

Technology and Innovation in Legal Services

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This report summarises the key findings of research we commissioned from the University of Oxford on technology and innovation in the legal sector. It also sets out our response to the findings.

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Background

Many people and smaller businesses struggle to access expert legal help when they need it. Supporting the adoption of legal technology and other innovation is one of our core strategic objectives. [[sra/corporate-strategy]] It has the potential to improve access to legal services for the public, and could deliver significant benefits for law firms, the business community and the economy.

In recent years we have taken steps to support responsible innovation and the effective use of technology in the sector. We have introduced our Standards and Regulations [[solicitors/standards-regulations/]], updating our rules to give solicitors and firms more flexibility to work in new and different ways. We have also launched a dedicated innovation space for firms to test their ideas and make it easier to apply for waivers for rules that inhibit innovation, while making sure consumers remain protected.

The Government is also committed to advancing its innovation and technology growth agenda. The Queen's Speech referenced regulatory reform to promote innovation throughout and announced that the Department for Business, Energy & Industrial Strategy (BEIS) will publish an Innovation Strategy in the summer of 2021 to 'inspire and facilitate innovation across the UK, supporting and harnessing the capability of UK innovators to boost future prosperity locally and nationwide.'

The impacts of the Covid-19 pandemic have put the potential benefits and issues of digital access in the spotlight, as people have increasingly had to rely on technology to both work and access services.

Aim of this research

We commissioned this research to further increase our understanding of innovation and technology in legal services. We wanted to better identify areas where we can support progress by reducing any regulatory barriers and support further growth while at the same time ensuring the right level of protections remain in place for the public. We also wanted to understand better what technological change and innovation encompasses in law firms, as well as some of the impacts of the Covid-19 pandemic on firms.

What we did

We commissioned the University of Oxford to conduct an independent study looking at current and potential future innovation and adoption of technology within the legal sector. In terms of innovation, they focused on the changes to services by law firms. This included changes to how they are delivered or marketed, as well as the introduction of new services.

Areas they explored included:

- how law firms are currently innovating and using technology
- in what areas firms are hoping to innovate in the future
- innovation drivers, barriers and opportunities
- how developments in legal technology are funded
- what the SRA and other regulators could do to support future innovation.

The research also examined how law firms have innovated or used new technology to help improve access to legal services.

The research involved:

- a detailed online survey of nearly 900 SRA-regulated law firms
- in-depth interviews with more than 50 stakeholders from across the legal, technological, investment and government sectors
- analysis of information from leading online recruitment and investment databases Burning Glass, Crunchbase and the Legal Technology Hub
- extensive desk research.

Below we summarise the key findings of the research and the next steps we - and others - can take to help support continued progress in this area. The areas covered are:

- Law firm innovation and use of technology
- >Potential barriers to innovation
- Trends in the market
- Supporting access to justice and future growth
- Policy implications
- Our response to the research

Below you will also find PDFs of each individual chapter from the main report.

Law firm innovation and use of technology

Law firms use of technology

Nearly all the firms we surveyed were using technology to help deliver legal services. For example, 87% used video conferencing for meeting clients, 66% store data in the cloud and more than half used practice management or legal research software.

When it comes to specifically using legal technology - such as automated documents, interactive websites and artificial intelligence – just over a third (37%) of law firms in the survey said they were currently using legal technology, with a further 24% planned to do so in the future.

Reasons for introducing technology

The main reasons firms said they used or introduced new technologies were to:

- improve service quality (72%)

- improve efficiency (71%)
- allow staff to work more flexibly (44%).

Many used technology as part of wider innovations, as 67% of those introducing new services also introduced new technology.

Types of firm which are innovating

The likelihood that firms were using legal technology or other innovations varies between firm types.

For instance firms more likely to innovate were:

- law firms established within the last five years
- those operating as alternative business structures
- those serving larger corporate clients.

In terms of area of practise, firms working in conveyancing were more likely to be making use of technology to help them deliver services (71%) with firms working in areas like employment (54%) and family law (53%) less likely. Similar proportions (58%) were using technology in litigation, commercial work for small businesses, and wills, trusts and probate. Most of the firms with large corporate clients (71%) were using legal technology and another 22% were planning on doing so.

The impact of Covid-19

More than half of firms said their use of technology had increased since the start of the Covid-19 pandemic. In particular firms reported increased use of technologies which helped them process work or interact with clients.

Looking ahead 90% felt changes made in these areas would be here to stay post-Covid.

Potential barriers to innovation

Money and resources

The main obstacle to innovation was money. Regardless of whether a firm said it was innovating or using technology, our research found that more than half of firms in each group reported that the main obstacle was affordability, or more specifically a lack of spare financial capital to invest in such areas.

Across many of the firms the researchers heard from, a lack of inhouse skills or resource through which to develop new innovations was a common concern. However, many of those who were active in this area were likely to ask their existing staff (65%) to develop and run such initiatives. Nearly half of the surveyed firms would hire consultants (48%), and a few would recruit new staff (15%) or merge with another business that is already innovating (4%).

Regulatory

Some firms were uncertain about the regulatory barriers and the insurance risks, but those who had successfully innovated found that, after talking to their insurer and us, that there were less barriers than they envisaged.

44% of firms who were using legal tech said that 'regulatory uncertainty or barrier' affected their adoption of tech. And 20% said that the possibility of legal or regulatory risk in the future deters innovation.

The top three areas in which firms were unsure whether regulatory barriers existed were:

- client confidentiality and data protection requirements
- professional indemnity insurance requirements
- not knowing if wider regulations and legislation allows what we are considering.

When asked how the SRA could better support them in adopting legal technology firms asked for greater clarity and guidance on regulatory issues, for more non-regulatory support and intelligence, and for the regulator to help enhance trust and confidence in the use of legal technology.

Firms not innovating

For firms who felt they were not currently innovating or using legal technology the main barriers centred around their business needs. For example:

- 36% were uncertain of the business benefits
- 31% did not see it as a strategic priority
- 27% did not see the need for using technology or innovation within their business.

Innovators

Among firms already using legal technology the main barriers to increasing use were of a more practical nature, with 50% citing a lack of staff knowledge/capability and 45% uncertain whether there were potential regulatory barriers.

Firms serving individuals and small businesses

The barriers to innovating were more prominent for firms serving individual and small business consumers rather than big business clients. But among firms who are innovating there was a feeling that maybe others were not aware of what options were out there, and how to easily use and beneficial they are.

The research suggests that firms serving individuals, future innovations are most likely to be linked to generic technology or products which are used across all areas of business, rather than legal-sector specific developments.

The research also found that there were difficulties with the way that different technology works together and that law firms wanted more support from technology companies.

Trends in the market

Growth of lawtech businesses

The number of new businesses offering legal technology solutions grew year on year until 2017 in both the UK and the US. Since 2018 the trend within the market has been more for lawtech businesses to be bought by other businesses. These businesses tended to be concentrated around large cities, especially when their products were aimed at law firms serving corporate clients.

Insight from the lawtech jobs market

The proportion advertised legal sector jobs asking for lawtech skills in the UK is very low. Between 2014 and 2020, lawtech skills were mentioned in:

- only 1 to 2% for regulated lawyer jobs
- up to 15% of other legal sector jobs.

Lawtech skills include all digital technology skills ranging from knowledge of software packages to computer programming skills.

The research found that over the last decade, the SRA-regulated sector advertised for around a third of the number of jobs compared to legal businesses regulated by other regulators and those that are unregulated. This more frequent employment need would appear to be a factor in the more frequent upskilling of tech skills in the wider market.

Legal sector jobs requiring lawtech skills had higher salaries than jobs with the same title not requiring lawtech skills. In the UK, solicitors were on average paid 13% more and paralegals 25% more than equivalent jobs not requiring lawtech skills.

Funding and investment

Private investment funding is focused on lawtech businesses that serve corporate clients. These businesses received a very high proportion of this funding, both overall and per business, with 97% of the total funding in the last decade.

The research suggests that it is especially difficult to attract private investment toward the development of innovations that will ultimately be deployed through services accessed by individual or small business clients. This is because the nature and variety of services on offer in such markets are so varied that it is challenging to scale solutions up. Firms working in these markets are also less likely to have the spare capital to invest, or the staff who could develop bespoke lawtech inhouse themselves.

Despite this, firms serving individual and small business consumers made up 45% of the lawtech businesses in the UK. These businesses were more likely to be funded by government schemes than other investment sources.

The research into recent lawtech developments across the US and UK showed that many had benefited from funding from venture capitalists and/or central government to get off the ground and to grow. These two types of funding opportunities had therefore both been key to helping innovation across the legal sector.

Supporting access to justice and future growth

Technology and improving access to justice

The research found that the use of legal technology was helping to improve access to justice, but that alone, it was very unlikely to solve all issues relating to unmet legal need. For instance, technological advances can help provide certain services or information either for free or at a lower cost. It can also offer self-serve options or make information on issues such as the cost of legal advice more accessible.

One of the biggest hurdles in supporting access to justice was that some people did not realise that their problem was legal, so they did not consider looking for legal help. Also, some people could not, or did not want to, use services delivered using technology, although the number of people with this view is reducing over time.

Many of the firms in the research - both in interviews and surveys - reported that offering services through online technology, for example apps, chatbots, or interactive online forms, not only improved access for the public but also delivered them direct business benefits. For example, the use of technology might make certain tasks less labour intensive, for example by allowing clients to self-serve certain administrative parts of a legal service via online portals.

Growth in use of technology

When asked what technologies firms thought they would use more of in the future, the most commonly identified products were those which would allow clients to self-serve online.

The survey data suggests the availability of such products could double, including:

- online portals for matter status updates (21% planning to use and 15% currently using)
- interactive websites to generate legal documents' (20% planning and 10% using)
- chatbots or virtual assistants' (14% planning and 6% using).

Adopting new approaches and technology

In terms of adopting new approaches, most firms were more likely to change the way they delivered or marketed existing services, rather than offer new services or products.

Law firms who had large business clients were likely to continue to be able to purchase or develop lawtech that worked for their market. Because appropriate technology is less widely available for law firms who serve individuals and small business, those in this market are more likely to focus on adapting existing technologies, many of which are not necessarily law sector specific.

Encouraging further growth

Many of the survey respondents asked for clarity on our regulatory guidance around innovation and using legal technology. Others were interested in having an accredited list of lawtech providers or products. However, the research found that easing access to technology consultants or advisors was likely to lead to greater legal technology adoption than accrediting technology tools.

Policy implications

Based on their findings the research team drew several conclusions that those working in the legal sector, including regulators, could consider for the future:

Regulatory support and balancing business objectives with legal obligations

The research identified that there was uncertainty among many firms over what innovation and uses of technology were allowed, both in terms of regulatory rules and also laws governing issues such as the use of data. In particular they suggested:

- Greater co-ordination and collaboration across regulators (including the Information Commissioner's Office (ICO)) was needed to monitor overlaps in jurisdiction and provide clarity on areas where legislation might appear to overlap or potentially limit opportunities to use technology. For example rules around competition, privacy or data.
- More could be done by government and regulators to support initiatives that encourage innovation within the legal sector.
- Further initiatives, such as our pilot on quality indicators and comparison websites, could be developed to encourage innovation and help to improve access to justice.

Addressing user trust in technology tools and data

The study suggested that for there to be wider adoption of technology in the legal sector, there

first needed to be greater trust in legal technology both among law firms and the public. Ideas proposed for how this might be achieved include:

- expanding the use of sandboxes to focus on systemic issues such as access to public data, so that law firms and lawtech providers can develop public-facing products or solutions tailored to serve the general public
- ensuring technology and legal service providers place a greater focus on consumer benefits when developing, testing and marketing new products
- ensuring that legal service providers can find appropriate legal technology in the market more easily, for example by introducing standards in legal technology tools
- creating a register of providers of unregulated legal services and legal technology, although this approach faces many difficulties with respect to scoping out the coverage of such a register.

Future skills within the legal profession

The adoption of legal technology needs more people with the skills to assess and implement legal technology. This expertise could come from legal professionals or from those with no legal training. Key areas to be considered in this context include:

- Understanding what depth of digital knowledge is needed within firms, both in terms of firms who are consumers of legal technology and also developing inhouse resource which can develop new technology.
- Incorporating lawtech skills training into continuing competence plans for existing staff or training and work experience for future employees.
- Increasing knowledge within law firms on constitutional and ethical issues relating to the use of data and artificial intelligence.

Our response

We welcome the findings of this report. It provides invaluable insights for both us and the wider legal sector as we look to further develop policies and approaches to support the continued growth in innovation and technology within the legal sector.

Importance of consumer insight

This research focussed on insights and feedback from law firms and technology developers. It is crucial we also understand the perspective of consumers.

We have recently carried out a range of insight sessions with consumer groups, members of the public, and groups such as neurodivergent legal consumers, carers, and people with learning disabilities, to understand their views on technology. Previous reports, by both us and others, have also explored how users of legal services behave and want to receive services. All these have shown the potential benefits of technology for increasing access to services, and growing openness to using technology, while also highlighting that technological solutions will not work for everyone. We, however, need to do further consumer research in this area.

We will also work with different organisations in other sectors where technology is more widely used to understand the opportunities and risks, including around consumer confidence.

We must also continue to be mindful that there always needs to remain provision for people who prefer or need to use services in a way that does not rely upon technology.

Information about the technology market

While the research suggests that many firms believe they do not have the money to adopt technology, it also suggests that when they think about innovation and technology they are focussing on high-end, expensive, bespoke or more advanced solutions.

In reality, for many firms the best opportunities will actually come from embracing simpler, more common or generic technology. We will therefore look into how we can challenge this perception by collating and sharing information on the typical costs of common technologies and innovations.

We will explore alternative ways to improve user trust in legal technology such as considering whether initiatives similar to the Financial Conduct Authority (FCA)'s product-governance approach could be introduced within the legal sector. This would mean technology and legal service providers having processes that make sure that consumers benefit from their development, testing and marketing of products.

The research noted the difficulties in endorsing or accrediting certain lawtech suppliers or products. And it is currently unclear whether standard services will work for legal products. There have been no significant demands for developing standard services from technology companies or consumers, nor was it raised by firms in the research, but we will consider it as part of our SRA Innovate's new proof-of-concept service.

To support and encourage tech developers, we will explore the best way to share a checklist or standards list for innovators. For instance, this could be a guide to the legal, regulatory and industry accreditations that lawtech companies should comply with. The aim of such a standards list would be to help law firms to purchase services from lawtech companies that complied with such standards.

Regulators Pioneer Fund

We have already used the insights from the research to inform our next proposal to the Regulators Pioneer Fund. This includes potentially working with the ICO on a project to improve access to justice.

The SRA have previously taken part in the BEIS-led Regulators Pioneer Fund (RPF) competition, in which, in partnership with NESTA, we delivered a Legal Access Challenge [<https://legalaccesschallenge.org/insights/>] hackathon. For 2021, the competition was re-opened and we have submitted three bids in Access to Justice, Accounts Rules Compliance and Anti-Money Laundering research.

These projects are aimed at building greater trust in lawtech and providing information that smaller firms may need to break down barriers to its adoption. All bids potentially involve partnerships across regulators and Government to provide coordinated responses that innovators are looking for.

SRA Innovate

We are stepping up our own innovation capability. We have recruited more dedicated innovation resource, and have re-launched our website for SRA Innovate with new support content for lawtech innovators and law firms.

We also provide an option for innovators to contact us directly to check in on how software or platforms may need to be designed to comply with our Standards and Regulation. We will also use this to continue to publicise and share our research in innovation and technology.

We strongly believe that the only way in which legal technology can truly transform legal practice and enable justice for all is through a sector-wide (and cross-sector) collaboration

where ideas, proposals and experiments can be shared openly and transparently.

We will also be announcing a new partnership with Swansea University to launch a Virtual Innovation Hub in collaboration with other universities, subject to funding approval. This will bring together commercial development, academic research and regulatory activity work to enable cutting-edge legal innovation. By involving regulators, consumer organisations, government and higher education, we will ensure that regulation, consumer protection, policy-making and educational approaches develop in parallel to the business opportunities offered by Legaltech.

The research provides us with key insights as to the focus for the tools that will be co-created to unlock the potential of legal technology for the sector as a whole, in an inclusive and open way, ultimately benefitting both law firms and their clients, as well as the UK economy as a whole.

We are also leading the professional services lawtech workstream within the UK Government's Agile Nations programme, partnering with other countries around the world on lawtech.

We will also continue running pilots and research into areas such as online customer reviews, unbundled services, document automation, management and keyword analysis.

Individual chapters

Download individual chapters from the main report.

- Executive Summary (PDF 9 pages, 779KB) [[globalassets/documents/sra/research/technology-and-innovation-in-legal-services---exec-summary.pdf?version=4a1bfe](#)]
- Chapter 1 - Introduction (PDF 6 pages, 809KB) [[globalassets/documents/sra/research/chapter-1---technology-and-innovation-in-legal-services.pdf?version=4a1bfe](#)]
- Chapter 2 - Innovation and Legal Technology: Use, Drivers and Barriers (PDF 27 pages, 1.8MB) [[globalassets/documents/sra/research/chapter-2---technology-and-innovation-in-legal-services.pdf?version=4a1bfe](#)]
- Chapter 3 - Market Segmentation in the Legal Sector (PDF 31 pages, 3.6MB) [[globalassets/documents/sra/research/chapter-3---technology-and-innovation-in-legal-services.pdf?version=4a1bfe](#)]
- Chapter 4 - Unmet Legal Needs and Risks: Providers' Perspectives (PDF 20 pages, 1MB) [[globalassets/documents/sra/research/chapter-4---technology-and-innovation-in-legal-services.pdf?version=4a1bfe](#)]
- Chapter 5 - Lawtech Ecosystems: Funding, Scaleup, and Policies (PDF 25 pages, 2.6MB) [[globalassets/documents/sra/research/chapter-5---technology-and-innovation-in-legal-services.pdf?version=4a1bfe](#)]
- Chapter 6 - Implications for Policy and Regulation (PDF 17 pages, 971KB) [[globalassets/documents/sra/research/chapter-6---technology-and-innovation-in-legal-services.pdf?version=4a1bfe](#)]
- Appendix - Technology and PeopleLaw John Armour (PDF 23 pages, 1.2MB) [[globalassets/documents/sra/research/technology-and-innovation-in-legal-services---appendix.pdf?version=4a1bfe](#)]
- Annex - Technology and Innovation in Legal Services (PDF 115 pages, 2.2MB) [[globalassets/documents/sra/research/annex---technology-and-innovation-in-legal-services.pdf?version=4a1ace](#)]