CM Murray LLP response to SRA consultation on 'Client money in legal services: Notifying the SRA of changes to help identify and act on risks'.

This is a copy of the comments submitted on 16 August 2026 by CM Murray LLP to the SRA via its online questionnaire to respond to the merger and acquisition focused questions in its consultation on 'Client money in legal services: Notifying the SRA of changes to help identify and act on risks'.

Introduction

CM Murray LLP is a specialist partnership, employment and regulatory law firm based in London. We regularly advise law firms, partnerships and individual partners on mergers, acquisitions and other structural transactions, and the strategic, commercial and regulatory issues arising throughout their lifecycle - from early-stage strategic options through Heads of Terms, due diligence, TUPE and staff transfer issues, partner and LLP member exits, regulatory approvals and post-completion integration.

Our response is informed by this experience and by our extensive thought leadership on law firm mergers, acquisitions, governance and regulation. Further details of our relevant experience, representative matters and publications are set out at the end of this response.

Our response is limited therefore to questions 1 to 6 of the consultation.

While our response is informed by the experiences of our clients, the views in this response are those of CM Murray LLP.

Comments submitted in response to the consultation questions

Question 1: Do you agree with our proposal to create a specific rule that firms must notify us of 'prescribed events' and our approach to prescribing events?

We agree that this creates a workable framework for monitoring evolving risks, provided that there is sufficient information about each 'prescribed event' for the regulated community to understand clearly when the obligation to notify has been triggered, and sufficient time for them to do so. When considering timeframes, it should be remembered that responsible firms typically devote significant time and resource to discussions about notifications to the SRA.

Question 1 indicates that the new rule will only apply to firms, although the text of the consultation does not make this clear. If introduced, it should be clear that 'you' in the new rule refers only to authorised firms.

We note that this new rule does not address the risk that non-compliant firms fail to notify the SRA of a prescribed event, whether by choice or ignorance. As such, this adds to the regulatory burden for compliant firms while leaving those non-compliant firms unaffected, unless/until the SRA becomes aware of an issue through some other means and enforcement action is taken.

Question 2: Do you agree that it is appropriate to have the option of applying the fixed financial penalties regime in the first instance where a firm does not comply with our notification requirements?

This seems reasonable provided that warnings are provided and there is scope to accommodate legitimate or exceptional reasons for default, such as illness.

We note the risk that fixed financial penalties could allow non-compliant firms to continue with patterns of non-compliance, leading to wider harm to the profession and the perception of it. These can obviously affect the whole regulated community. We suggest that the SRA also needs actively to monitor this evidence of non-compliance and, where appropriate, take proactive steps to understand the non-compliant firm and its risk profile, in addition to requiring notifications from firms under the new prescribed events rule.

Question 3 to Question 6: General remarks

By way of general remarks, we note that many of the risks identified in the consultation paper do not resonate with our experiences of advising on law firm mergers. We do appreciate that if a law firm merger/acquisition is intended to facilitate illegitimate money transfers or is predicated on an unsustainable business model, it is sensible to explore if steps can be taken to prevent or mitigate the harms that would follow. It is in this spirit that we respond to the specific questions raised.

We note for completeness however that in our experience, law firm mergers/acquisitions are explored for sound strategic or commercial reasons, such as growing in new practice areas, geographical areas or just growth in size to dilute the impact of increasing overheads and central costs. Sound reasons can also include distress scenarios when law firm managers explore mergers as an (in our view, sensible) alternative to a cessation of business, which could easily become disorderly and thus cause harm to clients and the reputation of the profession.

Question 3: Do you agree with our proposal to prescribe as a notifiable event a merger or acquisition that is in contemplation and that has reached the Heads of Term or equivalent stage?

We do not feel that the obligation to notify a possible merger or acquisition of itself creates an unduly onerous burden. As the consultation paper notes, often mergers or acquisitions trigger the obligation to seek approval of new owners or managers of an authorised firm, so this process is commonly accommodated into merger/acquisition transaction timetables.

The following elements are however crucial to avoid this being unduly onerous or simply unworkable.

- Trigger for the notification
- Timing of the notification
- SRA follow up after receipt of a notification (which we address in our comments on Q6)

3.1 Trigger for the notification

The consultation paper does not define a merger or an acquisition. It is essential that the SRA's expectations are clear about what it means by 'merger' or 'acquisition'. This is vital to ensure that firms can comply confidently and to avoid a situation where notifications are made 'just in case' because the rules are opaque (which can waste both the firm's and the regulator's time and resources).

For example, it feels clear that there is a merger/acquisition where there is a business transfer of Firm A's entire business to Firm B, or 100% of the shares or interests in Firm A are acquired by and/or on behalf of Firm B.

It can quickly become less clear. For example, a transfer of part of Firm A's business to Firm B (such as one or a few offices or practice areas). And how does such an acquisition differ from a team move, where a team of partners decides to leave Firm A and joins Firm B, and some of Firm A's staff and clients transfer to Firm B as a result of the partners moving? Likewise, a significant lateral hire by Firm B could involve the movement of a large number of Firm A's clients and their files to Firm B but it is unlikely that anyone would currently consider that to be an 'acquisition' by Firm B. This latter example could arise very often in the context of consultancy model firms (well-established examples being *Keystone* and *gunnercooke)* where it is common for experienced partners to move with an established book of business and client list.

In a global context additional questions arise. A UK headquartered firm might describe itself as having merged with a US headquartered firm, but the 'merged firm' might be operated as two very separate firms with separate governance and profit sharing arrangements and sharing only a common brand. These transactions are strategically significant for these firms, and it is not suggested that they would object to notifications as such, but it needs to be clear if and when the obligation to notify the SRA is triggered.

3.2 Timing of the notification

The consultation rightly notes that it is common for merger/acquisition discussions to abort at an early stage. This is often an indicator of businesses making sensible decisions. It is right that early discussions should not trigger an obligation to notify, partly because of the issues outlined above about identifying a merger/acquisition but also because it might distract from consideration of fundamental commercial issues that arise at those early stages.

The consultation paper suggests that the SRA ought to be notified at the Heads of Terms or equivalent stage.

The consultation paper implies that agreement of Heads of Terms tend to follow due diligence whereas in our experience, due diligence usually does not start (and certainly not in earnest) until after Heads of Terms have been agreed.

Heads of Terms are often negotiated over many weeks, and sometimes months, so arguably this can only be a useful notification trigger if it refers to signature or final agreement of Heads of Terms.

Even so, key commercial terms (including potential 'deal-breakers') are not always addressed in Heads of Terms and can be under discussion throughout the whole transaction timetable. Sometimes these are only be resolved on the brink of exchange. Likewise some key terms can only be finalised once due diligence has been completed and final documents are under discussion, such as warranties and indemnities and where consideration is being paid, pricing.

Heads of Terms are usually non-binding, usually with the exception of the confidentiality, governing law and exclusivity (if any) provisions. It is common that the agreed principles evolve and are only finalised when the final documentation is agreed. It is conceivable therefore that firms wishing to avoid the notification obligations (in our view, a small non-compliant minority) could leave Heads of Terms unsigned and/or argue that the terms were never sufficiently finalised to represent some form of 'agreement' for the purposes of notification.

As such, we feel that requiring notification at Heads of Terms stage is not workable in practice.

The first point at which the parties can say with a degree certainty that merger/acquisition is likely to complete is the point at which the merger/acquisition agreement is signed. It is common for there to be a delay between signature and completion to satisfy transaction conditions and to undertake certain pre-completion steps that would have been undesirable when there was less certainty.

Firms tend to limit the number of conditions which could prevent completion. Regulatory approval is vital where there are new owners or managers, so it is usually one of the few conditions. Other conditions can include bank and key client consents. Sometimes partner body consent is sought between signature and completion, but if the project team does not have a mandate to agree merger terms and enter into the merger/acquisition agreement, this is often needed prior to signature.

The period between signature and completion is also usually the period during which clients are notified of the proposed merger/acquisition and given the option to support the transaction (for example by moving their instruction to the newly merged firm) or transfer their work and files to an alternative firm. This is also the point at which client consent for sharing their information is gathered (for example to allow for IT systems merger and data migration). It is undesirable for the transferring firm and its clients for this process to be started before there is relative certainty that the merger/acquisition will proceed.

The SRA's guidance on approval of role holders indicates it may take up to six months, but that it tries to make a decision within 3 months (in all but the lowest risk cases). It is our experience that we, and our adviser peers in this sector, tend to advise firms that it is sensible to allow three months for SRA approval. For completeness, we note this length of period, and the uncertainty, is often a source of frustration as firms cannot plan effectively for post merger/acquisition integration. Reducing delay, but in particular uncertainty, of the new manager and owner approval process would enable firms to plan integration more effectively and address one of the key risks that the consultation paper identifies as a concern.

We agree that in some cases, such as distress scenarios, there may not be a delay between signature and completion or completion may need to occur urgently. These are not always easy to predict but can occur close to PI insurance renewal deadlines when struggling firms are faced with the challenge of unmanageable premia on renewal or the unwelcome prospect of paying for run-off cover if a merger partner that is prepared to be a successor practice cannot be found.

Our recommendation

We propose that a workable timing for notification would be the earliest of the following.

- Promptly after signature of the merger/acquisition document, if a period of 30 calendar days or more is expected to satisfy conditions and/or undertake pre-completion steps; or
- 30 calendar days prior to the expected completion date; or
- As soon as possible, if completion is expected or likely in less than 30 calendar days.

The importance of confidentiality

We note also that potential mergers/acquisitions tend to be kept highly confidential for a significant period. For example, there might be a small project or management team who are aware of the detail, and while most of the firm's managers and owners will not be party to all information.

This is to carefully manage the impact on clients, staff and others during the time where the potential merger/acquisition is uncertain. For example, in a merger by way of business transfer all staff members can be required to transfer under TUPE to a new firm. There is a defined process under the TUPE rules, but this can understandably be a source of worry and distraction for individuals so firms take great care to manage the messaging, its timing and its impact extremely carefully. Likewise, if client communications are not carefully handled there is a risk that clients are faced with confusion or uncertainty and/or might lose confidence in the firm, which can be difficult for the client and impact on the smooth running of the merging firms, potentially even their viability if clients move elsewhere.

If notification to the SRA was required before final terms had been agreed and announced, the SRA would need to assure firms that information about potential merger/acquisition would be kept strictly confidential.

Finally, we note that early stage information about potential law firm mergers/acquisitions could even be market sensitive information where the firms or their ultimate owners are listed, so the SRA would need to ensure they had robust systems and processes to protect that information and access to it.

Question 4

Do you have any comments about whether it would be beneficial to be notified of a merger or acquisition at least 30 days prior to the merger and acquisition completing and how this might be achieved, given that completion is an uncertain event?

We have addressed this question in our comments above on Question 3.

Question 5

Do you have any views on whether different arrangements are needed for requiring notification of mergers and acquisitions that will proceed and complete very quickly? Do you have any suggestions for a more appropriate arrangement in these circumstances?

We have addressed this question in our comments above on Question 3.

We would add that if notifications are to be made at short notice, such as less than 30 days before, the SRA should make clear that a firm can make notification based the best available information and/or estimates to encourage notifications as early as possible. Coupled with this, there will need to be clarity on the extent to which and timing of providing updates to that initially notified information.

Question 6

Do you agree with the specific information that firms will be required to provide in notifying us of the prescribed event?

If our recommendations on timing above are adopted, we feel that firms will be able to provide the much of the requested information.

If not, some points will be impossible to notify or may change after notification. It would be onerous for firms to have to keep the SRA constantly updated as the transaction changes, and this risks undermining the SRA's ability to review and act on information provided.

By way of general remark, we note that together this represents a huge volume of requested information. We submit that information should only be requested if the SRA has a clear purpose for it and will use it to assess risk and act on that assessment. There should be a clear reason for each request because we would expect firms to devote a substantial amount of time and recourse to ensuring notifications to the SRA are comprehensive, up to date and not misleading.

By way of example, will the SRA have the internal time and resource to assess the implications of the turnover data provided? That often requires sophisticated accounting expertise and extensive sector experience. If not, there is a risk that firms waste time collating, discussing and submitting detailed information when that time could be spent on due diligence and planning for integration, and the SRA risks criticism if it gathers a huge volume of data but fails to use it to prevent harms that these proposals are intended to prevent.

It is also unclear how the SRA will use or respond to data provided as part of the notification process. The consultation paper states clearly that this is a notification process not an approvals process, although the reference to identifying "market developments that may require pro-active regulatory action" seemingly contradicts that assertion.

Firms therefore need clear reassurance that the SRA will not engage further after the notification and that the SRA cannot delay or block a proposed merger following notification. It would add considerable uncertainty and delay if the SRA issued follow up questions after the initial notification, and this would be especially unwelcome if the follow up was not a bespoke response based on the information provided but was instead a standard form/questionnaire (or similar). If that is not the SRA's intention then this should be clarified for further consultation with clear proposals, such as the nature of the potential further engagement and time frames after which firms can be confident that the SRA cannot and will not engage.

However, it is respectfully submitted that if the information gathered is genuinely only to be used to "track activity and changing patterns in the market" then this imposes a huge, disproportionate burden on compliant firms, yet is unlikely to change behaviours of non-compliant firms nor provide an opportunity for the SRA to take action in specific cases to prevent harms where high risk factors are present. As such, we feel that anything other than the highest level, light-touch notification to the SRA of information about potential mergers/acquisitions imposes an unfair burden on firms.

However, if the SRA does not agree with our general remarks on the volume of information requested above, we comment on each requirement below.

- **name of the acquiring and target firm**

  This will be workable, but is commercially very sensitive so we reiterate our comments on confidentiality above.

- **turnover of the acquiring and target firm**

  While this sounds feasible at face value, this raises many questions. The SRA needs to be clear about expectations. Turnover in the latest annual accounts is simplest to provide, but is by definition dated and therefore does not give a useful sense of a firm's current financial position. Year-to-date turnover from management accounts might be more up to date, but firms' management accounts are rarely produced in the same way, include estimated figures and there can be variations in the way things are presented which could be misleading, such as over-valuation of WIP or unpaid debts. Turnover is also not the only indicator of financial health. Profitability might be better, and both profitability and turnover measures ignore balance sheet position, debt and cashflow.

- **the value of client money held by the acquiring and target firms**

  The SRA will need to specify the date and whether the figure must be precise or an estimate on a given date, because some firms are regularly accepting client monies and making payments on behalf of clients. This also means the notified amount will quickly become inaccurate. It will be unworkable to requires firms to update the SRA as the position changes, so a sensible alternative would be needed, such as variations of (for example) greater than 25%. Having said that, it seems conceivable the conveyancing firms could see big changes in client account amounts purely as part of their business.

- **a breakdown of the areas of law practised by the acquiring and target firms**

  This sounds sensible but the devil will be in the detail. Drop down lists for example will be open to interpretation. It may be more workable to refer to material practice areas or for the SRA instead to ask more targeted questions to focus on the specific risk areas, such as asking only each firm to confirm if it undertakes specified high risk practice areas or if there are any areas of practice which account for more than (for example) 20% of one firm's turnover but do not account for 20% or more of the other firm's turnover.

- **expected completion date**

  If the timing recommendation above is adopted, this should be capable of being described. We note though that most mergers/acquisitions will be subject to SRA approval of new managers and owners so even if notification is made on signature of the merger/acquisition document, firms will still not be able to provide a specific completion date given the uncertainty of when that approval will be provided by the SRA. Based on the SRA's guidance, completion might fall in a window of a 1 - 6 month time frame.

  Ideally the SRA would streamline the output and decisions following this consultation with the approvals process for new managers and owners so that firms have greater clarity and certainty in the merger/acquisition process overall.

- **the number of acquisitions by the acquiring and target firm within the last 24 months, and whether this is the acquiring firm's first acquisition**

  For traditional law firm mergers between two firms, this should be fairly be simple. However, the increasing prevalence of platform firms backed by PE mean that this will need to be articulated more clearly. Is the question posed to the whole group or just the specific firm which is the acquiring entity?

  The importance of a clear definition of 'acquisition' as noted above at Question 3 is vital here too.

- **an indication of the structure after the proposed merger or acquisition ie whether it is likely to be:**

  a. **a single standalone firm (no parent, subsidiaries, or group)**

  b. **part of a simple group (one parent or a small number of related entities)**

   c. **part of a complex group (multiple entities, investors, or cross-business activities).**

This information is already required where there is to be an approval of new managers and owners. It would therefore be a significant duplication of that exercise to submit this as part of a prescribed event notification, unless the SRA is only intending to seek a simple summary (which begs the question of whether it serves a useful purpose). In complex groups this will equate to a large volume of complex, often highly confidential, information and represents a heavy burden for the firms to produce and for the SRA to process and consider. It would be more proportionate to limit this request to circumstances where approval of new managers and owners is not going to occur and/or where other risk factors are present necessitating a higher degree of scrutiny by the SRA.

- **Additional information**

The SRA's consultation paper indicates that risks to clients are posed by law firms mergers/acquisitions involving firms with unsustainable business models and financial instability. We note that the SRA is not proposing to request information on consideration payable on a merger/acquisition transaction (if any) or funding of a capital event or the combined business on an ongoing basis. It is our view that this is correct, because the SRA is unlikely to have the internal resource to assess that data and its complex implications effectively. However, if the SRA is able to review the information notified and a decision is taken to request the volume of information indicated in the consultation paper, then we submit that this element of mergers and acquisitions might also merit scrutiny.

If a large volume of information is to be required from firms as part of this process, it is suggested that this should include scope to engage positively with the SRA on difficult issues, for example, in relation to information about clients and client information. It is common that, even where attempts are made in good time to contact clients to transfer their instructions, files, original documentation and information, it is not possible to do so before completion. The SRA warning notice on mergers makes clear that it is not possible to share information or transfer files if there is no client consent. In practice firms which are ceasing to practice have to make a difficult decision to move the files of uncontactable clients to a regulated firm for safekeeping, because the alternative represents a worse outcome for the uncontactable clients and then report a serious breach after the event. Similar challenges arise when considering how to manage conflicts and onboarding (including AML checks) either at an early stage to proactively address issue early or at a late stage when it has been impossible to contact clients. It would be useful if this exercise could prompt a pragmatic consideration of these issues and commercial guidance from the SRA and also if the merger/acquisition prescribed event notification could be an opportunity for firms to highlight potential issues and engage with the regulator on proactive, client-focused solutions in advance. Historically this might have been something raised with a relationship manager, but these are now rare.

We suggest that prescribed event notifications include a 'white space' section for firms to add explanatory information to support their notifications. We accept that this makes the information more difficult to process using technology solutions. However, we submit it is vital if a large volume of information is requested. For example, data indicating that acquiring Firm A does not undertake IP work might appear alarming if the target firm, Firm B, has a large IP practice. This could be a concern if the combined firm had no senior IP experts and responsibility for a large IP practice and IP clients was with people who were not qualified to advise or supervise that work. However, it would not be a concern if the merger rationale was for Firm A to expand into new areas and build its IP experience by merging with Firm B. A 'white space' return would provide the opportunity to provide that that vital context.

As discussed above in relation to Question 3, notification is proposed to be an obligation of the firm. The SRA will however need to ensure that it is clear who has the obligation to notify for each firm. There are often only a small number of individuals within the firm who are part of the merger/acquisition project team, and often that is not a clearly defined team. It usually includes management team members, who are usually the firm's SRA manager and owners, but may not include the COLP/COFA, especially if it is an early stage and/or if the COLP/COFA is not a key decision maker. This touches on themes relevant to the recent COLP/COFA consultation. This obligation cannot therefore be an obligation on all SRA managers as most of the firm's SRA managers will not be aware of the proposed merger and its terms.

It is also possible in circumstances where law firms have non-lawyer owners with significant stakes or influence, such as PE backers, that the discussions about the disposal of a law firm (or an interest in it) are led by the investors rather than the law firm. The obligations to notify on behalf of the firm would therefore need to extend to the law firm's owners, who may not be SRA managers.

Finally, the SRA should provide guidance on how it will treat the separate notifications made by the acquirer and the target. In theory this should be simple to streamline, but the wide range of information requested means that detailed discussions would be needed to make the notifications consistent, and consensus may not be reached. Turnover, for example, is often deeply debated as touches on issues such as valuation of the work in progress. Often this is not definitely agreed until completion accounts are finalised and agreed after completion.

About CM Murray LLP and relevant experience (*not submitted as part of the consultation response to the SRA*).

CM Murray LLP is recognised as a leading practice for partnership and LLP law, being ranked Band 1 by Chambers and Partners UK and Tier 1 by Legal 500 UK for Partnership law. The firm is also recognised by both directories for its Professional Discipline practice. In Legal 500 UK 2026, the firm is regarded by clients as the "*best partnership boutique in England*."

Partners Corinne Staves and Zulon Begum are both recognised by Chambers and Partners UK in its *Partnership: Large International Structures* table, reflecting their experience advising on the governance, structuring and strategic issues affecting complex professional services businesses, international partnerships and law firms.

The firm's experience includes advising on significant law firm combinations, including acting for Taylor Vinters LLP on its combination with Mishcon de Reya LLP, Kramer Levin on its merger with Herbert Smith Freehills, DWF on the professional practices and LLP elements of on its listing on the London Stock Exchange and Hunters on its merger with Peachey & Co (as well as many others that we are not permitted to disclose). This experience has provided valuable insight into the strategic, governance, regulatory and integration issues that can arise during complex law firm transactions.

CM Murray has published extensively on law firm mergers, acquisitions, governance and regulation, including:

- Client Confidentiality: Risks in Mergers, Acquisitions & Law Firm Deals
- SRA Warning Notice on Law Firm Mergers, Sales and Acquisitions: Ten-Minute Talk
- International Law Firm Mergers: Navigating the Challenges *(first published in Solicitors Journal)*
- Key Considerations for a Successful Law Firm Merger:
    - Regulatory Considerations
    - People Issues
    - Process and Implementation