

# Effects of the financial crisis on the Law Society NT

By Barbara Bradshaw, Chief Executive Officer, Law Society Northern Territory

The purpose of this article is to flag some issues for the Society arising from the current 'financial crisis'.

While I do not hold myself out as an economic guru (although I did win the Winston Sutton Prize for 6th form Economics at Bathurst High School in 1973), it would appear that many people with greater skills in the area have not predicted some of the recent events, and have engaged in behaviours that have worsened the position. However, it is hoped that things will improve.

The Law Society is dependent on a significant part of its funding from the Legal Practitioners Fidelity Fund. The amount available for the Law Society and other purposes (eg. the Disciplinary Tribunal and Community Legal Centres) is dependent on the income of the Fund and the amount set aside for possible claims against the Fund.

The trust account investigation program is designed to discourage defalcations of trust accounts and increase the amount that is available for these other purposes. Income in the Fund includes interest on solicitors trust accounts, practising certificate fees, an annual contribution

from certain unrestricted practising certificate holders and earnings on investments. The current financial crisis has impacted on the value of the Fund, and also on its earnings, which effects the amount available for Law Society funding.

The Funds Management Committee makes investment decisions on behalf of the fund, and has taken a conservative approach to investing. Thanks to this approach, a lot of the fund is held in cash, with some of this money invested at good interest rates. However, the probability of lower interest rates in the future will impact on the earnings of the Fund. Many of the stocks held are 'blue chip' and expected (hopefully) to increase in value in the future. At some point it will be a good time to buy. However the FMC is adopting a cautious approach, and will be getting further advice on its approach.

Whilst the NT property market remains buoyant, there is always the possibility of the credit crunch and other factors having an impact. As practitioners would be aware, there are already some problems with the PII renewal process caused by an increase in claims and world economic instability affecting investment returns. There



*The Law Society has had some issues arising from the "financial crisis"*

are apparently trends overseas of people suing law practices because of their apparent "deep pockets". Risk management becomes of even greater importance, as well as credit management and ensuring good costs agreements are in place.

The Society is also considering implications of the Commonwealth Government guarantee of deposits in ADIs, and the potential guarantee fees on deposits held with a cumulative value of over \$1million.

## Save the date

The 2009 CLANT Bali Conference will run from 27 June to 3 July 2009.

Further details will be provided in subsequent editions of *Balance*.