

REPORT ON UNIONLINE

The following report is provided in line with Motion 65 carried at Annual Conference 2017. The National Executive Council agreed in principle to the setting up of its own law firm in partnership with the GMB known as UnionLine. The firm went into operation on 27th May 2014 from its offices in Sheffield.

REASON

The legal profession was going through a period of unprecedented change as a result of the Government's reaction to intense lobbying from the insurance industry. This led to legislation being passed which changed the face of the legal sector and introduced a level of deregulation. This had the effect of creating a high degree of volatility with many law firms deciding to either cease operating within the personal injury and employment sectors or selling their firms to larger legal firms in order to secure their operating future. Those firms that remained had to make drastic changes to their operational structures including reducing salary costs in order to meet new financial requirements.

Also, a significant change was made in the ownership of law firms which, up to the deregulation coming into effect, only allowed lawyers to own a law firm. The change allowed non-lawyers to apply to own and operate legal firms. In addition to deregulation, changes were made which affected the way legal claims were funded. Prior to the changes, the CWU was able to claim a referral fee from its panel firms in exchange for the CWU providing those firms with members' claims together with the ability to claim a notional insurance fee for underwriting the financial risk of running such claims.

These fees provided a valuable income stream to the CWU which enabled the Legal Services Department to provide services and benefits to members free of charge. The instant banning of these fees across the legal sector had a significant impact on the CWU's financial position.

The Union was faced with the dilemma of a reduction in income and the challenge of providing legal services to its membership in an increasingly

volatile sector. The Union had to examine how best to provide these services. There was a strong possibility that, as a result in the loss of income stream, we would have to either reduce the services and benefits we provided to our members or charge them for some of the services. I, as Head of Legal Services, was given the task of coming up with a solution that avoided both scenarios.

OPTIONS

There were a number of possible solutions which involved entering into various partnership arrangements with existing law firms all of which would have reduced the potential level of income the CWU could generate going forward. At the same time, we would have had limited control over the operation of the partnership law firm or any future ownership issues. I reached the conclusion that our best option was to explore the creation of our own law firm. This had the advantage of giving us total control over our members' claims and also a realistic opportunity to maximise our financial position. All of the options were placed before the Finance, Organising and Strategy Committee and the National Executive Committee over many meetings and a final decision was taken to create our own law firm.

SETTING UP PROCESS

In order to create and own a law firm we had to make an application to the Solicitors Regulatory Authority (SRA) to obtain a licence to operate. This process involved applying to set up a law firm under what is called an Alternative Business Structure (ABS).

In order to run a law firm, there is a requirement to comply with a high level of regulation and, as such, all law firms must have individuals in place who are legally responsible and regulated by the Law Society and the Financial Conduct Authority. We, therefore, reached an agreement with a third party law firm, PM Law, to provide this regulatory function via a management contract. I must point out that PM Law has no ownership or voting rights within UnionLine.

During the application process with the SRA, I had contact with the GMB Union who had also decided to explore the possibility of setting up their own law firm. After lengthy discussions, the GMB decided to proceed down that road.

Further talks took place and we reached the conclusion that two independent trade unions should take a progressive step and enter into a shared service partnership by setting up a jointly owned single law firm and use our collective strength to provide legal services to our respective memberships. That progressive step was taken with both Unions' National Executive Committees making that decision.

We made a joint application to the SRA for an operating licence and this was granted in May 2014 and the first, wholly owned and not for profit Trade Union law firm was born.

HOW HAS DE-REGULATION AFFECTED CWU PANEL LAW FIRMS?

The Government's actions had a huge impact on all law firms which operated in England and Wales. The CWU's Panel Firms took varying actions as best suited their needs as set out below:

McCool Patterson Hemsli - Sold their firm to Irwin Mitchell

Irwin Mitchell - Withdrew from the CWU's panel due to business conflicts

Walker Smith Way - Sold their firm to Slater Gordon

Simpson Millar - Sold their firm to Fairpoint Group

Edwards Duthie – Remained as is

Brodies - Their personal injury department moved to Lindsays, Solicitors

O'Hare – Remained as is

PROGRESS TO DATE

Irwin Mitchell continues to operate as one of the largest law firms in the UK.

Slater Gordon, an Australian Law firm, continued to purchase a number of law firms in the UK but have since got into financial difficulty running up debts in excess of £700,000,000 and have been re-financed by a private equity fund.

They are in the process of restructuring their business involving closing down offices and making staff redundant.

Fairpoint Group, which is primarily a debt management company, continued to expand into the legal sector acquiring additional law firms. They also got into financial difficulties and lost 90% of their share price during 2016. This led to

Senior Managers leaving the business and their bank withdrawing its funding. Since then, Fairpoint Group has separated its legal part of the group and Simpson Millar is being funded by a private equity fund. They too are in the process of restructuring including closing offices and staff redundancies.

It can be seen from the above that the legal sector has changed beyond all recognition and the ability for law firms to operate irrespective of their size and provide consistent services to their clients is not guaranteed. One of our main aims was to ensure that measures were in place that would protect our members' claims from the volatility of the legal market place and owning our own law firm has achieved that aim.

DEVELOPMENT OF UNIONLINE

The company is registered at Companies House as Trade Union Legal LLP operating under the trade name UnionLine.

The Management Board consists of Senior Representatives from both the CWU and the GMB, day to day operational responsibilities are overseen by Matt Cordall, Jon Bostock from PM Law (under contract), Allan Wylie, Maria Ludkin from the GMB, Tony Kearns and Tony Rupa from the CWU.

Since the launch of UnionLine which had to start from scratch in relation to new legal claims (pre May 2014 members' claims were processed under the old contracts), we have continued to grow the business and increased our staffing levels as workloads increase. At the time of writing this report, UnionLine has in excess of 90 qualified staff.

UnionLine is organised into a number of dedicated functions; Legal Advice, Help Line, Personal Injury, Employment Law, Wills, Powers of Attorney and Probate. We have contracts with specialist firms who provide advice and representation on Family Law, Criminal Issues and Conveyancing.

In order to provide the most effective service to our members, we have set up UnionLine Scotland based in Glasgow and we are in the process of setting up UnionLine Northern Ireland based in Belfast.

The effectiveness of UnionLine is best illustrated by listing the volumes of work it has processed for both the CWU and GMB as of 30th November 2017.

	Employment Issues	Personal Injury	Wills	Helpline
CWU	1,056	8,278	5,738	10,825
GMB	15,974	22,617	16,274	62,630
Total	17,030	30,895	22,012	73,455

WHAT IS OUR RELATIONSHIP WITH PM LAW?

PM Law provides UnionLine with a range of services under a management contract which include compliance and regulatory expertise, Human Resource and payroll functions and, additionally, we lease office space from them in Sheffield where UnionLine is based.

HOW IS UNIONLINE FUNDED?

As with every new business, finance is required to begin the start up process and in the case of law firms this needs to continue until new legal claims are processed and reach a settlement conclusion. A basic personal injury claim resulting from a road traffic accident would take around nine months to settle and an accident at work around twelve to eighteen months to conclude. Until we reached the point at which we were settling cases and generating revenue, the start up costs were funded by the CWU and GMB on a pro-rata basis.

The level of funding provided by the CWU, as listed in the Union's 2016 Annual Accounts, totalled £272,250. Since early 2016, the CWU has not been required to provide any additional funding. The expenditure paid out previously will be refunded to the CWU in due course with interest at 6%.

Now we are at a stage where the income we generate from settling personal injury claims is funding the running costs for the CWU side of UnionLine. This is a significant position and meets the criteria set by the National Executive Council when we first embarked on this project which was to develop an alternative legal services provision that would enable the CWU to maintain the

range of services to its members without increasing the burden on its limited financial resources.

UNIONLINE'S POSITION IN THE LEGAL SECTOR

Once we had established a fully functioning law firm, part of our strategy was to offer our services to other Trade Unions, in essence to act as their panel law firm.

We have been promoting the concept of UnionLine to a number of smaller Trade Unions who, because of their size, are limited in what services they can provide to their membership.

Last year, an agreement was reached with the British Dietetic Association (BDA) to provide them with a full range of legal services under the banner BDA Legal Services. We are in discussions with a number of similar Unions in the health care sector on the same basis. As a result, we have become the panel firm for the British and Irish Orthoptic Society (BIOS) and this will go live in July 2018.

We have secured a contract with the Educational Institute of Scotland (EIS), the largest Teaching Union in Scotland, to provide a Legal Advice Helpline service to its members.

UnionLine has established itself as a significant player in the Trade Union legal sector and we are confident that we will be able to provide our service to many more similar sized Trade Unions. The work UnionLine performs as a panel firm for the other Unions will generate income which will be reinvested in order to continue providing legal services.

RELATIONSHIP WITH CWU BRANCHES

One area that was most effected by setting up UnionLine was the reporting process to CWU Branches. Previously Branches received detailed reports on a regular basis via the Legal Services Department. The significant change in the reporting process came about because, as a law firm, we are heavily regulated by the SRA and the Regulations limit what we can report to Branches without

first obtaining the permission of the individual member whose claim we are handling.

In an attempt to improve the reporting process we have introduced what is called Key Stage Reporting, as detailed in LTB 119/2015. This system reports all key action points direct from UnionLine's case management system, Proclaim, to Branches via email. We have continued to improve the service in this area and in doing so we intend to provide all Branches with a dedicated UnionLine email address which will handle all our legal services provision. This initiative was reported to Regional Committees during our recent legal training presentations. We intend to continue developing improvements in this area as it is vital that Branches play an active part in the provision of Legal Services to our members.

CONCLUSION

I have explained the reasons for developing UnionLine and we continue to operate in a volatile legal sector which is continually changing. We too are constantly reviewing our operation to ensure we are able to meet the demands of providing quality Legal Services to our members at no cost to them.

We know that some Trade Unions, who still rely totally on privately owned panel firms to provide their Legal Services, are exploring the possibility of charging their members for such services either by increasing subscriptions or taking a percentage of any compensation obtained from their members' claims.

UnionLine was established as a not for profit law firm which allows it to operate with much lower running costs compared to all other private law firms. This is because we do not have to pay dividends to shareholders and do not pay large bonuses to equity partners. Any revenue generated via UnionLine is re-invested into the firm which will ensure we can continue to provide Legal Services to CWU members at no additional cost.

It is clear that the creation of UnionLine and its continued development is a positive step forward and offers protection from volatility within the legal sector. We will continue to adapt in order to ensure we are able to offer the highest standard of service to our members. The first three years have not been without challenges but this is to be expected when setting up a new business. However, by having complete control over our own law firm, this has enabled us to make changes where necessary.

Our staff continue to develop their expertise and skill sets and it is to their credit that other Trade Unions now feel confident to engage us as their preferred law firm.

The outlook for 2018 looks bright and forecasts indicate positive financial returns to the CWU of around £500,000 which will benefit the whole of the CWU. The ability to generate income via UnionLine makes sound business sense whilst meeting the final criteria desired by the National Executive Council. So, to answer the principal question raised within Motion 65 "Is UnionLine fit for purpose?" the answer is a resounding YES!

In a period of unprecedented change for the CWU under the Redesign Project owning our own, self-funding, law firm is a vital piece in that jigsaw which will enable the CWU to better utilise its national finances in other important areas and thus enabling it to continue as an effective, stand alone, Trade Union.

Tony Rupa
Head of Legal Services

February 2018