

# A TIPPING POINT IN THE LEGAL WORLD ORDER - LEGAL SERVICES BOARD

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Chris Kenny

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## **The UK's Legal Services Board is overseeing a rapidly diversifying legal market intended to benefit the sector and widen access to justice for consumers, says Chris Kenny**

En Inglaterra y Gales, el mercado de los servicios jurídicos está cambiando por la Ley de Servicios Legales de 2007. No solo en la regulación de la profesión, sino también en la manera de prestar servicios jurídicos. A medida que se abre el mercado van apareciendo nuevos tipos de proveedores.

In England and Wales, the legal services market is being transformed by the implementation of the Legal Services Act 2007 (LSA). Not only in the way the profession is regulated, with a new framework independent of both Government and profession, but also in the way legal services are delivered. As the market opens up we are reaching a tipping point in the creation and emergence of new types of service providers.

The Legal Services Board (LSB), which was created by the LSA, has a simple mission: to reform and modernise the legal marketplace in the interests of consumers, enhancing quality, ensuring value for money and improving access to justice.

To date, early reforms have focused on improving the architecture of the regulators, as well as liberalising the market through allowing non-lawyer ownership – Alternative Business Structures (ABS). Changes are now becoming apparent with entry by major retailers, franchised law firms and Slater & Gordon, the Australian Stock Exchange quoted law firm. We expect the impact of the reforms to be far reaching. New flexibilities are already resulting in new types of legal business, while driving innovation and significantly altering the nature and shape of the market.

How far the impact of such change will extend beyond our own jurisdictional boundaries waits to be seen. As barriers to entry to the legal sector have come down we are only now beginning to see how established law firm players adapt. The Head of the Law Society, John Wotton, has already said: "The scope for growth will continue overseas and the continued international success of our corporate law firms will remain as vital as ever. I would be surprised if 'full' ABS remains for long an innovation confined to England & Wales."

While the preservation of professional ethics and conduct is crucial, the understanding of law as a business is also important. Many more firms and professionals now understand that they must not only provide sound legal advice to their clients, but they must also provide a good quality and cost-effective service. Perhaps one of the greatest, and most exciting, challenges ahead is overseeing an industry that is now in a very transformative state. There are already over 70 applications for ABS status – and that's only in the first month.

In the coming years as the legal services markets open up further, we predict significant change in the size, focus and ownership of many operators. The ability of legal firms to deliver integrated services with other professionals – accountants, insurers, surveyors and others – will add to collective knowledge in relation to HR, IT and marketing services.

It is, though, difficult at this stage to estimate the take up of ABS. This will depend on the appetite of existing firms and new entrants to innovate, as well as how able they are to adapt their services in response to demand from consumers. This is unlikely to produce a "big bang" on day one. However, it is likely that over the next five years the UK market will change considerably.

The current economic climate may not be the most encouraging for significant new investments, but they are being made. Giving providers more flexibility in how they shape their offer – including

the ability to attract external capital – is a big part of helping firms weather the current storm. Meanwhile, a robust and comprehensive licensing framework with proper tests on ownership and stronger internal compliance structures will ensure good governance and accountability across these new forms of legal businesses.

The changes introduced by the LSA were designed to allow providers more scope to innovate while making the overall offer better targeted at protecting consumers and their interests. That said, embracing the new flexibilities is not compulsory. We know that some providers remain content to deliver services in the way they always have done and equally that some clients will remain happy with traditional service provision. Our role is not to make decisions for businesses but to allow businesses to make their own. Inevitably, though, the new competitive pressures will increase the temperature for all players in the market, and we unashamedly point towards the benefits for consumers that we expect this effect to deliver.

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