



KYSEN Legal Innovation Watch



Welcome to the Summer 2016 edition of our *Legal Innovation Watch*, an e-update detailing recent press coverage of how the professional services community is responding to the major regulatory and other market change.

This Update aims to provide an overview of a wider perspective on the ongoing changes within the legal services sphere.

Please do give us your feedback, as ever.

Best regards,
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Press summary
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Kysen Legal Innovation Watch, June 2016

The Legal Services Act, its supporters promised, would open the market to greater competition, alternative business structures would encourage innovation and new providers would design more affordable products. This has not quite happened yet, as highlighted in a [recent survey](#) by the Legal Services Board.

One major reason, according to the Solicitors Regulation Authority chief executive, is the SRA's own [strict rules](#), which are only just now being relaxed. Some, however, are not as pessimistic. US academic Judith McMorrow, for instance, believes ABSs are already [delivering benefits](#) both to legal services providers and to consumers.

But five years after ABSs were first allowed, change is undoubtedly on its way, with the flow of new ABSs steadily growing. Financial services business [Lifetime Group](#) has started offering legal services via a new ABS, as has dental practices broker [Francis Taylor Associates](#), while legal expenses insurer [Elite](#) has turned its legal team into one. Such new entrants are three times more likely to provide novel online services, according to research by the [Council for Licensed Conveyancers](#).

Meanwhile, berated for their conservative approach to legal services, traditional law firms are also embracing technology-enabled solutions, albeit with caution. Artificial intelligence is behind new contract intelligence software at [Taylor Vinters](#) and it powers the 'contract robots' at [BLP](#), while hybrid firm [Riverview](#) is launching a range of 'virtual assistants'. There seems to be agreement that AI could efficiently take on most mundane tasks and even decide on the outcome of litigation, but leading computer and law Richard Suskind asks whether there should be [moral boundaries](#).

Encouraging innovation is also a key objective for the SRA. The regulator believes it will be in a better position to help in this respect if it has [complete independence](#) from the Law Society and it has even called on the [Treasury](#) to assist. The regulator can already count on the support of the LSB, which has also recommended that the [Bar Standards Board](#) should be approved as an ABS licensing authority. The move, said LSB chair Sir Michael Pitt, would be part of the wider push for innovation in the sector.

COMPETITION – FEES – COMPARISON WEBSITES

Survey highlights huge fee disparities within legal services sector

The Legal Services Board has urged consumers to shop around for better deals after its latest report on legal fees highlighted major disparities in the rates charged by law firms.

The report came just four months after the Competition and Markets Authority launched an investigation into the legal services sector following "long-standing concerns about affordability and standard of service" (see Kysen's [Legal Innovation Watch](#), Spring 2016).

LSB researchers found that conveyancing fees for the same freehold acquisition ranged from £250 for the cheapest to £3,200 for the most expensive, and that the quote for an uncontested divorce varied between £150 and £17,000.

The LSB, which has consistently spoken in favour of comparison websites, is encouraging consumers to use law firms offering more innovative services,

especially where there is no face-to-face requirement, and to look beyond local providers for more competitively priced services.

The CMA is expected to publish its interim report in July.

Source: [The Guardian](#), 5 April 2016; [Competition and Markets Authority](#), 24 March 2016;

ALTERNATIVE BUSINESS STRUCTURES – REGULATION

SRA chief pledges to overcome ABS failure

Alternative business structures “haven’t worked” as expected, the Solicitors Regulation Authority’s chief executive has said, confessing that his own organisation was to blame for this failure.

“I think it’s because of the SRA that ABSs haven’t worked,” Paul Philip said. “Our multidisciplinary rules still prohibited proper partnership between solicitors and other professionals, predominantly accountants.’

Speaking at the Law Society’s Risk and Compliance Conference, the former barrister said the idea behind ABSs “was very much about creating professional services firms – allowing solicitors to get together with accountancy firms both on the high street and internationally, and enabling them to cross-sell and provide a ‘one-stop shop’.”

According to Philip, the biggest hurdle was the separate business rule, which was relaxed last year, and there were now “huge opportunities” for solicitors to cross-sell into accountancy services. “In terms of ABSs, I think the market will now change pretty quickly,” he said.

Source: [Global Legal Post](#), 18 April 2016; [Law Society Gazette](#), 15 April 2016

ALTERNATIVE BUSINESS STRUCTURES – USA

US lawyers urged to consider benefits of ABSs

US lawyers should be more open-minded about alternative business structures, an American academic has argued, saying real benefits are beginning to emerge in the UK.

In a paper published in the *Georgetown Journal of International Law*, Boston College Law School professor Judith McMorro says that while the introduction of ABSs in the UK has not transformed the sector, firms that have adopted the model were seeing positive results.

“ABS firm structure has provided access to capital to allow for investment in employee development and creative use of technology,” the paper says.

However, it also warned of risks, including “a concern about whether the public aspects of lawyering, such as public oriented duties to improve the legal system and offer pro bono services, become lost in a dominant corporate and client centered model. If so, a regulatory response may be required to correct this imbalance.”

Source: [Legal Futures](#), 7 April 2016

ALTERNATIVE BUSINESS STRUCTURES – FINANCIAL SERVICES

Financial services business expands into legal as an ABS

Financial services business The Lifetime Group is about to start offering legal services after being granted an alternative business licence last month.

The group made its first foray into legal services last year when it set up Lifetime Legal, an unregulated will-writing arm. Now an ABS, this part of the business will initially offer will-writing, trust drafting and, later in the year, conveyancing advice.

“The ABS license will enable us to offer our clients additional legal services whilst keeping 100% of the process in house,” said Lifetime Legal’s head of private client Charlotte Corbyn. “Our relationship with the Lifetime Group gives us great scope to offer end-to-end life planning.”

The move comes as another non-lawyer organisation, Metamorph Law, has also been given an ABS licence. The aggregation business aims to acquire 60 high-street law firms and turn over around £80m in the next five years.

Source: [Legal Futures](#), 21 April 2016

ALTERNATIVE BUSINESS STRUCTURES - DENTISTS

Dental practices broker launches legal services ABS

A broker specialising in the valuation and sale of dental practices is the latest business to have been granted an alternative business licence and is aiming to become “the largest provider of legal services” to dentists.

Francis Taylor Associates set up FTA Law with specialist lawyer Tom Coates, previously at dental firm Cohen Cramer and more recently at Yorkshire firm LCF. It is jointly owned by three FTA directors and Mr Coates, who is also the managing director.

“The holistic approach to providing services to the industry is the way it’s going. Brokers have a finance side, an accountancy side and legal is the next step,” Coates said.

Earlier this year, the Royal College of Nursing teamed up with Cardiff-based NewLaw to set up an ABS providing legal services to nurses (see Kysen’s *Legal Business Innovation Watch*, Spring 2016). NewLaw is also involved in BMA Law, an ABS set up last year by the BMA aimed at doctors.

Source: [Legal Futures](#), 28 April 2016

ALTERNATIVE BUSINESS STRUCTURES - INSURANCE

Legal expenses insurers turn in-house legal team into ABS

Legal expenses insurer Elite Insurance is the latest business to turn its in-house legal department into an alternative business structure.

Elite Law will manage and service Elite's defended work, with the aim of reducing overall claims and legal spend. The new ABS will cover risk and legal matters, claims management and handling, legal assistance and defence services on behalf of Elite and policyholders.

Elite's general counsel Mark Thomson, previously a partner at Freeths, said the ABS will look to expand beyond the insurer's own legal work to advise others, such as intermediaries, but that it will stick to specialist insurance work and not look to expand its horizons further.

Source: [Legal Futures](#), 13 May 2016

ALTERNATIVE BUSINESS STRUCTURES – CONVEYANCERS – INNOVATION

ABSs more likely to offer novel online solutions

Alternative business structures are nearly three times more likely to offer novel online solutions than traditional firms, according to research by the Council for Licensed Conveyancers.

Data gathered by the CLC shows that only 14.6 per cent of traditional firms provided clients with online interactive service beyond email, whereas 44.4 per cent of ABSs did.

This reflects research by the Solicitors Regulation Authority and Legal Services Board that SRA-regulated ABSs make greater use of technology than traditional law firms.

"People increasingly expect to be able to find, purchase, and monitor the progress of services online, and if the providers of legal services wish to remain competitive, then all of them must bear in mind their customers' expectations," the CLC said.

The CLC was the first body to grant an ABS licence and has licensed 53 conveyancing and probate firms to date. There are nearly 500 ABSs licensed by the SRA.

Source: [Legal Futures](#), 20 May 2016

TECHNOLOGY - ARTIFICIAL INTELLIGENCE - ROBOTS

Law firms start embracing artificial intelligence solutions

Computer models developed by a team of researchers at Liverpool to deal with litigation have come to the correct outcome in 96 per cent of cases, according Professor Katie Atkinson, who led the project and discussed her findings on *Law In Action*. Leading futurologist Richard Susskind is also convinced that the 2020s will see technology-led disrupters challenge incumbent providers, with computers able to build tailor-made contracts and predict the outcome of litigation – although he also warns about moral boundaries.

On the ground, law firms have been slow to embrace artificial intelligence solutions but there are signs that AI is gaining momentum.

Top 130 firm Taylor Vinters has just started rolling out artificial intelligence contract review software developed by ThoughtRiver, a technology company it invested in earlier this spring, which will even assess commercial risk.

Meanwhile, in the US, Baker & Hostetler has signed a licence agreement with IBM to use the computer giant's AI robot Ross. Ross, described as "the world's first artificially intelligence legal attorney", will be deployed in the firm's bankruptcy practice.

Back in the UK, the expected rise of legal AI has prompted City firm Pinsent Masons to put its freelance solicitors through emotional intelligence training. The aim is to equip the lawyers, who are contracted out under the firm's Vario offshoot, with more refined "human skills".

"Forming close and meaningful relationships with clients has always been hugely important in the legal sector, but with the rise of AI and robots carrying out tasks in law firms, it will become more vital than ever for firms to ensure all their lawyers sharpen their own emotional intelligence," said Vario's director Matthew Kay.

Source: [Law In Action](#), 9 June 2016; [Legal Futures](#), 13 April; [Futurism](#), 11 May 2016; [Legal Cheek](#), 18 May 2016

TECHNOLOGY – ARTIFICIAL INTELLIGENCE – ROBOTS

BLP rolls out 'contract robot' in real estate team

Top 100 firm BLP has rolled out a 'contract robot' in its real estate team, which will take over the data processing undertaken by junior staff and allow lawyers to concentrate on higher-level issues.

Developed with tech start-up RAVN, LONald extracts data from the Land Registry, cross-checks it for duplicate, and flags inconsistencies. It can also send queries to data holders such as Companies House.

BLP consultant Victoria Blanchard said the robot converts unstructured data such as contracts and official copies into structured output – usually a spreadsheet – "in a fraction of the time it takes a human and with a higher degree of accuracy."

"The lawyers then do the higher level strategic review to make sure nothing is missed," she said.

Several firms, such as Linklaters, Pinsent Masons and Taylor Vinters (see *above*) have started, or are considering, using similar robots to automate mundane tasks.

Source: [Sky News](#), 17 May 2016

TECHNOLOGY – ARTIFICIAL INTELLIGENCE

Riverview launches first 'virtual assistants'

Riverview has launched two new 'virtual assistants', the first in a series of technology-based solutions predicted to change the role of lawyers and their numbers.

The Instruction and Triage Assistant ensures that consistent and full instructions are received and that data capture is automated, while the In-House Assistant

provides case management, document storage and dashboards. Both feature comprehensive reporting. The In-House Assistant, for instance, allows users to see the number of live cases, the risk profile of all the cases, and how long cases are taking by lawyer and work type.

“Does it remove the need for lawyers? Of course not. But it does change the role of lawyers going forward and the number of lawyers you need,” said Riverview chief executive Karl Chapman.

Chapman added that more virtual assistants would be deployed soon, as well as different language versions.

Source: [Legal Futures](#), 30 March 2016; [Legal Futures](#), 29 April 2016

REGULATORS – SOLICITORS REGULATION AUTHORITY – INNOVATION

SRA chairs renews call for complete independence

Recent Government proposals to make legal regulators independent from representative bodies would be “one change that would help us make a big difference,” the chair of the Solicitors Regulation Authority has said.

Repeating consistent calls by the regulator to be fully separated from the Law Society, Enid Rowlands said: “The public deserve good regulation and the profession deserves good representation. But these don’t live well together.”

With competition in the legal services market challenging providers around the UK to question their business models, Rowlands also invited firms to have a more innovative outlook.

“Our programme of reform is helping to encourage new firms and models into the market. And we’re supporting firms looking to find new innovative ways of providing services to consumers,” she said.

Source: [Politics Home](#), 15 April 2016

REGULATORS – SOLICITORS REGULATION AUTHORITY – MONEY LAUNDERING

SRA opens second front on drive for independence

The Solicitors Regulation Authority has turned to the Treasury in a further effort to secure independence from the Law Society, arguing that the current situation hindered efficient anti-money laundering (AML) supervision.

Responding to a call for information by the Treasury on plans to reform the AML supervisory regime, the SRA said the Treasury should impose “actual separation” from the Law Society rather than merely putting safeguards in place.

“AML supervisors should be independent from interference or control from any representative body operating on behalf of the profession,” the SRA said. “Public confidence is key and it is essential that vested interests are not able to, nor are perceived as being able to, influence regulatory activities in this highly important area.”

The regulator also used the consultation response to push for greater fining powers on traditional firms and for a civil standard of proof.

Source: [Legal Futures](#), 7 June 2016

REGULATORS – INDEPENDENCE - COMPETITION

LSB: lack of independence undermines credibility of regulation

The lack of independence of regulators from representative bodies undermines the credibility of regulation itself, the Legal Services Board has warned in its latest thematic report on regulatory standards.

Endorsing the Government's plans for consultation on the matter, announced in the Autumn Statement, the LSB said the public was likely to see the current regulatory framework as the profession policing itself "and therefore inferentially to be 'protecting their own'".

The super-regulator also said that the lack of independence fostered complex governance arrangements between regulatory and representative functions which did not achieve full independence of regulation, and hampered transparency in the cost of regulation.

Source: [Legal Futures](#), 11 May 2016

REGULATORS – ALTERNATIVE BUSINESS STRUCTURES – BAR STANDARDS BOARD

Bar Standards Board set to license first ABSs later this year

The Bar Standards Board (BSB) has cleared the penultimate hurdle to being able to license alternative business structures following a recommendation by the Legal Services Board to the lord chancellor last month.

The lord chancellor's approval would allow the Bar Council to delegate to the BSB the right to license ABSs to conduct reserved legal activities.

The BSB has been able to authorise non-ABS entities since April 2015 but there has been limited interest so far.

LSB chair Sir Michael Pitt said ABSs were a valuable contributor to innovation and increased consumer choice. "We are therefore delighted to be recommending to the lord chancellor that the Bar Council becomes a licensing authority for ABS," he said.

Source: [Law Society Gazette](#), 19 May 2016

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