

# Price transparency in the legal services market

## *A study of small businesses with legal issues*

October 2018

Price transparency in the legal services market (PDF 90 pages, 2.8KB) [[globalassets/documents/sra/research/price-transparency-small-firms.pdf?version=4a1abd](#)]

### *Why we commissioned the research*

In December 2016 the Competition and Markets Authority's (CMA) legal services market study [<https://assets.publishing.service.gov.uk/media/5887374d40f0b6593700001a/legal-services-market-study-final-report.pdf>], concluded that the absence of sufficient information on price, quality and service hindered consumers' and small businesses' ability to choose the best option for legal support. It recommended that regulators set a new minimum standard for the information published by regulated firms.

In response to this we submitted proposals for new Transparency Rules to the Legal Services Board (LSB) in June 2018. These were approved [[https://www.legalservicesboard.org.uk/what\\_we\\_do/regulation/pdf/2018/FINAL\\_Decision\\_Notice\\_Inc\\_Annexes.pdf](https://www.legalservicesboard.org.uk/what_we_do/regulation/pdf/2018/FINAL_Decision_Notice_Inc_Annexes.pdf)] in August 2018 and are set to come into effect in December 2018.

The rules include a requirement for law firms, and individual freelance solicitors (subject to the introduction of such being approved by the LSB) to publish information on the prices they charge across a number of common services. They also include the launch of a clickable logo scheme, that will be displayed on regulated firms' websites and will help people understand the protections that regulation provides.

To inform and test our rules, we commissioned three external research projects looking at different areas of information transparency in the legal services market. Our two previous reports spoke to members of the public about price transparency in the conveyancing market (January 2018) and better information in the legal services market (June 2018).

In this latest report we looked at price transparency for small businesses with legal issues.

### *Research into price transparency in the legal services market for small businesses*

In our third study into information transparency, we commissioned YouGov and Europe Economics to explore the impact of price transparency on small businesses with legal issues. Specifically, it looked at:

- whether greater price transparency increases the number of small businesses in need of legal support engaging with a professional service provider
- small businesses' expectations of the cost of legal services
- whether price transparency can increase solicitors' and firms' ability to compete with other professional service providers, such as debt recovery advisers and accountants.

The research involved:

- A survey of 1,004 small business<sup>1</sup> owners/managers exploring how they choose and use legal and other professional services, including their perceptions, expectations and barriers to doing so.
- A randomised control trial (RCT) of 3,000 small business owners/managers testing how publishing price information affects their choice of provider. This involved presenting them with a debt recovery scenario worth £5,000 and asking them to choose between three different providers to carry out the work for them (an accountant, a debt recovery adviser and a solicitor). We also explored their choices when the outstanding debt recovery amount was increased to £10,000, and whether displaying price information on a provider's webpage encouraged people to reconsider an existing business relationship with an accountant and switch to using a solicitor.

### *What did the research find?*

The research found that price transparency is likely to help to overcome some of the key barriers that discourage small businesses from accessing legal services, such as the perception that solicitors are expensive. It also suggested that publishing prices may help firms to win more business, both from competitors and from new clients who do not currently access professional support due to incorrect assumptions, such as how much it may cost.

Key findings include:

- Small businesses say that a lack of readily-available price information, and the complexity of the information that is currently available, are the main barriers to finding a new solicitor when they have a legal need.
- Solicitors are perceived as being expensive, both in absolute terms and relative to other service providers. Cost is perceived as a barrier that might limit access to legal services by more than 60% of small businesses (including 70% of sole traders).
- In our online trial, small businesses without access to pricing information assumed solicitors were more expensive (by around 22%) when compared to the actual costs the small businesses reported paying in the past.
- 42% of small businesses already spend time searching the internet when looking for legal service providers, and 75% would spend more time doing so if more accessible information was available online.
- We found evidence that by increasing price transparency solicitors would win more business from alternative providers and professions that do not publish their prices.
- Even where all potential providers publish pricing information, solicitors' potential market share is still likely to increase when they publish prices.
- The larger a business, or more money involved in a debt recovery issue, the more likely a small business is to engage with a solicitor.

### *Research into price transparency in the conveyancing market*

The first study, published in January 2018, looked at price transparency in the conveyancing market for individual consumers [[/sra/how-we-work/reports/price-transparency-legal-services-market](#)]. Through an online randomised control trial with 4,001 consumers we tested how pricing models, and the way that prices are presented on firms' websites, affected people's ability to make choices. We also explored law firms' perceptions of price transparency with an online

survey of 1,146 regulated firms.

In general, people found it difficult to make good price-related choices but did make better decisions when prices were readily available on the homepage of a website. The firm survey found that most firms do not advertise their prices on their website, as they thought it was too complex with too many variables.

## *Research into better information in the legal services market*

Our second study, Better information in the legal service market [[/sra/how-we-work/reports/better-information/](#)], was commissioned in collaboration with the Legal Ombudsman. It was published alongside our post-consultation position and decisions [[/sra/consultations/consultation-listing/ttf-better-information-consultation/](#)] on 14 June 2018. We tested how people understand and use information about regulatory protections and complaints when choosing a legal services provider. This included testing an 'SRA regulated' clickable logo. Over 4,200 people were involved, and we tested scenarios from several areas of practise: will writing, conveyancing and family law.

The research found that:

- Presenting information about regulatory protections, not only increased people's awareness of protections, they also engaged with and used them to make decisions.
- An 'SRA regulated' logo had a significant impact on people's choice and has potential benefits for both consumers and firms. When asked to choose between providers in the trial, the providers with a logo were selected by an average of 14% more people. And 79% said they felt more confident in buying services from a website with the logo.
- People were also willing to trade-off protections and price to choose the service that they believed was right for them. They did not simply select the cheapest option. For example, 54% said that they would be willing to pay more for certain regulatory protections.

## *What we will do with these findings*

This series of research studies has helped us to develop a clear idea of the benefits of information transparency across the legal services market: for individual consumers, small businesses, solicitors and law firms. It has shown us how people and small businesses search for and choose their legal services provider, what barriers they face and what information they need to make informed choices. We have used the findings to provide a strong evidence base for our reform programme. [[/sra/consultations/consultation-listing/ttf-better-information-consultation/](#)]

As we begin to help solicitors and firms implement the changes, the research has also informed our guidance for solicitors and firms [[/solicitors/guidance/transparency-in-price-and-service/](#)].

Going forward, we are committed to evaluating our reform programme to ensure it is working well for the public and solicitors and firms, in line with our impact evaluation framework [[/sra/consultations/consultation-listing/code-conduct-consultation/](#)].

Notes

1. Small businesses are defined as sole traders and businesses with up to 49 employees.

## *Infographic: Price transparency in the legal market*