



# Guide to **Starting a Practice**

In association with

# Contents

<b>Introduction .....</b>	<b>3</b>
<b>1. Business planning .....</b>	<b>4</b>
• Business plan	
• Structure	
• Marketing, promotion and attracting business	
• Communication with clients	
• Practice and file management	
• Practice management course	
• Policy templates	
<b>2. Finance and cashflow .....</b>	<b>6</b>
• Cashflow	
• Banking arrangements	
• PAYE/Real Time Information	
• (RTI) Registration	
• VAT	
• Making Tax Digital (MTD)	
• Corporation tax and income tax	
• Account management software	
<b>3. Compliance.....</b>	<b>8</b>
• Accounts rules	
• Anti-money laundering (AML)	
• Data protection and GDPR	
• Incidental financial business	
• Officers of the firm	
<b>4. Risk management.....</b>	<b>10</b>
• Business continuity plan	
• Fraud and cybersecurity	
• Professional risk	
<b>5. Insurance and client protection .....</b>	<b>11</b>
• The Master Policy for professional indemnity insurance	
• Additional cover	
• Client Protection Fund	
<b>6. Legal aid .....</b>	<b>12</b>
<b>7. Practice unit options and information .....</b>	<b>13</b>
<b>Checklist.....</b>	<b>17</b>
<b>Contacts .....</b>	<b>18</b>

# Guide to starting a practice

Congratulations on taking the first step to setting up your own practice. While establishing your own firm can bring many rewards, it pays to spend time at the outset planning how your business will operate. You will want to ensure that your new practice complies with all relevant legislation, rules and regulations.

This guide is designed to help you start out on the right path by getting you to consider some of the main requirements and relevant points for starting and operating a legal practice in Scotland.

As you think about your new venture, one of the first considerations is to research the market you are entering and consider what will set your new firm apart from competitors.

The type of practice you form will affect how your business operates and develops. Are you planning to operate as a sole practitioner, a traditional partnership, a limited liability partnership or a limited company? It would be advisable to speak to an accountant and a corporate solicitor before making your final decision.

If you want to talk to us before setting up, please contact our professional practice team on 0131 226 8896

---

## Eligibility

Before setting up a new practice, you need to know if you are eligible to do so. Under [Law Society rule D2](#), all owners of the business must meet the requirements to be a manager.

Scottish solicitors need to have:

- A current unrestricted practising certificate
- Held an unrestricted practising certificate while employed in the capacity of a Scottish solicitor for at least three years
- Worked in the capacity of a Scottish solicitor for the 12 months immediately preceding your practice commencing.

The last two conditions may not apply if you are joining an existing practice unit.

If you do not meet one of these requirements but you feel your circumstances are in some way exceptional, you can seek a waiver. [See our website](#) for further information about waivers.

The Law Society's rules currently do not permit participation by unqualified individuals.

# 1. Business planning

## Business Plan

A business plan will help to establish how your firm will operate and what you aim to accomplish. Banks will ask to see a copy of this before you open an account.

Bullet points will highlight key ideas and make the plan easier to digest. Essential information includes:

- Your company details
- An executive overview, including your unique selling proposition
- Details of your business management team and support – show key strengths, skills, qualifications and management experience of your partners and any senior staff
- The legal services you will offer, your pricing structure, and the market for your services
- How you will attract new business/ the marketing and promotion you will carry out
- Your forecasts and budgets.

A business plan template can be downloaded from the [Business Gateway website](#).

## Structure

If two or more solicitors are starting a practice, you will need to agree at the outset what your relationship will look like, the ownership split and on what basis you will be remunerated.

You will need to organise a partnership, LLP or shareholders' agreement to govern your commercial relationship with each other. You should also understand your common law and statutory duties to one another as partners, members or directors (see [Section 7](#)).

## Marketing, promotion and attracting business

In your business planning, you will have identified what services you are going to provide, your potential clients and how much you are going to charge. How you promote your services will depend on your chosen market. As with any new business, expect to pay more in the initial years as you establish your firm.

### Channels

How will your clients find you? Marketing channels include advertising, your website, social media and networking/word of mouth. You do not have to use them all – work out where your clients are most likely to find out about you and choose a combination of marketing tools.

### Message

Be clear about the value and benefits of the services you are offering, as well as listing what you do. Keep the language simple and jargon free – make it easy for your potential clients.

### Brand

Whether you are promoting your services from an office or online (or both), spend time getting your visual brand set up (logo, fonts, colour palette, images etc). Make sure that your brand is consistently applied across your office, website, literature, letterheads, and so on. The key is to devise a brand identity that reflects how you want your clients to view your business.

### Customer service

Make sure your colleagues not only understand your marketing activities, but also appreciate the

role they can play. Whether it is following up on leads or being polite and friendly on the phone/email, good customer service is a key ingredient in attracting new business.

### Find A Solicitor

You should update your 'categories of work' in the member section of the website. This populates the Find A Solicitor function on the website, which can drive traffic to your website.

Be proactive and refine your marketing activities as you go along. Use feedback from your clients to point you in the right direction.

If you are leaving an existing practice to set up on your own, there are specific rules on what is and is not permissible in terms of approaching your existing clients. See [Law Society rule and guidance B3](#).

## Communication with clients

It is both a Law Society rule and good practice to write to clients with certain information before carrying out a new piece of work. Properly drafted, these letters of engagement play a key role in managing the relationship with your client. This includes minimising the risk of complaints and claims by managing the client's expectations. See [Law Society rule and guidance B4](#).

The Master Policy broker, Lockton, has produced an [interactive guide to letters of engagement](#) with information you should consider including in your letters, together with some sample text.

# 1. Business planning (cont.)

## Practice and file management

There are advantages, risks and challenges with whatever system you choose to organise and store your files. It is important to understand the approach that is right for you. Ultimately, you need to be clear about:

- Ownership
- Storage
- Destruction
- Security

The Law Society guidance, Section E, Division B provides information on the ownership and destruction of files.

Several practice management software systems are available on the market, with various options for cloud-based, server-based, fixed cost, pay as you go, and so on. A number of practice management providers are listed in our [Member Benefits Scheme](#). These companies have been through a process to gain 'Approved Supplier' status. However, since individual firm requirements vary, we do not endorse any one system. You need to ensure the relevant products or services meet with your needs, being careful to agree what services will be provided and what the total cost will be.

You could also use a combination of system-based and paper-based storage, with paper files stored in lockable and fireproof cabinets.

## Practice management course

If you have not previously done so (or you haven't been a manager in the preceding three years), you will need to undertake the [practice management course](#) within 12 months of starting your new practice. The course is usually hosted three times a year – typically in March, June and October – though this will depend on demand. See [rule D2.2](#).

## Policy templates

Template policies are useful tools which can be used by new practice units. Below are a few examples that you might find useful.

### Law Society

- [Data protection policy](#)
- [Privacy notice](#)
- [Anti-money laundering policy](#)

### Lockton

- [Information management and security policy](#)
- [Clear desk and clear screen policy](#)
- [Remote working and removable media policy](#)
- [Internet and communications policy](#)



## 2. Finance and cashflow

### Cashflow

Forecasts and budgets are hugely important at this stage. You should keep your outlays lean and realistic. The 12-month cashflow forecast should incorporate:

- Initial investments
- Initial funding from external sources such as bank borrowings or grants
- Initial pre-trading expenditure such as rent deposits and professional fees
- Monthly fee collections which should be calculated on a prudent basis allowing for the time to turn fee income into cash
- Monthly business payments including salaries, pensions and business overheads
- Monthly drawings or salary costs for yourself
- Payments for self-assessment or corporate tax liabilities.

You may wish to extend to a three-year cashflow forecast to illustrate long-term business goals and longevity.

Critical to good cashflow is to have robust policies for:

- Converting work in progress into fees
- How quickly you get those fees paid – (debtor days)
- The method adopted for funding client outlays.

Your forecast for cashflow should be assessed alongside your forecasts for Profit and Loss and Balance Sheet to highlight any potential profitability or funding concerns at an early stage.

Once you are trading, we recommend that monthly or quarterly accounts are prepared comparing actual results to the budgeted figures and explanations for any material differences identified, allowing you to take corrective action promptly.

### Banking arrangements

At an early stage we recommend that you contact a bank to ensure you have an operational business account and a client account if you need one. This process can take a number of weeks, so we recommend that you select your preferred bank and make early contact.

Depending on the work you are carrying out, you may also wish to consider if additional banking facilities are required such as credit cards, international payments, overdrafts, electronic banking and Worldpay card machines.

If you are setting up client accounts, it is important that you tell your bank you will need a solicitor account, which is different to a standard business account.

### PAYE/Real Time Information (RTI) Registration

You must register for PAYE/RTI as soon as you take on employees and intend to make payments to staff.

Registration for PAYE is generally straightforward and involves the setting up of a PAYE online account as well as choosing payroll software. This allows you to record employees' details, calculate pay and deductions and report to HMRC, which generally would be done on a monthly basis.

As well as the amounts of tax and NIC deducted from the employees, employers are also obliged to make an employer's national insurance payment (contributions begin above minimum salary levels).

The net salary payments are generally made at a month end and the tax and NIC deducted should be paid to HMRC by the 22nd of the following month.

As part of the responsibilities of taking on employees, you must set up a workplace pension scheme. Employees are automatically enrolled in this scheme, but they can choose not to join. As part of the rules of the scheme, you are required to make contributions, as are employees.

You should ensure that the additional employer NI and pension costs are incorporated into any cashflow and profit projections you complete.

### VAT

You must register for VAT when your taxable turnover exceeds the threshold set by HMRC.

An accountant can advise on how to register for VAT and whether it is desirable to do so, even if your projected turnover in the first year won't exceed the VAT threshold. It might be advantageous depending on the clients you will be acting for, or if you are likely to incur significant early or pre trading expenditure.

If you decide not to register and you are undertaking legal aid work, you should advise Scottish Legal Aid Board (SLAB) so they do not pay VAT on legal aid fees.



## 2. Finance and cashflow (cont.)

If your turnover increases and you do subsequently register for VAT, you must immediately advise SLAB so that VAT can be added to the fees payable to you from then on.

### Making Tax Digital (MTD)

Making Tax Digital (MTD) is a government initiative to digitise the way businesses manage tax. It's intended to make filing tax easier.

All VAT-registered businesses are required to use HMRC-recognised MTD software to keep and maintain digital accounting records and submit VAT returns online.

MTD requirements are also being expanded to Sole Traders who will be required to provide cumulative quarterly updates on their Income Tax position using MTD software.

[HMRC has issued a list of software providers that can offer MTD compatible systems.](#) We recommend that you ensure your accounts management software is able to deal with the current and ongoing requirements of MTD.

### Corporation tax and income tax

You should make provision for tax liabilities in your cashflow and profit projections. The nature and timing of payment of tax liabilities depends on your business structure.

- **Sole trader or partnership** – the individual(s) concerned will be required to make payments of tax and NIC under the individual self-assessment tax regime. These payments are due at the end of January and July each year

and are based on taxable profits which are calculated from your accounting profit as adjusted for certain items.

- **Incorporated practice** – corporation tax payments are due nine months after your year end. These payments will be a % of taxable business profits which are based on the firm accounting profit, also adjusted for certain items.

Individual directors are likely to be employed by the firm and receiving a salary from it. However, as shareholders, you may also choose to receive dividend payments which will form part of your individual taxable income. The directors/shareholders will also be required to complete personal self-assessment tax returns which will incorporate the salary and any dividends paid by the company and which may generate further personal tax liabilities.

Whatever the structure, registration with HMRC for self-employment/ self assessment or corporation tax is essential at an early stage. We recommend you take advice from an accountant in good time prior to commencing trade when considering business structures and the tax impact of these.

### Accounts management software

Many practice management systems provide functionality for both firm accounts and client accounts. However, some of the newer systems on the market require a separate firm accounting system to integrate with the practice management and client

account side. Although these systems may provide a flexible solution for some firms, you do need to consider how they integrate, e.g. including compliance with the Making Tax Digital (MTD) regime, while also ensuring they comply with our accounts rules (which differ from other jurisdictions).

Spend some time with your case management system supplier, planning the installation and ensuring the system controls and setup best match your business profile and needs. Ensure that your contract covers issues relating to cybersecurity and that the supplier can articulate their cybersecurity credentials and the business continuity plans in the event of an outage, particularly for cloud-based systems.

It's worthwhile considering at the outset how your system can record/ store/ delete data in line with the General Data Protection Regulations (GDPR) and AML compliance, so they don't have to be built in later.

# 3. Compliance

## Accounts rules

All practice units, regardless of whether you will be handling clients' money or not, must set up the required books, records and cashroom procedures in order to comply with the accounts rules before you start your practice. The rules cover the handling and accounting of client monies and interest, daily, monthly accounting procedures, staff training and the delivery of Accounts Certificates confirming compliance with the applicable rules.

Our guidance gives an overview of the rules (see [Law Society rules](#) and [guidance B6](#)).

We will contact you upon setting up to provide guidance on accounting records, and again, at three months of trading where we will send you a questionnaire about the accounting systems and procedures you have in place, prior to an initial inspection by our Financial Compliance team.

Where an in-house cashroom is not in place, there are options to outsource your cashroom function. When selecting an outsourced provider, consideration should be given to the insurance cover provided. Third-party fraud by outsourced staff would not be covered by the Client Protection Fund. You should also ask your suppliers about their GDPR compliance, cybersecurity credentials and contingency planning regime in the event of a breach.

As part of our regulatory duties, we carry out financial compliance inspections with all law firms on an ongoing basis. To make sure

that your new practice is on the right track, we aim to carry out a compliance inspection of your firm within the first year of trading. Please contact us if you want to know more about inspections and how best to prepare.

Our CPD team hosts regular seminars on this topic and also covers manual book-keeping to ensure that you remain fully updated on compliance and what is expected in advance of your first Law Society inspection.

We recommend that you meet with a member of our Financial Compliance team to discuss the accounts rules requirements, the books and records that need to be held and software available on the market.

We will contact you upon setting up to provide guidance on accounting records, and again, at three months of trading we will send you a questionnaire about the accounting systems and procedures you have in place, prior to an initial inspection by our Financial Compliance team.

## Anti-money laundering (AML)

Given the many ways in which the legitimate services provided by legal firms can be used for illegitimate purposes, law firms continue to be a target for criminals looking to launder the proceeds of crime.

If your firm will be involved in any of the following activities, you will be subject to AML supervision by the Law Society. You will need to ensure compliance with both the Money Laundering Regulations and the relevant industry guidance such

as the [Legal Sector Affinity Group Guidance](#)

- the buying and selling of real property or business entities;
- the managing of client money, securities or other assets;
- the opening or management of bank, savings or securities accounts;
- the organisation of contributions necessary for the creation, operation or management of companies; or
- the creation, operation or management of trusts, companies, foundations or similar structures,\*

\*See Regulation 12(1) of [The Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#).

An AML questionnaire is issued to all new practices to ascertain if the work to be undertaken falls into the scope of the regulations, and where it does, provides guidance as to the necessary actions required.

The [AML section](#) of the Law Society's website provides guidance to support practice units with their ongoing anti-money laundering compliance, including template examples for Practice Wide Risk Assessments, AML Policies, Controls and Procedures and Client & Matter Risk Assessments.

The CPD team offer dedicated AML training and regular seminars on the topic of AML compliance and best practice.

If your firm is out of scope and therefore not subject to AML Supervision, you should still



# 3. Compliance (cont.)

create and maintain policies and procedures to address both the Proceeds of Crime Act and the reporting of suspicious activities, as well as ensure a Money Laundering Reporting Officer (MLRO) is appointed.

## Data protection and GDPR

In common with all organisations that process personal data, law firms must comply with GDPR. You can find out about data protection and GDPR from the perspective of a legal practice on our website. Remember, all new firms must register with the Information Commissioner's Office. (ICO). The ICO regulates data protection.

For more information regarding GDPR, please see the [Law Society of Scotland Guide to GDPR](#) and the [Information Commissioner's Office](#).

## Incidental financial business

If you carry out any of the following, you will have to apply for an incidental financial business licence (issued by us) or you will need that area of work to be regulated by the Financial Conduct Authority (FCA). Incidental financial business means financial work carried out as part of your other professional services. If you carry out any mainstream financial work, you must be regulated by the FCA (see [Law Society rules](#) and [guidance C2](#))

- Incidental consumer credit business – more commonly, debt administration or debt collecting
- Incidental insurance distribution business – advice on, or the sale of, general insurance products
- Incidental investment business – for example, arranging the sale of shares in an executry
- Incidental long-term care insurance business – advice on, or the sale of, long-term care insurance products
- Incidental mortgage business – the arrangement of a mortgage on the instructions of a client.

## Officers of the firm

You will need to assign certain roles within the firm, and confirm who holds those roles when you submit your application:

- Client relations manager
- Money laundering reporting officer
- Cashroom manager
- Compliance manager (if registering for civil legal aid)
- Insurance distribution officer (if required under the Insurance Distribution Directive).

## Annual submissions

Regulation is an ongoing process. Every year you will be asked to provide information about your firm depending on the work you carry out:

- Accounts certificate (twice per year)
- Anti-money laundering certificate
- Master Policy submission

# 4. Risk management

It is good business practice to understand, and plan how to deal with, the potential risks to your business. By carrying out the planning, you will be better placed to recognise the signs of risk and take any necessary action.

## Business continuity plan

It is important to consider what you would do, and how your business would survive, if the unexpected happened.

Banks, insurers, and clients are more likely to take a company seriously if it has a business continuity plan.

Helpful advice from the Scottish Government suggests you should ask yourself a series of questions:

- Have you identified someone responsible for leading a crisis response?
- Do you know what processes are critical to continuing in business?
- Do you have arrangements to communicate with staff, or their relatives, in a crisis?
- Could you cope if staff were absent?
- Are your business computer records protected and backed up offsite?
- Are your suppliers (including utilities) resilient with their own business continuity plans?
- Can you access essential equipment at short notice?
- Have you tested your assumptions about recovering from a business crisis or range of emergencies that might affect your business?

Incorporated practices should see [Law Society rule requirement D5.4.2](#) and [related guidance](#).

## Fraud and cybersecurity

Confidentiality and security of information are at the heart of any legal business. Advances in technology continue to change the way legal services are delivered – but can also present security risks. It is worth noting that your IT supplier is not necessarily an IT security expert.

### Client accounts

Your client accounts are the most attractive to cybercriminals, so we recommend that you start there with your security measures. These risks can be mitigated by operating with robust processes and procedures, including two-factor authentication/authorisation and ensuring client communication via email is encrypted or, where not encrypted, does not contain confidential information, particularly in relation to bank account details or anticipated dates for transaction settlements. Our website sets out the most common cyberthreats and how to deal with them.

For more information regarding fraud and cybersecurity, see the [Law Society of Scotland Guide to Cybersecurity](#).

## Professional risk

In day-to-day legal practice, there is always the risk that the client will be unhappy with the work you have done, or you may miss something or make an error. In those circumstances, a client may make a claim against a firm for professional negligence. Such claims would be covered under the Master Policy for professional indemnity (see next page). However, it is important to understand that most professional indemnity claims arise not from errors in the law but from poor standards of administration, poor procedures or not following procedures. It is important to consider the processes and procedures which you need to establish within your firm to help to avoid, or at least mitigate, the risk of a professional indemnity claim being made against your firm.

Some examples of good risk management would be:

- Checklists of stages for various standard types of transaction
- File reviews
- ‘Second pair of eyes’ checks on important or complex documents
- Carefully considered letters of engagement – with particular attention to the scope of services.

All solicitors must undertake a minimum of one hour of risk management CPD as part of their annual requirement.

# 5. Insurance and client protection

## The Master Policy for professional indemnity insurance

We arrange the mandatory professional indemnity insurance, known as the Master Policy (see [Rule and Guidance B7](#)), for all Scottish solicitors in private practice. There is a minimum cover level of £2 million.

Before your firm starts trading, you will need to contact the appointed Master Policy broker, Lockton, to arrange your own professional indemnity cover. Once completed, they will provide a certificate of insurance, which you will have to send to us before you start to practise.

A firm limited to criminal court work only throughout the practice year is entitled to a discount on its Master Policy premium. You will need to confirm to Lockton the limitations of your work and complete a criminal court undertaking, copies of which must be sent to the Law Society and to Lockton.

Once you are provided with Master Policy cover, Lockton will set you up with a username and login so that you can access your proposal form and policy documents online.

You can obtain a Master Policy quote for your new practice by contacting Lockton on 0131 345 5599 or by completing and returning a PI proposal form to Lockton ([available on the Lockton website](#)).

## Additional cover

Your practice will have a range of other insurance needs. If you have an office, you are likely to require office insurance. You will need employers' liability insurance if you hire staff (this is often included in an office package of cover as is public liability insurance). Some firms purchase fidelity, crime or cyber insurance.

If the Master Policy £2 million compulsory cover is not sufficient for the nature of your work, Lockton can arrange additional top-up professional indemnity insurance for you.

Contact your usual insurance broker (or Lockton) for information on your specific requirements and they will be able to advise on any insurance products that are available.

## Client Protection Fund

As a new practice unit, all managers will need to contribute towards the Client Protection Fund (the operating name of the Guarantee Fund). The current rates, along with the rates for the account fee and the AML fee, are [available on our website](#). Payment needs to be made before your practice unit starts operating unless you have already paid it as a manager in another practice for that year.

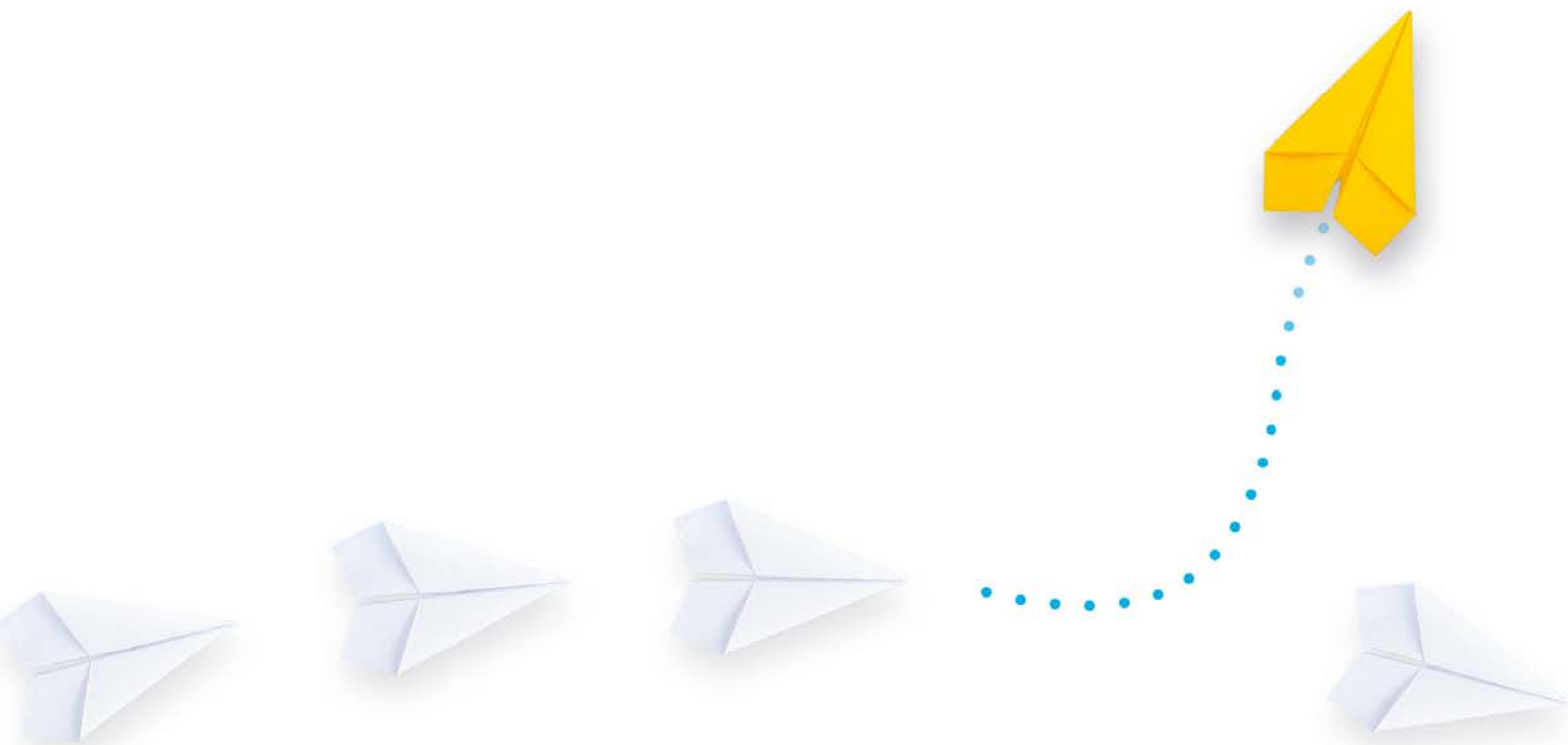
For more information regarding the Client Protection Fund, see [Law Society Rule and Guidance B6, Part VI: Client Protection Fund \(Guarantee Fund\)](#).

## 6. Legal aid

If you intend to carry out civil and criminal legal aid (including advice and assistance), you will need to first register with the Scottish Legal Aid Board (SLAB). The application process ultimately leads to a certificate of compliance, which is required before you can start practising ([Law Society Rule and Guidance C3](#))

If you only intend to carry out criminal court work, you will be eligible for a discount on your professional indemnity insurance. Your completed proposal form should highlight this to Lockton.

You should [contact SLAB at `general@slab.org.uk`](#) to provide signage advertising that shows that you offer legal aid work.



# 7. Practice unit options and information

There are several business models that you can adopt when setting up. You will need to consider a number of factors in order to determine which model suits you, including:

- The level of risk you are prepared to take
- How quickly you wish to set up
- Costs.

We recommend that you take professional advice from an accountant and a corporate solicitor before deciding what model is appropriate for you.

## Forms and fees

You will need to fill out the relevant forms (depending on your business model) to let us know about your new practice unit. Below is the list of the all the forms, what they do and the relevant fees.

[All forms can be found on the Law Society website by searching 'start up forms'.](#)

## Annual fees

We will ask you for fees at two points during the year:

- June – Scottish Legal Complaints Commission levy
- October – membership fees (including Master Policy and Client Protection Fund contributions).

Form	Purpose	Fee
Practice Unit Information (PUI 1)	Giving information regarding regulatory roles and contact details. Rule D4.	No fee
Incidental Financial Business 1 (IFB 1)	An application may be appropriate to give you incidental financial business licence cover, which includes a consumer credit licence. Rule C2.	No fee
Incorporated Practice 1 (INC 1), including Guarantee Fund undertaking	Requesting recognition of an LLP or a limited company practice by the Law Society of Scotland. There are very specific requirements in terms of Rule D5.	See <a href="#">fee page</a> for current rate
Multi-National Practice 1 (MNP 1)	Requesting recognition of a multi-national practice, detailing the Scottish and English managers/director/shareholders in the business and other legally qualified personnel. Rule D8.	See <a href="#">fee page</a> for current rate
Registered Foreign Lawyer 1 (RFL1)	Requesting recognition as a registered foreign lawyer, this needs to be accompanied with a certificate of good standing from the home regulator. Rule D7.	See <a href="#">fee page</a> for current rate



## 7. Practice unit options and information (cont.)

### 1. Traditional practice unit – Sole trader or partnership with unlimited liability

We require seven working days of receipt of all documentation to authorise a traditional practice. Please submit the following:

PUI 1

Payment (if applicable) of:

- Client Protection Fund fee
- Accounts fee
- AML fee

per manager – if payment for the practice year has not been made already been made

Sample letterhead\*

IFB 1, if required (see below)

Your practice unit's Master Policy professional indemnity insurance schedule as issued by Lockton

Anti-money laundering information – [see page 8](#)

\*This can apply to letterheads, business cards and email footers. There are no specific requirements as to what a letterhead should contain – although it would be useful to have your name, the name of the firm and contact details. We are just keen to make sure that details are accurate and compliant with our rules before you start trading.

There are statutory requirements in relation to publication of company and LLP names: at registered offices, on stationery, invoices, emails and websites (e.g. The Company, Limited Liability Partnership and Business (Names and Trading Disclosures) Regulations 2015 and Companies Act 2006).

### 2. Incorporated – Limited company by shares, guarantee or, unlimited

We require all documentation one month prior to the proposed start date ([Rule D5.3](#)) Please submit the following:

PUI 1

INC 1

Memorandum and articles of association (M&A) (required) – ([Rule D5.4.1 provides specific requirements for M&A as standard M&A are not compliant](#))

Copy of the certificate of incorporation of the company

Signed Client Protection Fund undertakings from each manager

See [fee page](#) for current rate

Payment of the Client Protection Fund fee for each manager (if payment for the year has not already been made)

Sample letterhead

IFB1 form, if required

Once an application has been granted, we require either your endorsement to your indemnity insurance schedule if you are converting an existing practice or your schedule of insurance as issued by Lockton

Anti-money laundering information – [see page 8](#)

# 7. Practice unit options and information (cont.)

<b>3. Incorporated – Limited liability partnership (LLP)</b>  We require all documentation one month prior to the proposed start date ( <a href="#">Rule D5.3</a> ) Please submit the following:
PUI 1
INC 1
LLP agreement
Copy of the certificate of incorporation of the company
Signed Client Protection Fund undertakings from each manager
See <a href="#">fee page</a> for current rate
Payment of the Client Protection Fund fee for each manager (if payment for the year has not already been made)
Sample letterhead
IFB1 form, if required
Once an application has been granted, we require either your endorsement to your indemnity insurance schedule if you are converting an existing practice or your schedule of insurance as issued by Lockton
Anti-money laundering information – <a href="#">see page 8</a>

# 7. Practice unit options and information (cont.)

## 4. Multi-national practice (MNP)

We require all documentation three months prior to the proposed commencement date. Please submit the following:

PUI 1

MNP1

RFL1 form for each non-Scottish manager

Annual payment of the Client Protection Fund fee for each Scottish manager (if payment for the year has not already been made). There is an additional fee for MNP registration in addition to the incorporation fee. See [fee page](#) for current rate.

Sample letterhead

IFB1 form, if required

The practice unit's indemnity insurance schedule as issued by Lockton or evidence of insurance if you use multinational options b or c right ([Rule B71.6](#))

If the MNP is to be a limited company or LLP, or if an existing limited company or LLP currently operating outside Scotland is to be used, that entity will require to be recognised as an incorporated practice – in that case, we will require sight of all the additional documentation described in the incorporated practices sections above.

### a) Multi-national practice (recognised by the Law Society of Scotland only)

There is a requirement that at least one Scottish manager and a manager qualified in the other jurisdiction are appointed in the business.

Becoming a Scottish MNP (with approval from us) only entitles you to have lawyers from another jurisdiction as managers (as registered foreign lawyers registered in Scotland) in the Scottish business. The practice unit is only entitled to do Scottish work, including Scottish reserved area work, and non-reserved work in the other jurisdiction.

### b) Multi-national practice (recognised by the Solicitors Regulation Authority (SRA) only)

Example: an English business becoming an English MNP (with approval from the SRA) only entitles you to have lawyers from another jurisdiction as managers (as registered foreign lawyers, or RFLs, registered in England and Wales) in the English business.

The practice unit is only entitled to do English work and Scottish non-reserved work. Scottish solicitor managers in such a practice would register as RFLs with the SRA.

### c) Multi-national practice (recognised by us and SRA)

Example: if a single business registers as an MNP with both the SRA and us, not only are solicitors from both jurisdictions entitled to be managers of the business (all managers also being registered as RFLs in one jurisdiction or another, depending on where they originally qualified), the business is also entitled to do work in both jurisdictions whether reserved area or not.

See [Law Society Rule D8](#) for further information on Multi-National Practices.

# 7. Practice unit options and information (cont.)

## 5. Registered foreign lawyers

This provides for the registration of foreign lawyers, ie lawyers from jurisdictions outwith Scotland (including England and Wales). Foreign lawyers must be registered with us before they can enter into MNPs with Scottish solicitors or incorporated practices. An MNP must have at least one Scottish solicitor and one registered foreign lawyer (see [Law Society rule D7](#)).

A list of jurisdictions recognised by us for RFL licensing purposes is [available on our website](#). If an RFL is from a jurisdiction that is not listed, an application must be made for recognition of that home regulator.

## Checklist

There is no definitive checklist for setting up a firm but here are a few to get you started.

### Practicalities

- ☐ Premises
- ☐ Firm name trademark
- ☐ Paper/headed paper
- ☐ Computers
- ☐ Electricity
- ☐ Telephone
- ☐ Website
- ☐ Email

### Staff

- ☐ Support and reception staff (including the option to outsource or use Intelligent Office)
- ☐ Cashier (including the option to outsource cashiering, management accounting and payroll)
- ☐ Paralegals and accredited paralegals
- ☐ Trainees
- ☐ Solicitors

### Taxation

- ☐ VAT
- ☐ Corporation tax
- ☐ Self-assessment tax return
- ☐ National Insurance
- ☐ PAYE

### Suppliers

- ☐ IT
- ☐ Cybersecurity services
- ☐ Printer/scanner
- ☐ Shredding services

### Employment support

- ☐ Security-identification protocols
- ☐ Contracts
- ☐ Policies

### Contact

- ☐ Your bank
- ☐ HMRC
- ☐ Information Commissioner's Office
- ☐ Insurers
- ☐ Scottish Legal Aid Board
- ☐ Law Society of Scotland

# Contacts

## Law Society of Scotland

For initial enquiries  
Telephone: 0131 226 8896  
Email: [profprac@lawscot.org.uk](mailto:profprac@lawscot.org.uk)

For accounts rules advice  
Telephone: 0131 226 8897  
Email: [fincomp@lawscot.org.uk](mailto:fincomp@lawscot.org.uk)

For the application process  
Telephone: 0131 476 8367  
Email: [member.registration@lawscot.org.uk](mailto:member.registration@lawscot.org.uk)

## For training

We run training throughout the year for members who are running their own practices. These include:

- Cashroom
- Anti-money laundering
- Client care
- Risk
- Financial skills
- Cybersecurity
- Data protection

Email: [cpd@lawscot.org.uk](mailto:cpd@lawscot.org.uk)  
Telephone: 0131 476 8165

Our thanks to [Lockton](#) for their contribution to this publication.



In association with



The Cashroom offers outsourced legal cashiering, payroll, and management accounting services.

[www.thecashroom.co.uk](http://www.thecashroom.co.uk)





**Law Society of Scotland**

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

T:+44(0) 131 226 7411

[www.lawscot.org.uk](http://www.lawscot.org.uk)