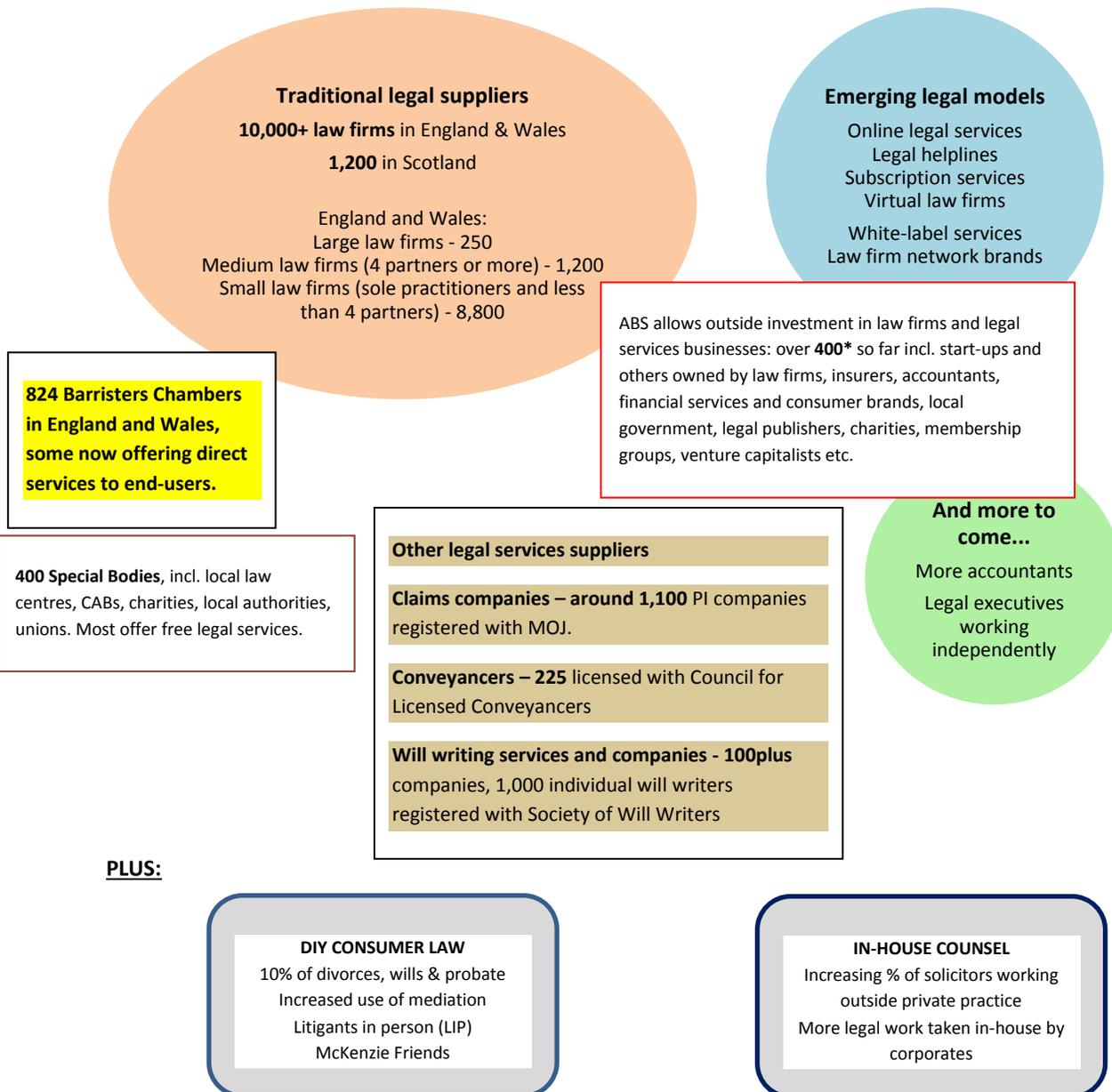


**THE LEGAL LANDSCAPE – AN EVER CHANGING PICTURE**

The graphic summarises the legal landscape in England and Wales, almost four years after the Legal Services Act came into force. More details are given on the following pages.



\* - includes ABS licensed by Solicitors Regulation Authority (SRA), Council for Licensed Conveyancers (CLC), and Institute of Chartered Accountants in England and Wales (ICAEW)

Source: IRN Research ([www.irn-research.com](http://www.irn-research.com))

Following the introduction of the Legal Services Act 2007 in 2011, there has been a gradual but significant change in the structure of the legal services market. A part of the Act enables non-lawyers to invest in law firms and legal services providers, and this change has brought new investors and suppliers into the market, along with new ways of delivering and pricing legal services. Some traditional law firms are responding to these changes by introducing new business models, new routes to market, and new ways of working.

Alternative Business Structures (ABS) are the mechanism through which non-lawyers can invest in law firms and legal services and, by the middle of 2015, there are over 400 ABS. These include traditional law firms that have become ABS plus other owners such as accountants, insurance companies, consumer brands, IT companies, legal publishers, legal consultants, claims management companies, and membership groups.

From the start of 2013 to the end of 2014, around 500 law firms have exited the market. There has also been a change in the structure of law firms. Traditionally, the partnership structure has dominated but, by May 2015, partnerships only accounted for 22% of all firms. The largest group are now incorporated companies taking 35%.

Competitive pressures are strongest in areas such as conveyancing, wills, and divorce. These high-volume, low margin sectors involve a large amount of routine legal processing so offer opportunities for commoditisation and economies of scale. Even the larger UK law firms are not immune from increased competitive pressures, particularly from the growing number of overseas law firms, especially US firms, moving into London and the expansion plans of the big accountancy firms in the UK legal market.

Barristers have usually worked with clients after being passed on to them via law firms but now their operations are changing and more barristers are offering services direct to the public and businesses for the first time.

Special Bodies are defined within the Legal Services Act 2007, and these are generally Not-for-Profit (NFP) organisations mainly run by charities, local authorities, voluntary organisations and trade unions. In general, they deliver legal services to consumers for no fee. There are an estimated 400 Special Bodies in the UK although some have disappeared as a result of funding cuts while others are facing growing financial pressures.

Claims management companies (CMCs) now number around 1,100 and numbers have fallen significantly over the last two years following changes in the personal injury sector. The majority of CMCs are small businesses.

There are large groups of other suppliers, often in unregulated sectors. For example, will writers/will writing companies, some conveyancers, and online legal services such as online divorce services.

The regulatory infrastructure is also becoming more competitive. Until recently, only the Solicitors Regulation Authority (SRA) and the Council for Licensed Conveyancers (CLC) were licensing bodies for ABS. Now, other bodies such as the Intellectual Property Regulation Board (IPReg), and the The Institute of Chartered Accountants in England and Wales (ICAEW) have been granted ABS licensing powers and more are likely to follow.

Also, chartered legal executives can now practice independently for the first time by licensing with the Chartered Institute of Legal Executives (CILEx) plus the barristers' regulator, the Bar Standards Board (BSB), has started to approve new businesses as it begins authorising BSB-regulated entities - companies or partnerships that provide advocacy, litigation, and expert legal advice services.

More individuals are running their own legal matters particularly where legal tasks are seen as relatively straightforward, such as conveyancing or making a simple will. Legal aid cuts have contributed to this trend and have also led to more litigants in person (LIPs) where individuals represent themselves in courts and tribunals. LIPs can also turn to McKenzie Friends, i.e. someone to help them in court although these McKenzie Friends may not be qualified solicitors. The term McKenzie Friends came from an appeal court judgement in 1970. Levine McKenzie was not allowed to be represented in a UK court by an Australian barrister in the original divorce case as the barrister was not allowed to practice in London. McKenzie won the appeal on the grounds that he had been denied representation and a retrial was ordered. The Australian barrister was the original McKenzie Friend.

**IRN Research has been offering specialist market research and business information services to UK law firms, other legal services providers, and suppliers to the legal market for over a decade.**

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