



KYSEN Legal Innovation Update



Welcome to the Winter 2017 edition of our *Legal Innovation Update*, 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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Legal Innovation Update – January 2017

When Saga launched a legal services business in 2013, it embodied the new Legal Services Act era of affordable legal services for all. Four years on, the over-50s travel and business organisation has [closed it down](#). But the news hasn't dampened the Solicitors Regulation Authority's enthusiasm for alternative business structures. The regulator's chief executive still expects that ABSs and deregulation will bring greater competition, which in turn will drive innovation and better services for consumers.

In fact, while the Bar is only just about to '[cautiously](#)' [authorise](#) ABSs, others have not stood still. PwC has integrated its [legal ABS division](#) into its main business, and litigation funder Burford Capital has created its own ABS, [Burford Law](#).

Quietly, smaller businesses are also adventurous with ABS. For solicitor-led advisory organisation [Malborough House Partners](#), securing ABS status was partly a matter of credibility with clients, while [LCM Wealth Management](#) went as far as getting a dual SRA/FCA authorisation. The ABS move was also a natural move for [Postlethwaite Solicitors](#), who wanted to open up the firm to employee ownership, and for [The Employment Solicitor](#), whose founders have set up their own barristers chambers.

ABSs have also long been seen as a way of reconciling a business ethos with the desire for a better work-life balance. This was highlighted again recently in a [survey by Keystone Law](#), while a separate report revealed a growing interest in [flexible working](#). It might also resonate with junior lawyers who, unlike their predecessors, don't always aspire to [become partners](#).

The apparent success of ABSs in places has even prompted [ABS envy](#) in some sections of the US legal services sector. But some commentators are suggesting that technology, not regulation, is the [biggest game changer](#), with some saying it will bring [greater democracy](#) to the market. And while it will undoubtedly challenge current [pricing models](#), it may not necessarily lead to the [extinction of lawyers](#) if they can develop what increasingly become dubbed [NewLaw](#). It might even help UK firms overcome the unexpected and unpredictable challenges that the [Brexit vote](#) will pose.

SAGA – CONSUMER SERVICES – LEGAL INSURANCE

Saga closes legal expenses insurance division

Over-50s travel and insurance business Saga is closing down its standalone legal services operation following the collapse of Parabis in 2015 (see Kysen's [Legal Services Act Update, Winter 2015-16](#)). The two set up Saga Law, a joint venture alternative business structure in 2013 for the provision of legal expenses insurance products to Saga customers.

The ABS was taken over by Bristol-based law firm Lyons Davidson and renamed Lyons ABS. It will continue to provide services for Saga where legal insurance is an add-on to existing products such as motor or household insurance.

Saga originally saw significant market opportunities for affordable legal services, running advertising campaigns critical of traditional processes.

Earlier in the year, the AA also closed down its legal services ABS – set up with Lyons Davidson – but has kept other legal services going, such as online legal documents, provided by Epoq.

Source: [Legal Futures](#), 22 September 2016

SRA – COMPETITION - INNOVATION

Legal services to be affordable to wider client base

The legal services sector's growing success over the past few years conceals an unlikely problem both for the profession and for the public, according to the SRA's chief executive: although half of the adult population has a legal need, only one in ten uses a solicitor.

One major obstacle, Paul Philip says, is affordability, and his organisation can help bring lawyers and their clients closer. The regulator's role, he says, is to encourage the availability of information about law firms, which would allow consumers and businesses to make informed choices.

The SRA is also reducing bureaucracy and the cost of compliance, which should make it less burdensome for lawyers, who could in turn provide more cost-effective services.

A further opportunity is the growth of non-lawyer owned law firms, which Philip says are more likely to innovate and provide connected services such as accountancy or financial services.

Source: [New Statesman](#), 19 September 2016

BAR STANDARDS BOARD - ABS

'Encouraging interest' in barrister-led ABSs

There has been 'encouraging interest' in barrister-led alternative business structures since the Bar Services Board became a licensing body in March last year, head of supervision Clíodhna Judge has said, with no major concern arising during a pilot that concluded in the autumn.

Judge said the regulator would initially adopt a 'cautious' approach to licensing ABS's and that the process would be reviewed regularly to ensure it was proportionate, targeted and evidence-based.

Further, she said the Bar regulator would keep a close eye on non-lawyer owners to monitor possible misconduct that could affect standards and be detrimental to the Bar's reputation.

Source: [Legal Futures](#), 17 October 2016

ACCOUNTANTS – ABS – MDP – PwC

PwC brings legal business into wider multi-disciplinary practice

PwC, the first of the big four accountancy firms to set up an alternative business structure, has brought its legal division, PwC Legal, within its wider business.

When PwC Legal was granted an ABS licence in 2014, PwC itself was a corporate member of the organisation (see Kysen's [Legal Services Act Update, Winter 2014-15](#)). By contrast, both KPMG and EY, which gained ABS licence later that year, kept their legal services within the business.

The move was welcomed by the Solicitors Regulation Authority, whose policy director Crispin Passmore said the multi-disciplinary approach allowed clients to "get access to all the services they need, organised at their convenience rather than the convenience of professions".

The SRA issued PwC with a new ABS licence with conditions including the requirement to ensure there are no conflicts of interest between the legal and other parts of the organisation.

Source: [Legal Futures](#), 30 September 2016; [Accountancy](#), 3 October 2016; [Economia](#), 13 October 2016

LITIGATION FUNDING - ABS

Top litigation funder launches ABS law firm

US litigation funder Burford Capital has launched an alternative business structure law firm, Burford Law, with the hire of Akin Gump dispute resolution specialist Tom Evans.

Evans, whose role will be primarily in relation to enforcement of judgments, is the second lawyer to join the Burford family in the past few months. Earlier this year, Burford Capital appointed ex-Fried Frank antitrust expert Craig Arnott as its new managing director.

Burford has had a particularly active growth strategy in recent times, investing €30m in US competition boutique law firm Hausfeld in order to open in Germany, where anti-trust litigation is expected to remain buoyant.

Meanwhile in the UK, Welsh practice Capital Law created a £50m litigation fund, becoming the first law firm to set up its own dispute funding mechanism.

Source: [Legal Business](#), 5 October 2016

SMALL FIRMS - ABS

Solicitor-led consultancy to fill gap in advisory services

A father and son, both solicitors, have set up an alternative business structure consultancy to fill what they see as a gap in the mid-market for combined legal and business advisory services.

Malborough House Partners LLP's senior partner, Philip Tolhurst, was senior partner at Essex firm Tolhurst Fisher. His son Patrick, who was an associate at Farrer & Co, is the managing partner.

The business previously offered unreserved activities but has been authorised as an alternative business structure and will operate as a virtual practice bringing together lawyer, accountants and other professional advisers. It will offer

property, business, company and legal project management services on a fixed-fee basis

Patrick Tolhurst said the new ABS was likely to continue to focus on advice that did not relate to reserved activities, but that gaining an ABS licence was part of their credibility with clients.

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

SMALL FIRMS – FINANCIAL ADVISERS

Wealth management firm takes on dual SRA/FCA regulation

A wealth management company which has just become an alternative business structure is one of the first professional firms to come within the regulatory jurisdiction of both the Solicitors Regulation Authority and the Financial Conduct Authority.

Warrington-based LCM Wealth Management has secured novel professional indemnity insurance arrangements involving two policies from the same underwriter, Liberty Mutual – as required by the SRA which demanded that there should be no possible argument between insurers as to who would be liable in case of claim.

Managing director James Litchfield said the amount of legal work it was outsourcing to law firms had become such that it made sense to bring it in-house.

The firm offers non-contentious probate, conveyancing and commercial work, with all other legal work still to be outsourced and clients free to use their own solicitors.

Source: [Legal Futures](#), 31 October 2016

SMALL FIRMS – ABS - EMPLOYEE OWNERSHIP

Niche firm becomes ABS to allow employee ownership

Postlethwaite Solicitors, a niche employee ownership law firm (see Kysen's [Legal Service Act Update, Winter 2014-15](#)), has become an alternative business structure so that it could allow its own staff to become shareholders in the business.

The move, prompted in part by the arrival of two tax advisers, will see the scheme which combines share ownership and options to acquire, open to all employees at the firm.

Although still rare, employee ownership is becoming popular in legal services. Multidisciplinary insurance ABS Triton Global launched a scheme in 2014, Southwest firm Stephens Scown introduced one in March last year, and AIM-listed Gateley in October.

Source: [Legal Futures](#), 1 November 2016

SMALL FIRMS – ABS – BARRISTERS CHAMBERS

Brand-driven employment firm launches its own chambers

A three-partner employment firm has converted to an alternative business structure so that it could integrate a virtual barristers chambers into its business.

Worcester-based The Employment Solicitor has teamed up with dual-qualified barrister and solicitor-advocate Dravin Bheemah, who will run the chambers from premises in Birmingham.

TES partner Helen Moore – also a co-founder of handmade sweets business Spun Candy, which featured on The Apprentice – said she was keen to expand the firm further as a consumer-focused business associated with a brand rather than with the traditional model of named people.

Source: [Legal Futures](#), 8 November 2016

ABS – TRADITIONAL FIRMS – WORK-LIFE BALANCE

Traditional law firms to make way for ABSs

Almost two-thirds of lawyers expect traditional law firms to have a less prominent role in the next decade as alternative business structures become more prevalent, according to a survey of 300 solicitors in the top 50-100 firms.

Carried out by virtual practice Keystone Law, the research also found that artificial intelligence and technology would be a significant factor, while nearly nine in ten lawyers anticipate hourly billing will be a thing of the past.

Launched after World Mental Health Day in October, the survey found that workload, client demands and high billing targets were the leading causes of stress for lawyers.

The survey commented that professional and personal values developed by previous generations may no longer be fit for our current economic and social circumstances. "Firms must be flexible and responsive to the needs of their clients and, equally, their employees," it said.

Source: [Legal Futures](#), 14 October 2016

WORK-LIFE BALANCE – FLEXIBLE WORK

Lawyers favour flexible working over pay rises

Lawyers are increasingly likely to be tempted by flexible working over financial reward, with nearly two-thirds saying they would prefer it instead of a five per cent salary increase, a new survey suggests.

The report, by My Family Care and Hydrogen, *Flexible and family friendly working: a competitive advantage for organisations*, surveyed 140 lawyers and 27 legal practices in the UK and also found that 86 per cent of respondents would actively look for flexible working options before joining a new firm.

However, while 41 per cent of law firms discuss flexible working options as a matter of course, 44 per cent of private practice lawyers said they didn't feel comfortable raising the matter with their employers.

Source: [Employee Benefits](#), 29 November 2016

ABS v PARTNERSHIPS – JUNIOR LAWYERS

Is the partnership model outdated?

Recent research among the top 20 law firms in the UK has reopened the debate about whether the traditional partnership model is outdated.

According to a survey by recruiter Origin Legal, 80 percent of those made partners had between ten and 13 years' PQE, although in West End firm's, the average was nine years. And there was more of a spread in the Midlands, with solicitors being elevated to partnership after PQE ranging between eight and 16 years.

However, whether partnership remains a key aspiration among lawyers is unclear. Research by *The Lawyer* in 2014 suggested that 39 per cent of junior lawyers regarded the partnership model as outdated. But similar research in 2015 indicated that 42 per cent of them still hoped to become partner.

Source: [The Lawyer](#), 15 November 2016

ABS – AMERICA - INNOVATION

Does the US have ABS envy?

US law makers have declined to enact similar changes no less than three times in the past 15 years but Forbes commentator Mark Cohen says it's time the legal regulatory regime changed.

Restricting ownership of law firms to lawyers made sense when legal delivery was solely about selling legal expertise, but this was now an impediment to structural changes necessary to "jump start new models at a time when legal delivery involves legal, IT, and process expertise," commented Cohen.

The former attorney said the US needed to enact legislation similar to the Legal Services Act in order to break down barriers to entry and encourage innovation.

Source: [Forbes](#), 17 October 2016

LEGAL SERVICES SECTOR - BREXIT

Brexit puts further squeeze on lawyers

Britain's referendum vote for Brexit last June will add to the pressure on lawyers facing increasing competition for legal work, according to a recent report.

A NatWest study in November found that while the Brexit vote will present opportunities for lawyers in certain areas, it comes at a time when the legal sector is already being challenged by new entrants such as the big professional services firms.

Further, the report said, Brexit is likely to adversely affect demand for legal services in the real estate, transactional and capital market sectors, with redundancies probable before the industry picks up again.

Source: [City AM](#), 8 November 2016

TECHNOLOGY – INNOVATION - DISRUPTION

AI the biggest game changer for lawyers

Artificial intelligence was the biggest game changer of a raft of technological developments that would change the face of the legal profession but also provide new opportunities for lawyers, a leading futurologist has said.

Speaking at *Legal Futures* Innovation Conference, Fast Future chief executive Rohit Talwar argued that, in addition to AI, technologies such as the secure digital transaction platform blockchain, the Internet of Things and 3D printing would ultimately affect all sectors of the world's \$78tn (£63tn) economy.

Talwar encouraged lawyers to look at the legal work generated by disruptive businesses such as Uber and Airbnb and predicted that within the next five years, between 20 and 50 per cent of legal work in certain sectors would be automated.

Low-cost tools would also allow any firm, whatever their size, to benefit, he added. "Whether you're a one-person law firm or a massive law firm this is there for you now, the tools are starting to emerge, you can go online and use them."

Source: [Legal Futures](#), 10 November 2016

TECHNOLOGY – CLIENT FOCUS - PRICING

Lawyers warned not to fall behind changes

US legal commentators have warned lawyers to embrace technology rather than fight it, lest they rule themselves out of business altogether.

Where providers once enjoyed virtual monopoly by law, technology is changing the way legal services can be provided, making them more easily accessible and leading to greater democracy, says Madsen, Priestley & Parenteau partner Peter Priestley.

This, according to eMinutes chief executive and founder Jeff Unger, will free lawyers from time and costs constraints, allowing them new freedom to concentrate on client service. Technology will also allow small firms to run as effective businesses, offering new fee models such as subscription pricing, and bringing in new kinds of employees.

For Clio's lawyer in residence Joshua Lennon, technology also brings much-needed solutions in a world where younger lawyers – at least in the US – are finding it difficult to set up professionally and where access to justice is becoming a serious concern.

Source: [Forbes](#), 10 November 2016

TECHNOLOGY – PRICING – BILLABLE HOURS – FIXED FEES

Top firms not immune to technological threat

Large commercial firms structured on the traditional pyramid model are unlikely to survive the forthcoming challenges of technology unless they start rethinking their own business models, a senior legal researcher has warned.

According to Ron Dolin, a senior research fellow at the Harvard School of Law's Center on the Legal Profession, the contract review work done by junior lawyers accruing vast numbers of billable hours on behalf of the partners will soon be done by intelligent computer's, faster and more accurately.

That may not mean fewer lawyers, but it will likely require a new approach to what firms mean by 'value to clients'. And for AI to be of use in this regard, that may have to involve a move away from billable hours to fixed fees, said Kira founder Noah Waisberg.

Already, large firms such as Freshfields are rethinking how they price work, because clients are putting pressure on them based on what they are experiencing in their own world, according to legal services innovation director Isabel Parker.

Source: [CNBC](#), 17 November 2016

TECHNOLOGY – ARTIFICIAL INTELLIGENCE – LAWYERS ROLE

Client pressure will prompt lawyers to embrace AI

Clients' pressure on lawyers to come up with new pricing models and increase efficiencies will be the trigger to greater adoption of AI solutions in law firms but for many that realisation is yet to take place.

A few, however, have started embracing artificial intelligence in several areas. Employment boutique Littler Mendelson, for instance, has developed a suite of tools to predict the risk of litigation. It can, for example, scan employer data for gender bias in appraisals and flag this up as an issue, or analyse the outcome of litigation before the US's Equalities Commission before advising on a claim.

Another firm, Goodwin Procter, has its own visualisation tool identifying appearances by the firm in all US courts by work, client and status, along with outcomes by type of claim.

Away from court, AI such as Kira is now being used for routine work such as contract review and Ross for research. Ross's founder, former attorney Andrew Arruda, says lawyers will still be needed to provide advocacy or advisory services.

Source: [Financial Times](#), 6 December 2016

TECHNOLOGY – ARTIFICIAL INTELLIGENCE – FLEXIBLE WORKING

Becoming a true 'NewLaw' practice

The term 'NewLaw' was coined in 2013 to refer to innovative law firms that set themselves apart from traditional BigLaw or TradLaw practices. Within just four years, its definition has crystallised around a set of clearly identifiable practices.

Disruption has been a favourite concept for this new breed of firm. Day-to-day, it now means not just clever automated precedents and processes but also greater use of data analytics, blockchain, and artificial intelligence. These are not new wine in old bottles but they are affecting the very structure that law firms are traditionally built on.

Flexibility is also the norm, both in relation to flexible working for staff – thanks to technology – but also for clients.

And perhaps the most important shift is philosophical. Value to client is no longer measured by the number of billable hours lawyers can charge. Clients demand more transparent pricing, with blended billing, fixed fees and risk-reward billing part of the conversation.

The key question is how quickly larger, traditionally less nimble law firms can adapt. Evidence is that if it makes commercial sense, they will do so quickly enough, as a matter of survival.

Source: [Legal Insight](#), 8 December 2016

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