

3rd February 2016

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Competition and Markets Authority
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Dear Mrs Rican-Sevitz

Re: Market Study into the Supply of Legal Services in England and Wales

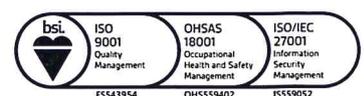
I have read, with interest, the Statement of Scope published by the CMA with regard to its proposed Market Study into the supply of Legal Services in England and Wales published on 13th January 2016. And I note, in particular, that the scope of the study is to encompass a case study into the provision of Employment Law Services to individuals and small businesses.

As a leading supplier of Employment Law Services to small and medium sized businesses, Peninsula believes that it has a role to play in assisting the CMA in its Market Survey and I do therefore hope that you will find the following brief initial submissions to be of assistance. Should you require any further information, or should you wish to discuss the matter to which I refer in these submissions, then I'd be willing to further assist.

Peninsula Business Services

1. Peninsula is the UK's largest provider of packaged Consultancy and Support Services to small and medium sized businesses across the UK. Although our Consultancy Services cover a number of compliance areas, by far the largest is employment. And in that respect, our services generally consist of a 24 hour helpline, coupled with a combination of face to face consultations and assistance in the drafting of bespoke and tailored HR policies and procedures. We also provide assistance and representation in dealing with claims, whenever our clients are named as a Respondent in Employment Tribunal proceedings.
2. A full list of the services and products provided by the Peninsula Group can be seen on our website www.peninsulagrouplimited.com/services.
3. Peninsula has been providing packaged Consultancy Services for more than 30 years, and we presently have 27,000 clients in the UK. The vast majority of that growth has been organic, with very few acquisitions over the years in the provision of Employment Law Services to small and medium sized businesses, which we regard as our core offering.

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4. Peninsula attributes its success, not just to the level and quality of the services that it is able to provide, but also to the business model that it established, and which it has developed and refined over the years. In particular, what makes Peninsula different to the Employment Law Services offered by traditional law firms, is the approach taken with pricing. Rather than charging agreed hourly rates for work performed, or fixed fees for limited one off pieces of work (which is the traditional law firm business model), Peninsula offers clients a fixed fee service for a fixed contract term which is determined by reference to our clients payroll. And this fee remains the same for the duration of the contract, irrespective of the number of times a client uses our services.
5. In addition, Peninsula's Employment Law Advice is underwritten with a Legal Expenses Insurance Policy which covers not only a client's legal costs in defending Employment Tribunal claims; it also indemnifies them in respect of any subsequent award provided relevant policy conditions are met.
6. Peninsula believes that its growth has come from prospects switching their allegiance away from the traditional law firms (when it comes to obtaining Employment Law Services) in order to take advantage of the fixed priced fixed contract model advocated by Peninsula. Indeed the success of this business model can also be seen in the growth in the number and size of competitors who have emerged into the market in recent years and who have adopted a very similar business model. Companies like Citation, Ellis Whitham, NorthgateArinso, RBS Mentor and Croner have all embraced this alternative way of pricing their provision of Employment Law Services and they are testament to its attractiveness and success (indeed Law Firms such as Eversheds and Irwin Mitchell are now also moving in that direction).
7. As to the last company mentioned (Croner) the CMA will be aware that in December last year Peninsula completed its acquisition of the Croner Group Limited. There was a clear business rationale behind Peninsula's decision, given that Croner focuses almost exclusively on the mid-market sector and above; has only 2,000 clients, and provides a higher element of face to face Consultancy. Accordingly Peninsula intends to retain, develop and enhance the Croner brand; it will be run as a distinct complimentary provider of Employment Law (and other) Services to larger businesses. Given that the scope of the Market Study is concerned with businesses employing up to 10 employees, Croner's market experience is unlikely to be of any assistance to the CMA and my submissions therefore will be solely concerned with Peninsula's experience in providing Employment Law Services to its clients.

Theme 1. Informed Purchasing Decisions

8. Peninsula is of the opinion that small business are able to make informed decisions when purchasing its Employment Law Services, principally because of the manner and way in which its services are priced. Businesses are left in no doubt regarding how much they will ultimately have to pay and over what period of time. Irrespective of the number of times that they use the service.
9. An example of how we have simplified the process for clients, the standard Peninsula contract is a single page - not the lengthy letters/contracts used by solicitors. The nature of the Employment Law Services can be seen on the face of the one page document. A number of competitors have adopted precisely the same concise and easy to understand approach.
10. It is for this reason in my view that many small businesses are moving away from the traditional approach taken by law firms. Retaining a firm of Solicitors to undertake either contentious or non-contentious Employment Law work based on an hourly

charging rate inevitably brings with it cost uncertainty. Moreover, different fee earners within a firm of Solicitors will invariably offer their service to clients at different charging rates, which can often result in over charging when the work that is being done by say a Partner could have been done by an Associate. Hourly charging rates also run the risk of rewarding inefficiency.

11. Peninsula however continues to regard the traditional law firm as a very significant competitor in the market. Not least because of the bias that it perceives amongst come small businesses regarding the quality of legal advice that Peninsula's Consultants are able to provide, when compared to that of a Solicitor. Many businesses are prepared to tolerate the traditional model based on hourly charging rates, because they believe that advice from a Solicitor is "better" than advice from a non-Solicitor. It is for that reason that Peninsula now employs a number of Solicitors who are able to provide some Employment Law advice within certain parameters set down by the Solicitors Regulation Authority.
12. Because of the success and growth of the Peninsula type business model, whereby businesses are offered Employment Law advice as part of a package of Consultancy Services for a fixed price for a fixed contract term, this aspect of the market has never been more competitive. There are extremely strong incentives for Peninsula, and its competitors, to compete on both price and quality, and in our experience it is rare for a prospect to be contacted by Peninsula, or to make contact with Peninsula, without that prospect company comparing Peninsula's price to that of a competitors. This "shopping around" for the best price is a common feature of the market within which Peninsula operates; a far cry from the traditional approach taken by small businesses when approaching just one firm of Solicitors for assistance in relation to an Employment Law matter. Whilst traditional law firms may not have to be so concerned with price, that is very much a determining factor in our extensive experience when selling Employment Law Advice as part of our package of Consultancy Services. It is for that reason that Peninsula does not believe that it is able to ever charge a price for its services that is above a competitive market level.
13. The extent of this competition can also be seen in the way in which Peninsula has sought to improve and innovate in recent years, adding to its portfolio of services and which complement its Employment Law Services. New products are now available including "HR face to Face", BrightHR and EAP.
14. Direct marketing to prospects forms a very significant part of Peninsula's strategy for growth, and driving this forward is a team of 80 Sales Representatives based in the field, supported by a Telemarketing Department at Head Office. Peninsula has an extensive prospects database of small and medium sized businesses, and it seeks to generate new business from them in a number of ways including:-
 - Cold calling and direct mailing/marketing
 - Referrals from existing clients
 - Seminars
 - Hosting joint events with Accountants, Brokers and others
 - The use of AdWords on Google
 - Intermediaries
 - Preferred supplier status
 - Leads from the publication of the Employment Tribunal daily "cause list"
 - Sponsorship
 - Editorials
 - Tenders and quotes
 - Networking events

15. Peninsula's competitors however are equally adept at utilising all of the same routes to market thereby ensuring that Peninsula remains keen on both price and on quality.
16. Intermediaries (such as Accountants and Brokers) also play an important role in helping Peninsula market its Employment Law Services to new clients; either through the hosting of joint seminars or in the recommendation and/or endorsement that they are able to make to their own existing clients base.

Theme 2. Redress Mechanisms

17. Peninsula only provides its Employment Law Services to employer organisations, with a focus on small and medium sized businesses. It does not act for employees and indeed cannot so act, because it is not authorised to provide Claims Management Services. As such, the provision of its Employment Law Services is unregulated, in that it is not regulated by specific legislation and accordingly there are no external mechanisms in place enabling clients to seek redress, in the unlikely event that things should go wrong (save for the oversight from the FCA - see below).
18. Nevertheless Peninsula believe that its internal complaints mechanism does enable clients, as consumers, to seek redress in the event of a complaint, regarding the manner or way in which its Employment Law Services are delivered. Indeed Peninsula has a dedicated Client Services Team who are responsible for resolving client issues/complaints, and the extremely high retention rates that Peninsula consistently enjoy is testament to the high levels of client satisfaction.
19. Peninsula is however regulated by the FCA given that it is authorised in the sales of non-investment products; being the Insurance Policy that underwrites its Employment Law Advice. Peninsula believes that this works well in supplementing its own internal redress procedures, and Peninsula's dedicated Compliance Department maintains a close working relationship with the FCA. To that extent Peninsula believes that adequate protection is afforded to its clients in view of this dual approach. Peninsula nevertheless is aware of at least one of its competitors (Citation) who is not authorised or regulated for the FCA.
20. Peninsula invites the CMA to note that the scope for price misunderstandings and complaints, when Employment Law Services are provided using its business model, is greatly reduced because of the transparent way in which price is explained to a prospect at the outset of the contract. And, given that the price that is agreed at the outset is then fixed for the duration of the Agreement.

Theme 3. The Impact of the Regulatory Framework on Competition

21. Peninsula's experience of the Regulatory framework, and whether this puts clients as consumers at a disadvantage, is limited, given the points made in paragraph 17 above. Moreover competition between providers of Employment Law Services who operate a similar business model to Peninsula, and who are also similarly regulated by the FCA (and therefore also bear compliance costs) remains fierce (Peninsula believes that one of its competitors, Citation, ought to be regulated by the FCA, not least because they are able to avoid the compliance costs that Peninsula and other providers are obliged to bear when offering an Insurance Product).
22. For its part, Peninsula does not believe that any additional Regulation regarding its provision of Employment Law Services is either warranted or necessary.

I trust these submissions from Peninsula's perspective, in answer to the questions that have been posed, will be of some assistance to the CMA in conducting its Market Study.

Yours sincerely

Peter Swift
Group Finance Director