

Tuesday, 22 October 2013

Changes in competition in different legal markets

Today, the LSB today publishes its latest in a series of ongoing reports evaluating the impacts of the Legal Services Act 2007 (LSA) on the legal services sector.

Following in the footsteps of earlier reports looking at all the regulatory objectives this analysis focuses on the regulatory objective of '*promoting competition in the provision of services in the legal sector*'. In it we look at outcomes – what has changed and where – rather than specific actions taken by the regulators.

The conclusions of the report are that:

- just half of firms have grown turnover, but levels of unmet need remain similar for both individuals and small businesses
- new business structures have increased market share over the past three years and are more productive, as measured by turnover per fee earner
- these structures have a higher complaints resolution rate for complaints about service
- publicised innovation is most prominent in new businesses and larger solicitors firms, and
- regulation is still reported to be a significant barrier to innovation and growth.

Chief Executive of the Legal Services Board, **Chris Kenny** said:

“The LSA has given us a duty to deliver the regulatory objectives and we take this responsibility seriously. So we need to regularly evaluate progress.

As part of ensuring this happens we undertake research into, and report on, how the reforms are impacting on the legal services market. Reports such as today’s, though technical, have a fundamental role to play in enhancing everyone’s understanding about how the legal services market is developing and about how the 2007 reforms are bedding in. The results, although early and somewhat tentative already show that real benefits are being delivered for the public.

It is vitally important that we understand this as we move forward and see further change in the legal sector in years to come.”

ENDS

For more information please contact the LSB's Communications Manager [Vincent McGovern](#) on 020 7271 0068 / 0795 622 6562.

Notes for editors:

1. The changes in competition report can be found [here](#).
2. The Legal Services Act (the Act) has given each approved regulator, the Office for Legal Complaints (OLC), and the LSB a legal duty to promote competition in the provision of legal services. One of the ways in which we do this is by monitoring of the impact of the reforms through reports such as the one published today.
3. This investigation is split into four parts, with each part designed to answer a specific question in relation to changes to competition. The four questions asked in this report are:
 - i. **What is the geography of the market?** Which looks at how consumers choose and use legal services and which we have informed using quotes collected on the sale of a freehold house in London in April 2013, using price comparison websites
 - ii. **How has market share changed?** Looking at how market shares measured by turnover have changed. This uses data provided by the approved regulators and the findings of recent surveys
 - iii. **How have firms changed?** Which relies on regulatory data and the findings of a survey of solicitors firms, and
 - iv. **How has innovation changed?** With this final part attempting to understand how the level of innovation has changed, using the findings of a review of media coverage.
4. The analysis is supplemented with the findings from the first survey of alternative business structure (ABS) licence holders. The full findings of this survey are available in annex 2 of the report.
5. In looking to meet this legal duty the LSB has published a number of reports monitoring of the impact of the reforms. These include the:
 - [Evaluation Framework 2011](#), setting out the post consultation framework for how we will do this,
 - [market impacts baseline report 2012](#), looking at all the regulatory objectives and stakeholders,
 - [2012 discussion paper on approaches to measuring access to justice](#) which we will take forward next year
6. The Legal Services Act ("The Act") created the Legal Services Board as a new regulator with responsibility for overseeing the regulation of legal services in England and Wales. The new regulatory regime became active on 1 January 2010. The LSB oversees eight approved regulators, which in turn regulate individual lawyers.
7. The LSB oversees eight approved regulators, which in turn regulate individual lawyers. The approved regulators, designated under Part 1 of Schedule 4 of the 2007 Act, are the Law Society, the Bar Council, the Master of the Faculties, the Chartered Institute of Legal Executives, the Council for Licensed Conveyancers, the Chartered Institute of Patent Attorneys, the Institute of Trade Mark Attorneys and the Association of Costs Lawyers.
8. In addition, the Institute of Chartered Accountants of Scotland and the Association of Chartered Certified Accountants are listed as approved regulators in relation only to reserved probate activities.
9. As at 1 April 2013, the legal profession comprised 126,624 solicitors, 15,335 barristers, 7,947 chartered legal executives and 4,184 other individuals operating in other areas of the legal profession such as conveyancing. The sector is currently valued at £25.49 billion per annum (total turnover in 2010).