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Case Study – Davenport Lyons

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Partnership Administration of law firm

Overview:

- Law firm was a Partnership governed by the Partnership Act 1890 and had traded for nearly 80 years
- Indebtedness – Numerous financial institutions (bank, secondary lenders & trade creditors) circa £15m

Outcome:

- Partnership Administration initially
- Ongoing-sale of business & earn out of WIP
- With the professional practices team a distressed M&A programme was actioned for a 4 month period
- Constant liaison with the Solicitors Regulation Authority (“SRA”) regulator needed
- A tailored sale was achieved providing the SRA with comfort, enhanced realisations for creditors and assistance given in providing partners with personal debt solutions
- After a series of failed merger talks, creditor pressure resulted in the firm commencing and accelerated M&A

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Joint administrators appointed as law firm
KWM goes into administration

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process. Out of 3 interested parties, a deal was actioned via a pre-packaged administration. The successor firm took on the majority of staff, all client files and the regulatory responsibilities required for the SRA to bless the transaction

- Unlike other insolvency assignments, Insolvency Practitioners are not legally capable of providing reserved legal activities (both in terms of risks and also because of regulatory issues). Accordingly it is not possible to trade a law firm and the overriding concern from the regulators perspective is to protect the insolvent estate's former clients rather than it's creditors. This makes these assignments extremely complex and difficult to resolve
- A PVA was agreed by creditors which has the effect of protecting the salaried and fixed share partners from potential action in future by the creditors of the Partnership. The PVA was supported by the major creditors of the Partnership and is binding on all creditors. This compromise agreed with creditors provides finality to all partners of the firm.

For more information on Administrations, please [click here](#)

TAGS: Administration, Davenport Lyons, Partnership, Partnership Voluntary Agreement

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