLA-approved. A followup report on the idea is expected to come before the law society this fall.

Proponents say allowing law firms to attract capital from non-lawyers means they can use it to expand and provide innovative new legal services, such as those offered in kiosks in department stores or via the Web.

They say these new services will help deal with the "access to justice" problem, which sees many Canadians unable to afford a lawyer.

But naysayers warn the reforms would force lawyers to answer to bottom-line-focused shareholders, instead of just to their clients and the greater good. They say this would create new ethical and conflict-of-interest land mines, if the interests of a law firm's owners and its clients clash. Critics also charge that there is no evidence these new structures help those who cannot afford a lawyer to hire one.

In a phone interview from Melbourne, Andrew Grech, the managing director of

Slater & Gordon, confirmed Canada is on the firm's expansion radar if rule changes make it possible.

And he said his critics are more interested in protectionism than protecting consumers: "It doesn't surprise me, frankly ... Their perception is their particular patch will be affected by competition, and therefore they have a vested interest in protecting their patch."

That patch, however, could change dramatically. In Australia, Slater & Gordon is estimated to now control as much as 25 per cent of the country's personal injury market, with it and just two other firms - including Shine Lawyers, which is also publicly listed - controlling close to 45 per cent.

Worse, critics charge, this more profit-centric model of law firm aims to "commoditize" personal injury cases, fit them into formulas and steer clients toward quick settlements rather than costly trials.

"If the model that we have seen in the U.K. and Australia progresses, it will absolutely mean fewer choices for the consumer," said Maia Bent, president of the Ontario Trial Lawyers Association and a partner with Lerner Personal Injury Group in London, Ont. "The choice that you have is going to be a much more cookie-cutter, assembly-line type of legal service."

Slater & Gordon does use what it calls modern "practice management" and "case management" systems to process large volumes of injury claims. But Mr. Grech dismissed the criticism, saying his firm takes on large, controversial class actions and test cases, runs more litigation than any other firm in Britain or Australia, and is

now the biggest provider of family law in Australia.

"That's kind of an interesting sort of fairy tale, but that's just what it is," he said.

But being able to raise capital on the stock market also comes with a downside. Slater & Gordon's stock has been punished in recent weeks, losing about 50 per cent of its value on the Australian Stock Exchange after a series of accounting revelations.

In June, British authorities said they were investigating accounting irregularities at British insurance claims processor Quindell PLC, which sold its professional services division to Slaters last year for about \$1.16-billion (Canadian). Then Slaters confirmed it was facing a probe by the Australian Securities and Investment Commission over its own accounting practices and that the firm had found "cash flow errors" in its accounting for its British business. It has since been dogged by short sellers and critics. And on Wednesday, Britain's Serious Fraud Office said it had launched a criminal investigation of Quindell's past accounting and business practices.

Speaking last week, Mr. Grech declined to comment in detail on the probes his firm was facing, but said "fundamentals of the Slater & Gordon business remain the same."

Everyone agrees that sweeping regulatory changes, such as giving law societies jurisdiction over not just individual lawyers, but law firms as a whole - whoever owns them - are needed to accommodate any new ownership rules. England and Wales and Australia have brought new regulatory regimes to try to

ensure that lawyers in what are known as "alternative business structures" are held to the same ethical standards.

"We're not saying it should be open slather," Mr. Grech said, using an Australian slang term that translates as a free-for-all.

"... Provided it is properly regulated, there is much more to gain than there is to lose."

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