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Legal Services 2011

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Introduction & Scope

Report coverage

These are uncertain but also exciting times for the legal services market. After a long period of healthy year-on-year growth and relatively stable market conditions, the financial crisis and economic downturn of the last two years have impacted on law firm revenues across the sector. Everyone from large multinational law firms based in London, through to the numerous high street law firms and sole practitioners, have been affected.

Also coming soon are radical changes to liberalise the legal services market and allow non-lawyers to enter the market and compete with traditional providers. These changes are expected to kick-start October 2011 when Alternative Business Structures (ABSs) are introduced enabling outside investment in law firms. Some are predicting that these impending changes will lead to the demise of thousands of law firms while others see clear opportunities for innovative law firms and others to exploit the new market environment.

This report considers the state of the UK legal services market today and puts that into context of the changes that are likely to take place over the next two years. Of particular interest are an assessment of how many adults have actually made use of legal representation recently and how they choose this representation, the extent to which consumers would be willing to use new non-traditional sources of legal advice, the role of legal brands and other brands in the emerging legal market, consumer preferences for specific pricing models, and an assessment of the potential changes likely in the market.

This report focuses primarily on legal services for the consumer which are led by wills and probate, personal injury and accidents, and conveyancing. Only limited reference is made to legal services for the corporate sector.

For this report, YouGov SixthSense commissioned a survey among its online panel, drawing on a nationally representative sample of 2,336 UK adults aged 16+ in November 2010.

Over 30 questions were asked in total, covering the following topics:

- Use of law firms and solicitors, frequency of use, and reasons for use.
- % already made a will, been involved in divorce/civil partnership dissolution, selling or buying a house.
- % using a solicitor or law firm for the above.
- Methods of choosing a legal representative.
- Satisfaction levels with legal services provided.
- Use of claims management companies, methods of choosing, satisfaction with services offered.
- Important criteria to consider when choosing a legal representative.
- Interest in using alternative sources for legal advice, e.g. insurance companies, banks, building societies, accountants, claims companies, supermarkets, high street brands, motoring organisations.
- Likely use of remote and online legal services and support.
- Awareness of legal services brands.
- Perceptions of major consumer brands extending into legal services.

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- Potential use of law firms and solicitors for other professional services and use of one-stop shops for professional services.
- Fees and pricing models preferred.
- Consumer perceptions of fictional TV lawyers compared to actual lawyers and solicitors.

Please note that legal jurisdictions are different in Scotland and Northern Ireland, compared to England and Wales but the YouGov SixthSense survey was a UK-wide survey and market size and trends data in the report is given for the UK as a whole.

The following legal services providers are mentioned in this report:

- Allen & Overy
- Clifford Chance
- Cooperative Legal Services
- Countrywide Conveyancing Services
- DLA Piper
- Enact Direct Legal Solutions
- Freshfields Bruckhaus Deringer
- Injurylawyers4u
- Irwin Mitchell
- Linklaters
- National Accident Helpline
- Optima Legal
- Pannone
- Quality Solicitors
- Russell Jones Walker
- Shoosmiths.

Methodology

Market size information (sourced YouGov SixthSense estimates) is based on a combination of primary and secondary research. Primary research takes the form of in-depth interviews with key players in the market. By speaking to a number of providers and industry bodies, YouGov SixthSense has arrived at an independent assessment of market value and trends.

A full list of questions that were asked in the YouGov SixthSense survey is provided in the Appendix. Cross-tabulated results to these questions are available for subscribers to this report – please contact us on 020 7012 6063 if you would like detailed tables.

Abbreviations

ABS	Alternative Business Structure
LDP	Legal Disciplinary Practice
LPO	Legal Process Outsourcing
LSC	Legal Services Commission
M&A	Merger & Acquisition
MOJ	Ministry of Justice
PI	Personal Injury/Medical Negligence
RTA	Road Traffic Accident

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Report Summary

Market structure

The UK legal services market, as defined in this report, covers legal advice and representation supplied primarily by law firms and solicitors. Other suppliers mentioned are claims management companies.

In England & Wales there are two main legal professionals: solicitors and barristers. Solicitors are usually the first point of contact for legal advice and they may be called upon to deal with a wide variety of problems. A barrister is essentially a consultant offering specialised services as an advocate and an adviser in all matters involving litigation and, as a main field of activity, the practice of the courts. A barrister does not normally deal directly with members of the public but is instructed by a solicitor. This report focuses on law firms and solicitors.

In the UK, only a few parts of the law are classed as reserved activities. Reserved activities are principally appearing as an advocate in court, administration of oaths, litigation, parts of conveyancing, parts of probate, and notarial activities and these can only be carried out by qualified legal professionals. Most other areas of the law are not included in these categories so can also be provided by others. Early movers are entering the market to provide these non- reserved activities and this is a theme that the report will return to later.

Use of legal services

Approximately 15.5 million adults, equivalent to just under a third of the adult population, have used a law firm or solicitor in the last three years and mainly for legal advice in one of three areas: wills and probate, conveyancing, and PI.

Most of the above users have looked for legal advice for a specific issue or at a particular moment and only around 7 million adults have turned to a law firm or solicitor for legal help on more than one occasion over the last 10 years. This is the dilemma for the legal market. The legal profession is almost as old as the oldest profession but consumer demand for legal services is typically occasional and often linked to a specific event or problem, for example a divorce, an accident, or buying a property.

The fact that most adults only need legal advice now and then has been one of the factors creating a consumer market that is dominated by small local businesses and has hardly any recognised brands. The consumer base for legal services is also less sophisticated and knowledgeable than many other consumer markets where purchases are made on a regular basis and where purchasers build up a knowledge of products and services via regular use.

The legal lifecycle

The general rule is that the use of legal services increases in the older age groups although regular use is still limited. Also, the type of legal services used varies across the age groups:

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- **The Few and Far Between User (16-24) –** their purchases of legal services are very low with less than a fifth using in the last three years. Many have still to make some of the major decisions in life such as marriage and having a family, maybe divorce, buying a property and owning other assets. However, with a penetration of 31%, a much higher percentage of adults in this group, i.e. those aged 16-24 who have sought legal advice in the last 3 years, take legal advice on PI matters than any other age group;this reflects the high number of RTAs involving young drivers. In contrast, hardly anyone considers making a will at this age.

- **Toe in the Water User (25-54)** – around a third of adults in this group have purchased legal services in the last three years and a range of legal matters are covered. Conveyancing services are particularly important for 25 to 39 year olds; almost half of all adults in this age band have used solicitors for this reason in the last three years. The highest percentage of adults using solicitors for divorce cases are found in the 40 to 54 age band. The percentage who have made a will moves up to just over 40% for 40 to 54 year olds.

- **The Focused User (over55s)** – over a third have used solicitors and law firms in the last three years and this use focuses mainly on wills and probate - over 40% of those who sought advice did so for this purpose and, in total, 70% of males and 66% of females over 55 have made a will. They are also the age group most likely to have 'used the same solicitor for years'.

Figure 1 The legal services lifecycle