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Interview

Creating a legal team fit for the future

How automation technology is helping the firm pursue opportunity in a volatile market.



Libby Garvey

Banking Partner, Taylor Wessing, Dublin



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The banking sector in Ireland (similar to elsewhere) has experienced a period of persistent uncertainty in recent years, as financial markets continue to fluctuate post-Brexit and post-pandemic.

Our question to Taylor Wessing banking partner, Libby Garvey, is: what role is automation technology playing in helping them stay agile and mitigate the risks this volatility inflicts on law firms?



Prepared to pursue opportunity

The last few years have been capricious to say the least, especially for lawyers working in transactional legal disciplines. While deal flow initially stagnated during the pandemic, record levels were achieved globally for both Corporate M&A and Capital Markets. Many practice areas, including Banking, did not rebound until much later as the market recovered. Now, in 2023, we're entering a slightly unknown era – there's still lingering economic uncertainty, but in Ireland, there are also lucrative pockets of opportunity for law firms.

“A lot of the international firms, including Taylor Wessing, are coming into Dublin because they can see it's a buoyant market. There are a lot of tech companies with headquarters here and there's a lot of inward investment from the US. Also, more banks have established themselves in Ireland since Brexit, and located their European headquarters over here, so there's a lot of lending originating in Ireland at the moment.”

Adapting in a competitive landscape

Uncertainty plus opportunity together fuel an aggressive market for law firms. Competition for work is high and this is exerting a downward pressure on pricing and a demand for fixed fees from banking clients. Inevitably law firms' profit margins are being squeezed.

“Fixed fees have been in the market for quite a while and they haven't been working for anybody that isn't using automation for drafting,

With automation you can fill in a questionnaire and produce the first draft of not just the loan agreement, but the security documents too. By doing this you have fewer write-offs, and fixed fees start to make sense – you start to make margins again. That's a big selling point for me in automation. The other thing is you can do more deals because you've got more time.”

Keeping pace with market pressures

Fixed fees and keen pricing aren't the only competitive pressure on law firms – the changing nature of the lending market means the ability to complete deals faster is another powerful advantage.

“A lot of alternative lenders have come into the market – we've got US funds, we've got pension funds, we've got Irish indigenous alternative lenders – and they can be quite agile,” says Libby. “Alternative lenders don't have the same bureaucracy as the larger clearing banks. Their real selling point is agility. Their pricing might be a bit higher, and they might have slightly more appetite for risk, but they can turn around documents quickly.”

One of the key reasons alternative lenders are able to work at a faster pace is they do not use the lengthy and rigorous 'gold standard' Loan Market Association (LMA) documents that the Irish clearing banks commit to. Instead, the shorter form documentation they favour is swifter to produce.

“That's where the challenge is – the clearing banks want fast turnaround times, but these are big, lengthy, detailed documents,” Libby explains. However, the standardised LMA documentation has created an opportunity to use technology to close the speed gap.

“Now loan documentation is standardised, it lends itself perfectly to automation,”

An automation product, and Clarilis in particular, gives you a leg up. In theory, a client can come in with a term sheet for a deal and they can walk out of the room with a first draft document. That was never the case a couple of years ago – you'd be talking about at least a week turnaround time. The other side of that is, once a product like that comes into the market, the banks begin to expect it. If they can get a draft document within a day or a couple of hours from me, why would they pay another firm to take a week to do it?”

Attracting rising talent

But it's not just banks demanding automation from their law firms – it's junior lawyers too. To attract and retain rising talent, law firms are having to do more than offer attractive compensation packages.

“Recruitment is certainly a challenge. Not only do you now have more law firms in Dublin, but we seem to have fewer lawyers. I'm building a team, so I'm very much at the coalface of recruiting at the moment, and what I'm seeing is a lot of junior lawyers looking to go in-house.”

Today's juniors are also more alert to the value of technology in their work-life – from improving work-life balance and facilitating hybrid and remote working, to allowing them to spend more time on the more intellectuality stimulating and rewarding aspects of legal work.

“It's not the case that a junior lawyer today will just sit there and accept any task they're given – if they're really bored, the market is strong and they can leave,” says Libby. “The days of a junior lawyer drafting a 270-page loan agreement from scratch or changing a syndicated loan to bilateral, or vice versa, are over. Junior lawyers now have come through university with Moodle and online classes. They have a document management system and use AI-enabled tech even in university, so they expect the law firm where they go on to work to be tech-enabled.”

“I know if I was a junior lawyer I would want a tech-enabled firm, because it makes my job easier, more efficient.”

Reducing risk. Driving up service levels.

Libby is keen to point out that the rise in tech adoption in law firms today is not solely due to the desire to increase profits or lawyers' increased expectations. There's also a compelling role for automation technology in mitigating risk in legal processes and creating time for value adding services.

“I would much prefer my lawyers to use Clarilis and produce a loan agreement and study it and really understand it. I don't believe humans are designed to sit for six hours doing mundane, repetitive tasks.”

“Even the most attentive and detail-oriented person is going to miss something, and that's where tech comes in because you don't have that human error risk. There's no reason why a law firm should be utilising the lawyers in that way, it's not an efficient use of time.”

Quicker turnaround of first drafts, risk-mitigated delegation of drafting to less experienced lawyers and reduced review time for senior lawyers – automation leads to considerable efficiency gains. And this frees up lawyer time to provide value add services, such as more proactive project management for transactions.

“Project management plays a really important role in transactions and it's one that's very close to a bank's heart,” says Libby. “Banks want one voice on transactions. They want one person collating it all together, pulling the banking piece with the real estate piece, with the corporate piece, with the employment piece – all these pieces that make up a transaction. But, for a banking lawyer, it's very difficult to project manage if you're knee deep in a 300-page loan agreement and all of the security documents and making hundreds of consequential changes.”

Summary

Be fit for the future, not fashioned from the past

The market and economic instability of recent years has inflicted numerous changes on law firms – from clients demanding the certainty of fixed fees, to lawyers deserting law firms for inhouse roles, to partners forced to admit that innovation is the best way to proactively protect their profit margins and deliver an elevated client experience. While some firms have been reluctant to adapt, others, like Taylor Wessing, are now using technology, such as Clarilis, for document automation – not only to navigate the challenges but also to embrace the pockets of opportunity emerging in a volatile market and uncertain economic climate.



Don't sit on the automation side lines.

In a fiercely competitive market, the law firms that are taking proactive steps to adapt to a new deal landscape will outperform those who resist technology.

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