



Information for Solicitors On Setting Up a Partnership

What a Partnership Involves, What You Need To Do In
Order To Establish, Structuring an Agreement



1. INTRODUCTION

This leaflet was published by Practice Support at the Law Society of Ireland to provide solicitors with outline information about setting up a partnership. It does not deal authoritatively with legal and regulatory matters and it should not be relied upon in this regard. For authoritative guidance, please consult with Law Society of Ireland Committee and Regulation Department publications, along with the book '*Solicitor's Guide to Professional Conduct (4th Edition)*'.

This leaflet should be read in conjunction with another leaflet titled '*Information for Solicitors On Setting Up In Practice*'. Everything in that leaflet is relevant to setting up a partnership and most information in that leaflet has not been replicated in this one. Buying into a partnership is not covered in this leaflet but is dealt with in a separate dedicated leaflet titled '*Information for Solicitors on Buying Into a Partnership*'.

1.1 Quick Overview

With regard to commencing a partnership, the Law Society requires the following:

- **Practising Certificate** – Partners and all other solicitors employed in the firm are required to hold a current practising certificate from Law Society of Ireland.
- **PII Confirmation of Cover Form** - Partners are required to obtain professional indemnity insurance ("PII") cover from a participating insurer and have the attached Confirmation of Cover Form completed and returned.
- **Commencement in Practice Form** - Partners are required to notify the Law Society of the commencement of the practice by completing and returning the Law Society's Commencement in Practice Form;
- **Headed paper** – Partners need to forward a copy of your headed notepaper to the Society which should be in accordance with the provisions of the Solicitors (Practice, Conduct and Discipline) Regulations 1996 (S.I. 178 of 1996).

With regards to selecting a date to submit your accountant's report, regulation 26 (1) of the Solicitors Accounts Regulations, 2023 (S.I. 118 of 2023) requires the report to be provided to the Law Society no later than 5 months after your accounting date [i.e. the last day of the practice's accounting period, year-end].

Should you wish to choose an initial accounting date which would extend your accounting period, you must notify the Society in writing not later than 1 year after your date of commencement and receive written consent. Any such requests, or any queries relating to reporting accountant's reports should be directed to Ms Kara Groarke, in the Financial Regulation Section (k.groarke@lawsociety.ie).

2. WHAT A PARTNERSHIP INVOLVES

A partnership is a solicitor firm operated by more than one solicitor. The partnership is a business that provides legal services. Depending on the type of partner you are, you may - or may not - share in profits made by the firm. However, all partners in a legal practice are jointly and severally liable for debts and liabilities - even if you are just a salaried partner.

[Please review the Guidance note from Legal Services Regulatory Authority.](#)

As an equity partner, you will be self-employed. This changes several things that you may have taken for granted until now. One important issue is remuneration. It will not be guaranteed that you will receive an amount equivalent to your former salary. Equity partners, as owners of the firm, are always last to be paid. Other expenses, including salaries of employed staff, must be paid first.

In a bad year, your share of the profits as an equity partner (your earnings) may be less than the salary of the most junior secretary. On the other hand, in a good year your reward may be far greater than your previous salary. Are you OK with this kind of uncertainty?

As an equity partner, you are also outside the protection of employment legislation. If you find yourself having to leave the partnership, issues of minimum notice, redundancy or other employment safeguards are not relevant. You have no statutory rights. You are simply ceasing to be in a business with your former partners and your rights are those associated with partnership law and the agreement between you.

As a partner your tax will no longer be deducted under the PAYE system. It will be your own responsibility to make returns to the Revenue Commissioners and to manage your finances so that you have funds available to pay your tax when it becomes due. This becomes your personal responsibility.

Your day to day work may not be very different. In some firms, partners work closely together. In other firms, partners work quite independently of each other and simply share the overheads and divide the profits on an agreed percentage at the end of the year.

2.1 Pivotal Issues in Partnerships

- **Management Structure** - Ideally there will be a management structure, regular meetings will be held, and decisions will be made on an ongoing basis to deal with problems as they arise. Some firms opt to appoint one partner as a managing partner, carrying out more of the administrative work and less of the legal work, this would be reflected in this partners' remuneration as it will not be based only on the fees earned for the firm.
- **Profit sharing** - Future disagreements can be avoided to a large extent if there is a written partnership agreement with a clear formula for profit distribution, with flexibility for review.
- **Spending/Borrowing** - Partners often have difficulty agreeing on the levels of spending and borrowing by the firm, bearing in mind that all the partners are responsible for all debt and liabilities. The less profit that is available, the more likely there will be friction about financial matters.
- **Ultimate Responsibility** - The partnership is jointly responsible for the business but you are each severally or individually responsible for the whole operation.
- **Information** - It is important that all partners have sufficient information to allow them monitor the situation. Sometimes, as we have seen, one partner will manage the practice and should report regularly to the partnership as a whole.
- **Duties** - Responsibility for all aspects of the business – delivery of services, business development, risk management, staffing etc. needs to be shared out among partners. This can be done formally, with specific tasks assigned to individuals or on a more collective, ad hoc basis.
- **Mediation** - Matters which go to the root of the partnership relationship may need assistance from outside. This could be by way of mediation, arbitration or litigation. Mediation is often the preferred choice because it offers privacy to the partnership. The partnership agreement may provide that if a dispute is not resolved internally the next step must be to go to mediation.

3. Structuring A Partnership Agreement

As a partner, you run a business with one or more other people. However, there are many different ways of doing this, many models of partnership. By doing research and speaking to friends and colleagues, you can inform yourself about what kind of agreement is right for you and your partner(s). A template partnership agreement is also available from the Law Society.

If you are setting up a new partnership, you will have the opportunity of agreeing with your partner(s) an agreement that best suits everyone's circumstances.

3.1 Profit Distribution

How will the profits be distributed? Normally when solicitors are setting up a new partnership, this matter is quite uncomplicated. You can decide to combine and share profits or you can go for an 'eat what you kill' arrangement.

Combining and sharing income and profits is the most popular arrangement for solicitors setting up a new firm together. Sometimes, one partner will be involved in more lucrative work than another but needs sufficient working capital in order to establish. This may be provided by the other partner, who can relatively quickly generate hard cash and provide the firm with income to exist on.

If your share of the profits is to be dictated by the fees you earn, it is important to consider your own client base and whether you will have a say in the allocation of good quality work to you into the future.

3.2 Exiting Arrangements

Is there clarity about exiting arrangements - whether a partner leaves because of a decision on his/her own part, because of retirement or because of expulsion? Is expulsion to be limited to situations where there has been serious misconduct on the part of one partner or might it also come into play because the other partners agree for strategic or practice development reasons that one or more partners should leave?

Are all the partners required to take out permanent health and other insurances so that, for instance, if a partner becomes seriously ill, arrangements are in place to ensure an income for that partner at a time when he/she is not contributing to fees? Has the partnership got "keyman" insurance to cover the risk of loss to the firm should one or more particular key partners become seriously ill or die.

3.3 Break and Review

Committing to a partnership for an indefinite period is quite a daunting prospect. You may feel you can only make a decision in the medium term. For instance, you may not yet have decided that the geographic location of the firm is necessarily where you want to live in the medium to long term. One option is to have a break clause after a few years when the terms of the partnership can be re-examined and when there will be an option to review the matter at that point or even to exit from the partnership.

3.4 Premises and Other Property

The premises out of which the firm operates may, or may not, be an asset of the partnership. In other situations, it is owned by one or more of the partners and rented to the firm, or it is simply rented from a third party. Be clear about the arrangement.

3.5 Other Terms

Other practical matters which are usually agreed upon are the following:-

- Whether there will be one managing partner who will take the main burden of the administrative work and have less client contact than other partners.
- Whether the hiring and firing of staff will be a matter for all the partners to agree on or just one.

- Whether there are specific arrangements for dissolution/termination.
- Whether there will be restrictive covenants prohibiting former partners practising in the future within a certain radius of the firm.
- Whether the name of the firm will change if new partners join.

4. SUPPORT

Consultants Who Assist Solicitors Setting Up Practices and Partnerships

Firm Outsource
Type of Business Consultants to professional service firms
People Involved David Rowe,
Telephone 01 678 8490
Email info@outsource-finance.com
Web http://www.outsource-finance.ie/index.html

Firm Evelyn Partners
Type of Business Accountants and wealth management consultants
People Involved Paul Wyse/ Marc Lowry
Telephone 01 4911866 / 086 1955919 / 087 22276076788490
Email Marc.Lowry@evelyn.com
Web https://www.evelyn.com/

Firm Haydon Chartered Accountants
Type of Business Firm of accountants
People Involved Hilary Haydon
Telephone 01 2051700
Email info@haydon.ie / hilary@haydon.ie
Web https://haydon.ie/

Firm Russell Software Solutions
Type of Business Accountants and Operating Systems Software Providers
People Involved Barbara Russell
Telephone 01 8456522
Email info@russellsoftwaresolutions.ie
Website www.russellsoftwaresolutions.com

Appendix 1

COMMENCEMENT IN PRACTICE FORM

1. Practice Details

Please state the exact date of commencement in practice: _____

Name of solicitor: _____

Practice name: _____

Practice address: _____

Telephone no: _____

Mobile no: _____

Email address: _____

Partners in practice: _____

Assistants in practice: _____

Previous practice address (if applicable): _____

Date of departure: _____

Status in previous practice: Sole Practitioner
 Partner
 Assistant
 Consultant

2. Practising Certificate Details:

Do you hold a current practising certificate? Yes No

If no, please attach completed application form.

3. Professional Indemnity Insurance Details

Name of Insurer: _____

I enclose a copy of confirmation from my insurer/broker: Yes No

[Please tick [✓] if appropriate]

4. Solicitors Accounts Regulations

Please state the financial year adopted by you: _____

Reporting accountant's name: _____

Reporting accountant's practice name: _____

Reporting accountant's address: _____

Reporting accountant's telephone no: _____

Reporting accountant's professional qualification: _____

Is your proposed accountant engaged in public practice? Yes No

Has he/she previously reported to the Society on a solicitors practice? Yes No

If not, please enclose details of:

- (a) Accountant's professional qualifications
- (b) Copy of accountant's professional indemnity insurance cover
- (c) Copy of accountant's current practising certificate

5. Nominated Solicitor

You are required to nominate a solicitor with a current practising certificate with whom the Society can liaise in respect of your practice in the event of your untimely death or any other reason that might prevent you from continuing in practice:

Name and address of nominated solicitor: _____

Please note that in the event that you change the nominated solicitor, you are required to notify the Society accordingly.

The Society recommends that all solicitors nominate a solicitor as one of their executors in their wills.

6. Other

I enclose a sample of my professional notepaper: Yes No
[Please tick [✓] if appropriate]

Please state any queries which you would like the Society to deal with relating to your practice:

I confirm that the above details are correct and that I am familiar with the requirements of the Solicitors Accounts Regulations.

SIGNED: _____

***SIGNED:** _____

***SIGNED:** _____

DATE: _____

***(In the case of a partnership, only one form should be submitted with each partner having signed the form)**

PLEASE RETURN YOUR COMPLETED FORM TO:

Mr Liam Barrett
Practice Regulation Executive
Regulation Department
Law Society of Ireland
George's Court
George's Lane
Dublin 7
DX 1025 Four Courts

Tel: (01) 8798749
Email: l.barrett@lawsociety.ie

APPENDIX 2

THE LAW SOCIETY OF IRELAND

CONFIRMATION OF MINIMUM LEVEL OF COVER

Name of Firm:

Address of Firm:

Coverage Period:

Policy Number:

Name of Underwriter(s) or Lloyd's syndicate(s) (in the case of Lloyd's syndicates the number(s) of the syndicate(s) providing the cover should be noted, together with the percentage of cover provided by each syndicate):

[Name of Insurer]

We confirm that for the coverage period specified above cover in accordance with the Minimum Terms and Conditions (as defined by The Solicitors Professional Indemnity Insurance (Amendment) Regulations 2022 (S.I. 585 of 2022)) is in place and that the cover provided is in compliance with the requirements of the Regulations in respect of the conduct of business by the above named Firm.

Signed by: _____

For and on behalf of: _____

*Please note that the confirmation of cover should either be printed on your professional notepaper or contain your company stamp.

**THIS FORM SHOULD ONLY BE COMPLETED BY A PARTICIPATING INSURER
OR THE BROKER WHO HAS ARRANGED THE COVER**