

Brexit has happened, now law firms need to adjust to survive



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UK firms have spread to have offices across Europe in recent decades but that could all be set to change

Brexit has triumphed. The Prime Minister has resigned. Markets are in turmoil. As a consequence, a sustained period of uncertainty, volatility and confusion is guaranteed – not least for English law firms, which have benefited so much from the UK's membership of the European Union (EU) since January 1973, when we first became a member of what was then called the European Economic Community (EEC).

After joining the EEC, the development of legal practice by London law firms in Europe grew tentatively as small offices were opened in Paris and Brussels by the magic circle (and their predecessors), and a handful of other firms. Their numbers grew in the 1980s, in part because of financial deregulation that came with Big Bang in 1986, which fuelled the increasing dominance of the City of London. This was supplemented by access to a reunited Germany and eastern European markets that came in the wake of the fall of the Berlin Wall in 1989.

The Maastricht treaty in 1993 created the EU, led to the single currency and the eurozone in 1999, and helped to deliver access to what became a much enlarged single market. Until now, that has provided British and international companies with direct access to 28 member states comprising more than 500 million consumers.

Many of them, together with the banks that finance their cross-border activities, became clients of UK law firms. Today, London-based firms are preeminent local players in France and Germany, they have significant operations in Spain and Italy, and they are the foremost advisers on EU law in Brussels. Meanwhile, the EU economies accounted for €18.9trn in GDP last year – more than the US.

But all that is set to change. Very dramatically. As conservative businesses, law firms will be looking to minimise risk while cautiously maximising opportunity. How they do that in such a febrile atmosphere of uncertainty remains to be seen.

Short term, law firms will need to adjust, recalibrate and respond to fast-moving events that affect their clients. Medium term, those with a network of European offices will need to carefully evaluate their viability according to changing circumstances as Britain's relationship with Europe is completely redefined. Long term, more UK firms may seek US suitors or vice versa for defensive mergers.

While there may be a short term boom in Brexit-related legal work during the next few years, long-term questions will prevail about the future of the City of London, the continued importance of English law in international contracts and disputes, and the future viability of EU legal advice.

Last year, I wrote [a piece for Legal Week on Brexit](#). It began as follows:

Immortalised by Kipling, 'if' is a very big word. As the UK general election approaches, it is increasingly punctuating the narrative of lawyers' private conversations as they try to anticipate the potential consequences of 'Brexit' – universal shorthand for Britain's possible

exit from the European Union (EU).

Three big 'ifs' must be satisfied as preconditions for this ugly word to take effect: if Britain elects a new Conservative government with an outright majority; if the much-heralded in/out referendum occurs; and if a majority of voters then say 'yes' to EU withdrawal, leading to Britain's unilateral exit.

Unlikely as it seemed in March 2015, all three 'ifs' have now been satisfied. The challenge now for many UK law firms is how best to adjust to the consequences of Brexit. Some may pay a heavy price. Others will flourish. At times of crisis, those with the clearest heads can not only make prudent decisions but also prosper, turning adversity to advantage. Who the winners and losers will be remains to be seen. We live in interesting times.