

Law firm bypasses banks to protect partners' payouts

Michael Herman

A leading UK law firm has paid its partners £12 million in profits ahead of schedule because it believes that the money will be safer in private rather than corporate bank accounts.

Addleshaw Goddard, the UK's fifteenth-largest law firm by revenues, accelerated payments to its 112 partners so they can benefit from government guarantees protecting personal savings in the event of a bank collapse.

The money had been held in the firm's corporate accounts, which

would not enjoy the same protection. Mark Jones, the firm's managing partner, said: "The decision was made between late September and early October, which were extraordinary times for the economy and the banking sector in particular."

In an unusual twist, the 779-lawyer firm has forbidden its partners from spending the money and insists they hold it in chunks of £50,000 or less — the amount the Government will guarantee in personal accounts. The partners, who earn between £300,000 and £800,000 a year, have also agreed to

repay the money if the firm needs it to support cashflow.

The £12 million paid out to partners relates to profits for the 2007-08 financial year that were scheduled to be distributed in tranches up to February 2009. The money has already been audited and booked to a segregated partner-profit account and so does not form part of the firm's working capital.

Mr Jones said: "This has been an exercise in risk management carried out in consultation with our banks. We thought it better to let the partners have their profits, subject to two

conditions, and be able to invest them in a protected environment."

Ronnie Fox, a partnership expert at Fox Lawyers, said: "It is an extraordinary indictment of the banking system that Addleshaw Goddard does not feel confident retaining the cash in its business accounts."

Mr Jones said that most of the partners held personal accounts with one of the firm's four corporate banks — Royal Bank of Scotland, Barclays, National Australia Bank and Lloyds TSB — and so the money would remain within the same institutions.