

PORTUGUESE LAW FIRMS UNDER PRESSURE DESPITE IMPROVING ECONOMIC CONDITIONS - RAPOSO BERNARDO

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Clients want to pay less and want alternative fee arrangements with the result that law firms have had to review how they provide legal services and change their business models

While the prospects for Portugal's law firms may be improving, the major players cannot be complacent about retaining market share. Despite opportunities in areas such as real estate and M&A – driven by growth in foreign investment – as well as an increased need for tax and regulatory advice, law firms are under pressure.

"The Portuguese economic recovery is still moderate and the banks still have a significant amount of non-productive assets on their balance sheets," says Joana Andrade Correia, co-head of Raposo Bernardo's corporate practice. "The Portuguese financial system is aware that the existence of some risks may seriously compromise GDP growth," she adds. "Those risks mainly lie in the global economic downturn that will affect foreign demand for Portuguese exports from important commercial partners such as Brazil and Angola."

Further risks are posed by the potential impact that Brexit might have on the European Union, as well as domestic issues such as Portugal's debt.

Internal demand may also be impacted as a result of the Portuguese government's budgetary

restrictions, says Andrade Correia. She adds: "The deficit target has been difficult to achieve in a situation where private indebtedness may be an obstacle to investment, despite the monetary policy pursued in recent years by the European Central Bank."

Law firms also face pressure from clients. "Clients want to pay less and look for alternative models to the billable hour," says Correia. "This trend has prompted firms to take a hard look at how they provide legal services and, in that sense, to review and change their business models." She adds that law firms that recognise alternative fee arrangements as a means of differentiating themselves, will outperform their competitors. "But this must come with a long-term vision, as it is not possible to change from one day to another without damaging the core of a law firm."