



Alternative Business Structures: Fact Sheet 1

BACKGROUND TO ABS: REFORMING AND MODERNISING THE LEGAL SERVICES MARKET

What are changes being made?

Legislation and regulation have previously tightly restricted the management, ownership and financing of organisations that are permitted to offer legal services. This has limited innovation and competition in the way that legal services are delivered. This means that there has been less choice for consumers and so less pressure on law practices to deliver their services efficiently and effectively.

The Legal Services Act 2007 sets out a new regulatory framework for the ownership of legal service providers and how they will be regulated.

What changes are going to happen?

A major change is to remove regulatory restrictions on the structure, ownership and management of firms that are able to offer legal services. In future lawyers and non-lawyers will be able to own law firms on an equal basis. Law firms will be able to attract external investment.

These Alternative Business Structures will be licensed and regulated by newly designated Licensing Authorities.

What difference will these changes make?

We believe that, over time, the legal services market will become significantly more diverse and vibrant than today. More law firms will offer services in partnership with other professionals and new entrants will offer legal services as part of a wider 'one stop shop' to the consumer. The new types of firm might include a practice with a majority of non-lawyer managers, a high-street firm offering accountancy services alongside legal services, a large corporate firm offering personal client advisory work alongside larger scale work. We cannot predict exactly what will happen, but we can create the right environment for liberalisation to benefit consumers, facilitate market entry, improve law firm management, increase competition and choice, foster innovation and reduce prices.