

The benefits of an open and competitive legal economy

Lessons from and for the UK

Report for the Ministry of Justice

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Ministerial Foreword

Legal services are one of the UK's great success stories - a vital national asset that underpins our economy, supports the rule of law, and extends the UK's global influence. In 2023 alone, the sector contributed over £37bn to the UK economy, representing 1.6% of total Gross Value Added, and posted a trade surplus of £7.6bn, making it one of the UK's strongest exporting professional services sectors. The strength of the sector has been built over decades through our liberal, competitive, and high-quality legal market, the global appeal of English and Welsh Law, and the integrity of our independent judiciary. The exceptional contribution of those working across the legal services ecosystem - from law firms and chambers, to regulators, academics, innovators and the judiciary - positions the UK as a global leader in legal services.

This report clearly demonstrates the importance of a liberal legal services market. It outlines how openness has underpinned the sector's long-term economic success- creating jobs, driving growth, and embedding legal services as a core component of the professional services sector. It sets out how legal services drive our international competitiveness, as evidenced by the UK's significant trade surplus and growing global reach - from cross-border legal advice to dispute resolution. It explores the UK's record of innovation, and how our liberal legal framework has enabled new technologies, business models and legal services providers to emerge and thrive. Together, these findings make the compelling case that a liberal legal services market is fundamental to both our past success and future prosperity and influence.

Maintaining this position is central to the Government's ambition for the UK to be the best place in the world to do business- a goal at the heart of our national growth mission. Legal services don't just support growth- they enable it. They underpin trade, give confidence to investors, and provide the legal infrastructure that the UK market relies on. Delivering on that success has always been shaped by close partnership-between government and industry, and across the legal, academic and professional communities. We remain firmly committed to working with partners to promote the UK's legal services offering at home and abroad, and to ensure the sector continues to thrive as a driver of economic growth and global influence.

I would like to thank Hook Tangaza for producing this important report, and for the rigour and breadth of analysis reflected throughout. I am also grateful to the many contributors from across the legal sector whose collective insight and experience have been essential in shaping its findings. This report sets out a bold vision for a legal services sector that is open, innovative and global by design, underpinned by the rule of law and powered by world-class talent.

Now is the time for us to build on this vision - together - and ensure the UK legal services sector remains at the forefront of global excellence.



The Rt Hon Sarah Sackman KC MP
Minister of State for Courts and Legal Services



Jargon Buster

Term or Acronym	Definition or Explanation
Alternative Dispute Resolution (ADR)	Non-court based methods of resolving disputes, including arbitration, mediation and adjudication.
Advisory legal services	Non contentious legal services - e.g. transactional support or legal interpretation.
Alternative Business Structure (ABS)	A regulated form of law firm ownership in England and Wales, formally known as a licensed body.
Alternative Legal Service Providers (ALSP)	Providers in the legal sector offering services outside the traditional law firm model. May be regulated or unregulated.
Big Bang	A term to describe the deregulation of UK financial markets taking place in 1986.
Bar Standards Board (BSB)	Bar Standards Board - the authorised regulator of barristers in England and Wales.
Centre for Effective Dispute Resolution (CEDR)	London based alternative dispute resolution institution providing rules and panels of ADR specialists.
Central Applications Board (CAB)	Not for profit consortium of universities and other training providers providing a single gateway for applicants to professional law courses
Chartered Institute of Arbitrators (CI Arb)	International body originating and chartered in the UK, setting standards for the recognition and training of arbitrators.
China International Economic and Trade Arbitration Commission (CIETAC)	One of China's leading permanent arbitration institutions, CIETAC handles disputes arising from international and domestic commercial contracts and trade-related issues. It plays a key role in resolving disputes involving foreign businesses operating in or with China.
The Chartered Institute of Legal Executives (CILEX)	A professional association and awarding body for specialist legal professionals in England and Wales. CILEX members (Legal Executives) are qualified lawyers who often specialise in specific areas of law and can become partners, advocates, or judges.
Competition and Markets Authority (CMA)	The UK's primary competition regulator. The CMA works to ensure that markets are competitive, fair, and free from anti-competitive practices. It investigates mergers, conducts market studies, and enforces competition and consumer protection laws.
Dubai International Arbitration Centre (DIAC)	A leading arbitration institution in the Middle East, based in Dubai, offering arbitration and ADR services for resolving commercial disputes. DIAC is known for its neutrality and independence, providing services in both regional and international commercial matters.
Deutsche Institution Für Schiedsgerichtsbarkeit e.V. (DIS)	Germany's leading arbitration institution, offering independent dispute resolution services for commercial and business disputes. Based in Bonn, DIS administers both domestic and international arbitration under its own rules and is known for its expertise in resolving high-value or complex cases, including in the sports sector. "e.V." stands for eingetragener Verein, meaning "registered association" in German.
Europe, Middle East and Africa (EMEA)	An acronym frequently used by multinational businesses to describe Europe, Middle East and Africa which are often grouped together in a single operating division reflecting common time zones.

Term or Acronym	Definition or Explanation
Frontline Regulator	Legal services regulators designated in the Legal Services Act (2007). These regulators must be separate from their professional, representative arms but it is left to each recognised profession to determine how to structure this relationship.
Free Trade Agreement (FTA)	Bilateral or plurilateral (multiple party) agreements between sovereign states. See also multilateral.
General Agreement on Trade in Services (GATS)	The services component of the World Trade Organization (WTO) treaty. It sets out the rules for international trade in services, including legal services, across member states.
Gross Domestic Product (GDP)	A measure of a country's total economic output - the value of all goods and services produced within its borders over a specific period.
Gross Value Added (GVA)	A method of measuring the economic performance of different sectors or geographical areas. Calculated by removing the value of inputs from the value of final output from a sector or region.
Hong Kong International Arbitration Centre (HKIAC)	A leading Asian centre for commercial arbitration.
International Chamber of Commerce (ICC)	A global business organisation that provides widely used arbitration rules and services through its International Court of Arbitration.
International Centre for Dispute Resolution (ICDR)	The international division of the American Arbitration Association, offering cross-border dispute resolution services.
International Centre for Settlement of Investment Disputes (ICSID)	A World Bank-affiliated body that provides arbitration facilities for resolving disputes between foreign investors and states.
In house legal services	Legal services provided by lawyers employed in organisations that do not provide legal services to the public (e.g. corporate entities, government or third sector).
Intellectual Property (IP)	Legal rights protecting intangible assets like inventions (patents), brands (trademarks), creative works (copyright), and designs.
London Court of International Arbitration (LCIA)	A globally respected UK-based arbitration institution, offering rules and panels for resolving commercial disputes.
Legal directories	Publications or online platforms that rank and list law firms and lawyers, usually by practice area and geography (e.g. Chambers, Legal 500).
Licensed sponsor	An organisation registered with the UK Home Office to sponsor overseas nationals for work visas under the points-based immigration system.
Limited Liability Partnership (LLP)	A business structure where partners have limited personal liability for the firm's debts. In the UK, LLPs are taxed like partnerships but have corporate protections.
Legal Services Board (LSB)	The oversight regulator for the legal services sector in England and Wales. It ensures frontline regulators operate independently and in the public interest.
Mergers and Acquisitions (M&A)	Legal and financial transactions involving the consolidation or purchase of companies.
Multilateral Trade Agreement	Relating to agreements or negotiations between three or more countries, often under international frameworks like the WTO.

Term or Acronym	Definition or Explanation
Organisation for Economic Co-operation and Development (OECD)	An international organisation of mostly developed countries that promotes economic growth, trade, and policy coordination.
Office for National Statistics (ONS)	The UK's national statistical agency, responsible for collecting and publishing data on the economy, population, and society.
Paralegal	A person who assists in legal work but is not a fully qualified lawyer. They may be part-qualified or trained in specific legal tasks.
Private practice	Refers to the practice (typically) of law firms delivering services to external clients. Often contrasted with in-house practice.
Regulated activities	The scope of legal regulation varies from jurisdiction to jurisdiction around the world and can be very broad (all activities undertaken by a licensed lawyer) or very narrow (only court based activities). In the UK, the scope of regulation includes the statutory Reserved Activities, the titles of solicitor and barrister/ Scottish advocate and some additional areas (e.g. immigration) determined by other legislation.
Reserved activities	These are activities defined in UK legislation that are reserved to authorised individuals to undertake in the applicable jurisdictions on the UK. They include for example, rights of audience in courts and tribunals, conduct of litigation, drawing up of reserved instruments (e.g. for the land registry), probate activities, notarial activities and the administration of oaths.
Registered Foreign Lawyer (RFL)	A designation for foreign-qualified lawyers who are registered to work in partnership with UK solicitors in England and Wales or Scotland.
Royal Institution of Chartered Surveyors (RICS)	A professional body for qualification and standards in land, property, infrastructure, and construction, including services relating to arbitration and adjudication in these sectors.
Roll of Solicitors	The official register of solicitors qualified to practise in England and Wales. Being "on the Roll" confirms legal standing.
United Nations Sustainable Development Goals (UN SDGs)	A set of 17 global goals adopted by the UN to end poverty, protect the planet, and promote peace and prosperity by 2030.
Swiss Chambers Arbitration Centre (SCAI)	Now operating as the Swiss Arbitration Centre, this institution administers commercial arbitration and mediation services under the Swiss Rules.
Singapore International Arbitration Centre (SIAC)	Singapore based arbitration institution for disputes involving investment, trade, and cross-border business in Asia-Pacific.
Small and Medium Sized Enterprise (SME)	Businesses with an employee headcount and turnover or balance sheet under a defined threshold. In the UK, the current definition of an SME is a business with fewer than 250 employees and a turnover of less than £36 million.
Solicitors Qualifying Examination (SQE)	The centralised exam introduced by the Solicitors Regulation Authority in 2021 for qualification of England and Wales.
Solicitors Regulation Authority (SRA)	The independent regulatory body for solicitors in England and Wales. It sets standards, issues practising certificates, and enforces compliance in the public interest.

Term or Acronym	Definition or Explanation
Services Trade Restrictiveness Index (STRI)	A tool developed by the OECD to measure how open a country is to international trade in services. It highlights regulatory barriers across sectors, including legal services.
Supply-side	Economic factors that affect the ability of providers to offer goods or services. In the legal context, this includes regulation, market access, workforce skills and the cost of doing business.
Trade in Services Agreement (TISA)	A proposed international agreement among a group of WTO members aiming to liberalise trade in services. Though now abandoned, it was intended to build on GATS principles to expand global market access in services.
UK Jurisdiction Taskforce (UKJT)	An industry-led initiative, tasked with promoting the use of English law and UK's jurisdictions for technology and digital innovation.
United Nations Central Product Classification (UN CPC)	A standard system used to classify goods and services for statistical purposes. In legal services, it helps with international comparisons of sector data.
Unregulated activities	Legal services not reserved to authorised individuals by legislation.
United States Federal Trade Commission (US FTC)	The US government agency responsible for promoting consumer protection and preventing anti-competitive business practices, including in professional services like legal markets.
Vienna International Arbitral Centre (VIAC)	Austria's leading arbitration institution, known for handling commercial disputes involving Central and Eastern Europe.
World Justice Project (WJP)	A non-profit organisation that produces the annual Rule of Law Index, assessing how laws are applied and upheld in practice across over 140 countries.
World Trade Organisation (WTO)	The international organisation that oversees the rules agreed by Member countries for the conduct of trade between them.

Executive Summary

Executive Summary

The importance of legal services

Legal services play a multifaceted role in any economy:

- Lawyers and other legal services providers generate significant and growing direct economic value from their activities.
- Legal services supply essential services to businesses and individuals and help to build economic infrastructure.
- Legal services have a growing role to play in the promotion of sustainable growth by helping to promote access to justice.
- Independent, effective legal services underpin the rule of law by ensuring the fair administration of justice and by holding governments and regulators to account.



The likely future evolution of legal services?

The size of the legal services sector increases as economies develop and as the type of services required by government and business clients becomes more complex.

The growth of UK legal services over the last industrial cycle, from roughly the mid-1980s to around 2020, was based largely on the liberalisation of the financial services and telecommunications sectors. When these poles for economic expansion combined with a more open global economy, the perfect demand conditions were created for the growth of business legal services.

Today the world is entering a new technological cycle based on highly sophisticated products and processes, often using Artificial Intelligence (AI) and advanced forms of intellectual property. At the same time the global institutional order which provides a rules based framework for business is increasingly uncertain. In this environment, the demand for legal services as a mechanism for managing complexity and risk is only likely to grow. The type and form of these services and how they are traded will, however, need to adapt.

The legal services sector was valued at **£45.3 bn** in 2022. It has grown by 200% in real terms since the late 1990s, outstripping the performance of the economy as a whole.

The economic value of the UK's legal services sector

The United Kingdom's legal services sector has been an important contributor to the economy:

£45.3 bn

The legal services sector was valued at **£45.3 bn** in 2022 and has **grown by 200%** in real terms since the late 1990s, outstripping the performance of the economy as a whole.

£37 bn

The legal services sector contributed **£37 billion**, or **1.6% to UK GVA** and supported over **334,000 jobs** in 2023.

London

London remains the **powerhouse of the UK legal economy** but talent and regional economic contributions are broadly spread across the country.

Source: ONS

The key drivers of this success have been:

- The **growth of business demand**, particularly from sectors like financial services, manufacturing and other business services sectors.
- The **growth in exports of UK legal services**.
- **Supply-side reforms** have also helped, as the sector has been opened up to more competition in reserved areas of work and lawyers themselves have been freed up to compete. These have included the introduction of new corporate and regulatory structures for legal businesses, education and training reforms and code of conduct updates.

The strength of the UK's legal services trade

Legal services are a key UK export:

- The UK recorded a **£7.6 billion trade surplus** in legal services in 2023.
- Legal exports reached just under **£9 billion in 2023**, up from £2.0 billion in 1997. They now account for between 2-2.5% of the UK's business services exports.

£7.6 bn

The UK recorded a **£7.6 billion trade surplus** in legal services in 2023.

Source: ONS

The UK is a major exporter of legal services:

- UK law firms maintain an estimated 500 offices in 50 countries around the world. These are concentrated in Europe and Asia but a growing number of offices can also be found in the Middle East and the Gulf.
- UK legal services are also extensively exported cross-border, with services to US clients of particular significance.
- Foreign clients are important users of UK dispute resolution services. In 2023, 68% of the parties using the Commercial and Admiralty Court of England and Wales were overseas litigants, from 84 different countries. International cases made up 75% of the Court's workload¹.
- UK legal education and professional standards are also notable contributors to UK legal export capacity. Legal education exports alone earn the UK over £200 million per year². There are also around 2,000 foreign candidates seeking dual English qualification every year, either at the Bar or through the Solicitors Qualifying Examination (SQE). Together these education and requalification routes add to familiarity with, and future demand for, UK legal services.

The UK is also one of the world's most open legal economies for inbound services:

- It plays host to around 200 offices of foreign law firms, around 55% of which have chosen to be regulated as English and Welsh law firms and to offer English and Welsh legal services.
- The UK's imports of legal services have grown nearly three hundred percent in the past 25 years, as growing numbers of foreign lawyers visit the UK to do business with their counterparts, support inward investors from their home countries or participate in dispute resolution in the UK.
- Many leading alternative dispute resolution centres are based in the UK. Together they were responsible for over a third of all new disputes registered in the major global arbitration institutions in 2022.
- Access to global talent is essential to the continued success of the UK legal market and the UK is open both to those who wish to work as foreign lawyers and those who wish to dual qualify. Around 800 foreign qualified lawyers were recruited to work as skilled migrant workers in the UK in 2023³ and between 500-1000 qualified foreign lawyers are dual qualifying as UK practitioners every year.

The trade success of the UK legal services sector can be attributed to three factors:

- 1** English and Welsh law is extensively used in international business contracts worldwide thanks to its adaptability and responsiveness to changing business and technology needs;
- 2** The courts and dispute resolution institutions in the UK, which are internationally recognised for their quality and efficiency; and
- 3** The breadth of the legal services sector across the country and the demand for specialist services in different regional hubs of economic activity, which has allowed practitioners UK-wide to build up significant expertise in highly specialist areas of practice. The depth of the UK legal market is an added attraction for foreign clients and law firms.

The UK government has also taken a strategic approach to supporting and promoting the legal sector through trade and export promotion policies. This has helped to reinforce the inherent strengths of the sector.

¹The Commercial Court Report, 2023-24

²Hook Tangaza estimates derived from CAB and HESA statistics

³Home Office - Occupation Visa Dataset, 2025

Legal innovation and technology

Innovation is going to play a major role in the ongoing competitiveness of the UK legal services sector. The UK has a good track record on legal innovation to date because:

- It permits alternative business structures Alternative Business Structures (ABSs), and this has encouraged new business models for legal services and collaborations beyond the legal sector, bringing in fresh ideas and skills.
- The extent of legal advice that can be provided outside of formal regulation in all UK jurisdictions has provided room for some important new providers to grow and has created competition for the regulated sector.
- The UK's LawTech sector has become a key driver of growth, now ranking as the world's second largest hub for legal technology. In 2022, the UK was responsible for incubating nearly a quarter of all known legal startups globally.

As a result:

- The UK is now home to over **370 LawTech businesses** with £1.7bn total investment from UK-founded companies.
- London is the hub for LawTech activity but this is rapidly disseminating across the country. **Around 40% of all LawTech businesses are based outside London.** This regional depth adds to the UK's attractiveness to foreign investors and LawTechs looking for expansion.
- Investment in the LawTech sector is projected to continue rising in the coming years and is expected to reach **£2.2 billion by 2026.**



There is more that could be done to support the expansion of UK LawTech, especially into consumer law. Meeting growing demands for legal services from consumers and Small and Medium Enterprises (SMEs), whilst continuing to develop cutting edge services for the business sector will require:

- Reassessing the boundaries of regulation and, in particular, whether current reserved activities continue to make sense in an increasingly digital world.
- Rethinking the architecture of regulation to reflect the changing legal market.
- Developing a framework to facilitate the recognition of LawTech businesses crossing borders in the same way that the WTO-GATS gave countries a framework for enabling the entry of foreign legal service providers into their territories.
- Encouraging likeminded jurisdictions to co-operate in the recognition of LawTech businesses, in order to build markets that are attractive for the development of better consumer facing services.

Source: All figures LawTech UK



Conclusions

The UK has developed some important assets that underpin its legal sector success:



A world-respected **common law system**.



An independent judiciary and strong reputation for upholding the rule of law.



A regulatory regime that continually adapts to support the **business of law**.



A multicultural, skilled legal workforce.



Globally renowned legal education institutions.



A proactive and open approach to **legal services trade policy**.

These will remain the core assets of the UK's legal sector for the foreseeable future. But if the sector is to rise to the complex challenges of the mid-21st century and play the vital role that has been identified for it in the UK Government's Modern Industrial Strategy, then it will need to build on these. The sector will need to develop new capabilities in order to create services that support an increasingly technology-driven economy. At the same time, it will need to become more "people centred" and better able to meet the legal assistance and access to justice needs of individuals.

The challenges of the next few decades are likely to be both common to many other countries and to need cooperation across borders if they are to be addressed.

Introduction

Introduction

How do legal services affect prosperity?

Legal services play a multi-faceted role in the economy:

- They are an important area of economic activity in their own right, contributing significantly to GDP in most developed countries.
- They are also a key input for other economic sectors. The OECD⁴ and World Bank have both suggested that greater liberalisation of legal services will promote wider economic prosperity, since more efficient and cost effective legal services will lower the costs of making any important business investment decision or conducting a dispute.
- They support access to justice which in turn helps economies to work better. This is why access to justice is included as a target of the UN Sustainable Development Goals (UN SDGs).
- Last but by no means least, legal services support the rule of law. The rule of law has no single universal definition but is generally held to refer to strong, independent and corruption free courts, transparent and fair government administration and regulation. Lawyers play a critical role in every aspect of this, ensuring that laws are drafted clearly, businesses and individuals are able to transact with confidence, resolve disputes fairly and enforce their rights.



UN SDG 16.3:
Promote the
Rule of Law and
Ensure Equal
Access to Justice

These various dimensions of legal services interact with each other in complex ways. For example, research by the World Justice Project (see Figure 1) shows that a country's prosperity, measured in terms of income per capita, tends to be positively correlated against a strong rule of law performance⁵. This suggests that a legal sector, which is open, transparent and competitive, is more likely to strengthen a country's rule of law indicators, and to contribute to greater overall prosperity in a country.

Figure 1: The Rule of Law and economic prosperity go hand in hand



Source: World Development Indicators 2022, The World Bank Group, WJP Rule of Law Index 2023

⁴www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/services-trade-restrictiveness-index/oecd-stri-sector-note-psleg.pdf

⁵Where Rule of Law is defined by weighted criteria covering indicators in the following areas: Constraints on government powers, the absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice and criminal justice.

Altogether this suggests that the legal sector has a very wide significance for the economy and society. The critical question for governments, therefore, is how to help the sector to grow and develop and maximise the benefits that might emerge from increased and more efficiently delivered legal services.

How to unlock growth and improve competitiveness in the legal sector

How best to regulate the legal sector is an ongoing challenge. On the one hand, regulation needs to support the role of legal services in providing the public good embodied in the rule of law and access to justice, and protect clients against any “asymmetry of information” that might exist between them and their legal advisers. On the other hand, regulation needs to be proportionate, allowing providers to compete and innovate, so that legal services are delivered efficiently, effectively and are available to all.

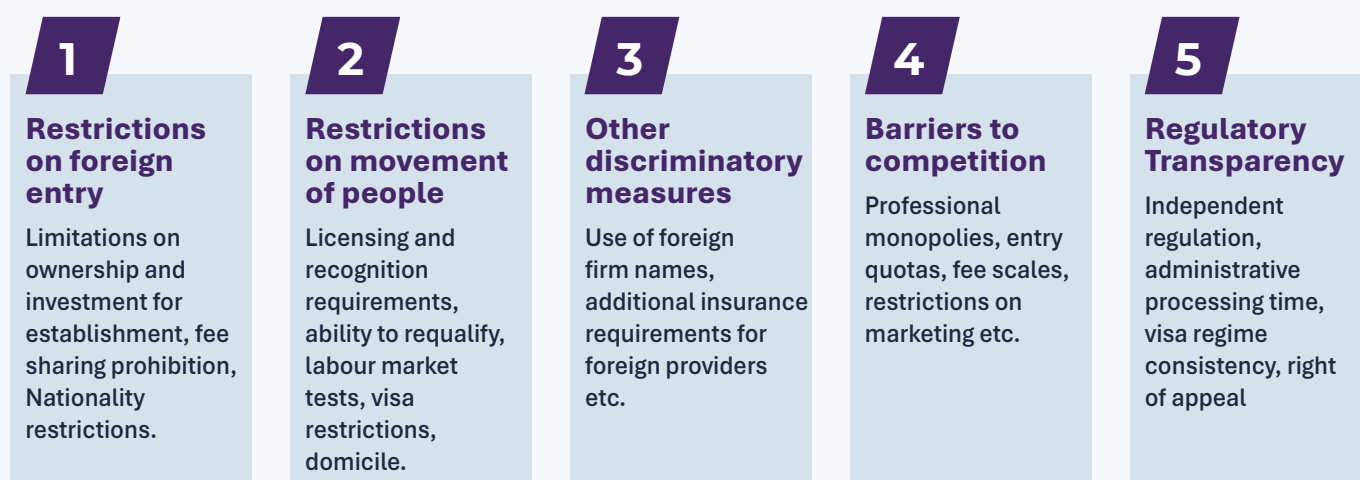
There is no single measure of the “right” level of regulation for the legal sector. However, the OECD Services Trade Restrictiveness Index (STRI), which describes the trade and regulatory barriers that can inhibit both domestic and foreign competition in the legal services sector is a useful starting point.

Figure 2 below summarises the OECD STRI. The possible restrictions that can exist against competition in the sector are grouped by this index, as follows:

- Restrictions on foreign entry to the market.
- Restrictions on movement of people to provide services.
- Other measures that discriminate against foreign providers.
- Domestic regulatory barriers to competition, and
- Regulatory transparency.

Legal services don't just support the rule of law - they help economies grow, societies function and investment flow.

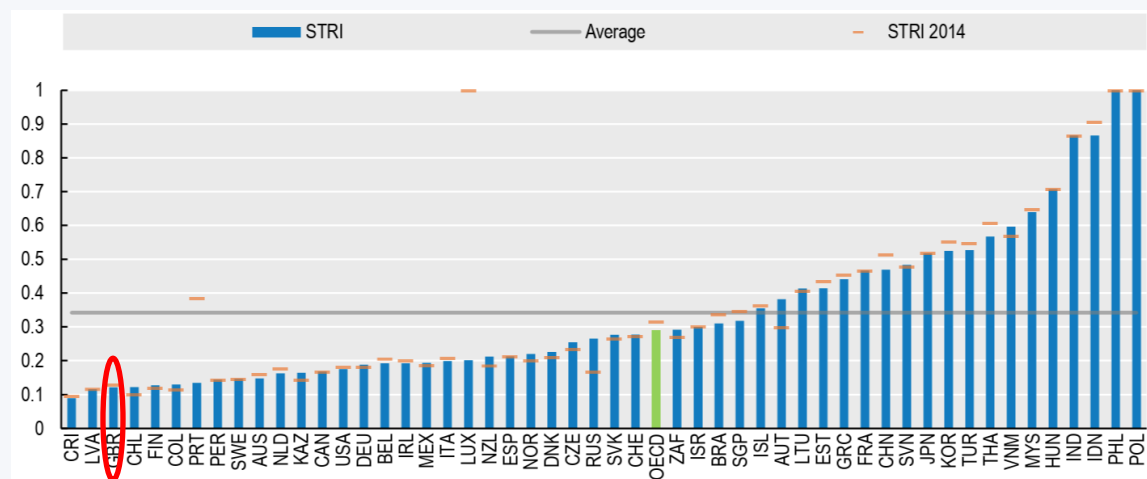
Figure 2: What Restricts Competition in the Legal Sector



Source: Hook Tangaza, OECD STRI

Figure 3 illustrates the very varied levels of restrictions that exist in different countries. The UK (circled) is recognised by the OECD as one of the world’s most open jurisdictions for legal services.

Figure 3: The OECD legal Services Regulatory Restrictiveness Index – a comparative view



Source: OECD. STRI database (2024).

The data shown in Figure 3, when cross-referenced to GDP per capita data suggests that countries with lower levels of legal regulatory restrictiveness are, on average, more likely to have higher levels of per capita income. Whilst the OECD STRI is a helpful starting point, it is not a perfect measure, not least because it depends on a historical classification of restrictions and the weights assigned to them. The legal sector has moved on significantly in the decade since the STRI was first designed.

How has our understanding of the legal services sector changed over time?

The legal sector is difficult to define. Traditional measures such as those used by the UN Statistics Division⁶ reflect a relatively narrow view of legal services in which they are entirely coterminous with the activities of lawyers. This limits legal services to the following activities: Providing advice and representation in courts and tribunals on criminal or other matters, notarial or arbitration services. Whilst this definition captures the core activities of lawyers, it fails to capture how the legal sector has changed over the past few decades.

There has, for example, been significant growth in the extent to which qualified lawyers are now employed in legal roles outside private practice. It is not uncommon in developed countries to find that around 20% of all qualified lawyers are now working in corporate legal departments, in government and in the third sector. The activities of these individuals do not appear in any measure of the legal sector in the National Accounts, but they do make an important contribution to the efficient and effective running of the economy.

The legal sector of today extends far beyond courtrooms and private practice, it is innovating rapidly to support the future growth poles of the economy.

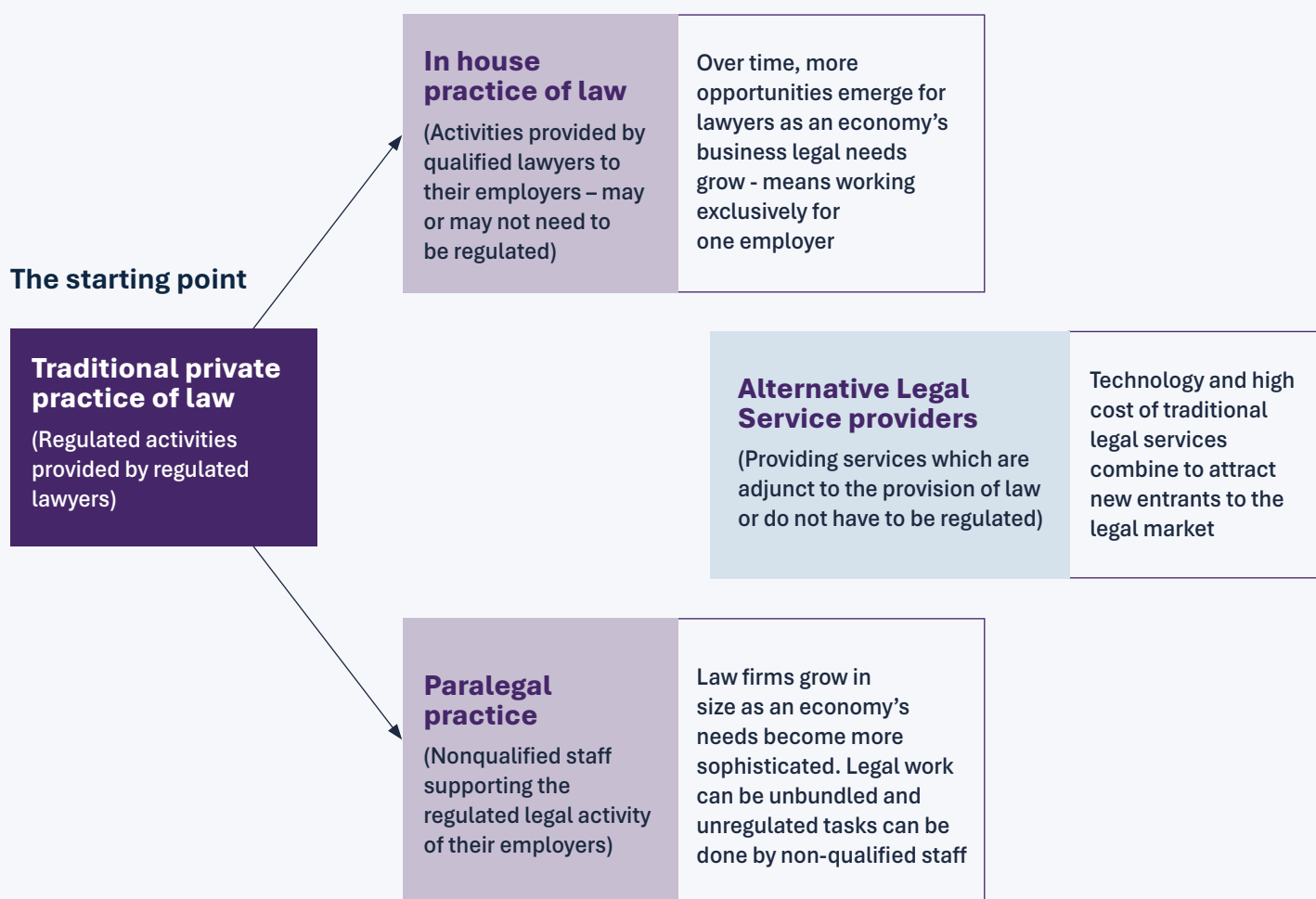
⁶<https://unstats.un.org/unsd/classifications/Econ/Detail/EN/1074/8213>

Another major change over recent decades has been the growing size and corporatisation of legal service providers, whether law firms or barristers' chambers. This has not only meant the adoption of more businesslike forms of organisation, but also the increasing use of non-qualified staff to support the delivery of legal services. The activities of such employed individuals will not be reflected in any measure of the legal economy that is based on the number of authorised legal professionals.

Finally, there are a growing number of, often but not exclusively, technology-driven Alternative Legal Service Providers (ALSPs) operating in the legal sector. The activities of such providers can include everything from the large volume processing of corporate back office legal functions, such as regulatory compliance, through to consumer-focused technology driven solutions, such as do-it-yourself legal document templates, consumer claims or mediation portals. These activities may not necessarily be included in estimates of the size of the legal sector, if, for example, they are not delivered by authorised legal professionals⁷.

This illustrates how our understanding of the legal sector, and how it is measured, regulated and supported by government, has to evolve in order to keep up with changing practice. This report takes a broad view of the legal sector in order to identify how the UK can support the entire sector to thrive in future.

Figure 4: What Is the Legal Sector



Source: Hook Tangaza

⁷E.g advice about the law, procedural or administrative assistance with public registers etc, representation before courts and tribunals etc.

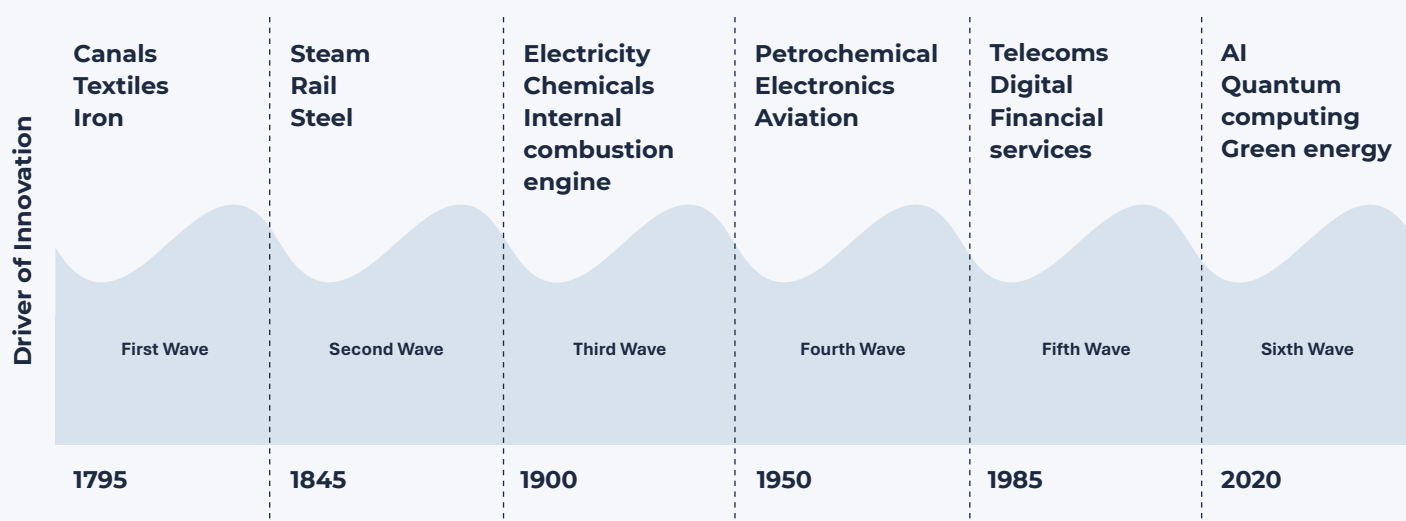
Why does this matter now?

The legal services sector has been evolving from its historical roots over many decades, but technology is quickening the pace of change. This is one reason why legal services, along with other business services, have been identified as a key growth sector for the UK economy in future.

Figure 5 illustrates the different waves of technological innovation that have propelled economic growth in developed economies over the past 250 years. The first recognisable law firms began to emerge in the UK in the eighteenth century, to serve the needs of the Industrial Revolution. In the early 20th century the law firm partnerships that we might recognise today began to emerge. As each wave of innovation has occurred, legal services have adapted to meet the needs of clients, gradually becoming more corporate and international in the fourth and fifth waves of industrialisation⁸.

As we enter the sixth industrial wave of innovation in the mid-2020s, legal services look set for further transformation. The legal services of the future will have to meet increasingly complex technology-driven business demands, but they will also need to be able to support more complex challenges in international public law, labour, social, environmental and human rights. This may, in turn, require further adaptation in how legal services can be produced and delivered.

Figure 5: Waves of Innovation



Source: Hook Tangaza, adapted from the Economist

The challenge for the UK over the next decade and beyond, is how to support the development of the legal sector to meet the needs of the sixth industrial revolution.

This report draws on lessons from the recent past to explain how and why the legal sector in the UK has succeeded so far. It then looks ahead to consider what more might be done to unlock the potential for the next wave of economic growth.

This narrative is set out in three chapters dealing with the following broad themes: The overall economic and employment contribution of the sector in the UK, its openness to investment and trade and its preparedness for the innovation challenges ahead.



The legal services of the future will have to meet increasingly complex technology-driven business demands, but they will also need to be able to support more complex challenges in international public law, labour, social, environmental and human rights.

⁸www.gov.uk/government/collections/the-uks-modern-industrial-strategy-2025

Chapter 1:

Legal services sector reform
and economic growth

Chapter 1:

Legal services sector reform and economic growth

The contribution of the legal sector to the UK economy

The legal sector makes a significant contribution to the UK economy. The latest available figures suggest that the sector contributed over £37 billion to the UK economy in 2023, representing over 1.6% of the total value of the UK economy in nominal terms.

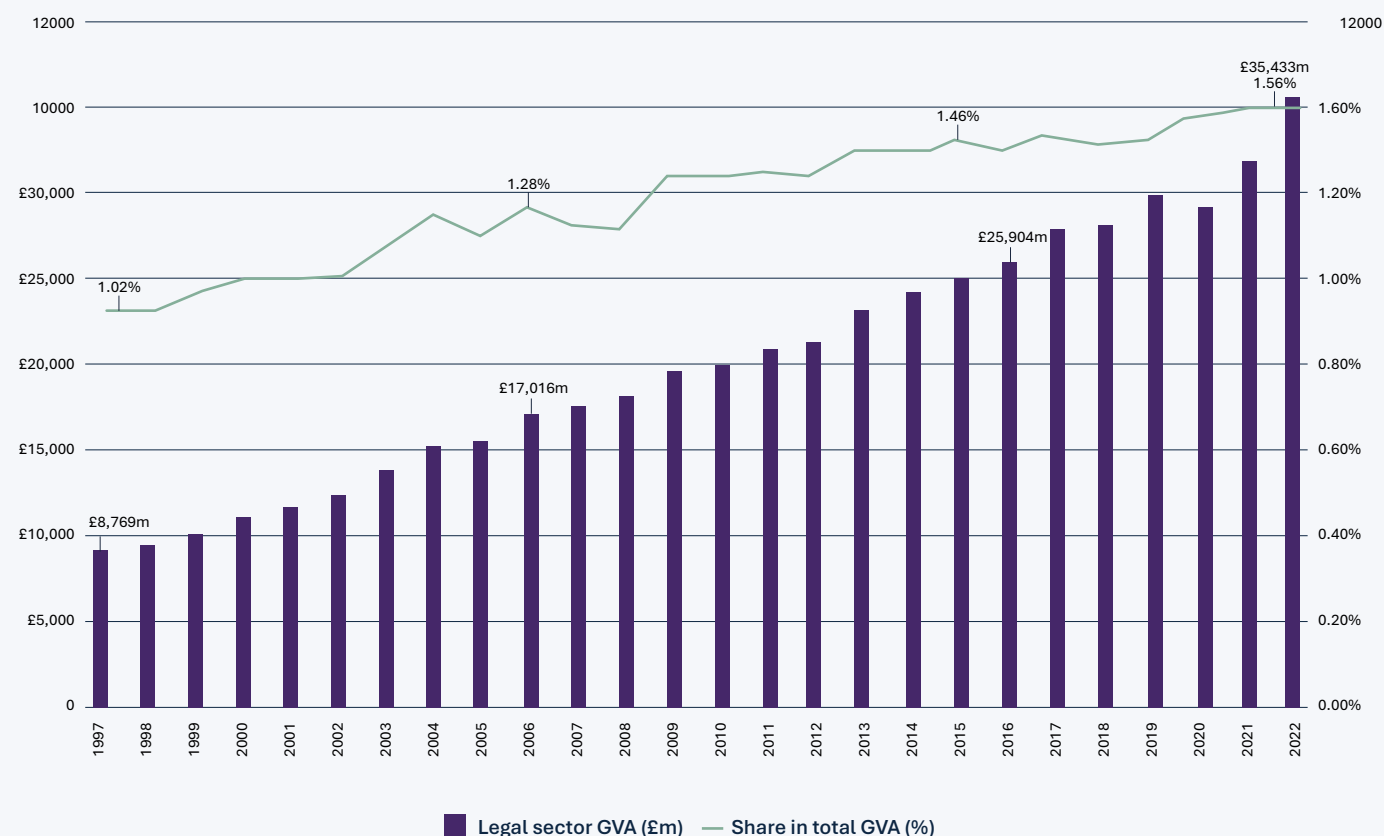
Figure 6 below, also illustrates how this sector has grown consistently over the past 25 years, pausing in the aftermath of general economic slowdowns and dipping only for COVID. This extraordinary success story has seen the sector grow by over 200% in real terms since the late 1990s, compared to 157% growth in the UK economy overall during the same period.

£37bn

The sector contributed over £37 billion to the UK economy in 2023, representing over 1.6% of the total value of the UK economy in nominal terms.

Source: ONS National Accounts

Figure 6: Legal Sector GVA



Source: ONS Input -Output Analytical Tables

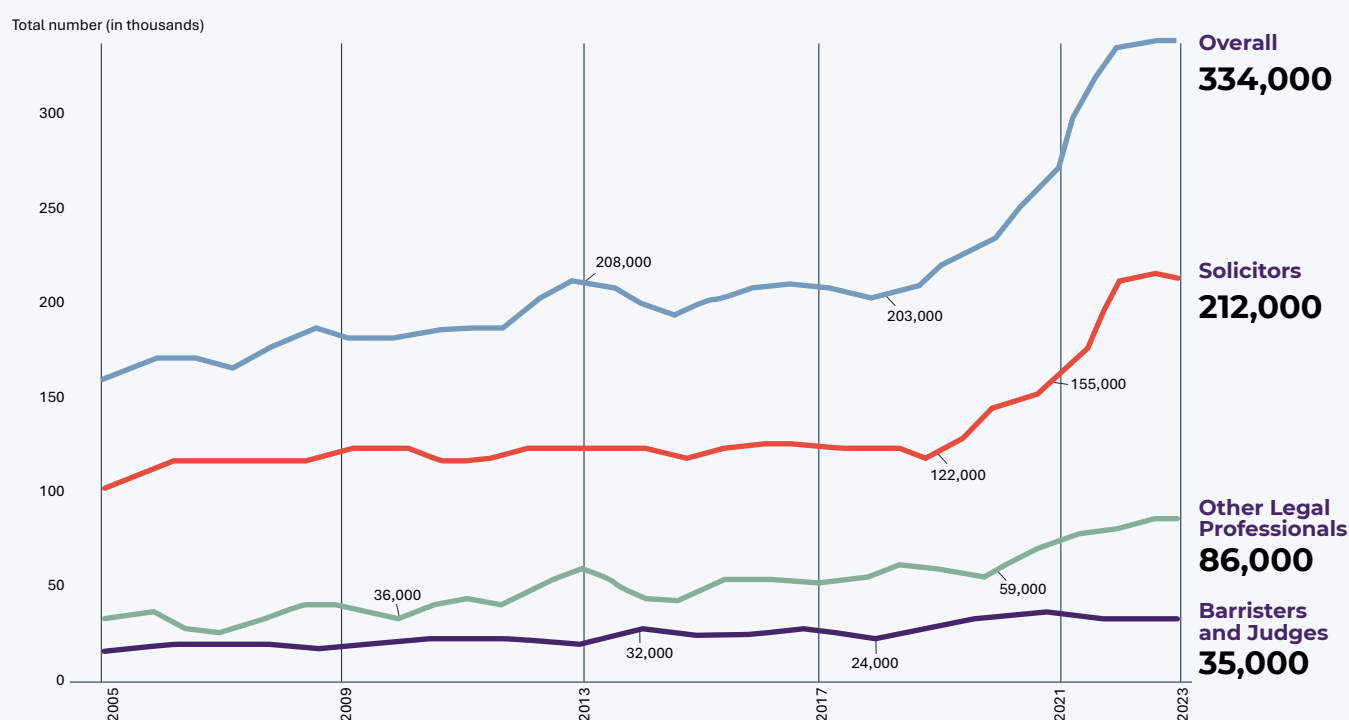
These figures are based on the activities of regulated lawyers and legal businesses. They do not reflect the full economic contribution of the sector in its widest definition, as in-house legal departments and alternative legal service providers are not included. The real impact of the legal sector on the UK economy is therefore much more significant than the 1.6% contribution to GVA suggested by official statistics.

Employment

The legal sector is also an important employer. The total number of regulated legal professionals in the UK has more than doubled over the past twenty years.

Figure 7 below, show how total legal sector employment is estimated to have grown over recent decades, and how this breaks down between solicitors, barristers and other legal professionals.

Figure 7: Growth in Employment



Source: ONS Business Register and Employment Survey, 2023 edition

The most significant employment growth in the sector has been amongst solicitors, and this has largely been due to the expansion in work for non-legal employers. In-house solicitors have been growing in number over the past twenty years and now account for 22% of all solicitors in England and Wales and 32% of solicitors in Scotland.

This trend reflects the growing complexity of business and the role that lawyers can play in helping to manage this. Given that future pillars of growth for the UK economy are likely to be even more demanding in terms of legal and risk management, it may be too soon to sound the alarm for legal jobs in the face of Artificial Intelligence.

The contribution of legal services across the UK

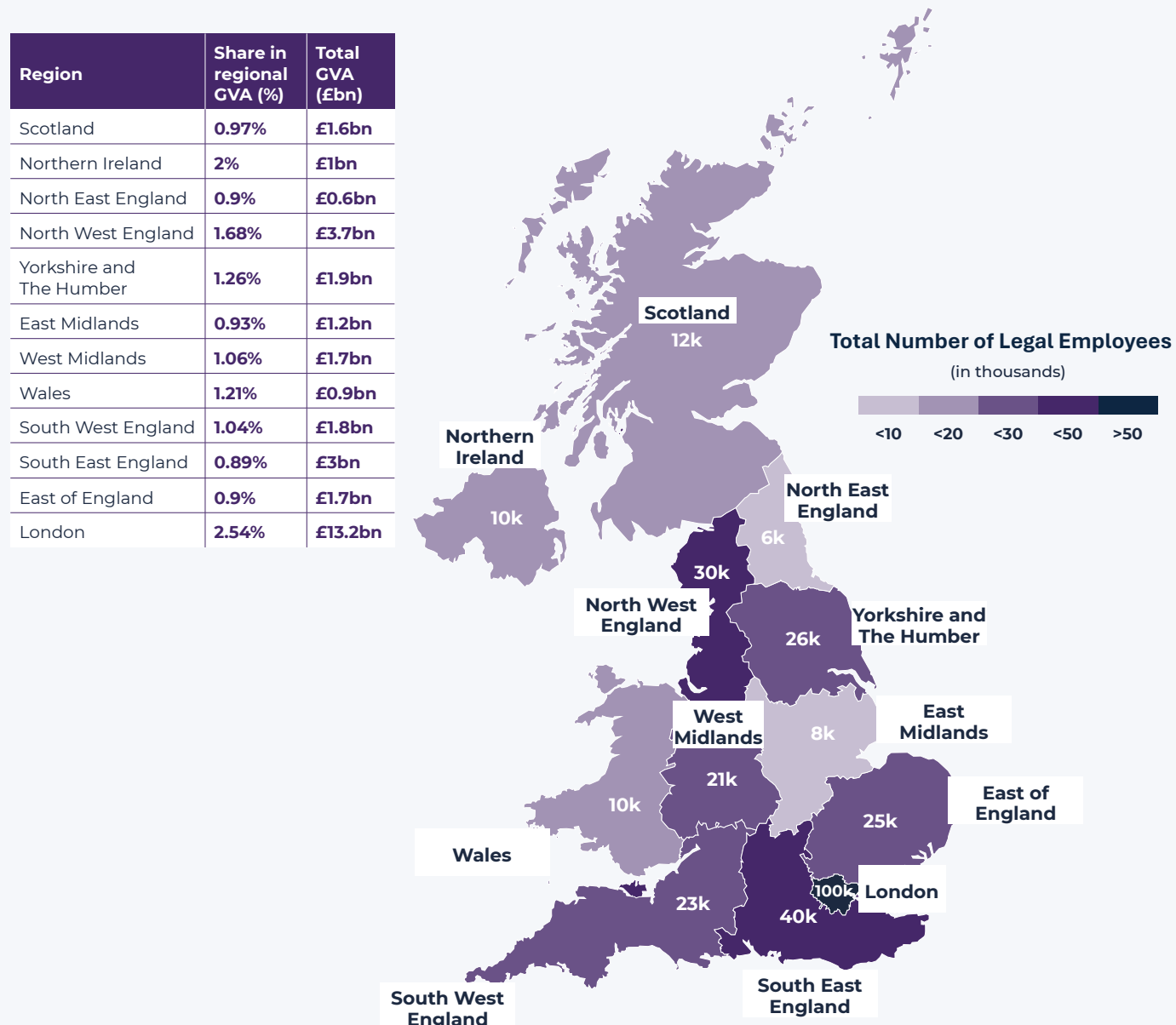
The benefits of growth and employment in the legal sector have also been widely distributed across the UK, as shown in Figure 8.

This map shows how the legal services sector contributes to economic activity in every region of the UK. Although London, the North West and South East represent the biggest centres of legal activity in absolute terms, the sector accounts for more than 1% of regional GVA in Yorkshire and the Humber, the South West, the West Midlands, Wales and Northern Ireland.

London still accounts for over a third of all jobs in the sector but the concentration of legal employment in the capital has fallen. There are now important legal hubs across the country which generate tens of thousands of jobs in every region.

So, what has made the legal sector so successful over this period? And how and why has it managed to outperform the UK economy in general.

Figure 8: Legal Sector Employment and GVA by Region, 2022



Source: ONS Business Register and Employment Survey, 2022 edition, ONS Regional Gross Domestic Product: All ITL Regions, 2022 edition.

What explains legal sector growth in recent decades?

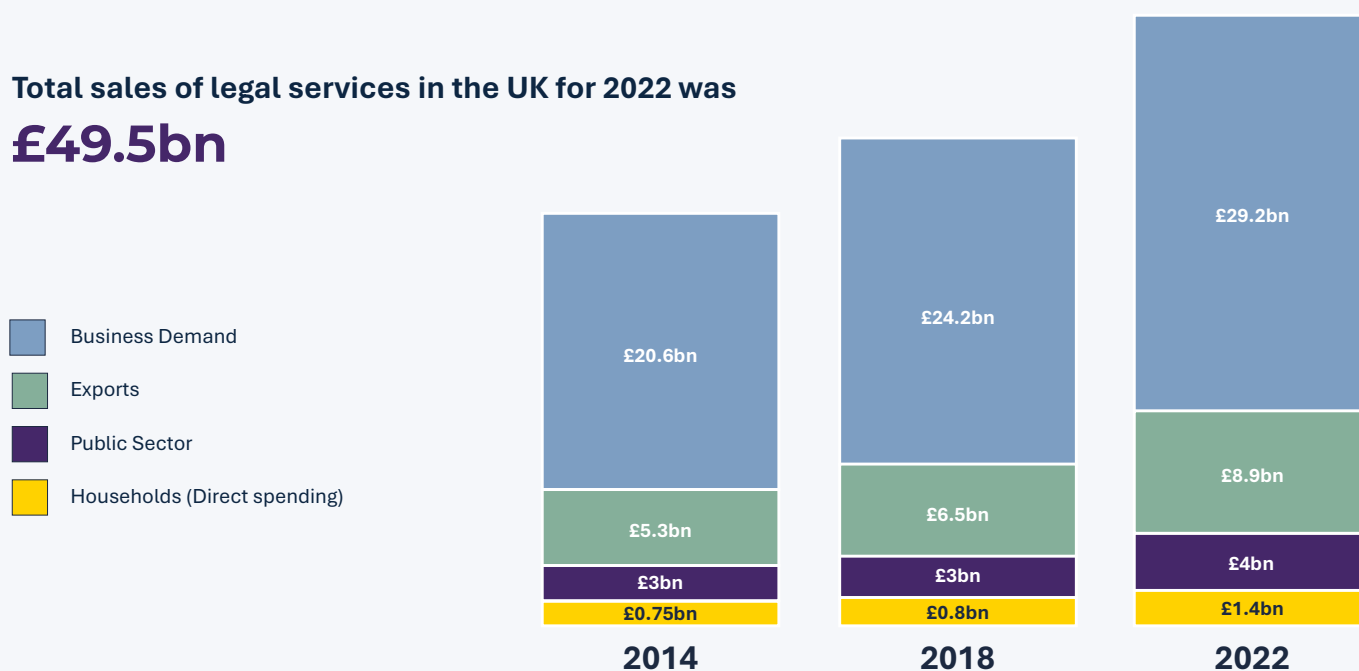
There is of course no one explanation for the success of the legal services sector, there are both demand and supply factors at work.

Demand-driven growth

Demand for legal services comes from across the economy, from government, businesses, households, investors and from overseas. A breakdown of the relative importance of these different sources of demand is shown below in Figure 9.

Figure 9: The Composition of Legal Demand

Total sales of legal services in the UK for 2022 was
£49.5bn



Source: Office for National Statistics (ONS), Supply and Use Tables, Table 2 – Final Demand, years 2014, 2018, and 2022.

Given the expansion of in-house legal teams in recent decades, it is perhaps not surprising that nearly two-thirds of all legal sector demand currently comes from business customers.

The services that lawyers provide to businesses can span all matters legal and regulatory across a company's life cycle. From company formation and expansion, through to dealing with licensing, regulation and registration of IP, as well as issues like employment, business immigration, franchising, compliance, tax and business finance, insolvency or Merges & Acquisitions. Lawyers will also be in the front line when troubleshooting is needed, supporting businesses to resolve disputes, whether through traditional or alternative means, managing and handling inquiries and investigations, complaints and crises.

The public sector is also an important source of demand for the legal sector, both directly as a client for advisory and dispute resolution services and indirectly, through funding provided for around £2 billion of legal aid.

Export demand and property related work account for most of the remaining legal services demand. Direct consumer spending on legal services is surprisingly small, an issue which will be addressed in more detail in a later section of this report.

A closer look at the areas of private sector activity that contribute most to demand for legal services illustrated in Figure 10, shows that sectors that are heavily regulated or licensed, or which include significant intellectual property or asset ownership, are most likely to need the input of legal services.

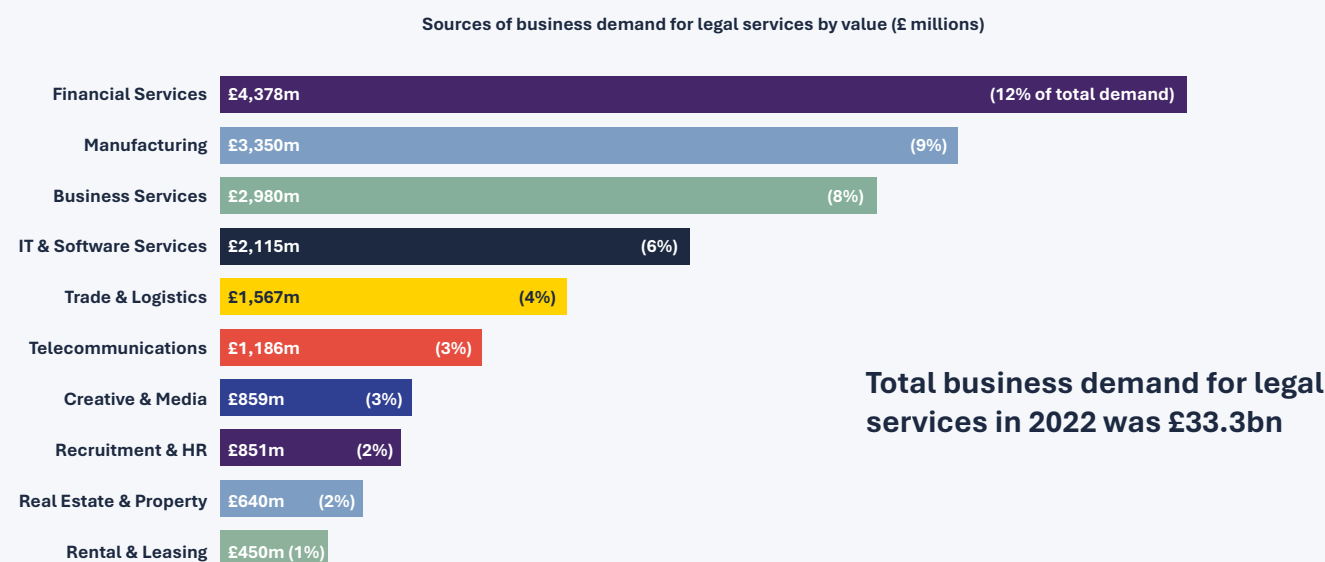
This helps to explain the variance in the contribution of legal services to overall economic activity in different parts of the country. Regions of the UK where the economy depends on more regulated industries or complex value chains will inevitably have a higher level of legal activity.

The demand for legal services grows as economic activity becomes more sophisticated.



Regions of the UK where the economy depends on more regulated industries or complex value chains will inevitably have a higher level of legal activity.

Figure 10: Main sources of sectoral business demand for legal services, 2022 (£ million)



Source: ONS Supply and Use Tables, Table 2 – Intermediate Consumption, 2022 edition.

How will legal services contribute to future growth?

The UK’s experience suggests that the demand for legal services grows as economic activity becomes more sophisticated. This not only brings benefits for the economy in general and for clients but also increases the quality of work that is open to lawyers.

Sectors that have been identified in the UK’s Modern Industrial Strategy 2025-35 as the most promising the future growth poles for the UK economy will inevitably need significant input from legal services in future. Figure 11 illustrates the type of legal services and expertise that might be required.

Moving up the value chain with overseas clients

“Now we are getting work from overseas and building our reputation in our niche area of law, the work is getting more interesting, and specialist and we can begin to charge more.”

Managing Partner of an NI Niche solicitor practice

Figure 11: Future Sectoral Demand for Legal Services



Source: Hook Tangaza from the Modern Industrial Strategy

These growing needs underline how important it is to UK growth that the legal sector can provide efficient, competitive and timely services to support investment in high tech sectors across the country. This is likely to mean:

- A need for more specialist legal services.
- Continued growth of legal provision outside London and the South East to support sectoral growth hubs.
- Increased collaboration with specialist lawyers in other jurisdictions.
- More investment by the legal sector itself in technology, to support cost effective expansion.



Freeing up lawyers to compete has been just as important as opening up the market itself – unlocking innovation, investment and greater client choice.

Supply-side reform

If the demand conditions for UK legal sector growth have been broadly favourable over recent decades, it is the changes on the supply-side that have enabled the sector to take full advantage of these conditions.

Regulation of the legal services sector has often come under scrutiny from competition authorities worldwide⁹ over concerns that regulation intended to protect consumers and the wider public interest, may sometimes be implemented in a disproportionate manner.

The UK competition authorities were early in scrutinising and acting against legislative and regulatory barriers that made it harder for lawyers to provide efficient and effective services to their clients. Successive reforms across the different UK jurisdictions have helped to free up the legal market to greater competition and free up lawyers to compete.

Freeing up the market

Starting with the Administration of Justice Act 1985 in England and Wales, which removed the monopoly of solicitors over conveyancing, competition has steadily been increased in all areas that are reserved to lawyers.

⁹See for example policy initiatives from the OECD, European Commission, World Bank, US FTC, Australian and Irish Competition Authorities

In England and Wales the reserved activities of: Litigation, Rights of Audience, Probate, the drawing up of reserved instruments (e.g. land title deeds), Notarial Services and Taking of Oaths are shared across the nine types of lawyers recognised in the Legal Services Act. The Act grants the Authorised Regulators of these different types of lawyers the ability to authorise their registered providers to offer certain reserved activities. The Authorised Regulators have not necessarily applied to the Legal Services Board for the right to authorise activities in all areas that they could but there is now a far wider choice of type of provider on offer.¹⁰

The widening of reserved practice rights to different types of legal professionals, and in some cases non-legal professionals, like accountants, who may be authorised to provide probate services, creates greater choice and competition.

Conveyancing – a case study in liberalisation

The removal of the English and Welsh solicitor profession's monopoly on conveyancing in 1985 is a classic example of the challenges to and benefits from liberalisation of the sector.

Prior to the change introduced by the Administration of Justice Act, there had long been a debate about eliminating the solicitors' conveyancing monopoly, but this was repeatedly postponed on the grounds that it would have a devastating impact on solicitors' incomes¹¹ and decimate the profession.

According to various studies undertaken in the mid-1980s, including by the Consumer Association, solicitors began to adapt their pricing behaviour in anticipation of the introduction of licensed conveyancers to the market and conveyancing fees fell by 20% between 1983 and 1986^{12 13}.

The ability of solicitors to respond to a changing market was made possible by other regulatory changes introduced around the same time, such as the relaxation in advertising restrictions. This illustrates the importance

of removing the barriers that prevent lawyers themselves from behaving competitively, when increasing the potential for new entrants to come into the market.

Today there are still over 5,900 solicitors' firms offering residential conveyancing services¹⁴ but consumers now have a wider range of price and service level options than in the past.

There have been similar moves across most of the few areas of legal services that are reserved to regulated lawyers in the UK. Even representation in the highest courts, often a highly restricted activity, has been widened in recent decades. In England and Wales, and Scotland, the Courts and Legal Services Act (1990) and the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990, both granted solicitors in these respective jurisdictions higher rights of audience alongside barristers (or Scottish Advocates).

It took longer, until the Justice Act (Northern Ireland) 2011, for similar rights to be extended to Northern Irish solicitors, who now also have rights of audience in the Higher Courts and Court of Appeal in Northern Ireland. Barristers, meanwhile, in England and Wales, and Northern Ireland, were given greater scope to take direct instructions from clients.

Today there are still over 5,900 solicitors' firms offering residential conveyancing services¹⁴ but consumers now have a wider range of price and service level options than in the past.

Freeing up lawyers to compete

Opening up the legal market to greater competition is only fair if, at the same time, lawyers are allowed to compete on equal terms. The legal sector worldwide has historically been subject to regulation that prevents lawyers from being able to work freely, subjecting them to restrictions on the size of firms or structures within which they can work, imposing prohibitions or controls on advertising or the fees that they can charge and limiting their recruitment. The last few decades have seen the removal of many such restrictions in the UK.

¹⁰The reserved activities do not represent all regulated legal activities as there are certain other areas, such as immigration, that are regulated under other pieces of legislation. This table nonetheless illustrates the potential for competition within the sector

¹¹A 1968 Report for the Prices and Incomes Board suggested that conveyancing contributed 55% of solicitors' incomes.

¹²Domberger, S., & Sherr, A. (1987). Competition in Conveyancing: An Analysis of Solicitors' Charges 1983–85. *Fiscal Studies*, 8(3), 17–28

¹³Bowles (1987), Solicitors' incomes, conveyancing and the property market, *New Law Journal*, 137

¹⁴Law Society of England and Wales

The Administration of Justice Act 1985 may have removed the monopoly on conveyancing for English and Welsh solicitors, but it also opened up the possibility for solicitors to incorporate their law firms and protect against unlimited personal liability. Around the same time, the Companies Act 1985 removed the 20-partner limit on general partnerships of solicitors.

However, it was not until 1990, that solicitors in England and Wales, and Scotland were permitted to enter into partnerships with foreign qualified lawyers. The Courts and Legal Services Act 1990 removed this legislative prohibition for English solicitors (echoed in similar Scottish legislation passed the same year). This laid the basis for solicitors in England and Wales, and Scotland to work more flexibly with each other, and with foreign lawyers. The importance of this move to the international expansion of UK legal services is explored in more depth in the next section.

A further important milestone in freeing up UK lawyers to compete was the removal of restrictions on the structures within which they could practice. The Limited Liability Partnerships Act 2000 introduced UK LLPs, allowing law firms to manage their businesses like traditional partnerships whilst enjoying the protections offered by incorporation. Incorporation also meant greater transparency in the market about the size of firms and their performance.

Allowing foreign partnerships – the introduction of multi-national practices

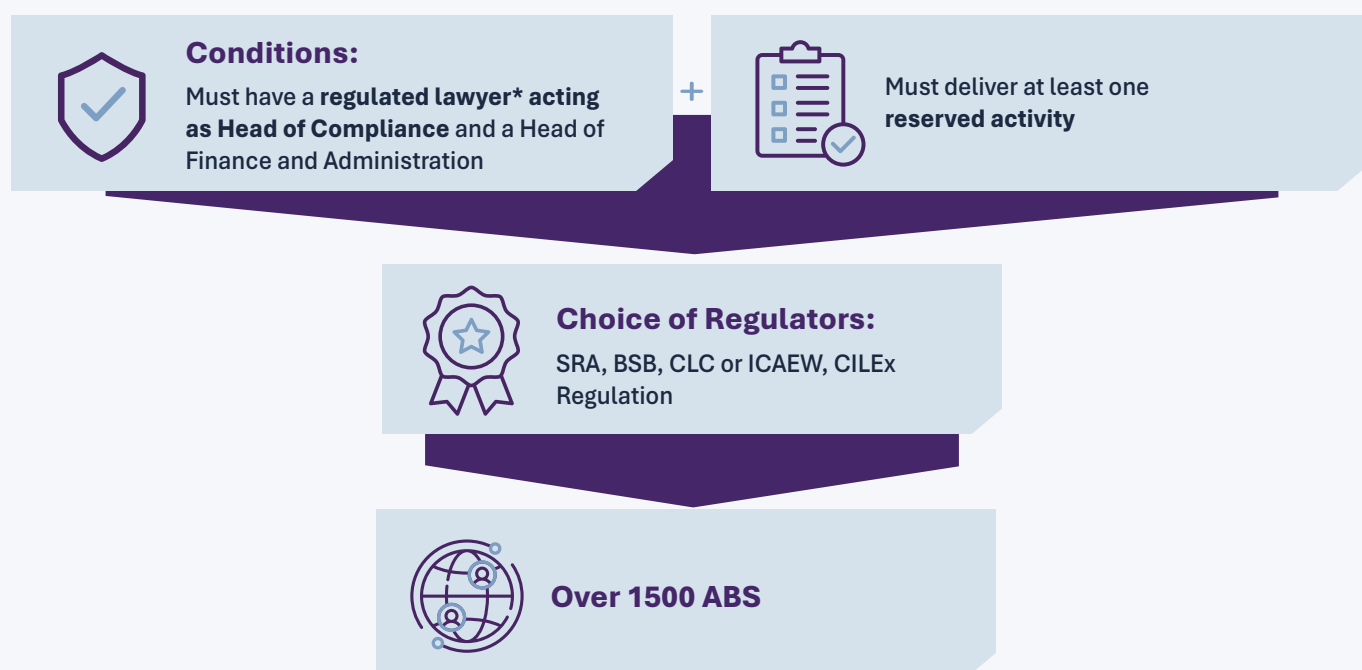
“Section 39 of the Solicitors Act 1974 (which, in effect, prevents solicitors entering into partnership with persons who are not solicitors) shall cease to have effect.”

Extract from the Courts and Legal Services Act 1990 (s66)

Finally, and most significantly, the Legal Services Act 2007 introduced ABSs, enabling non-lawyers to own a business providing reserved legal services outright, or to own a business in partnership with a lawyer of England and Wales. Regardless of how the ABS is owned, the requirement that any reserved legal activities¹⁵ must be conducted by a lawyer of England and Wales remained in force, to ensure that core professional principles, such as independence of advice and integrity were preserved. Figure 13, below, summarises the key regulatory features of the ABS regime in England and Wales.

Similar, though more limited, flexibility in the ownership of legal businesses was proposed in Scotland by the Legal Services Act (Scotland) Act 2010, but the regulatory scheme implementing these provisions was never introduced. New legislation passed in 2025, now creates the possibility of 100% non lawyer owned businesses in Scotland subject to enacting regulations.

Figure 13: How ABSs are regulated in England and Wales



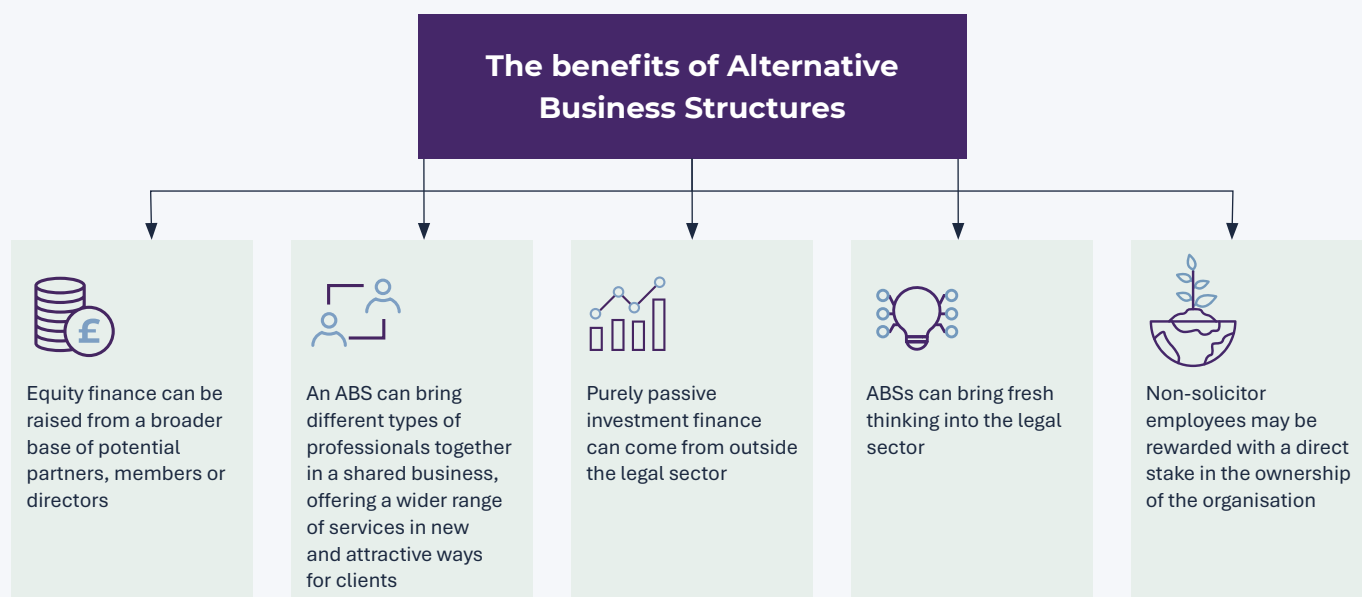
Source: Hook Tangaza

¹⁵Rights of audience, Conduct of litigation, Reserved instrument activities (i.e. preparation of deeds of transfer of land), Probate activities, Notarial activities, Administration of oaths

The impact of Alternative Business Structures on the market in England and Wales

The introduction of ABSs was seen as a way of both opening the legal sector to new competition, access to capital and ideas. Figure 14 summarises the expected benefits of ABSs. A later section of the report will look in more detail at the results of this reform.

Figure 14: The Benefits of ABSs



Source: Hook Tangaza

Widening entry into the profession

Expanding the potential involvement of third parties in the legal sector inevitably increases the demand for qualified lawyers. There is therefore always a risk that, if the pool of lawyers is not growing as fast as demand, then the cost of legal services will increase. It has therefore been critical to success of the English and Welsh, and Scottish legal markets, that points of entry into the legal profession have been widened over time.



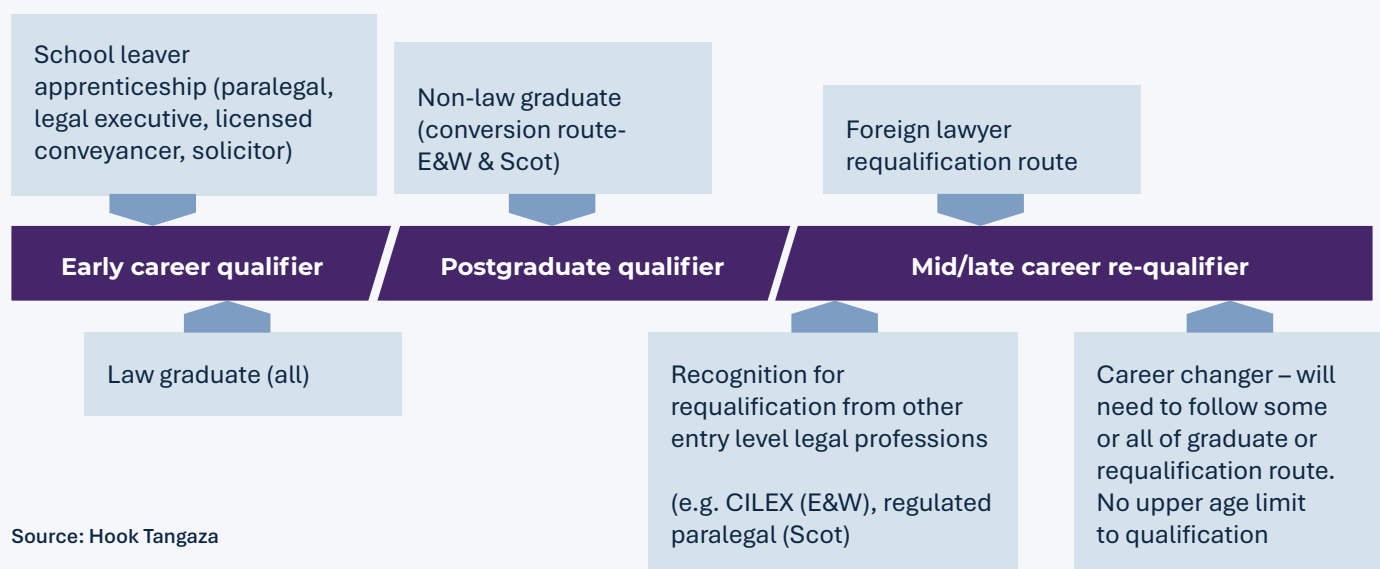
Widening entry to the legal sector isn't just about fairness - it's about fuelling a sector to enable it to keep up with demand.

Over recent years, access to the legal profession in England, Wales and Scotland for some of the legal professions has been widened to include:

- The opening of the market to allow multiple training providers to offer vocational training in England, Wales and Scotland. As a result, access to the required professional training courses is now limited purely by candidate quality, not by quotas on available places at a single professional body owned training institute.
- The introduction of apprenticeship routes and the continued recognition of non-law degree entry routes, which do not involve undertaking a full second degree for those who already have degrees, has increased the pool of potential candidates and the depth of their prior knowledge in areas outside the law.
- The introduction of flexibility in how trainees can gain the required work experience. Many of the formal requirements have been removed – work experience no longer has to be obtained in a regulated organisation, it does not need to be supervised, nor does it have to involve placements in different practice areas.
- A wider range of routes into a legal career, with the recognition of new professional titles, such as Licensed Conveyancer and Costs Lawyer.

These changes mean that there are many different points of entry into the legal employment market in much of the UK, in contrast to some other jurisdictions where entry is restricted by age or only to those with a second, postgraduate degree.

Figure 15: Points of Entry into the Legal Profession in the UK



Other supporting changes

The major changes described above in the UK legal market over the past forty years, have been further supported by other changes, not just in codes of conduct but also in Court procedures. Modernising measures have included: The removal of restrictions on how lawyers can advertise, increased flexibility in the type of premises they need to occupy, controlled use of contingency fees and referral fees.

Best practice in legal sector regulation

As recognition of the importance of the legal services sector to the economy has grown in recent decades, competition authorities in the UK and elsewhere have focused more intently on the question of how legal services are regulated and by whom?

The importance of ensuring that legal services regulation is independent from government, needs little explanation. Lawyers need to be able to act for clients that governments do not like and hold the State to account. If government can decide who is given the right to practice (or not) then it can easily undermine the rule of law.

There is also extensive economic literature that reveals how professional self-regulation can too easily become self-interested regulation, imposing limitations on entry into the market, strictly controlling competition and regulating disproportionately thereby adding cost.¹⁶

Regulation of legal services in the UK is undertaken separately in the three independent jurisdictions of England and Wales, Scotland and Northern Ireland. Each jurisdiction has its own separate regulatory arrangements for its different legal professions, and each has taken its own action, to various degrees, to reflect local competition concerns.

In England and Wales, one of the key innovations of the Legal Services Act 2007 was the rollout of a new regulatory architecture for the sector. This outlines nine objectives against which regulators have to justify their actions. It also separates the regulation and representation of the legal profession, and puts in place a new independent oversight body, the Legal Services Board.

In Scotland, the Legal Services (Scotland) Act 2010 largely mirrored the regulatory objectives of the English Legal Services Act¹⁷. Legislation passed in the Scottish Parliament in May 2025 will introduce further separation between the regulatory and representative activities of both the Law Society of Scotland and the Faculty of Advocates.

In Northern Ireland increased external scrutiny of the Law Society's regulatory activities has been introduced through the creation of a Legal Services Oversight Commissioner by the Legal Complaints and Regulation Act (Northern Ireland) 2016.

The regulatory objectives in the Legal Services Act, 2007

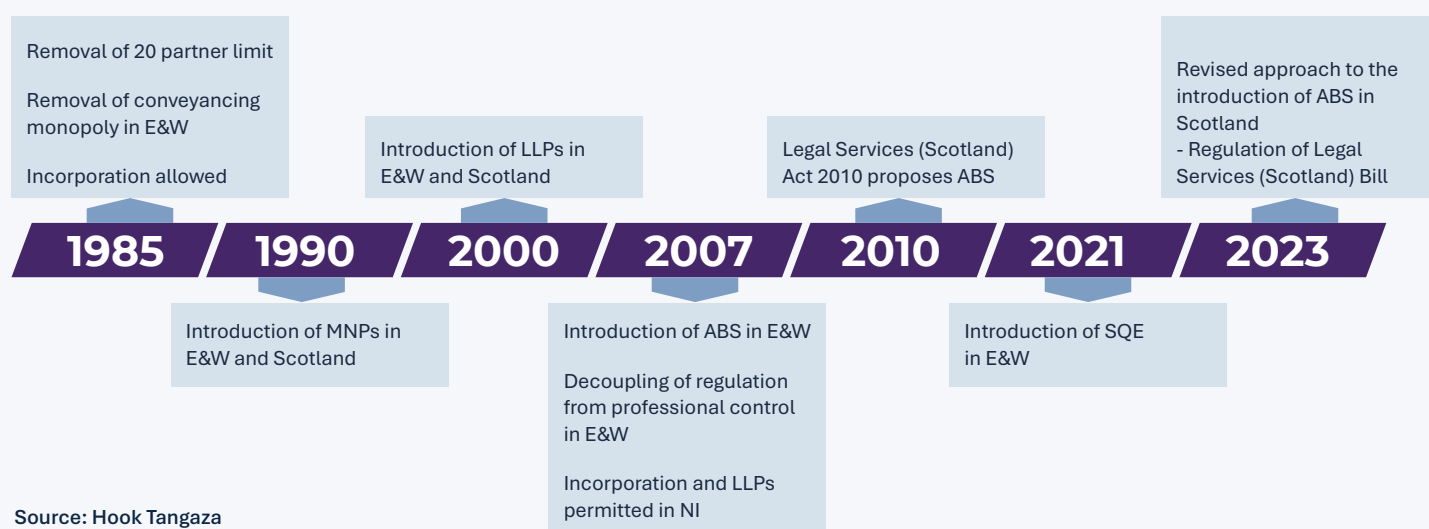
Section 1 of the Act defines nine regulatory objectives:

1. Protecting and promoting the public interest;
2. Supporting the constitutional principle of the rule of law;
3. Improving access to justice;
4. Protecting and promoting the interests of consumers of legal services;
5. Promoting competition in the provision of legal services;
6. Encouraging an independent, strong, diverse and effective legal profession;
7. Increasing public understanding of the citizen's legal rights and duties;
8. Promoting and maintaining adherence to the professional principles;
9. Promoting the prevention and detection of economic crime.

¹⁶As set out for example in the OFT Report "Competition in the Professions, 2001".

¹⁷Public legal education, a regulatory objective in the Legal Services Act 2007, does not figure in the Scottish Act, which contains two items not in the English Act - "supporting the interests of justice" and "encouraging equal opportunities in the profession".

Figure 16: Summary of Major Reforms (1985-2025)



What have we learned from UK legal sector reforms?

Over the past forty year cycle of economic activity, the UK legal services sector has changed out of all recognition.

- Overall, the sector has boomed. Activity has increased in both quantity and quality. There are more law firms and lawyers than ever.
- All parts of the legal sector have been subject to increased competition, both from other lawyers (from elsewhere in the UK and abroad) and from non-lawyer new entrants to the sector.
- Clients and consumers have benefited from more choice and transparency in the sector. However, there are concerns about how well distributed the benefits of a more open and competitive legal sector have been. Delivering affordable and accessible consumer facing legal services in the face of growing demand remains a challenge.
- The legal sector is well placed to support the next phase of UK economic growth as it becomes an increasing magnet for investment.

Overall, the UK's experience suggests that:

1

The legal tends to be conservative, and reform can be a slow process. But the reforms introduced in England and Wales illustrate that when liberalisation is embraced, it can unleash new opportunities and new demand for lawyers' services. Progress in the sector has also been helped by independent, rather than professional self-regulation.

2

Legislative or regulatory intervention may be needed to support society's access to justice needs. The market alone has not been able to meet these needs.

3

Reforms are most likely to succeed when access to the profession is improved. Education reforms should be addressed early on in any structured process of liberalisation to ensure that there are enough providers to support expanding demand, otherwise legal costs will rise.

This report has so far focused on the internal regulatory reforms that have been introduced to make the legal sector in the UK work more effectively and efficiently, but the external, export dimension is also critical to the creation of a genuinely competitive sector.

Chapter 2:

How does an open and competitive legal sector support inward investment and international trade?

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How does an open and competitive legal sector support inward investment and international trade?

Introduction

The UK legal sector has experienced extraordinary growth in its export trade in recent decades.

Figure 17 illustrates the expansion in UK legal services trade over the last twenty-five years. It shows that by 2022, UK exports had reached nearly £9 billion, up from just under £1 billion in 1997. Imports of legal services were also up over the same period, from £286 million, to nearly £2.2 billion.

Over the twenty-five-year period 1997-2022, UK legal sector exports increased by over 340% in real terms and imports by 290%.



Legal services now account for between 2-2.5% of all UK service exports.

Figure 17: UK Trade in Legal Services



Source: ONS National Accounts Supply and Use Tables

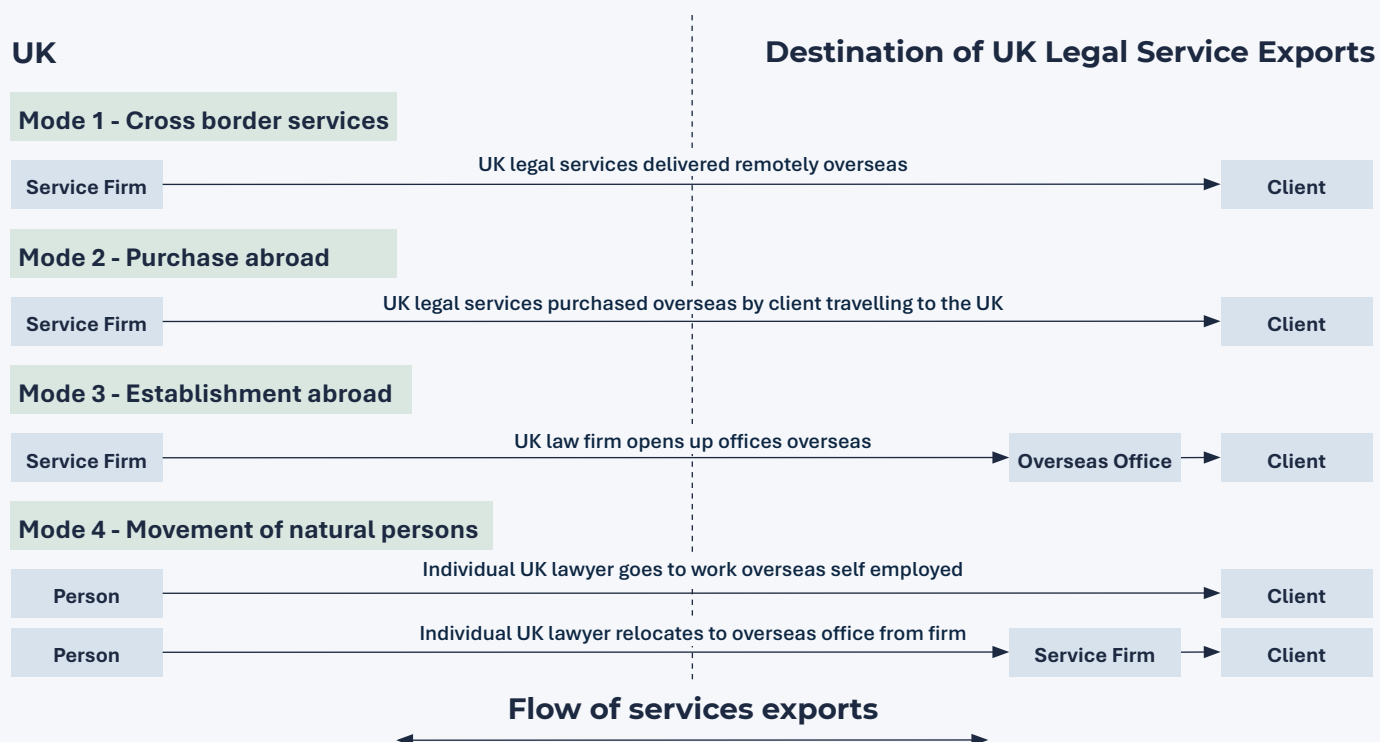
Figure 17 also shows that:

- UK legal exports are highly resilient, coming back stronger after each economic setback. The general upward trend in legal exports has recovered from the hiatus caused by global economic turbulence in 2001 and 2005, the global financial crisis in 2008, and the effects of COVID in 2020-21.
- UK legal services exports are also fairly robust. The legal economy often experiences shallower contractions than other sectors during times of recession. This happens because different areas of legal practice are stronger at different stages of the economic cycle. The revenue and employment effects of a slowdown in merger and acquisition activity during a recession, for example, are often offset at a sectoral level by a growth in insolvency or disputes work.
- Legal services imports into the UK have grown at the same time as legal exports, albeit at a slower rate. This illustrates the collaborative nature of legal services. For example, a UK law firm advising a client on an overseas investment may need to sub-contract work to a law firm in the target jurisdiction. This would appear in trade statistics as a legal service import.

How and why are legal services traded?

Unpicking the different ways in which legal services can be traded helps to explain what might lie behind the UK's export success and what might be done to encourage further growth in this area.

Figure 18: How Do Lawyers Export Their Services



Source: Hook Tangaza

Figure 18 illustrates the four ways in which lawyers can export their services. Different types of lawyers and different types of services may be better suited to different modes of delivery. So, whilst large firms with an interest in building and staffing a network of overseas offices may focus more on establishment (Trade in Services Modes 3 and 4), smaller law firms and barristers may have a greater interest in providing services cross-border (Trade in Services Mode 1), serving clients who come into the UK looking for legal help (Trade in Services Mode 2) or providing arbitration services overseas (Trade in Services Mode 4). In the UK, all four modes of international trade are actively used by a diverse range of legal services exporters, ranging from the largest global firms, through to sole practitioners and independent barristers building their own personal practices.

So how did the UK become an open legal economy?

The outbound picture – exporting legal services

A key moment in the UK's development as an exporter of legal services was the recession of the early 1990s. Larger UK law firms, who had only a decade or so earlier, emerged from their historical origins as medium sized, family-owned domestic law firms, began to professionalize. As competition in the domestic market became more intense in the wake of early 1990s economic slowdown in the UK, international markets looked to offer more promising opportunities for growth.

The lure of new wealthy clients emerging from Asia and the Gulf, coupled with an explosion of infrastructure work in Central and Eastern Europe, following the fall of the Berlin Wall, produced a major overseas expansion by the largest UK law firms.

Today, the overseas portfolio of legal sector investment from the UK consists of around 500 offices of UK firms in more than 50 countries.

Where can UK law firm offices be found in 2025?

Figure 19 shows that Europe remains the most important outbound establishment location for UK law firms, which have a particularly strong presence in Germany, France and Belgium. In Asia, the second most significant region for UK law firms, Singapore and Hong Kong dominate, both hosting just under 30 UK firms. China and Japan come next in Asia with around 13 to 14 UK law firms each. In the Middle East and Gulf, the UAE remains the dominant favoured location, but Saudi Arabia is rapidly catching up.

Overseas expansion as an antidote to recession

“Prior to the 1980s, few outside the largest commercial firms (in the City of London) had opened offices overseas... Reflecting on the first half of the 1990s... those firms that came through the recession ‘well’ were those successful in developing an ‘international’ presence.”

Galanter & Roberts

UK law firms have more than 500 offices in over 50 countries

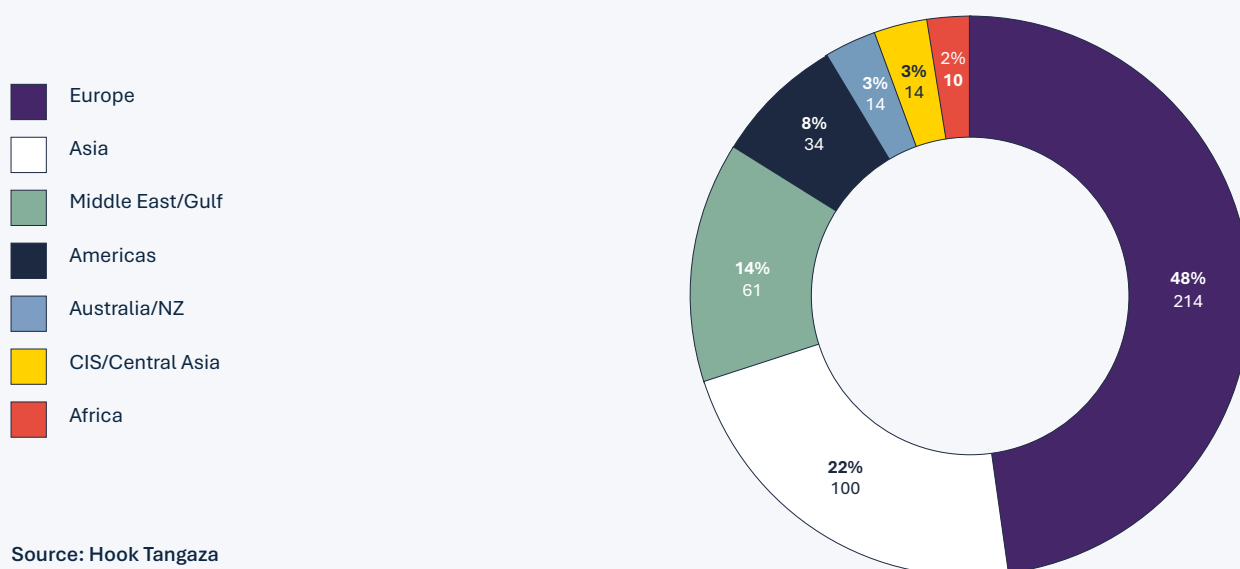


500 offices



50 countries

Figure 19: Where Do UK Law Firms Have Offices (2025)?



Why open a law office abroad?

Interviews with law firm owners, whether partners in multinational firms or directors of small, niche firms, suggest that there are around five common reasons for lawyers to choose to establish abroad, as shown in Figure 20.

Not all firms opening offices in other jurisdictions will have the same drivers. In some cases, an office abroad has been prompted by client demand (as illustrated by the example in box 9). In other cases, opening an office may be a strategic move, to signal an interest in a market or region (as shown in box 10).

The need for a physical presence on the ground is also not set in stone. Some locations, which act as regional hubs for wider business and finance activity, will always be attractive, but others may wax and wane depending on political and economic imperatives.

There was, for example, a large influx of UK and other foreign law firms into Central and Eastern Europe in the 1990s, working on post-Communist reconstruction, large infrastructure projects and assimilation of EU Single Market standards. Once the major international institutionally funded work was done, by the mid-2000s, there was no need for these global players to remain.

From the early 2000s the growth of UK law firms rapidly became global, with further expansion driven by trade and regulatory liberalisation, into the European Single Market and later into Russia and China as they joined the WTO. Other markets, in South East Asia and the Gulf offered new autonomous liberalisation opportunities through the creation of foreign law firm licensing regimes. As legal professions around the world have become

more international in their outlook, there is less immediate need for UK law firms to open their own offices and unless there is a compelling reason to do so, many firms prefer to collaborate with local firms.

UK law firms have a track record of working alongside local lawyers and sharing their expertise, whether through secondment programmes or 'best friends' law firm networks. These have included training programmes such as the Lord Chancellor's Training Scheme for Young Chinese Lawyers, which ran for nearly 20 years and gave over 300 Chinese lawyers an understanding of English and Welsh Common Law and modern legal practice, or the International Lawyers for Africa (ILFA) project, which ran for 17 years and provided more than 300 London law firm secondments to lawyers from more than 28 African countries.

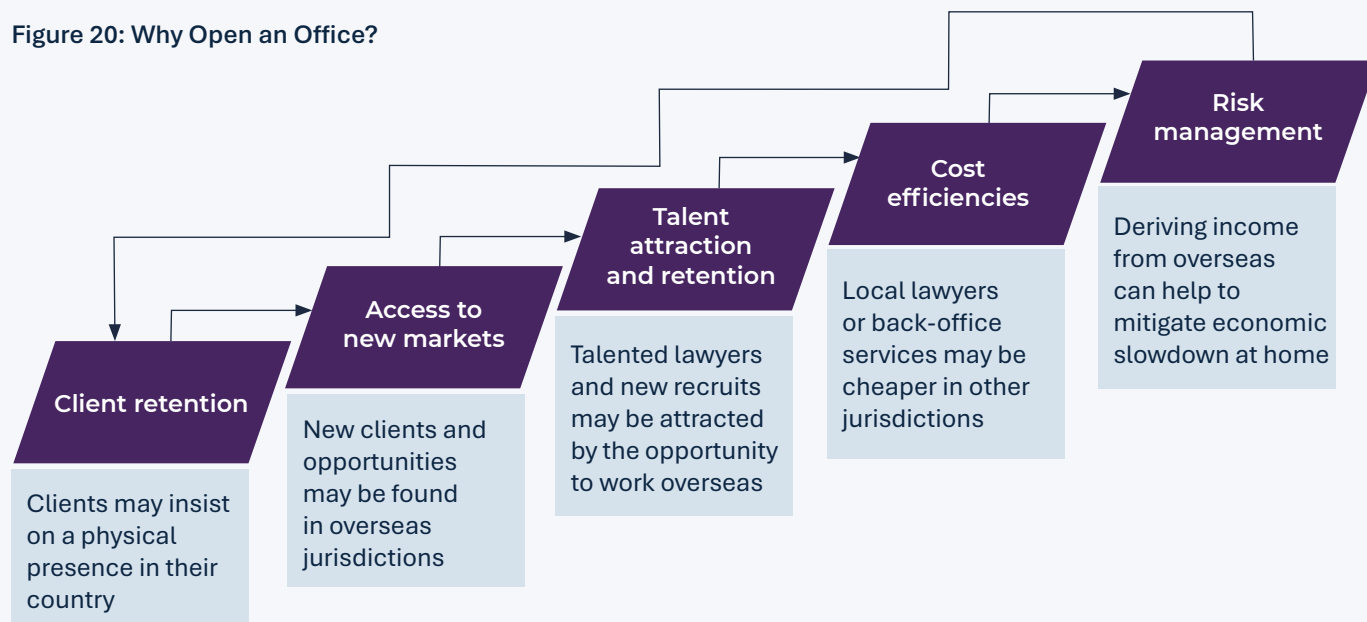
This willingness to share UK legal expertise has also helped to establish English and Welsh law as the turnkey law in newly establishing financial centres in the Gulf and Central Asia.

Proximity to clients

“Proximity to our clients is something we believe is important to allow us to provide the best quality legal services and to ensure our lawyers are immersed in the environments in which our clients live and work.”

Managing Partner, Scottish law firm

Figure 20: Why Open an Office?



Source: Hook Tangaza

Serving clients cross-border

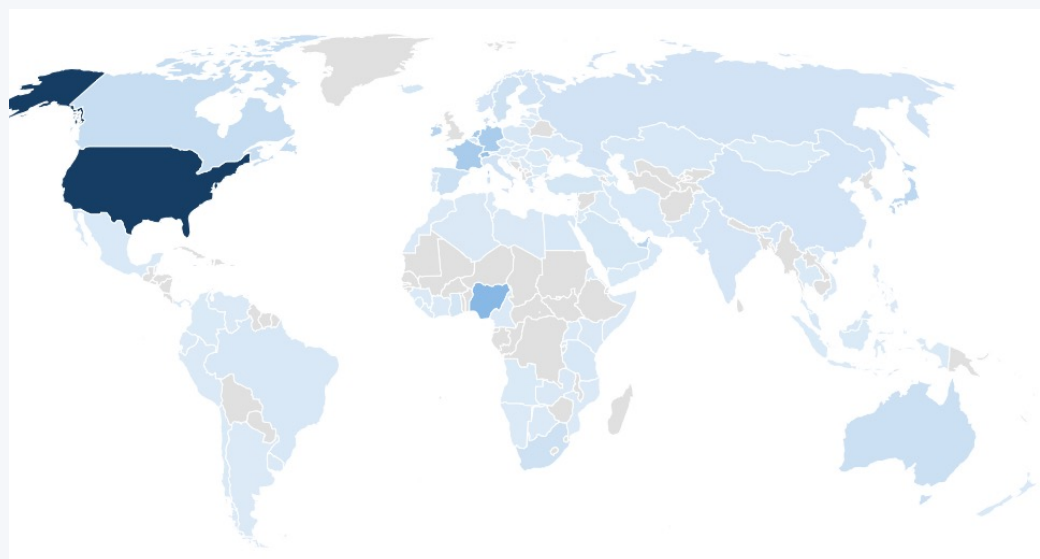
Although opening offices in other jurisdictions will often grab headlines, this is in fact not how the UK undertakes most of its trade in legal services. Rather it is through cross-border legal practice that most of the UK's legal export earnings are generated. Figure 21 shows where the UK's export earnings come from (the darker the colour in which the country is shown, the more significant it is as an export destination). This illustrates very clearly that legal services trade is carried out by UK law firms in most corners of the globe, with a particular concentration on the US, France, Germany, the Netherlands, Switzerland and Nigeria.

An overseas presence as a signal or market intent or capability

“This (office)...strengthens our commitment to providing top-tier arbitration services from strategic locations around the world.”

Senior Partner, specialist dispute resolution firm

Figure 21: UK Exports of Legal Services



Source: ONS

These export earnings may come from fees earned by UK lawyers working in other countries or from fees paid by overseas clients for work with a predominant effect in the UK. Opportunities have, by no means, been limited to the largest global firms that act as legal advisers on multi-national, international infrastructure projects.

What legal services are UK lawyers exporting?

A review of the global practice areas recognised by legal directories illustrates the breadth of different types of services on offer from major legal hubs like the UK. Although services such as cross border M&A and dispute resolution remain at the heart of legal services exports, there are a host of other practice areas that are increasingly in demand.

- There are many new areas of international legal practice which did not exist a decade ago, such as business and human rights, AI and blockchain related legal services.
- Legal practice is becoming ever more specialist. As economies develop, lawyers need to understand the nuances of the operation and regulation of different sectors. This opens up opportunities for smaller, niche practices with real specialist capability, provided they can reach potential clients in global markets.

This also suggests that there are likely to be new practice areas appearing in future which are not offered by lawyers today, illustrating how legal services continually evolve to meet the changing needs of the wider economy.

The extent of the UK legal sector's global engagement is remarkable

Many UK law firms and barristers' chambers have developed international services over the past couple of decades.

Some of this has been driven by inward investment, which has been attracted by the innovative and competitive legal market in the UK. Some has been driven by the breadth of international engagement across the UK economy, not just among large businesses but also by SMEs and ordinary citizens, who are living, working, marrying and buying property in other countries in unprecedented numbers.

But the UK legal services market also has some key supply-side strengths that have helped UK law firms to increase their international fee-earning power. These are:

- English and Welsh law, which is used in business contracts worldwide, thanks to its flexibility and adaptability to changing technology;
- The courts and alternative dispute resolution institutions in the UK, which are internationally recognised for their quality and efficiency; and
- The depth of the UK legal sector, which has allowed practitioners to build up significant expertise in highly specialist areas of practice.



From AI to arbitration, UK lawyers are exporting more than advice - they're selling cutting edge expertise.

The international reach of a mid-size law firm

“We have developed an international network of connections and are now seen as a facilitator for local businesses looking to expand to new markets. We've generated inbound fees from work coming into the UK. Some investment, some property, some litigation. But also acquisitions that have helped UK businesses survive. Looking internationally has played a major part in growing the firm to more than three times its size twenty years ago.”

Partner, medium sized regional law firm

Lastly, it underscores how the acquisition of domestic experience from an increasingly sophisticated UK market, has helped UK lawyers to win work overseas in their specialist areas of practice. Where a region or city within the UK hosts a particular cluster of economic activity, such as the automotive industry in the West Midlands or aeronautics sector in Bristol, then local law firms will often develop deeper capacity and specialist expertise in those areas. The example of the capabilities within the Aberdeen legal market in relation to the oil and gas sector, and related industries (see box 13), is an interesting case in point.

Similarly, the arbitration expertise of UK barristers and advocates is widely sought by foreign clients, and it is not unusual for them to provide services to foreign clients in relation to disputes that have no connection to the UK.

It has been estimated, for example, that around 40% of global corporate acquisitions were governed by English and Welsh law in 2019 (worth £250 billion), as well as £80 billion worth of insurance contracts.

Source: Oxera/LegalUK

Openness to inbound dispute resolution

The extensive use of English and Welsh law in cross-border contracts increases the attractiveness of the UK legal market. Studies suggest that English and Welsh law underpins international contracts worth trillions of pounds. It has been estimated, for example, that around 40% of global corporate acquisitions were governed by English and Welsh law in 2019 (worth £250 billion), as well as £80 billion worth of insurance contracts. English and Welsh law has also historically been the law of choice for the maritime sector, which is worth over £15 billion annually to the UK economy¹⁸. The use of English and Welsh law as the governing law in contracts, in turn then provides further work for the dispute resolution sector.

The English and Welsh Courts can assume jurisdiction over disputes which have one or more of the following characteristics:

- The parties involved had agreed a contract subject to English and Welsh jurisdiction.
- The defendant is “domiciled” in the jurisdiction of England and Wales.
- If it is a tort claim, then England and Wales is where the “harmful event” had occurred.
- If there are multiple defendants, at least one of whom is subject to English and Welsh jurisdiction.

This flexibility means that the Commercial Court can readily be used by international clients. In 2023, 68% of litigants before the Commercial and Admiralty Court were from outside the UK and came from 84 different countries. Around 75% of the court’s overall workload in 2023-24 involved one or more international parties. The major areas of law for which the English and Welsh courts are used include: Commercial contracts and agreements, arbitration-related matters, insurance/reinsurance, and aviation disputes.

Evolving International Capability

“The great trick is to take the skills that we have developed here and sell those into the other basins. So for instance some of the work that I’m doing now is for Nigerian clients who are going into complex joint ventures with some Western companies. So...we’re taking our expertise and skills and...developing them internationally.”

Senior Partner, Scottish law firm¹⁹

Top Countries of Origin for International Litigants in the Commercial Court

Ireland, Switzerland, UAE, Cyprus, BVI, US, Singapore and India. Russian litigants have declined from their peak in the mid-2000s but remain an ongoing source of business for the Courts.

¹⁸<https://legaluk.org/wp-content/uploads/2021/09/The-value-of-English-law-to-the-UK-economy.pdf>

¹⁹<https://www.lawscot.org.uk/members/journal/issues/vol-58-issue-06/gas-in-the-tank/>

Export of standards and qualifications from the legal sector

The importance of the UK legal sector has also spawned export earning opportunities in legal education and professional qualifications.

Thousands of foreign students come to the UK every year to undertake undergraduate law degrees or embark on post-graduate studies with the intention of becoming a solicitor or barrister in England and Wales. This has created a market which is estimated to be worth over £200 million annually²⁰. The Central Applications Board produces statistics annually which show that international applicants account for a quarter of all applications to study postgraduate professional law courses²¹ in England and Wales and around 16-19% of all enrolments, equivalent to around 1,000 students every year.

Interest in UK professional legal education comes from over 120 countries, with the greatest numbers inevitably coming from Commonwealth and European countries. Figure 23 shows the top ten countries of origin for students seeking to undertake their first professional legal qualification in England and Wales.

Figure 23: The Leading Source of Countries for UK Professional Legal Education Course

Nationality of Applicant	Number of Applicants 2024
Pakistani	314
Indian	243
Ghanaian	189
Nigerian	108
Chinese	87
US Citizen	86
Irish	73
Italian	73
Canadian	67
Total: All overseas applicants	3,092 (= 26% of all applications)

Source: Central Applications Board Ltd

The UK is welcoming for those who want to study for a UK legal qualification and offers access to graduate work visas, which allows law graduates who wish to pursue full legal qualification in the UK the time they need to undertake the necessary work experience to qualify.

²⁰Source: Central Applications Board

²¹Graduate Diploma in Law conversion courses or LLMs in Legal Practice in preparation for the SQE

Inbound legal services – the import picture

All three jurisdictions of the UK have always been very open to foreign lawyers, who have always been permitted to practise in any area of law, provided it is not one of the limited areas reserved to lawyers qualified in a particular UK jurisdiction.

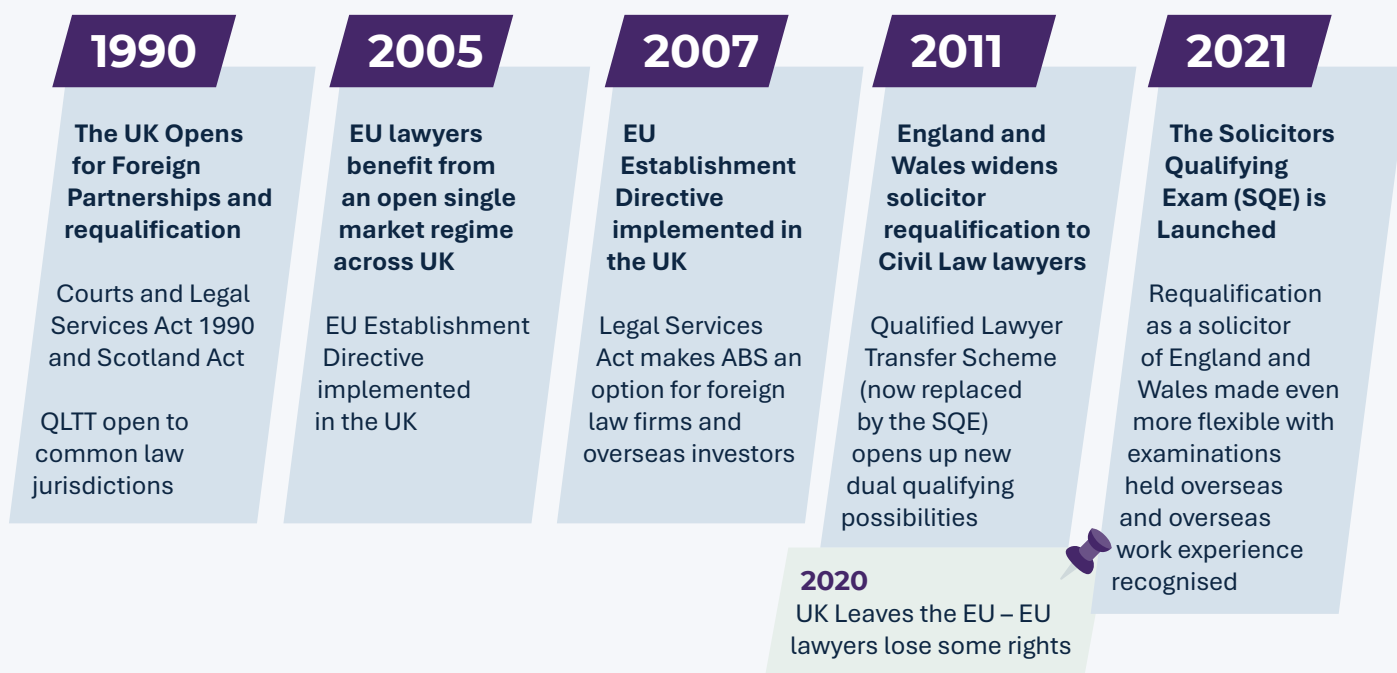
In practice this means that foreign lawyers may work in the UK market, in their home country law, in international law and in any other law in which they are qualified, as well as the law of the UK jurisdictions, outside of reserved areas of activity. They may also practise in any of the ways shown in Figure 24 provided that they are not practising reserved activities and not holding themselves out as a UK qualified lawyer. New legislation in Scotland, passed in May 2025, will also restrict the use of the designation “lawyer”, so in future foreign lawyers practising in Scotland will need to make it clear in which jurisdictions they are qualified and under what title they are practising in Scotland.

Foreign lawyers can practise in the UK on a temporary or permanent basis, subject only to visa requirements, unless they wish to partner with English and Welsh or Scottish solicitors, when additional regulatory requirements will apply.

Figure 24: How Foreign Lawyers Can Work in the UK



Figure 25: Critical milestones in the opening up of the UK market to foreign lawyers





25 foreign firms in the UK have elected to become Alternative Business Structures

Firms from the US, Belgium, Iceland, China, Cayman Islands, Gibraltar and Nigeria have elected to be regulated by the SRA in England and Wales as ABSs.

Establishment – how the UK is open to foreign law firms

Different law firms have different business models for international expansion. Some prefer to establish business operations in different countries under separate, locally incorporated entities. This allows local law firms to remain independent for regulatory and insurance purposes. Other firms prefer to maintain a single global partnership, which ensures a consistency of approach, greater transparency around partner remuneration and easier movement of staff between offices.

The UK offers foreign law firms great flexibility in how to expand into each of its three jurisdictions. This flexibility has two elements – choice of regulatory approach and choice of corporate form.

i) Regulatory structures

A foreign law firm seeking to establish in the UK can choose whether to do so as a regulated, or unregulated business.

In England and Wales and Scotland, establishing as a regulated business requires some local regulated lawyer involvement in the ownership and management of the business. This is often achieved through the formation of a Multi-National Partnership (MNP), which requires all the foreign lawyers to register as Registered Foreign Lawyers with the SRA in England and Wales, or with the Law Society of Scotland, depending on where the MNP is to be regulated.

The options for a foreign firm looking to establish a regulated practice in Northern Ireland are more limited since only NI solicitors can be partners in an NI law firm. They can therefore either set up a new firm owned and run by NI qualified lawyers or acquire a Northern Irish solicitors' firm, which can then be linked to the international firm through valve partnerships and contractual agreements.

In England and Wales, there has been a further option available since 2011, for foreign firms who wish to run a regulated English practice without registering every partner of the foreign law firm as a Registered Foreign Lawyer (RFL). This is achieved by forming an ABS or licensed legal business.

Although ABSs were envisaged originally as a mechanism to allow non-lawyers to participate in the ownership and management of legal businesses, they are also a much more modern and flexible structure than the Multi-National Partnership. ABSs are considered in more detail in chapter 3 of this report.

ii) Corporate form

Given that law firms are essentially people businesses, the corporate form they are able to take in a jurisdiction is a key issue. This dictates how profit sharing and taxation will apply, as well as personal liability for the business. The UK offers unparalleled flexibility for foreign legal service providers, with the only limitations arising if the services provided need to be delivered by a regulated lawyer or if they wish to enter into some form of partnership or fee-sharing with a UK lawyer. Figure 26 sets out the spectrum of options on offer.

The UK LLP model has been very successful and has been used not only by UK firms to expand internationally but also by US and German law firms seeking a corporate form which also complements the partnership model and can be used internationally.

A benefit to regulation

“It helps to be regulated. There are reputational advantages, and it also helps with compliance. Even in the unregulated market you have to navigate around regulations in areas like data protection.”

Managing Partner of a foreign law firm in London

Figure 26: Corporate Forms Available to Foreign Law Firms in the UK

What form can a foreign law firm take in the UK?

Sole Practice	General Partnership	Limited Liability Partnership	Private Limited Company	Public Limited Company
A foreign lawyer may establish as a self-employed operator. Foreign lawyers not qualified in the UK need only fulfil visa requirements and register for UK tax.	Foreign lawyers may form general partnerships in the UK. Different rules apply in the different jurisdictions about involvement of different types of UK lawyers in such partnerships.	Limited liability partnerships may be formed anywhere in the UK. Solicitors from England and Wales and Scotland can be included in multi-national partnerships.	Foreign law firms may operate under their own national corporate form incorporate legal businesses in the UK to provide unregulated legal services.	A foreign law firm, lawyer or any other suitable party can be a partner/investor in a regulated English legal business that is listed on the UK Stock Exchange subject to approval by the relevant legal regulator. But foreign individuals and businesses may also invest in publicly listed businesses providing unregulated legal services without separate approval from the legal regulator.

Source: Hook Tangaza

Why do foreign firms want to come into the UK market?

International firms have been attracted to the UK legal market for a variety of reasons.

These include:

- Proximity to large law firms who refer work to lawyers in relation to other jurisdictions.
- Access to UK arbitral institutions and courts.
- Proximity to financial services clients active in the London financial market.
- A base for expansion into Europe and a hub for EMEA work.

The liberalisation of financial services through the Big Bang of 1987 was key in transforming the legal market in England and Wales. Today there are approximately 200 foreign law firms in the UK²², Figure 27 below shows the breakdown of foreign firms by their country of origin. Around 55% of known foreign firms in the UK have chosen to become UK regulated entities, providing reserved legal services.

The UK's experience with foreign law firms has been almost entirely positive. There have been no significant cross-border regulatory issues and any matters that have arisen have generally been managed by cooperation with home country regulatory authorities.

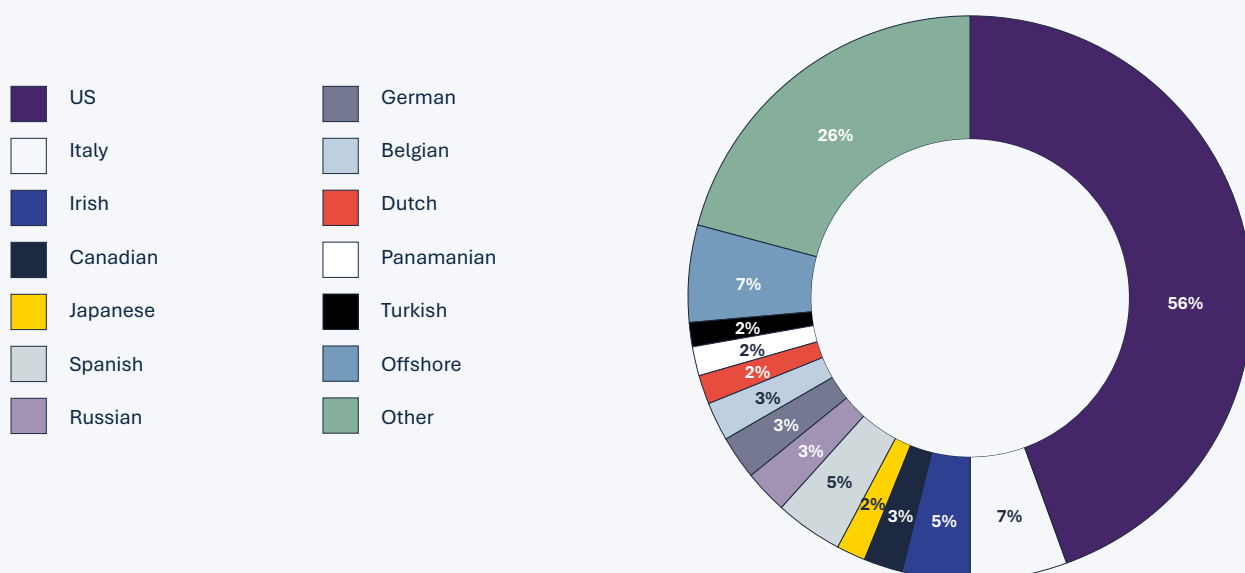
The advantages of London

“Their London office has been a real asset in terms of providing us with access to Chinese legal advice on UK time.”

UK client of Chinese law firm with a London office

²²Defining when a law firm is “foreign” is often difficult to define precisely. A foreign lawyer setting up a firm in the UK market, for example, could dual qualify to offer UK legal services alongside their home country services. In these circumstances the foreign firm would become a UK firm in regulatory terms.

Figure 27: Breakdown of Foreign Law Firms in the UK Today: Where Are They From



Source: Hook Tangaza from desk research, survey data and SRA

Provision of cross-border services

Foreign lawyers working in the UK can offer advisory services freely in their own law, international law and even in most areas of UK law (subject to restrictions on the reserved activities).

There are also possibilities for foreign lawyers to undertake dispute resolution in the UK, particularly in England and Wales.

Qualified Foreign Lawyers who have been in practice for at least three years in a Common Law jurisdiction who are in good standing with their home regulator, and who have client they wish to represent, may obtain a temporary call to the English and Welsh Bar. This gives them the right to appear in English and Welsh courts²³.

Most of the Barristers' chambers with an international client base will also play host to door tenants from other jurisdictions. These are lawyers from other jurisdictions who are not necessarily qualified in England and Wales but who are interested in developing their international arbitration and related disputes practices. Door tenants come not only from other Common Law jurisdictions such as Singapore, Hong Kong, Australia, India, New Zealand, Canada and Trinidad and Tobago, but from Civil Law jurisdictions such as France, and Italy as well.

Concern about US law firms opening in the UK

“I was concerned initially when the big US law firms expanded their operations here...but they are now some of the biggest referrers of work to us and have helped us to get involved in much bigger ticket work globally.”

Barristers Chambers Practice Director/CEO

²³BSB Temporary call. See the Bar Standards Board Training and Qualification Manual Section 7E <https://www.barstandardsboard.org.uk/training-qualification/bar-qualification-manual-new.html?part=D0B58626-F6F3-4586-9948AE3451179488>

Openness to foreign legal professionals

Availability and access to top talent is a major concern of professional service providers anywhere.

In the early days of UK openness to foreign lawyers, the skills and expertise brought into the jurisdiction, by US law firms for example, were invaluable. UK law firms were able to learn quickly from their US counterparts how to work effectively in international financial markets. Today the UK is a provider of legal skills training to the world.

Continued openness to foreign legal professionals, including new entrants to the market has been critical to the success of the UK as a legal jurisdiction.

Figure 28 illustrates some of the most often cited reasons for hiring international talent. Law firms in the UK often employ young lawyers from other countries, who wish to spend a few years gaining experience abroad before returning home. This kind of short-term employment arrangement suits those law firms who need a large pool of associate lawyers, but can only promote a few to partnership. But it also has long term benefits, as many such short-term international hires have subsequently led the opening of UK law firm offices back home in their country of origin.

Figure 28: Why UK Law Firms Want Access to International Legal Talent



Source: Hook Tangaza

Why hire foreign lawyers

“It is really helpful for us to have foreign lawyers in the UK. They bring goodwill, the financial clout of contacts back home and increase our soft power.”

Partner, regional law firm

The importance of foreign legal talent to the UK is underlined by the fact that there are around 200 organisations in the legal sector, mostly law firms, that have obtained licences from the UK government to sponsor work permits.

According to Home Office statistics, 98% of work permit applications by foreign lawyers to take up employment in the UK were granted in the period 2021-24. A breakdown by country of origin of lawyer work permit applicants is available for the last quarter of 2024 and shows that there were 130 qualified lawyers from 43 different countries who took up employment in the UK in that period alone.

Over the course of recent years an average of 800-900 foreign lawyers have taken up employment in the UK annually, roughly equivalent to one in eight of all new lawyers entering the job market in the UK. This does not include the additional, on average, 40 lawyer trainees who are transferred to the UK from other offices of international law firms every year. Nor does it include the number of qualified or aspiring lawyers from elsewhere who are coming to the UK for short term assignments or legal studies.

Open to requalification and recognition of qualifications

The UK does not just let foreign lawyers enter to practise under their home title but offers realistic prospects for those who wish to requalify as solicitors or barristers in one of the UK jurisdictions.

Foreign lawyer requalification routes began to open up in earnest around 1990 onwards. Although there were some longstanding historical recognition arrangements in place with jurisdictions like Singapore, Hong Kong and Ireland, the rapid globalisation of the legal sector from the early 1990s onwards increased the demand for talent from everywhere.

Requalification opportunities were much improved for European lawyers from 2005 with the introduction of the Establishment Directive. This not only extended rights of requalification by examination to European lawyers but even permitted them to assimilate into the UK professions after three years of effective and continuous practice. UK lawyers were extended the same rights across the other EU member states. When the UK left the EU in 2020 these rights ended, although for Swiss qualified lawyers retain broad practice and requalification rights under a bespoke agreement between the UK and Switzerland on Recognition of Professional Qualifications.

Despite this, more general legal education reforms have made requalification progressively more accessible for foreign qualified lawyers seeking admission either as a barrister or solicitor in England and Wales, or as a solicitor in Scotland through access to transfer examination arrangements.

Alternative dispute resolution

Many foreign qualified lawyers also travel regularly to the UK to take part in arbitration and mediation proceedings. The UK plays host to a number of important and emerging alternative dispute resolution centres. Figure 30 (see overleaf), highlights the position of two UK based arbitration centres which were among the busiest in terms of new arbitration cases registered globally in 2022. The UK is a particularly important centre for maritime, insurance and general commercial arbitrations and hosted 37% of all of the new arbitration cases registered with major arbitration institutions in 2022.

Other UK arbitration institutions, such as the Scottish Arbitration Centre offer alternatives to the London based institutions. Scottish jurisdiction provides advantages for parties who prefer a higher level of confidentiality than London based arbitration offers.

Beyond the institutional rules governing any dispute, if any, the choice of seat (i.e. the procedural law and court jurisdiction) and choice of law (i.e. The substantive law applied) are also important to the management of any arbitration.

The attraction of dual qualification

“There is a lot of interest in China in the SQE. In the past New York and California were the only options for a Chinese lawyer to requalify but the UK can catch up.”

Chinese law firm in London

Figure 29: Statistics on Foreign Lawyers Re-qualifying as Solicitors and Applying for Admission as Barristers in England and Wales

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
New admissions via foreign qualification routes as Solicitor of England & Wales	793	794	863	1315	720	454
Applications from foreign lawyers for admission at the Bar of England & Wales	174	163	145	95	498*	586*

Source: SRA, BSB

Notes: Since the changes in qualification routes both the SRA and BSB amalgamate foreign qualifiers within overall qualification statistics. The numbers above for the SRA for 2023 and 2024 represent the proportion of successful foreign candidates in the SQE1 plus residual qualifiers through QLTS and QLTT routes and Republic of Ireland admissions. Starred entries for the BSB include figures for solicitors transferring to the Bar.

Figure 30: The UK's Strength as a Centre for Arbitration

Dispute Centre	New international arbitration cases listed in 2022	Location of dispute centre	Type of disputes dealt with
LMAA	1807	UK	Maritime disputes
ICDR	755	US	Cross border business disputes
ICC	710	France	Commercial (engineering and construction accounted for 38% of total)
CIETAC	642	China	Commercial and investment disputes
SIAC	357	Singapore	Corporate and commercial disputes
HKIAC	344	Hong Kong	Majority contractual disputes 93% international
DIAC	340	UAE	Mainly MENA construction and commercial disputes
LCIA	327	UK	Various forms of ADR, 80% not UK
DIS	164	Germany	International and German Commercial disputes, well known for sports disputes
SCC	143	Sweden	Mostly BITs
SCAI	86	Switzerland	Commercial arbitration and mediation, mostly Swiss and Western Europe
VIAC	41	Austria	Commercial disputes
ICSID	41	US	International investment cases (BITs, IIAs, RTAs)

Source: Global Arbitration Review and arbitration centre reporting

According to the last major international arbitration survey undertaken by Queen Mary University London²⁴, London is the most popular seat globally for international arbitration.

English and Welsh law also remains a popular governing law for disputes resolved by arbitration - with over 85% of LCIA disputes using English and Welsh law. The recently enacted Arbitration Act 2025 has introduced greater clarity in this area, confirming that, unless otherwise stated, LCIA cases will apply the law of the jurisdiction which is the specified seat for any contractual disputes. This is designed to clear up uncertainty about applicable law in arbitrations.

The Arbitration Act 2025 has also introduced several other modernisations to the UK arbitration framework, designed to keep pace with the changing needs of international arbitrations.

The UK has also played a leading role in developing other forms of alternative dispute resolution. The Centre for Effective Dispute Resolution (CEDR) in London, for example, is a globally recognised centre for mediation with a panel of mediators from over 40 countries.

Other UK exports in this space include adjudication, which is particularly appropriate for construction projects. The UK has developed a highly flexible regime in this area²⁵, which has been successfully exported by the Royal Institution of Chartered Surveyors (RICS) and others for 25 years. RICS has recently built on the UK model by creating a panel of qualified Indian arbitrators to deliver domestic arbitration services to India. The panel is made up entirely of Indian professionals from property, construction, and the built environment sectors, coupled with retired Indian judges and elite arbitrators from the RICS International Panel of Arbitrators. Although the adjudication/arbitration will be entirely domestic under this scheme, RICS will benefit from the fees paid for appointments and use of the scheme rules.

The UK is also an important exporter of arbitral qualifications. The Chartered Institute of Arbitrators (CIArb) has, for example, seen an explosion of interest in its courses and titles in recent years. In 2023, CIArb had nearly 14,000 members located in 144 jurisdictions outside the UK.

The advantages of the UK as a seat for arbitration

1. UK jurisdictions are neutral and impartial.
2. English law is flexible and adaptable to changing technologies.
3. UK courts have a strong record in enforcing agreements and arbitral awards.
4. UK courts are relatively efficient in time taken on arbitration cases.
5. The UK has a deep pool of expert arbitrators and counsel available.
6. UK institutions are constantly trying to evolve to meet new demands for remote hearings, greater diversity and environmental sensitivity.

²⁴QMUL International Arbitration Survey, 2021

²⁵The Barrister Magazine, March 2025 <https://barristermagazine.com>

The role of government in growing legal services trade

The legal sector has received generous support from the UK government over recent decades which has helped to establish and cement UK legal services as world leading.

The impact of UK trade policy on legal services

The UK has long recognised both the direct and indirect economic importance of legal services in its trade policy. It has taken a consistently pro-liberalisation approach from the first formalisation of services trade in the WTO-GATS Agreement of 1995.

When the UK was a member of the European Union its trade policy focus was on ensuring that legal services were included in the EU's negotiating priorities. This resulted in improved access for all EU lawyers with trade partners such as Korea, Canada, and Singapore. Following its departure from the EU, the UK has been able to run its own independent trade policy which has seen a greater emphasis on services like legal and arbitration services that support its specific economic interests.

UK GATS commitments

Legal advice home country law and public international law.

Modes 1, 2 and 3: No market access or national treatment restrictions.

Mode 4: Unbound except as indicated in the horizontal section and subject to the following specific limitations: University degree and professional and qualifications and three years' professional experience in the sector.

Source: WTO

How are new Free Trade Agreements changing the game?

The UK's independent trade policy has come at an interesting time in the evolution of services trade. In the immediate aftermath of the launch of the World Trade Organisation in 1995 there was an expectation that the limited sectoral commitments on trade in services made by WTO members would be improved upon in subsequent rounds of negotiations. But the complexities of managing negotiations across a group of over 160 countries across multiple trade issues, meant that the expected ongoing rounds of negotiations on trade in services has never happened at a multilateral level.

Important efforts were made in the mid-2010s by a group of like-minded WTO members, with the active participation of the UK, to launch Trade in Services Agreement (TISA) negotiations that would move the agenda forward, initially outside the WTO but with a view to subsequently turning this into a full WTO agreement.

Although the TISA negotiations fizzled out during the first Trump presidency, the discussions that took place within this pro-services group laid the foundations for many of the more progressive features that are increasingly appearing in new FTAs (see overleaf).

Legal Services Regulatory Dialogue

“The Parties recognise that legal services play an essential role in facilitating trade and investment and in promoting economic growth and business confidence.”

UK-Australia FTA Article 10.8(1))

Key features of new FTAs that help to open up legal services trade

Positive or Negative Listing? – A major innovation of new style FTAs in services has been the introduction of a presumption that a sector is open unless specific measures have been identified and listed in an annex of “Non-conforming measures”. This so-called negative listing approach should help to increase market access to more previously closed services sectors in future and assists with transparency about the limitations that apply.

Incorporation of investment alongside establishment – Many new style FTAs have brought investment into agreements, allowing the investment regime and establishment provisions to be seen more clearly as a whole.

Separation of cross border and establishment services – Some new FTAs have separate chapters for cross border services and establishment, allowing these to be subject to different rules.

Dispute resolution – Some new FTAs have included various alternative forms of dispute resolution should problems arise. In particular dealing with issues around Investor-State dispute resolution.

Procurement – The inclusion of chapters on procurement in new style FTAs could give law firms access to new opportunities in host jurisdictions.

Digital – Digital chapters in new style FTAs can help to ensure that issues that matter for legal services providers when working in other countries, such as confidentiality, data protection, data storage etc are dealt with transparently at a government to government level.

So what of the UK's recent FTA negotiations on legal services?

The UK has negotiated and signed many trade agreements since leaving the EU. Most of these have rolled over existing EU agreements and confirmed the access rights of UK lawyers to establish and practise in those jurisdictions.

But improved provisions on digital trade in the UK-Japan FTA and on mobility in the UK-Switzerland agreement have added value for UK lawyers.

- **Home Title Practice** – which allows UK lawyers to provide legal services in the FTA partner country under their home title, meaning they can advise on English, Scots or Northern Irish law, international law, and arbitration without needing local requalification.
- **Market Access Commitments** – which may include commitments to reduce restrictions on UK law firms establishing offices in the partner country, allow for some form of joint ventures between UK and local firms, permit temporary practice by UK lawyers.
- **Recognition of Qualifications** – provisions which are intended to facilitate the mutual recognition of legal qualifications.

Different UK FTAs also contain other provisions designed to support legal services trade:

- **The UK-New Zealand FTA** looks to create a legal professional dialogue, in particular to facilitate the recognition of qualifications.
- **UK-Japan Comprehensive Economic Partnership Agreement** builds on the previous EU-Japan deal which applied to the UK but includes additional provisions to support cross-border legal services and the digital economy.
- **The UK-Singapore Digital Economy Agreement** promotes cross-border digital legal services, online dispute resolution and remote legal consultancy.
- **The UK-Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)** enables the UK to access the legal markets of various Asia-Pacific economies on an enhanced basis. The CPTPP contains additional commitments beyond the standard market access provisions, which will help to guard against disproportionate or excessive regulation of UK lawyers or law firms wishing to establish in any of the CPTPP jurisdictions. The Treaty also provides an enhanced mechanism for the mutual recognition of professional qualifications and contains rules that support the kind of business travel that many lawyers depend on when serving their clients internationally.
- **UK-Australia FTA** – The UK has also broken new ground. Not only did this agreement contain the first ever article in an FTA dedicated purely to legal services trade and regulation, but it also included an article establishing an ongoing legal services regulatory dialogue between the competent authorities of the two parties. The UK-Australia regulatory dialogue is designed to provide a forum for ongoing discussion and resolution of any regulatory and administrative measures that might inhibit trade in legal services. It is also designed to increase the recognition of qualifications. Such arrangements complement the improvements in market access that might be achieved through trade negotiations and focus on the sort of barriers to competition, regulatory transparency and other issues identified by the OECD Services Trade Restrictiveness Index. The results of the regulatory dialogue over coming years will be an interesting test case for other agreements.

Figure 31: The UK's Rule of Law Performance



Source: World Justice Project, 2024 Report

Government and trade promotion of the legal sector

Government also has an influence beyond trade negotiations. The UK government and devolved administrations have been proactive in promoting the UK legal sector over many years. The soft power of the Foreign Office's diplomatic network, coupled with support from the Ministry of Justice and Department of Business and Trade, and their predecessor departments, has been extremely important to the outbound success of UK legal service providers.

From the 1990s onwards, UK law firms and barristers have been frequent users of initiatives such as the "Passport to Export" and attendees on government organised trade missions. The "GREAT Legal Services" campaign has engaged actively with the legal sector and, in particular, helped to promote the legal tech sector.

There have also been important regional initiatives. Scottish Development International, for example, has included law firms in its oil and gas trade missions to West Africa, whilst Invest Northern Ireland ran a series of trade missions in the mid-2010s to encourage the overseas engagement of Northern Irish law firms and barristers.

These efforts are widely appreciated by the sector and following the UK's lead, other jurisdictions are now following suit with their own international promotional efforts for their legal sectors.

Government and the UK's international reputation for rule of law

Perhaps the most important contribution that government can make to the success of the legal sector is in continuing to uphold and reinforce the UK's adherence and reputation for the rule of law and encouraging other countries to do the same.

The UK generally scores well in key areas recorded in the best-known indices, as shown in Figure 31 (as seen on previous page).

These scores are of practical importance as there are many users of such indices, including ratings agencies like Moody's, Standard and Poor, as well as major investors who use them in their assessments of potential investment destinations. Academic research²⁶ suggests that a country with a fully independent judiciary could have a growth rate of 1.4 percentage points higher than a country with an entirely controlled judiciary.

But it is important even in countries like the UK with strong, independent judiciaries, to keep reinforcing this independence, as research suggests that investors follow changes quite closely²⁷.

Whilst it is not possible to claim any direct causal link between a more open legal services sector and the strength of the rule of law, they are mutually reinforcing. Stronger rule of law will only help to increase the attractiveness of a jurisdiction for dispute resolution, for example. Liberalising legal services markets, in turn, can support the rule of law by increasing the availability of lawyers and their capacity to innovate in the interests of consumers.

The rule of law and investment

“Markets will judge countries with low rule of law harshly for investment and ensuing economic growth.

The rule of law's importance for investment depends on contract enforcement and the protection of property rights- two areas where the judiciary has considerable authority. The extent to which judges are de facto independent within a country reflects the judiciary's ability to fulfil these duties credibly.”

Touchton & Tyburski, 2022

²⁶Nasser, 2017

²⁷See Touchton & Tyburski, 2022

What have we learned from the openness of the UK legal market?

The openness of the UK legal market offers useful lessons for jurisdictions considering their own liberalisation measures.

Encouraging inward investment and specialisation

Openness to foreign legal services has helped to support and encourage:

- Inward investment that might otherwise have gone elsewhere.
- The development of deeper specialist areas of practice among UK lawyers.

Who benefits from openness?

The primary clients of foreign legal service providers tend to be:

- Large corporates.
- Government departments.

These users may benefit from more immediate access to high-end, specialised services. However, consumer legal services remain largely unaffected.

Traditional Private Client Work largely unaffected

While economic theory suggests that greater competition in a market should lead to lower legal fees, this has not been the experience in the UK.

- There is no evidence of downward pressure on lawyer fees as a result of opening the market to foreign lawyers. Foreign lawyers generally enter new markets to serve existing clients or to fill gaps in corporate and commercial law that exist in those markets.
- Few foreign legal service providers are likely to choose to enter a low-value consumer legal market, even where regulations permit it. The size, complexity, and margins of these markets make them unattractive to international firms.

Consumer legal costs are more likely to come from domestic deregulation

The UK's experience suggests that reducing the cost of consumer legal services is more likely to be achieved by:

- Encouraging non-traditional providers.
- Supporting investment in mass-market legal services provision.

This is where the UK's openness to innovation and the liberalisation of regulation have the potential to make a significant difference. The next chapter explores these opportunities in greater depth.

Chapter 3:

How legal sector liberalisation
supports innovation in the
UK legal sector

Chapter 3:

How legal sector liberalisation supports innovation in the UK legal sector

Introduction

A question that is sometimes posed is why, if the UK legal sector is so successful, does it need to keep changing?

The success of the UK legal economy over the last long wave of economic development was built on the evolution of law firms from tightly controlled partnerships or family owned firms into professional business organisations, matching more closely the size and specialist advice and dispute resolution needs of their business clients. There have also been important developments at the consumer end of the legal market, driven by the insurance sector in particular.

Innovation has been key to the growth of the legal sector and its ability to adapt to the growing demands of internationalising businesses. But we also know that there are still significant legal needs that are not being addressed in the UK. In England and Wales, the Legal Services Board (LSB) found in 2021 that one-third (32%) of small businesses had faced a legal issue over the past year, for which they had been unable to get the help they needed, resulting in more than a quarter losing income or a customer or contract. Innovation in the legal sector can therefore also help to promote growth at this end of the market by helping to ensure that issues are resolved quickly and fairly.

Here we will look in more depth at the innovation that has taken place in the UK legal sector and what might come next.



“Even in a world-leading legal sector, one in three small businesses still can't get the help they need – innovation is essential.”

What do we mean by innovation?

Innovation takes many forms. There are a variety of ways in which firms can do things differently in order to add value for clients and capture competitive advantage. In the mid-2010's, Doblin, a consulting firm, pioneered an approach to thinking about innovation which identified ten types of innovation. The Doblin model, shown below, illustrates how innovation can apply across many different aspects of a business, from the internal workings of an organisation through to how it deals with its customers.

Figure 32 illustrates how the legal sector in the UK has produced examples across the full range of innovation archetypes, which prompts the question – why has the UK been so successful in promoting change and renewal in the legal sector?

The answer perhaps lies in three areas:

1. The creation of the ABS model, which has encouraged new business models in legal services and collaborations beyond the legal sector, bringing in fresh ideas and skills.
2. The existence of the unregulated legal sector in all UK jurisdictions which has provided enough room for some important providers to grow and has created competition for the regulated sector.
3. The expansion of the LawTech sector, which has been particularly strong in the UK.

The rest of this chapter will look at each of these areas in more depth.

Figure 32: The Doblin Ten Types of Innovation Model and its Application to Legal Services

Configuration	Profit Model	Network	Structure	Process
	Are there different ways of working, creating revenue or value possible?	Are there opportunities for external collaboration, cluster effect etc	Is there good availability of talent and potential to organise assets innovatively	Are there any barriers to new processes, advancing industry norms in how delivery happens
Offering	Legal sector example: External investment to create a different equity model e.g. Lawfront, Gunner Cooke etc	Legal sector example: ABS/MDPS e.g. in dentistry, equine services, financial services etc	Legal sector example: Flexible resourcing e.g. Lawyers on Demand, Axiom, Obelisk	Legal sector example: e.g. HSF – Digital Legal Delivery
	Product Performance	Product System		
	Are there unique ways that quality and flexibility can be offered?	Can products and services be bundled or unbundled in innovative ways?		
Delivery	Are there unique ways that quality and flexibility can be offered?	Legal sector example: Disaggregation of legal services e.g. Transparently		
	Service	Channel	Brand	Customer Engagement
	Do service providers offer additional value added?	Are products and services delivered to users in new and innovative ways?	Are brands used innovatively to support service offering and delivery?	Does service make it easy for users to do something otherwise difficult to achieve?
	Legal sector example: Ability of clients to invest in their legal service provider via ABS model	Legal sector example: Growth of legal market places to allow for price comparison	Legal sector example: Investment by household brands to create comfort in legal services e.g. Octopus Legacy	Legal sector example: Growth of client centric services in areas like divorce. e.g. Amicable

Source: Adapted from Ten Types of Innovation, Larry Kelly et al (2013)

i) Alternative business structures

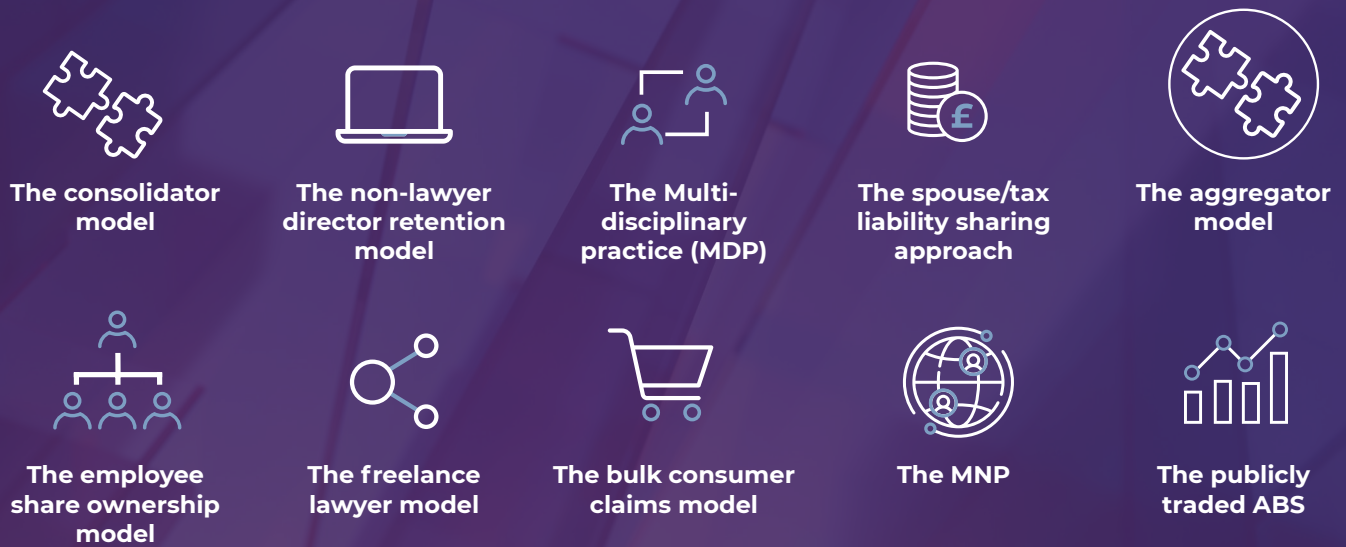
The ABS regulatory structure available in England and Wales has helped to introduce new business models into the legal sector. It has done so by allowing skills and expertise to be brought together in new and interesting ways. But it has also allowed the legal sector to bring in professional managers and business leaders who have in turn brought in new ideas on how to organise and grow a legal business.

Figure 33 illustrates some of the varied business models that now characterise the legal sector in England and Wales. This is not an exhaustive list but illustrates the myriad different ways in which external capital can affect the different types of services on offer and how they are delivered. There may also be overlap or evolution of ABSs between these models over time.

The ABS model also has attracted investment into the sector. Some of this has come from overseas investors, buying into existing legal businesses or setting up greenfield operations. Figure 34 provides a summary of at least some of the known investments that have been made public in the last five years.

The interest in the UK legal market only continues to grow, with private equity investment amounting to an estimated £534 million in 2024. The focus of much of this investment has been on consolidating smaller practices, encouraging mergers and promoting the take up of automation and technology. When recently enacted legislation to introduce ABSs to the Scottish market is finally implemented, the Scottish legal sector can expect to see a similar influx of new finance.

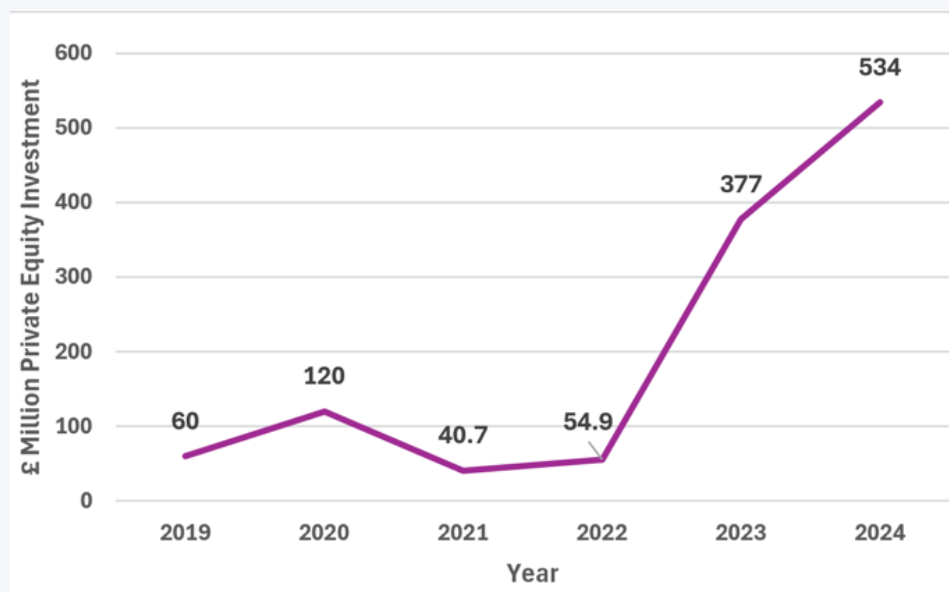
Figure 33: Typology of ABS Business Mode



Source: Hook Tangaza

The ABS model has made the use of technology at scale a more realistic prospect. It has done so by providing the regulatory platform through which legal experts and entrepreneurs can meet to form new businesses. But it has also provided investors and clients/consumers with the confidence they need to engage with such new businesses. Some other jurisdictions have been experimenting with so-called sandboxes in an attempt to create a safe space for innovation in the legal sector, but this does not necessarily give investors reassurance that the regulatory change needed to support innovation will be permanent. An arrangement which is enshrined in legislation like the ABS model of England and Wales, will enable them to plan and commit capital on that basis.

Figure 34: The accelerating interest of private equity in the legal sector



Source: Acqira Professional Services

ii) The unregulated sector

Despite the flexibility of regulation in much of the UK legal sector, the unregulated legal sector has also played a part in introducing innovation into the delivery of legal services in the UK.

What is the “unregulated” sector?

In accordance with the Legal Services Act 2007 in England and Wales and the equivalent legislation in Scotland and Northern Ireland, regulation as a legal sector entity is only open to service providers who are offering reserved legal activities and/or who are authorised individuals.

This means that a business which does not meet these conditions cannot be regulated as a legal service, even if, on the face of it, it looks like a legal service. The Legal Services Act in England and Wales recognised that historically defined reserved activities might not reflect current societal needs and therefore also identified “legal activities”, defined as “any other activity which consists of one or both of the following:

- (i) the provision of legal advice or assistance in connection with the application of the law or with any form of resolution of legal disputes;
- (ii) the provision of representation in connection with any matter concerning the application of the law or any form of resolution of legal dispute”.

These unreserved “legal activities” are growing in importance, alongside a recognition that legal services, whether reserved or unreserved, might be more effective if delivered together with other entirely non-legal services.

Ensuring that legal services and quasi-legal services be bundled together in ways that both make sense and offer the right level of protection to the consumer, will become increasingly important in future. Figure 35 shows through the example of services related to death, how legal activities that are unregulated, can become natural adjuncts to reserved services.

It is also important to remember that just because a service is “unregulated” in the context of the legal market does not mean that it is necessarily entirely unregulated. Some quasi legal services are delivered by professionals who are regulated by a different sector regulator, for accountancy, property or financial services, for example.

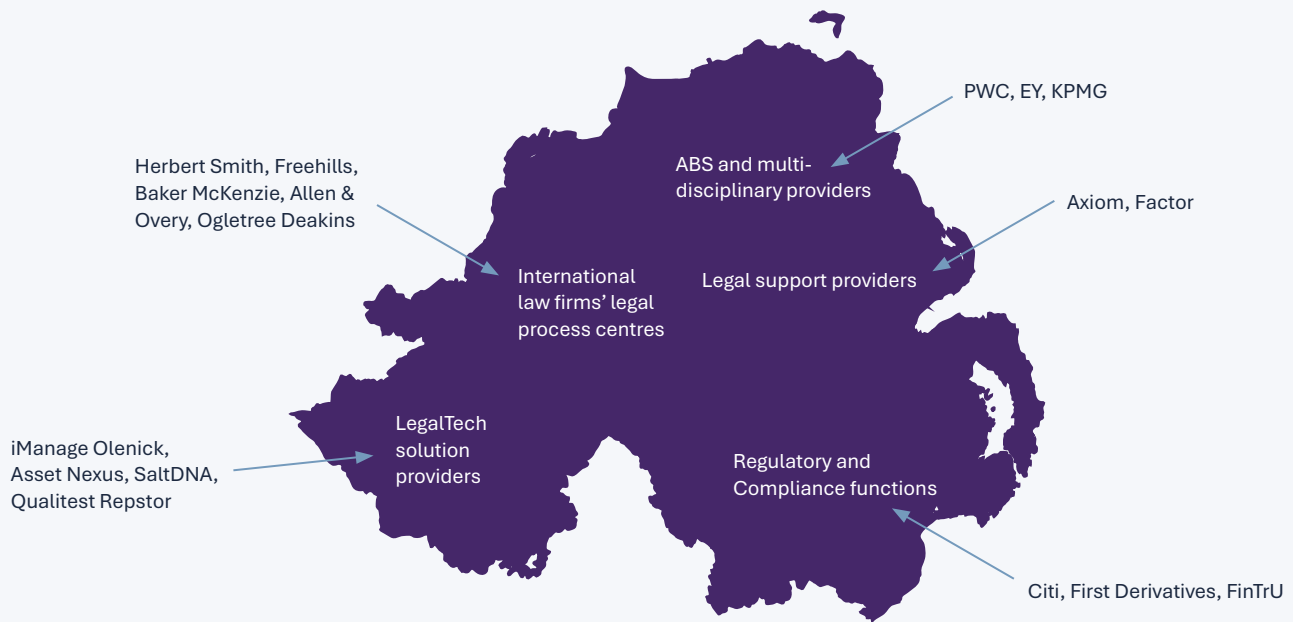
The unregulated legal sector has enormous potential, as illustrated by the example of the Northern Ireland alternative legal service provider market shown in Figure 36 (see overleaf).

Figure 35: Mapping the unregulated legal sector



Source: Legal Services Board, “Unregulated Services Providers – A Research Report” (2016)

Figure 36: Alternative Legal Service Providers Investing in Northern Ireland



Source: Hook Tangaza

Northern Ireland – a cutting edge legal centre

The Northern Irish legal market has been transformed in recent years through the inward investment strategy of Invest Northern Ireland, which first targeted the back office functions of large financial services providers before subsequently attracting the global operations hubs of some major law firms.

This expansion of financial and professional services hubs transformed Belfast within a decade from being an entirely domestic legal market, into a centre for global legal operations.

Despite some initial fears amongst local law firms about the impact of inward investment, Northern Irish law firms have benefited from the interest in the Northern Irish economy generated by the growth of the alternative legal sector. Over fifteen Northern Irish firms have now merged or formed alliances with larger international practices, giving them access to a wider and higher value portfolio of work. Belfast is now recognised globally as an important legal hub for innovative legal solutions; and young people looking for employment in the legal sector now have a much wider range of career options.

The expansion of Northern Ireland's legal sector, which has gone hand in hand with the growth of the technology sector, provides a useful illustration of what LawTech might do for the wider UK legal economy.

iii) LawTech

The incorporation and use of technology in the legal sector has been underway for some time. The first applications that were adopted in the early 2000s tended to be focused on the corporate legal market and attempted either to help law firms manage high value litigation, or make internal processes, such as contract negotiation and management, more efficient.

More recently, legal technology uses have begun to expand into the consumer and small business markets. Figure 37 outlines how the application of technology to the legal sector, or LawTech has been defined by LawtechUK.

How the LawTech story has unfolded in the UK

The LawTech sector was identified early on by the UK government as a sector of strategic importance. Since 2017, the UK government has supported investment in products and services using new technologies, notably AI, aimed at legal, accountancy, and insurance sectors. It has done so primarily through project co-financing by Innovate UK of private sector innovation projects to the tune of £20 million. The government has also funded LawtechUK since 2019. This is a sector-wide body designed to enhance the take-up and dissemination of technology within the legal sector through start-up incubation, dissemination of knowledge and the promotion of collaborative activities.

These practical actions have been further enhanced by the creation of a supportive regulatory, legislative and judicial environment based around three key policy pillars.

Firstly, the UK has not so far codified its approach to AI but opted, instead, in 2024, to outline a “pro-innovation” regulatory framework for AI. This based on five core principles for the use of AI:

- Safety, security and robustness.
- Appropriate transparency and explainability.
- Fairness.
- Accountability and governance.
- Contestability and redress.

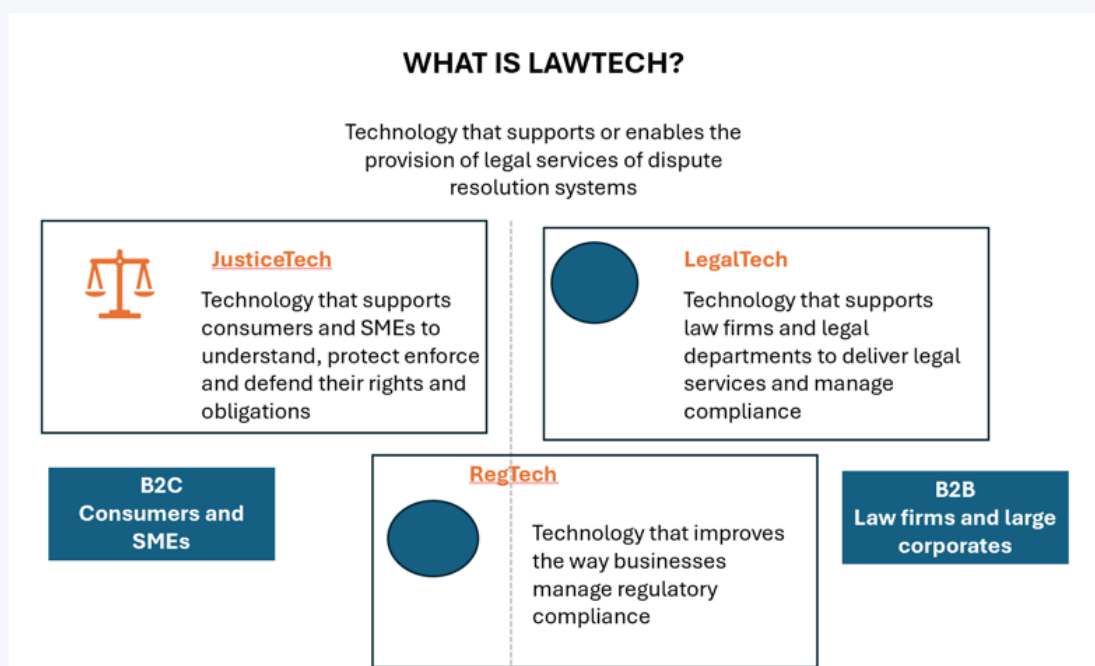
The choice of a principles-based approach avoids limiting the development of early stage technologies, whose precise applications and impact are, as yet, unknown.

The UK opportunity in LawTech

“The UK market is an attractive one for developing legal tech businesses. It is not only a large and mature market but it also has a deep mid-market, with over 3000 law firms in the 30-300 lawyer space.”

LawTech owner of originally non-UK LawTech business

Figure 37: What is LawTech?



Source: LawtechUK

Secondly, the UK is fortunate in having an open and liberal regulatory regime for legal services which will help both to increase demand for LawTech take-up and provide the basis for cross-sectoral collaborations. Research by the LSE²⁸ suggested that corporate law firms' technology budgets are expected to rise to 12% of their expenditure by 2025. This will make technology the second largest cost item for law firms alongside staffing. Legal sector regulation across the UK facilitates the development of LawTech solutions because of the existence of a broad space for unregulated businesses developing and delivering legal services. This gives startups more room in which to operate. This in turn has led some LawTech ventures to relocate to the UK to accelerate their growth in a more forgiving market.

Finally, a UK Jurisdiction Taskforce (UKJT) was founded in 2018 to consider how the UK legal system could be made as technology friendly as possible. This has resulted in the publication of three legal statements designed to remove any real or perceived obstacles to the use of smart contracts, crypto assets or digital securities in private law in England and Wales. The UKJT is planning to issue a further statement on the application of English and Welsh insolvency law to digital assets and a Common Law position statement on liability for harms to third parties caused by AI. Finally, the UK Justice Taskforce aims to lead a project to bring together thinkers from the major centres for legal technology to build a consensus around the application of private law to technology.

LawScotTech pillars

- Educate the profession and legal sector on the art of the possible.
- Engage with legal and tech communities at home and abroad.
- Improve the impact of LegalTech.
- Contribute to Scotland's digital economy.

Source: LawScotTech

UK LawTech startups account for

23.1%

of the global market

Source: LSESU 2023

Benefits for the whole UK?

In addition to UK wide support for the LawTech sector, different UK nations and regions have supplemented these efforts with their own engagement and knowledge dissemination activities. LawScotTech, for example, a Law Society of Scotland body has elaborated a programme of activity designed around five pillars. These collective efforts have helped to make the UK the second largest centre for LawTech after the US.

The UK LawTech market

The number of LawTech companies has grown to over 370 in 2025 from 37 in 2002. According to the LSE²⁹, the UK has been responsible for nearly a quarter of all LawTech startups worldwide. This activity has brought an estimated £4.26 billion of investment into the UK³⁰ since the late 2010s, outstripping the £1.38 billion raised by UK legal tech founders by some margin.

Figure 38 shows what the 370 known UK LawTech companies are doing. This shows that much of the activity of the sector relates to how law firms and other types of legal business develop and deliver their services.

Overall levels of investment in the LawTech sector continue to grow year on year and are expected to reach £2.2 billion by 2026³¹. According to the Solicitors Regulation Authority, over 60% of large law firms and a third of smaller firms were at least exploring the potential behind generative AI models in 2023³², suggesting that demand will be robust for LawTech services.

²⁸ ²⁹ LSESU 2023 AI in Law & the Legal Profession (2024)

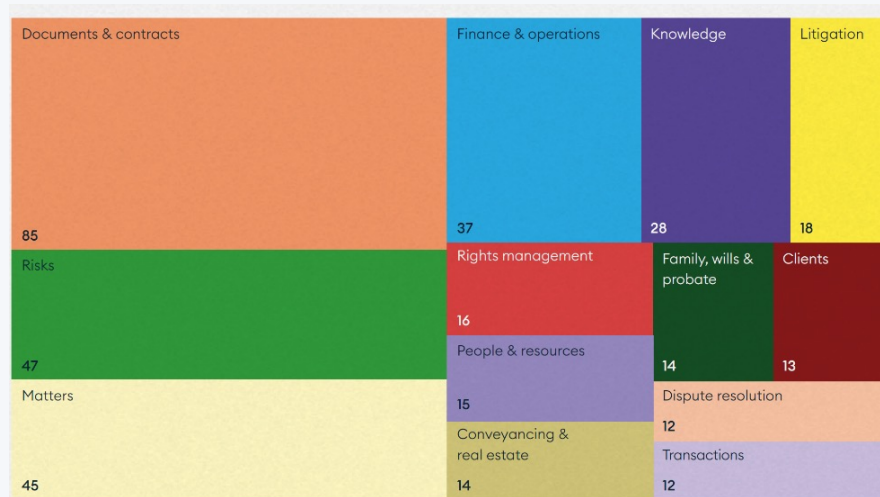
³⁰ LawtechUK Ecosystem Tracker

³¹ LSESU, 2024

³² Skerleva, 2025

Figure 38: A breakdown of LawTech activity in the UK by type

Numbers in boxes represent number of lawtech companies active in these areas:



Source: LawtechUK

Figure 39 also shows that, although London dominates the LawTech scene, the LawTech market is distributed across the UK, broadly in proportion with the contribution of each region to legal GVA.

The strength and depth of the UK's legal sector across the country helps to create a virtuous circle for the development of further tech capacity, as LawTech businesses enhance the competitiveness of law firms and drive further growth for their services in future.

In the period pre-COVID, most of the documented take-up of LawTech by the UK legal market was for internal purposes. A study by the University of Oxford³³ found that in 2020, 80% of solicitors were using legal technology for document management, while 69% relied on it for accounts and time recording.

More recently, the SRA has found that there is increasing take up of technology by firms to deliver services. Patterns tend to vary by practice area, with solicitors working in conveyancing more likely to be making use of technology to help them deliver services (71%), compared to those in employment law (54%) and family law (53%). The slow take-up of consumer facing technology by traditional law firms has created a gap in the market that has attracted new entrants, often in the form of ABSs, supported by external investment in technology. These new providers offer services such as virtual mediation platforms for managing divorce proceedings and child custody arrangements, or AI-driven contract analysis and compliance tools targeted on small businesses.

The possibilities of technology are only just becoming clear for the legal sector. AI holds out the prospects of significant efficiencies and cost reductions for dispute resolution in future. **These benefits may arise because:**

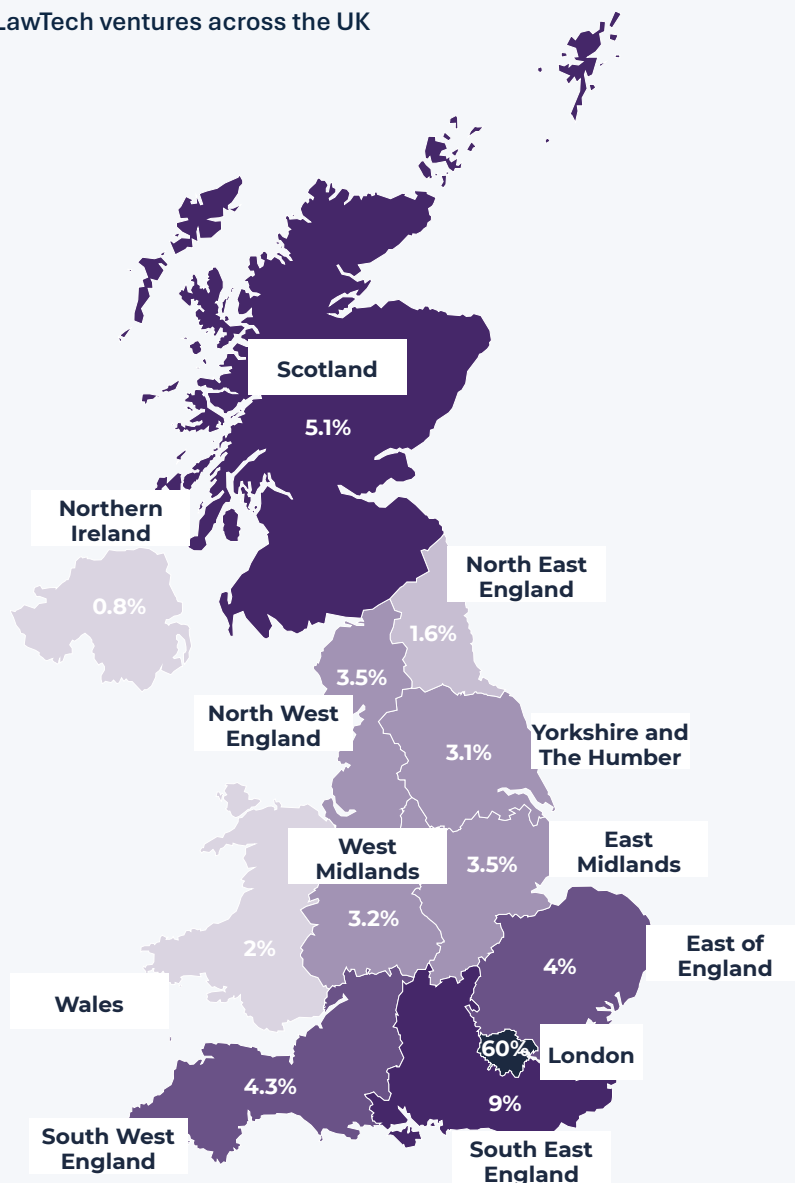
- AI-powered tools can help to streamline mediation and arbitration by analysing case histories and predicting likely outcomes, reducing the time needed for resolution.
- AI-driven background research and analysis can cut costs by automating repetitive tasks.
- Machine learning models can assess risk tolerances and predict case outcomes, helping mediators tailor their approach.

LawTech saving for law firms and clients

“In an effort to try and speed up the processes we have tried to implement new technology. We have begun to provide hot-docs documents online. We assemble interviews and send them directly to our clients.... We can create a multitude of documents and files that we can use for courts, chaser letters, everything. It might take 10 minutes to fill out the questions, but it saves us 3 or 4 hours. And it's cheaper for them too.”

Solicitors' firm (quoted in Roper et al, 2015)

Figure 39: Distribution of LawTech ventures across the UK



Source: LawtechUK

Although the use of AI in dispute resolution is still relatively embryonic compared to the size of the sector, its potential is already evident, especially at the high end of the market.

- **AI in Document Review:** AI-powered predictive coding was approved by the English courts in *Pyrrho Investments Ltd v MWB Property Ltd* (2016). This helps lawyers prioritize relevant documents, significantly reducing review time and costs.
- **AI in Civil Courts:** The UK judiciary has explored AI-assisted decision-making for minor judicial rulings. Sir Geoffrey Vos, the Master of the Rolls, has advocated for AI integration in the Business and Property Courts to enhance efficiency and reduce costs.
- AI has been shown in econometric studies to offer the potential for much improved results in low value insurance claims³⁴. Using AI avoids the risk that the legal costs of the dispute resolution process consume much of any personal injury compensation awarded.

There are obviously still concerns about the unmonitored use of AI, but the quality of the technology is developing at pace, and its careful use is enabling it to learn how to overcome issues such as hallucination or mistranslation.

³⁴Zhang et al (2023)

The untapped potential of LawTech

Despite the progress of the LawTech revolution in the UK, there is still enormous unrealised potential, especially in consumer facing LawTech.

The Legal Services Board of England and Wales estimates that there are 11 million UK citizens with unmet legal needs and 1.8 million businesses experiencing legal issues which they need assistance to resolve. These figures suggest that the effective deployment of technology to assist SMEs in the UK could go some way towards reducing the £4.4 billion it costs SMEs each year to recover unpaid debt, and cut down on the £11.8 billion that legal disputes are estimated to cost SMEs in England and Wales³⁵.

This is the next big frontier for LawTech. But in order to address it there are challenges to be overcome. Some of the key issues for potential providers are outlined below.

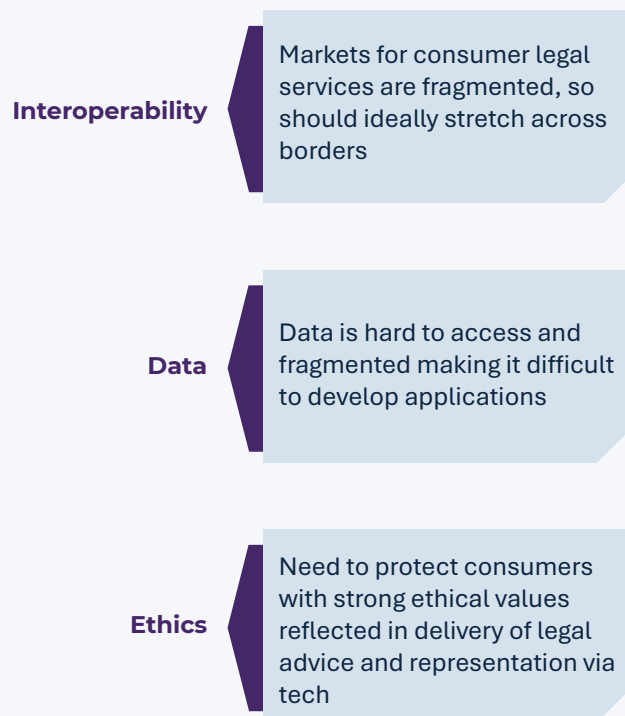
These are all challenges which government and regulators in the UK, and elsewhere, will need to help the sector to overcome. In doing so, there are lessons to be learned from the experience of the opening up of the traditional legal sector in the UK.

These include:

- Being prepared to reassess the boundaries of the regulated sector and whether the reserved activities currently regulated make sense in a digital world. Applying the objectives of the Legal Services Act 2007 to the broader, more diffuse legal market of the future will require some re-engineering of legal regulation and our understanding of reserved activities.
- Developing a common/shared taxonomy/approach to LawTech crossing borders in the same way that the WTO-GATS gave countries a framework for enabling the entry of foreign legal service providers into their territories. LawTech has been able to grow in the UK because of the narrow limitations of the regulated lawyer monopoly. The same is not always true of other jurisdictions but UK LawTech will need additional markets to grow into in future, to maintain its attractiveness to investors.
- Rather than wait for an international approach to be agreed, the UK could also work with likeminded jurisdictions to open up markets that allow for the growth of consumer LawTech solutions that work across borders.

These are ambitious lessons to follow but the prize of unlocking the potential in the consumer LawTech sector and dealing with the market failures that exist worldwide in the consumer legal services sector are priceless. Improved access to justice also contributes to stronger rule of law and the role of LawTech in supporting such developments should not be overlooked.

Figure 40: Challenges for Consumer Lawtech



Source: Lawtech UK

³⁵Legal Services Board, Technology and Innovation in Legal Services (2023)

Conclusions

Conclusions

The legal sector of the future may look very different to the one we know today.

From the second half of the 20th century onwards, the demand for legal advisory services internationally expanded dramatically on the back of globalisation and the increasing regulatory and compliance risk for companies of doing business everywhere. The demand for these new business law services added to, and further enhanced, ongoing demand for the traditional dispute resolution services which had long been provided by lawyers.

In the coming years, we are likely to see further growth in consumer demand for simple, one-stop solutions in an increasingly complex world. Such services are increasingly in evidence in the LawTech sector where a user or consumer may even be unaware that they are accessing a legal service. We may therefore see more hybrid or multidisciplinary services being offered, which draw in their design from the technology sector more generally, by focusing on user needs and user experience. But these services will only develop if investment in them makes sense. For this to happen, barriers to their provision will need to be relaxed further.



What next for the UK legal market?

Although the major barriers to free and open legal practice have been addressed largely in England and Wales and to some extent in Scotland, there is always more that can be done.

What could be done?

The UK legal sector has been overwhelmingly focused on supporting business. Since all of the priority growth sectors in the economy are likely to need legal sector input, further expansion of corporate legal sector activity seems inevitable. Even though there is an expectation that AI may replace some legal jobs, it also seems highly probable that new skills will be demanded in their place. The legal sector is likely to continue to grow as an employer, but the skills required to keep the sector competitive will have to evolve.

“The next revolution in law may not look like law at all - solution services, driven by tech and built around user needs, could redefine what legal support means in practice.”

“A competitive, consumer-facing legal economy isn't just good justice policy – it's smart economic strategy, with evidence showing returns of up to £11 for every £1 spent.”

There may also be growth gains to be had from supercharging the consumer legal sector. UK consumers may have benefited from a more competitive conveyancing market in the past, and, more recently, from greater transparency and choice of lawyer more generally, but there is still much to be done to create a really successful consumer legal economy. There is extensive research that suggests that if consumer and SME issues could be more effectively addressed at an earlier stage then the economic benefit would be significant. A Scottish study on legal aid, for example found significant social returns on investment. Every £1 spent on legal aid in Scottish housing cases reviewed, made a “social return” of around £11, in terms of savings or benefits felt elsewhere in the economy. Similarly, every £1 spent on criminal or family legal aid cases returned around £5³⁶.

It may be that public sector budgets in future cannot be as generous as they were in the past but this is where further radical thinking about the legal market could help to unlock value. This will need to embrace LawTech and potentially the creation of bigger markets for consumer legal solution services that straddle national borders.

Internationally, the UK has an ongoing role to play in encouraging other jurisdictions to embrace more open and progressive legal services markets. This will not only help to promote growth in those countries but will also help to create opportunities for LawTech to expand across borders and contribute to improved access to justice and stronger rule of law.

People Centred Justice

“This means starting from the perspective of people, including vulnerable and undeserved groups and communities, and placing them at the core when designing, delivering, implementing, and evaluating public policies, services, and legal procedures, both within and beyond the justice system”.

³⁶Hammond and Vermeulen, Rocket Science 2019

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