Credit Facilities for Law Firms – Helping you fulfil your firm's goals

In an increasingly competitive market, law firm leaders are embarking on new plans to help their firms grow, and provide an even better service for their clients. To realise a firm's ambitions, capital investment is often required. Harbour's long experience of funding disputes and assessing litigation risk, as well as working with law firms, means we are able to provide capital where traditional lenders may be reluctant to do so.

The driver for funding might be:

- Expansion into new markets, new domestic locations, or new practice areas
- A desire to increase profitability through greater use of conditional and contingent fees
- To finance acquisitions or mergers
- Succession planning and funding new entrants to the partnership, or funding lateral hires
- Setting up an entirely new firm or an alternative business structure
- Funding WIP and disbursements, and smoothing cashflows

Who we are

At Harbour we look at things differently. For almost 15 years we have been a leading UK disputes finance firm, and the latest editions of Legal 500 and Chambers & Partners continue to recognise our market-leading position with renewed Band 1 rankings. Since our foundation we have provided capital to fund over 125 claims, and we work with a multitude of different law firms and claimants. Our credit facilities allow law firms of all sizes to use our funding for much more than just litigation, and our experience in underwriting legal risk means we can provide legal financing where traditional lenders cannot.

How we can help

Traditional lenders may not always be able to offer an attractive solution for firms. We can provide financing secured against the assets of the firm, but also against contingent revenues such as CFAs or DBAs. Some of the situations we have been involved in are:

- **New practice areas:** A specialist UK law firm sought bigger market share by offering to run a particular type of employment arbitration claims under a Damages Based Agreement. The firm sought a **£3m** facility to fund 70% of work in progress and 100% of disbursements for c.100 claims over a three-year period. They are still able to receive a share of the recoveries on successful cases.
- **Increase profits by taking greater risk:** Partners of a Top 20 UK disputes firm wanted to increase profitability to fund future growth, whilst offering something innovative to clients by taking on many more cases, of all sizes, where they risk a portion of their fees in exchange for an uplift on success. Harbour provided a **£150m** funding facility, and this strategic partnership allowed them to control potential downside with an experienced risk manager.
- **Setting up a new firm:** Two US lawyers with strong track records as litigators decided to set up their own firm. They were prepared to risk 100% of their fees in order to maximise their profitability and client base, but sought $20m over 3 years to fund their firm's overheads, as well as 3rd party litigation disbursements. Payments on their facility are made from the returns on their successful cases.

How it works in practice

Our facilities are structured in a way which is tailored to a firm's needs, and each repayment plan is different. Most popular is a facility which blends an interest rate and a share of proceeds from litigation, so returns come entirely from successful cases.

For non-contentious work we can offer an interest rate that can be compounded and paid in total with a bullet payment at the end of the facility's term, so a firm need not make any repayments for up to five years.

Our minimum amount for facility funding is two million pounds sterling (or equivalent currency).

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Working Capital Facilities

What is a working capital facility?

This is when Harbour provides funding to cover the operational costs of running a law firm or business. It can take the form of a customised loan, where repayment is linked to the outcome of litigation or arbitration, or it could be structured as a simple loan repayable over an agreed duration or on an agreed date.

Working capital facilities offered by Harbour

	Customised facility	**Standard facility**
Who uses this?	Firms seeking capital that: • Have contingent revenues, e.g., a portfolio of claims • Are developing a business with predictable revenue streams and wish to limit the repayment of the loan to its success, e.g., a large portfolio of small claims	Firms seeking capital that: • Require general access to credit, e.g., to finance their work in progress • Have or are looking to build a book of contingent revenues where duration and outcome are difficult to predict
How does it work?	• Harbour provides capital for a defined purpose, e.g., to fund a portfolio of claims, receiving a return based on the proceeds recovered from these claims • Should there not be any proceeds, the risk is entirely ours, and you do not owe Harbour anything • Pricing is generally structured as a return of capital plus the greater of a percentage of proceeds and a multiple of our capital	• Harbour provides a credit facility to the firm • The firm is required to repay the loan regardless of its performance • Pricing is generally structured as an interest rate with an additional return based on performance of the firm or the book of contingent revenues
Example	A rapidly growing law firm, looking to expand its portfolio of sports tribunal claims, needed capital to sustain its growth. Based on the predictable nature of these claims we structured a facility allowing the firm to take on a greater volume of cases and build a portfolio with 70% of the costs covered by Harbour and repayment only due upon the success of these specific cases.	A growing proportion of a top 50 UK law firm's revenues are contingent. Most of this contingent revenue relates to complex litigation cases, where the duration and size of its fees is very unpredictable. The firm uses the facility to smooth its cashflow whilst retaining a portion of the upside.

Is a facility right for you?

If you are interested in exploring a facility with us, the following information will help us to quickly assess whether a facility might be appropriate:

- What difference will a facility make to your business? For example, it allows you to finance your expansion into a new business area or to reduce your exposure to a set of contingent revenues.

- How much capital would allow you to achieve your goals? We will consider facilities from £2 million with no upper limit.

- If the facility is to fund a portfolio of cases, what is your success rate and the nature of the cases (e.g., types of dispute, budgets, duration, and contingent revenues)?

What sets us apart?

Harbour are amongst the very largest and most experienced funders in the world, having supported cases in 14 jurisdictions and 6 arbitral forums since 2007. Our long experience of providing flexible funding solutions gives us a deep understanding of the costs and risks involved and means we can provide funding and support which is not available from banks or other providers of capital. Specifically, three things set us apart from other providers of credit in relation to working capital facilities:

1. **Legal understanding** – few providers of credit to firms truly understand the value that a firm has in its contingent revenues. Our ability to assess and price future revenues, derived from the over 4,000 cases we have reviewed, means you are working with a counterparty who can help you realise the value in your contingent revenues earlier, whilst still sharing the upside of these claims.

2. **Speed and capacity** – with our in-house expertise and over $1.5 billion raised to provide funding, we can give you an indication within a week whether a facility or other type of funding would be suitable, where others could take months.

3. **Service** – we are a dedicated team of experts with extensive experience of funding across the range of different types of disputes. With Harbour, you will work directly with one of our skilled funding professionals, on hand to support you and provide a service level second to none.

If you are interested to learn more about working with us, or what a facility might look like for you, please contact info@harbourlf.com.

Appendix: working capital facility examples

Customised facility allowing a firm to take more contingent risk

Situation	A class action law firm was looking to do a greater proportion of its work on a no-win-no-fee basis. With a large portion of the firm's revenues already coming from contingent fees, the firm required a facility to pay for the expansion whilst limiting the overall risk to the firm.
Key considerations for the client	The firm had long-standing relationships with its lending banks and litigation funders. The firm wanted to have a facility where repayment would be limited to revenues from the portfolio of no-win-no-fee cases. They also wanted flexibility around how and when the facility was to be drawn so that they could limit drawdowns to where they perceived that there was too much exposure on their balance sheet. It was important to work with a trusted and experienced counterparty capable of developing and delivering a bespoke solution.
Key considerations for Harbour	• The track record of the law firm in class actions • The mechanism to determine which cases would use the facility, to ensure that the quality of cases placed in the facility was the same as for those that were not • The balance between recourse and non-recourse lending which mitigated our risk
Proposal	• Tranche 1: a £10m relatively low-cost tranche (6-mo. LIBOR + 4-8%) with fixed repayments, recourse on the firm • Tranche 2: a £30m limited recourse tranche (6-mo. LIBOR + 10-18%) repaid based on the performance of the portfolio • Co-funding rights for Harbour
Why Harbour was approached	Having funded multiple cases in the past and developed a strong relationship with their disputes teams and senior management, they had come to value our ability to contribute to the success of a claim both strategically and financially and knew that we would be more responsive and easier to deal with than others.

Facility to fund a law firm's growing working capital needs

Situation	Boutique litigation firm which advises groups of claimants in large claims, usually on a contingency basis, was looking for alternative funding to complement its existing bank arrangements.
Key considerations for the client	The firm was paying 13% interest on a facility from a commercial bank. As the firm grew and was looking to take more work on contingency, it became more difficult to extend the facility to cover its working capital. The firm needed a capital provider which could make lending decisions quickly, understood its business, and could deliver a bespoke solution for their needs.
Key considerations for Harbour	• The financial performance of the firm was driven by the success of its cases, so we needed to understand the risk profile and diversity of its contingent revenue • Law firm due diligence (e.g., financial position, team, track record, etc) • Other benefits of providing the facility to Harbour (e.g., deepen relationship with the firm, see a greater number of single case funding opportunities, etc)
Proposal	• £2 million recourse working capital facility with a single digit interest rate • Working capital facility was accompanied by non-recourse funding on a subset of cases (of which Harbour had the ability to opt-out), structured as a share of a damages-based agreement
Why Harbour was approached	Harbour had provided single case funding for this firm several times before, through a damages-based agreement. Harbour and the firm had strong relationships right up to founder level, and Harbour was seen by the firm as a reputable and experience funder with which the firm might consider a broader relationship.

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