

HERE TO HELP: Funding Solutions during a global pandemic

In this article, Modern Law spoke with key members of two funding solution companies. Representing VFS was Rick Gregory, Associate Director. On behalf of Ampla Finance, was Louise Hall, Commercial Director and Scott Willis, Head of Partnerships. The aim of this discussion was to find out more about the funding options available to law firms in light of the Covid-19 pandemic and the potential benefits of using funding solutions to navigate the uncertain future.



Many law firms across the UK will be experiencing an extremely volatile period during these unprecedented times. In your opinion, what do you believe are the benefits for firms in using funding solutions to navigate a post-COVID world?

Ampla: Each law firm is facing many different difficulties, from dealing with having a complete digital presence, to attracting new business in today's climate. By using a lending provider or a funding solution, the solicitor can free up their account's as the debt listed on their books is removed, promoting much healthier cash flow and financial security for the firm. It also has the added advantage of ensuring that the solicitor

has enough funds to reach the FDR in the case, granting the client a less stressful experience with the firm and their case.

VFS: The main benefits of using third party funding solutions such as VFS is the flexibility and certainty it adds to a firm's cashflow. The funding can be utilised as and when required and repaid when a firm wants. There are no non-utilisation fees

and unlike an overdraft or bank loan, the firms only pay interest when they make drawdowns and they are using the funding.

Funding requests can normally be turned around within 24 hrs. Firms can plan, knowing they have the financial resources to grow. Third party funding facilities compliments their existing banking arrangements and does not sit on a firm's balance sheet.

What we have come to realise - is in the past 6-8 months, there has been a monumental shift in how law firms and association lenders are dealing with new clients

Delays by defendants and third party Insurers sometimes try and starve claimant firms of cash. By having the flexibility of funding this can be used by the firm to drive higher settlements and not be forced into a corner through lack of cash flow. The end of furlough, renewal of increased Professional Indemnity premiums and the end of the government tax deferral arrangements have seen an increased demand for third party funding.

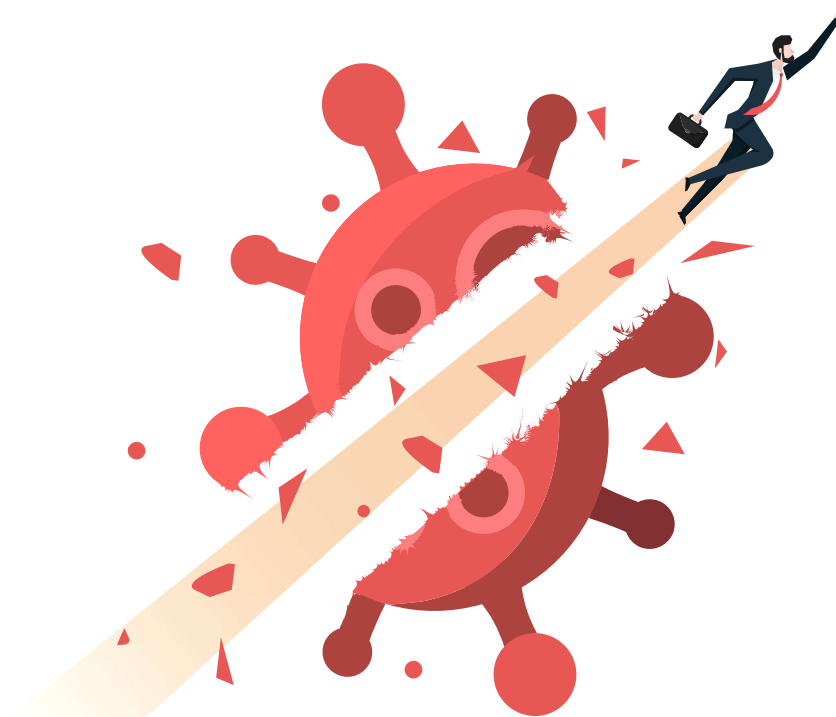
Firms have learnt big lessons and redefined what they now see as normal working practices.

Many staff and partners work remotely, and in many areas firms have become leaner and more efficient by doing this.

They are making more use of technology and online meetings have become the norm. By utilising third party funding, the firm can release the cash tied up in existing files and use this to invest in technology, business development and growth.

At Ampla, you offer both Family and Legacy services. Both these areas are sadly often associated with difficult times for your clients – in which the personal touch and human interaction are vitally important in the service you provide. To what extent have the past few months affected funding companies' ability to provide this level of service and what have you put in place to tackle this going forward?

Ampla: The last few months have highlighted the importance of clients having options when it comes to financing their Family Law or Probate cases, but as always it has been imperative that these services are offered in as sensitive and un-intrusive way as possible. Our ethos has always been to be fair and transparent, responsive and ultimately human in our approach. As the crisis has in some cases reduced the number of options a client has, these values have become even more imperative to live by. We work closely with our solicitor partners to ensure that they are empowered to provide the best possible service to their clients, and we are set up to provide clients direct support as and when they need it. A bit of reassurance from a friendly person goes a long way. As a small team, set up to work remotely, we have had no trouble continuing to provide this level of service and we intend to continue to do so.



As a funder, we must be aware of the requirements of both existing and new clients and offer funding solutions that assist and support our firm's needs

When looking at the number of cases that have received funding – has the coronavirus pandemic led to significant changes in law firm's appetite for funding and what do you predict will happen to this figure in the next 12 months?

VFS: The pandemic saw an increase in applications in the early stages. The Government's introduction of COVID loans saw many firms apply to their banks for support. Progression of existing cases slowed down reducing the funding requirements of many firms. The delays to instructions of expert witness reports saw case progression slow down but a decrease of overheads, furlough and the realisation of WIP, saw many firms through the tough times.

New file openings were down, but we have now started to see numbers back to and exceeding post-COVID levels and we are receiving a significant increase in funding requests as firms implement new strategies and different working patterns.

Many firms have been trying to realise their cash from existing files as quickly as possible, in order to put cash flow back to where it needs to be.

We are extremely confident firms' appetites for funding is returning. The introduction of

new innovative products from VFS and the ability to utilise existing WIP and incurred disbursements to release cash back into the firm, is being used for marketing and new case acquisition.

Many of our clients are confident about the business outlook for their firms and are looking at different areas of volume litigation. As a funder, we must be aware of the requirements of both existing and new clients and offer funding solutions that assist and support our firm's needs.

We have recently supported several mergers and acquisitions and will continue to do so going forward.

COVID-19 is changing the legal sector every day. Firms must adapt to these changes but doing so comes at a financial cost for a firm. Explain how funding companies like yourself are adapting to help these firms and give an example of something that you have changed within Ampla as a result of the pandemic?

Ampla: When we first started Ampla Finance, we spent the first six months understanding the market and frustrations with lending in Family Law. We spoke to everyone involved in the process, from solicitors to barristers, all the way through

to the end customer. By doing this we were able to gain a much greater understanding of the lending process.

While other firms and lending providers have had to make changes to fit in with the new working model. Here at Ampla, we have already had the time to build a secure product and process for the market, making us more reliable throughout the crisis. Many of our partners have seen this as being of great benefit to them, as it has helped them to ease the pressure of their cash flow management, reduce the amount of debt they take on within the firm and be savvier when it comes to providing fee estimates to reach FDR.

At VFS, you pride yourself on your unique and innovative approach to structuring funding solutions for your clients. What core values should law firms look for in a funding company they are wishing to partner with?

VFS: I think the biggest core value is that law firms must be able to trust the funder. The funding must be flexible, open and transparent and work for both parties. It must be easily accessible, and the funder must understand the market sector.

VFS is proud to say that we are one of the few funders that continued to provide a business-as-normal service to all our firms during the pandemic. That has gone a long way to enhancing the trust and reputation we already had with our clients.

Law firms work with funders because they have cash flow requirements – with all firms, we look at the bigger picture and the story when considering any application. It is important that the funder doesn't look only at the balance sheet or accounts (whilst this is extremely important), but also considers everything about

the firm and their requirements. We look to support all our firms and appreciate that everything does not always run smoothly. Moreover, one hat does not always fit all, so it's important that a funder offers flexibility and understands the marketplace.

After weathering the initial impact of the pandemic, law firms will now be looking at how they can tackle ongoing financial and operational pressures head-on. The shutdown of areas such as real estate during lockdown has unequivocally hurt revenues. At Ampla, your core values are built upon providing bespoke financial help when such life events occur. How do you believe funding companies can provide the best support during this time and has eligibility for funding been affected by the COVID-19 crisis?

Ampla: With our position in the market, we have a comprehensive view of the funding landscape. We can see how not only the clients of a law firm are reacting to the COVID crisis, but also the law firms themselves. What we have come to realise – is in the past 6-8 months, there has been a monumental shift in how law firms and association lenders are dealing with new clients.

With the development of any new working model, there is always going to be a learning curve for everyone, but it is critical that lenders adapt with law firms in figuring

out how to deliver the best possible experience to their clients, who are already facing challenging circumstances. This can be achieved, by communicating with the partner firm, understanding their process/new working model, whilst also considering the needs of the client.

For many lenders, we believe that eligibility for funding has been affected as a result of the crisis, particularly as most lenders will look at a client's assets including property and shares, age, and financial background. With the uncertainty in multiple markets: house prices falling, uncertainty for businesses affecting valuations and a volatile financial market, it all adds up to the eligibility of a client not being what it once was, meaning they are less likely to secure the financial support they need to settle their ongoing case.

This, coupled with court backlogs, delayed proceedings and a transition to a new way of working means that all the while, costs are increasing for many embarking on legal proceedings, putting extra pressure on funding arrangements already in place.

At Ampla, we have taken a different approach, using our extensive lending experience to manage the risk profile across our portfolio. This has meant that we have been able to continue to lend at a similar rate as before COVID and have even taken on cases where other lenders have reduced or terminated facilities.



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