How to Buy a Law Firm—6 Tips for Success

Written by Louise Donnery

When you're thinking about starting your own law firm or expanding your practice, have you thought about buying a law firm? It's a good idea for lawyers to consider buying a law firm—it's a smart way for lawyers to grow and diversify their practices.

The standard process for buying a firm in the UK is with a share purchase agreement (SPA) or an asset purchase agreement (APA). While these documents might seem easy to create, APAs can miss important assets or SPAs turn out different from what was expected. Solicitors need to consider many factors before making a purchase. Research, ethical considerations, and valuation all contribute to whether buying a law firm is right for you.

In this blog post, we'll cover how much it costs to buy a law firm, where to find law firms for sale, the valuation process, and ethical considerations when you buy a law firm. We'll also share how to determine if a law firm is worth buying.

How much does it cost to buy a law firm?

Determining the cost of a law firm is complex. Many factors go into the firm's valuation, such as the practice area, clients, revenue, and existing business debts. That's why it's essential to do your due diligence and ask experts for guidance to ensure you pick a stable firm to purchase at a fair price.

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Let's take a closer look at where you can buy a law firm.

Where to find law firm for sale

Several online platforms offer listings for law firms for sale in the UK. Here are some prominent options:

Morgan Cox
Specialising in the sale of law firms and legal practices across the UK, Morgan Cox provides a platform for advertising law firms for sale and offers valuation services. You can explore various listings, including firms interested in mergers and acquisitions in regions such as London and the North West.

Law Mergers & Acquisitions
Their website lists a range of law firms available for sale or merger, featuring detailed financial information and operational histories. Firms located in areas like Cleveland, Cheshire, and Greater Manchester are regularly updated, making this a dependable source for current opportunities.

Jonathan Fagan
Jonathan Fagan is a specialist broker for law and accountancy firms, offering an updated list of firms for sale. The listings include various types of practices, with information on turnover and client bases, aiding potential buyers in evaluating opportunities.

National Solicitors
National Solicitors provides a platform for solicitors to advertise firms for sale. It showcases a variety of firms across different regions, with detailed descriptions of their financials and services offered. The site also includes a valuation service for sellers.

Legal Brokers Ltd
Legal Brokers Ltd offers comprehensive support for buying, selling, or valuing law firms. They provide advice and listings for firms available for purchase, catering to various practice areas and firm sizes.

It's important to note that these resources are helpful when finding a law practice to purchase, but not with the procedures and due diligence that follow.

The valuation process—how much should you pay?

When you buy a law practice, the valuation process is tedious and can be extremely overwhelming. We recommend that you work with a professional financial or accounting expert who understands this type of transaction. By working with an experienced financial or accounting expert, you can help ensure you're paying the right amount for the law firm. When looking into a prospective firm, you should review the items below to determine how much you should pay and if the firm is a wise investment:

- Financial statements

- Income tax returns
- Titles to assets
- Bank statements and records
- Debt agreements
- Leases and subscription agreements
- Business and payroll tax returns
- Insurance policies and applications
- Compensation records for solicitors and staff

6 Tips for How to Buy a Law Firm

1. Do your due diligence

The most important step in any asset purchase is to ensure that thorough due diligence has been conducted. Hidden issues can often lie beneath the surface, and the only way to uncover them is through a meticulous review.

Before finalising the purchase, you should:

(a) examine the firm's financial records for at least the past five years;

(b) investigate whether the firm is involved in any ongoing legal disputes or has any existing judgments against it; and

(c) confirm that the firm is either free of debt or, if you are taking on liabilities, that there are no hidden debts.

It is crucial to avoid the situation where you acquire a business that appears profitable, only to find out later that it is entangled in costly litigation that could either lead to a significant judgment or harm the firm's reputation.

Due diligence includes reviewing the statements listed above and meeting with the law firm's owners and key employees. In addition, when conducting due diligence, you should build a team to assist with the deal. Here's an example of what this team could look like:

- **Financial advisor**. A financial advisor can determine how the deal will impact your short and long-term financial goals and well-being.
- **Accountant**. An accountant can work with you on the tax implications of buying a new law practice, the appropriate buying price, and conditions.
- **Legal advisor**. This legal advisor is preferably someone who has purchased a law practice before, as they can help with the details of the deal structure.

In addition to their specialities, these professionals can ensure that you request the necessary documentation and financials to pay a fair and competitive price when you buy a law practice. Working with each of these individuals will ensure you complete due diligence thoroughly and ensure that you can move forward with confidence.

As a part of your due diligence, you should start documenting a transition plan. Having an idea of the tasks you need to complete once you buy a law practice will ensure you're prepared for the sale.

2. Utilise forums for your questions

Plugging into a law community is a great way to engage with legal professionals who have gone through the buying process. This way, you can connect with other lawyers who can recommend best practices and refer other professionals to help with your due diligence. Reaching out to your local law society is a great place to start. In addition, joining online communities such as The Law Community is an excellent way to get answers and advice when you buy a law practice.

We also recommend finding a legal mentor to help with this process. No matter where you are in your legal career, you can gain valuable perspectives on buying a law practice from someone more experienced and knowledgeable.

3. Prioritise the practice type, clients, and branding

As a lawyer about to buy a law firm, you need to know your must-haves when viewing potential practices to purchase. Like buying a house, you should know the ideal practice area, client base, branding, and reputation of the firm you wish to buy.

You need to consider your firm's future—does it involve multiple practice areas? What type of clients do you want to serve?

These questions will identify long-term goals, determining which type of firm you will end up purchasing.

4. Get clear on your why—why buy this law firm?

Although there are many questions you will be asking yourself and the law firm seller during this process, you must also be prepared to answer questions. A solicitor selling their law practice will want to know *why* you want to buy the practice they've put their hard work into. This transaction is not purely about numbers, as the law firm seller must trust you with their legal clients. An attorney may ask you: Why this practice area? Why this location? Why these clients? Be sure to have compelling answers to these questions.

Think of it as your elevator pitch when you buy a law firm—why should they sell to you?

Ethical considerations when you buy a law firm

The SRA has set out seven principles that govern solicitors' conduct, such as acting with integrity, maintaining trust in the legal profession, and upholding the rule of law. Buyers need to ensure that their acquisition adheres to these principles. For example, if the practice has been involved in unethical behaviour, the new owner must resolve these issues to meet SRA standards.

5. Create a transition plan

When you've decided to buy a law practice, the new firm requires a transition plan. Remember that you should start planning the transition \ process during your due diligence. To make the transition period as smooth as possible, consider the following:

- **Retain the previous owner after the sale is made.** Hiring the previous owner(s) as a consultant or advisor for a set amount of time can help add stability and provide guidance during the transition.
- **Implement small changes**. Making massive changes once you buy the law firm can make the transition difficult for employees and clients. Employees and clients are accustomed to previous procedures, so they need to transition to the new law firm ownership.
- **Make your employees feel valued**. Employees can feel anxious about their job security during times like these. As a law firm owner, you can ease their concerns by being transparent on how the firm will transition.
- **Familiarise yourself with the firm's processes and technology**. It's essential to learn how the firm you purchased operates. Then, you can identify any shortcomings and room for improvement. In addition, understanding how the firm manages processes and technology helps determine how your business may need to adapt.
- **Introduce yourself to new clients.** You don't need to do this introduction immediately. But sending new clients a welcome note introducing yourself and the new team is an excellent way to remain client-centred during the transition period.

6. Buying a law practice is a complex but fulfilling process

Buying a law practice is a complex process, but it can help you achieve your long-term professional goals. And despite being a time-consuming process, there are many retiring and transitioning solicitors looking for the right person to care for their clients.

And that person could be you. But before you buy a law practice, you need to determine which type of law firm you'd like to purchase, recruit a team of experts to assist with the financials and structure of the deals, and have a solid transition plan.

And most importantly, reach out for help. Reach out to your law society, online law communities, and consider finding a legal mentor who can provide valuable guidance.

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