

## Risk Outlook paper: Innovation in a competitive landscape

1 June 2022

### Introduction

Risk is two sided. There are many threats in the market that firms need to be aware of, and which we advise firms of through our guidance and publications such as the Risk Outlook. But risk also covers opportunities. Missing them can be just as much of a threat as many of the hazards we warn about.

This report covers what can be done by firms to seize some of those opportunities. It highlights notable innovations in the legal market, as well as the appetite and opportunity for investment into law sector innovations in the next few years. It is not part of our role to tell firms how to innovate, and only each firm's people know it well enough to recognise the new ways it could operate to meet its clients' needs better. However, we can highlight the ways legal and other businesses are innovating now, as a source of inspiration. We also show the ways in which we and others can help.

This report is part of a pair. We accompany it with a report relating to threats to information security. Protecting against cybercrime while taking advantage of the possibilities that advanced IT brings is a key challenge for firms, and we hope that these linked Risk Outlooks will help firms to position themselves to meet it.

Many law firms have come out of the pandemic in a relatively strong place, with turnover returning to [pre-pandemic levels](https://www.armstrongwatson.co.uk/services/covid-19-and-your-business/impact-covid-19-legal-sector/) [https://www.armstrongwatson.co.uk/services/covid-19-and-your-business/impact-covid-19-legal-sector/]. Many firms continued to serve their clients throughout the lockdowns by using technology and increasing the provision of online legal services. Firms have also innovated to improve their efficiency and reach, including through technologies such as AI and smart contracting.

However, innovation is also not all about technology or digital provision. It can include innovative strategies to:

- meet the needs of consumers in other ways, such as the unbundling of services
- attract or retain a motivated workforce, such as a trial of a four-day workweek or wellbeing investments, which might boost staff morale
- increase efficiency and competitiveness
- set up different business models, use external capital, or manage work flexibly.

The SRA's second strategic objective is focused on supporting the adoption of technology within legal services. We and other regulators support innovation to meet the challenges around access to justice, and help guide firms to provide services that meet people's needs. For example, the SRA has supported LawTechUK's regulatory sandbox, which allows innovators to test new services where we provide regulatory guidance to new business models and challenges arising from startups' services. This work is part of our [SRA Innovate](https://upgrade.sra.org.uk/solicitors/resources-archived/sra-innovate/) [https://upgrade.sra.org.uk/solicitors/resources-archived/sra-innovate/], offering which is a resource for solicitors to contact to learn about how they can receive regulatory support for innovations they want to test or new technologically-enabled processes they are thinking of adopting. This report explores the work of SRA Innovate further, in the section 'What are we doing to help?'. In addition, there are government and independent grants and schemes for developing new innovations.

As well as the benefits of innovating, there are also some potential risks and barriers, such as those set out in our Information and cybersecurity report. Other barriers to innovation include resource limitations, perceived uncertainty about what regulations allow, or limited confidence with, or the skills to use, new digital tools.

We aim to be a progressive regulator, so we are tracking new ideas and technologies which impact the work of solicitors. We want to engage with firms and learn what you feel might work best, and what barriers you are finding.

You can use the attached [survey](https://form.sra.org.uk/s3/Risk-Outlook-2022/) [https://form.sra.org.uk/s3/Risk-Outlook-2022/] to give us your views on the questions we ask throughout this report.

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### [Why do firms need to innovate?](#)

[Innovation](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/] involves introducing new services, making improvements to the delivery of existing or new services or making improvements to the marketing of services.

Digital service provision has an unprecedented role in our post-pandemic economy. In 2021, [44% of legal services](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/] were delivered online and [51% of firms surveyed had increase](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/]d the use of technology to process or manage legal work.

Some innovation involves legal technology, but not all. Innovating is crucial to law firms for many reasons, such as:



- helping firms to be more productive and efficient, possibly handling larger or more complex caseloads, reducing the friction between the different stages of a process or by reducing workloads for staff
- helping consumers with unmet legal need access legal services in more flexible or affordable ways
- remaining competitive in a global economy, where [English law might already have an advantage](https://www.smf.co.uk/publications/law-open-economy/).

## Meet more legal needs

Freeing up qualified solicitors from administrative tasks could increase their ability to provide more available, affordable and effective legal services. Innovative strategies are particularly needed to address:

- high demand in practice areas, such as immigration and asylum advice, where the supply of legal services [falls significantly short](https://www.lawsociety.org.uk/topics/research/civil-sustainability-review/) of demand
- the [increasing](https://ifs.org.uk/publications/15905) proportion of UK adults with vulnerabilities, particularly in relation to low financial resilience or low income, due in part to [changing macroeconomic pressures](https://ifs.org.uk/publications/15905)
- the remaining digitally excluded population, although decreasing in number, are [more likely to be older and financially vulnerable](https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2021/digital-divide-narrowed-but-around-1.5m-homes-offline) and increasingly find it harder to access many services that are being moved online
- There is also an estimated market opportunity of [£11.4bn per year](https://lawtechuk.io/explore/lawtechuk-report-2021/) for lawtech innovations to meet the legal needs of people and small businesses through enhanced accessibility and affordability.

## Save time

It has been estimated that online conveyancing services alone could make projected savings of [9 million hours](https://lawtechuk.io/explore/lawtechuk-report-2021/) a year. Early career solicitors and trainees are the [most likely to benefit](https://www.lawyer-monthly.com/2021/04/why-legal-tech-is-crucial-for-firms-to-attract-top-talent/) from innovation, as they are more likely to be completing tasks that legal tech innovations can accelerate. Although it might take time in the short term to master new technologies and working practices, the potential benefits of innovation are associated with the longer-term.

## Global and domestic competitive advantages

Many firms gain a competitive advantage in the UK and even globally through their innovations. These benefits may be amplified by the benefits of common law systems. Common law systems are viewed by some as [commercially advantageous](https://www.smf.co.uk/publications/law-open-economy/), due to their transparency, stability, predictability and responsiveness to business needs. Changes to day-to-day business practices, such as the increase in digital trade, blockchain technology, biotechnology, and environmental, social and governance pressures, continue to shape competition worldwide.

## The present and future of innovation

### What is currently happening?

Some firms are benefitting from software and data science tools which identify legal and compliance risks, speed up due diligence processes, generate automatic contracts, and help with legal research. In addition, artificial intelligence (AI) tools are some of the most significant technological advances supporting new and future innovations in UK law firms. Businesses in the legal sector [report adoption rates of around 30%](https://www.gov.uk/government/publications/ai-activity-in-uk-businesses), which is among the highest of UK-wide businesses.

We hope that the examples that we list in this section will serve as a source of inspiration as you consider and adopt your own innovations.

## Investment in tech expertise

Several large firms have recruited [specialist legal tech staff](https://peopleinlaw.co.uk/tech-an-emerging-area-for-law-firm-recruiters/). And specialised courses have emerged such as a Master's degree in Legal Technology and a [practical legal technology course](https://www.lawyer-monthly.com/2021/04/why-legal-tech-is-crucial-for-firms-to-attract-top-talent/) teaching the use of AI in legal matters. However, it is more common for firms to either [ask existing staff](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) to develop the knowledge or skills for tech adoption and innovation, or for them to [employ consultants with expertise](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/).

## New ways of working

Since the introduction of our reforms two years ago, there are now at least [400 freelance solicitors](https://www.lawgazette.co.uk/news/sra-says-solicitors-embracing-change-as-400-go-freelance/5110960.article/). Several freelance platforms have also emerged, creating additional ways for solicitors to control their own hours and fee



structures. [Freelance hubs or 'legal resourcing' businesses](https://www.thelawyerportal.com/blog/the-rise-of-the-freelance-lawyer/) [https://www.thelawyerportal.com/blog/the-rise-of-the-freelance-lawyer/], have also been a significant feature of some large commercial firms for years.

Over the past five years, [research has found](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/], that alternative business structures (ABSs) tend to be more innovative and more likely to adopt new legal technologies. Where firms have introduced new services in the last year, over half of these were about working differently rather than using new tech. For example, some firms have introduced integrated or holistic solutions, merging both legal and non-legal services, or adopting business structures that reduce costs or simplify operations.

New fully digital service providers allow solicitors to work remotely and consumers to access advice wherever they are in the world. One provider not yet regulated by the SRA is [implementing](https://www.artificiallawyer.com/2022/02/16/sprintlaw-the-totally-fixed-fee-fully-distributed-law-firm/) [https://www.artificiallawyer.com/2022/02/16/sprintlaw-the-totally-fixed-fee-fully-distributed-law-firm/] custom-built tech innovations to allocate projects or manage workflow, as well as systematising legal packages through data collection and analysis. Offering fixed fees is another way in which some legal service providers could be changing their approaches to work. The combination of fully digital provision and fixed fees creates a '[productised](https://www.artificiallawyer.com/2022/02/16/sprintlaw-the-totally-fixed-fee-fully-distributed-law-firm/)' legal service [https://www.artificiallawyer.com/2022/02/16/sprintlaw-the-totally-fixed-fee-fully-distributed-law-firm/].

## Government and institutional support for innovation

There are significant developments and efforts to support and promote innovation in the legal sector. For example:

- [online alternative dispute resolution \(ADR\)](https://www.gov.uk/government/consultations/dispute-resolution-in-england-and-wales-call-for-evidence#history) [https://www.gov.uk/government/consultations/dispute-resolution-in-england-and-wales-call-for-evidence#history] can make services more affordable and reduce the need to go to court.
- the [Official Injury Claim portal](https://www.officialinjuryclaim.org.uk/) [https://www.officialinjuryclaim.org.uk/], launched by the Ministry of Justice in 2021, allows motorists with minor injuries such as whiplash to seek redress without the costs and time associated with a legal process
- organisations, such as Tech London Advocates, a network of tech leaders and specialists in partnership with The Law Society, have recently published guidance on [the legal and regulatory features of blockchain](https://www.lawgazette.co.uk/news/sra-says-solicitors-embracing-change-as-400-go-freelance/5110960.article) [https://www.lawgazette.co.uk/news/sra-says-solicitors-embracing-change-as-400-go-freelance/5110960.article].

## How could this change?

### Future investment growth

More than 1.3 million businesses in the UK [might use AI by 2040](https://www.gov.uk/government/publications/ai-activity-in-uk-businesses/ai-activity-in-uk-businesses-executive-summary) [https://www.gov.uk/government/publications/ai-activity-in-uk-businesses/ai-activity-in-uk-businesses-executive-summary], with spending on this technology estimated to reach at least £200 billion by then. Annual investment in legal tech businesses is [estimated](https://lawtechuk.io/explore/lawtechuk-report-2021) [https://lawtechuk.io/explore/lawtechuk-report-2021] to reach £2.2bn annually and create 12,500 jobs by 2026. Innovations will create significant revenue in legal and related sectors, with an [estimate](https://lawtechuk.io/explore/lawtechuk-report-2021) [https://lawtechuk.io/explore/lawtechuk-report-2021] of £1.7bn in productivity gains in legal businesses, £8.6bn in cost savings, and £11.4bn from meeting unmet demand.

There are various types of potential investment growth areas in the legal sector, for instance:

- technology that enhances efficiency by further improving decision-making, automating document and data analysis, and increasing the use of smart contracts
- lawtech that allows for more consumers to access legal services and has the potential to free up resources
- regulatory compliance technology, which was the [fastest-growing investment](https://lawtechuk.io/explore/lawtechuk-report-2021) [https://lawtechuk.io/explore/lawtechuk-report-2021] area in recent years.

Many new technology initiatives are based around improving consumer interactions. [24% of firms](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/] in the study we commissioned by the University of Oxford stated that they currently were not using but planned to use legal technology in the future. More firms are intending to use online portals for status updates, interactive websites to generate legal documents, and virtual chatbots or assistants.

Firms in the United States began accepting cryptocurrency as payment for legal services [as early as 2013](https://www.law.com/americanlawyer/2021/05/17/more-law-firms-welcome-crypto-payments-but-few-clients-are-taking-advantage/) [https://www.law.com/americanlawyer/2021/05/17/more-law-firms-welcome-crypto-payments-but-few-clients-are-taking-advantage/], and this has grown gradually over time. This year, a UK-based law firm [started to accept cryptocurrencies](https://www.law.com/international-edition/2022/02/21/uk-law-firm-starts-accepting-crypto-as-payment/?kw=UK%20Law%20Firm%20Starts%20Accepting%20Crypto%20as%20Payment&utm_source=email&utm_medium=en&utm_campaign=uk) [https://www.law.com/international-edition/2022/02/21/uk-law-firm-starts-accepting-crypto-as-payment/?kw=UK%20Law%20Firm%20Starts%20Accepting%20Crypto%20as%20Payment&utm\_source=email&utm\_medium=en&utm\_campaign=uk] such as bitcoin or ether, partnering with a cryptoasset firm to acquire these payments from clients. This suggests possible future growth in crypto investment and technologies within the legal sector. However, evidence from the United States suggests that there may be [underexplored ethical and financial risks](https://www.ncbar.gov/for-lawyers/ethics/ethics-articles/is-it-ethical-for-lawyers-to-accept-bitcoins-and-other-cryptocurrencies/) [https://www.ncbar.gov/for-lawyers/ethics/ethics-articles/is-it-ethical-for-lawyers-to-accept-bitcoins-and-other-cryptocurrencies/]. Firms considering innovative payment methods such as cryptocurrencies should be aware of significant value fluctuations and their responsibility to ensure their transactions meet AML requirements.

### Labour market pressure

In 2021, 70% of young people [reported](https://www.bbc.co.uk/news/business-56479304) that they expect employers to invest in their digital skills. If firms are not able to provide technologies that improve the day-to-day work of newly qualified solicitors or trainees, they might lose out on talent to other firms or sectors of work. This may harm firms that are less able to invest in new technology or training, such as smaller firms.

There may also be future pressure on workflow innovation, due to rising employee demands for a greater work-life balance. A [trial of new working pattern](https://www.cityam.com/four-day-working-week-trial-in-uk-shows-10080100-model-is-growing-fast-but-same-job-in-less-time-may-power-stress-and-anxiety/) is ongoing in the UK, with no change to worker pay. Across all business sectors in the UK in 2021, [17% reported](https://www.bethebusiness.com/our-thinking/bethe-business-productive-business-index-edition-two-q1-2021/) that a four-day working week was being considered. Although this could boost workforce morale while maintaining productivity, the nature of client work may mean that firms could find difficulties in its introduction.

### New legislation and government innovation

Digital service provision will continue to be a growing norm across the legal sector. For example, the Judicial Review and Courts Bill aims to digitise court processes and establish an Online Procedure Rule Committee (OPRC) to determine the conduct of online proceedings. This will mean that solicitors with rights of audience will have to be familiar with the use of the [Common Platform](https://www.gov.uk/guidance/hmcts-services-common-platform) for pre-trial criminal court proceedings. In some cases, the role of legal representation could be reduced, as defendants will be able to plead guilty to minor summary-only offences online without court proceedings.

Meanwhile, innovation in various government processes will shape the behaviours and opportunities of solicitors across a range of sectors. Some of these innovations include:

- the Government Digital Service (GDS), [a public prototype of One Login](https://www.biometricupdate.com/202111/uks-government-digital-service-gains-funding-for-biometrics-sso-in-autumn-budget/), the UK government's digital identity system
- continued promotion by the Ministry of Justice of ADR, as indicated by the [their recent consultation on ADR](https://www.gov.uk/government/consultations/dispute-resolution-in-england-and-wales-call-for-evidence#history)
- a [centralised database of Local Land Charges](https://www.gov.uk/government/publications/hm-land-registry-local-land-charges-programme/local-land-charges-programme) currently in development by the HM Land Registry.

Since the Law Commission announced that [new legislation on smart contracts](https://www.legalfutures.co.uk/latest-news/no-need-for-new-laws-on-smart-contracts-law-commission-says/) is not necessary, it is likely that their use will spread. The Commission predicts that the market will develop practices and clauses which will [simplify negotiations](https://www.legalfutures.co.uk/latest-news/no-need-for-new-laws-on-smart-contracts-law-commission-says/) and address any [embedded risks](https://www.legalfutures.co.uk/latest-news/no-need-for-new-laws-on-smart-contracts-law-commission-says/). At the same time, solicitors should expect the law to change to meet some currently unforeseen implications of new technologies.

For example, the Law Commission:

- [recently recommended](https://www.theguardian.com/technology/2022/jan/26/self-driving-car-users-should-have-immunity-from-offences-report) that users of truly self-driving cars should have immunity from several motoring offences, placing the liability instead on the company or body who obtained authorisation for the self-driving vehicle
- is [expected to report](https://www.ft.com/content/5867d869-6a86-46b4-a65f-18836ea1df09) on digital cross-border assets in 2022, while legal uncertainty remains in areas such as the application of intellectual property law, limited liability, tax and data protection laws on blockchain technologies.

There are multiple proposals and initiatives underway to shape standards for innovation, for example:

- Richard Susskind recently proposed the [creation of a legal innovation institute](https://www.ft.com/content/5867d869-6a86-46b4-a65f-18836ea1df09) to highlight areas in the law challenged by new technologies such as AI.
- the Department for Digital, Culture, Media & Sport (DCMS) and Office for Artificial Intelligence (OAI) recently announced that The Alan Turing Institute, alongside the British Standards Institution (BSI) and National Physical Laboratory (NPL) will look at how to shape global standards for AI via a [new UK government pilot initiative](https://www.gov.uk/government/news/new-uk-initiative-to-shape-global-standards-for-artificial-intelligence).
- the [National Cyber Strategy 2022](https://www.gov.uk/government/publications/national-cyber-strategy-2022/national-cyber-security-strategy-2022) will push for the development and use of UK-based technology and could provide more development opportunities in technology.

Broader initiatives may also help firms innovate in the long term. For example, [the Levelling Up White Paper](https://www.gov.uk/government/news/government-unveils-levelling-up-plan-that-will-transform-uk) sets out the Government's aim to increase Research and Development outside of the Greater South East by at least 40% by 2030, establish new Innovation Accelerators across England and Wales, and invest £16bn in local projects. These developments could assist firms in understanding and benefitting from emerging innovations, while ensuring they comply with existing regulations.

### New ways of structuring working practices



We are also seeing changes in how firms and unregulated providers offer services and how they structure their businesses and working practices, for example:

- our [pilot study on unbundled services](https://upgrade.sra.org.uk/sra/news/sra-update-97-unbundling/) [https://upgrade.sra.org.uk/sra/news/sra-update-97-unbundling/] in collaboration with the Law Society and the Legal Services Consumer Panel (LSCP) examines the ways that firms are using unbundling (providing part of rather than the whole of a legal services relating to a case) to meet client needs. This pilot is being supported by other legal regulators.
- as firms are [increasingly operating as limited companies](https://www.sra.org.uk/sra/research-report/regulated-community-statistics/data/solicitor_firms/) [https://www.sra.org.uk/sra/research-report/regulated-community-statistics/data/solicitor\_firms/], instead of traditional partnerships or sole practitioners, more firms might follow suit, “innovating” through their business structures
- emergence of [digital property exchange platforms](https://www.mortgagesolutions.co.uk/news/2022/02/15/digital-property-exchange-platform-pexa-to-enter-uk-market/) [https://www.mortgagesolutions.co.uk/news/2022/02/15/digital-property-exchange-platform-pexa-to-enter-uk-market/], which track exchange processes in real time and may speed up the conveyancing process
- growing [remote or online legal service providers](https://www.artificiallawyer.com/2022/02/16/sprintlaw-the-totally-fixed-fee-fully-distributed-law-firm/) [https://www.artificiallawyer.com/2022/02/16/sprintlaw-the-totally-fixed-fee-fully-distributed-law-firm/], providing flexible work and access for both solicitors and consumers
- growth of freelance platforms or ‘legal resourcing’ businesses in the coming years could increase the flexibility of legal work, and both competition and a reduction in business overhead costs might lead to lower costs for consumers.

The growth of freelance platforms could lead to both risks and benefits for solicitors and consumers. Freelance platforms offer flexibility, convenience, and cost savings for both solicitors and their clients. However, they could be seen as having fewer opportunities for career progression, benefits, and security. As a result, the development of competition between more traditional firms and freelance platforms is unclear at present.

Meanwhile, the [emergence of online exchange platforms](https://www.mortgagesolutions.co.uk/news/2022/02/15/digital-property-exchange-platform-pexa-to-enter-uk-market/) [https://www.mortgagesolutions.co.uk/news/2022/02/15/digital-property-exchange-platform-pexa-to-enter-uk-market/] in conveyancing could speed up remortgage periods and reduce costs for homeowners. At the same time, any unregulated provider is not covered by the same access to recourse for consumers, which might create risks for some consumers.

## What are the barriers to future innovation?

### Trust and risk

People’s uncertainties and perceptions of potential risks slows innovation. For example:

- there is a [need to improve trust](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/] in the use of legal technology, particularly due to uncertainty around where the [liability for damages](https://www.ft.com/content/5867d869-6a86-46b4-a65f-18836ea1df091) [https://www.ft.com/content/5867d869-6a86-46b4-a65f-18836ea1df091] lies when using AI as well as the [risks of discrimination](https://www.ft.com/content/5867d869-6a86-46b4-a65f-18836ea1df091) [https://www.ft.com/content/5867d869-6a86-46b4-a65f-18836ea1df091] by AI
- there is a need to [clarify the coverage](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/] offered by professional indemnity insurance and data protection requirements
- the different levels of knowledge held by providers and users of lawtech could also slow innovation, as firms might not completely understand the benefits or use of technologies they could consider adopting
- there is evidence of the [failure of some technology providers](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/] to provide software access or other development work which would permit the integration of multiple pieces of technology or new approaches
- [evidence from fintech](https://observer.com/2021/11/2021-the-year-of-fintech-failure/) [https://observer.com/2021/11/2021-the-year-of-fintech-failure/] suggests that some ambitious innovations can and do fail, and so the risk of adopting the ‘wrong’ technologies or innovations could also reduce trust in new practices or lawtech, rather than this being seen as valuable learning experience.

### Scale and resources

Smaller firms representing the individual consumer and small business client sector are [less likely to innovate](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/] or adopt new technologies than large firms whose clients may be larger businesses. This is due to, among other reasons:

- the financial and staffing limitations faced by smaller firms
- the greater access to venture capital funding at large firms.

[Faster employment growth](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/] could explain the growth in technological innovation within the unregulated sector, and relatively greater demand for lawtech skills in non-law roles.

[Access to the data](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) [https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/] needed to develop some technological innovations is also affected by scale and resources. Future initiatives to spread legal data more openly might help bridge this gap. There are tools for lawtech providers who want to learn more about sharing data, such as a [toolkit](https://lawtechuk.io/explore/legal-data-sharing-toolkit/) [https://lawtechuk.io/explore/legal-data-sharing-toolkit/] providing guidance on legal data sharing from Lawtech UK.

### Digital divide and vulnerable populations

We know that innovation can help meet legal needs, though technological solutions might not meet the needs of all of the digitally excluded. Between January to February 2020, [96% of households](https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccess) [https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccess]



in Great Britain had internet access, though much lower numbers were regular users of online services. For example, within the same period, [76% of adults used internet banking](https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccess) , while [87% of all adults shopped online](https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccess) .

Although the digital divide is likely to continue to improve over time, there will likely continue to be some people without reliable access to internet services or who struggle with accessing online services due to language barriers, digital skills or limited support from others who can help them. Therefore, inclusive innovations will be needed to reach some vulnerable people. Strategies could include those which:

- target the broader network of carers, GPs and local charities that support vulnerable individuals
  - for example, in response to the pandemic, [new apps](https://healthinnovationnetwork.com/news/new-digital-innovations-tested-for-vulnerable-people-during-covid-19-outbreak/) have helped carers identify health risks and helped charities manage their volunteers
- increase provision of lawtech services in Welsh and other common languages in the UK, so that innovative tools do not exclude solicitors and consumers of legal services with primary languages other than English.

### Internal digital skills

Not all firms have the same knowledge of lawtech and how to access it. In 2019, the Law Society found that the use of advanced technologies was low across the profession relative to other fields, due in part to traditions of the partnership model and hourly billing practices.

In a more recent study across different professions, one of the main challenges facing UK businesses over the next five years is [insufficient internal skills](https://www.weforum.org/agenda/2022/01/digital-inclusion-skills-gap-business-divide/) . Half of surveyed law firms [cite a lack of staff expertise](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) to assess and implement technology as a barrier to lawtech adoption. At the same time, [internal staff knowledge of legal technology](https://www.sra.org.uk/sra/research-report/technology-innovation-in-legal-services/) is one of the most significant ways in which law firms learn about the legal technology they are using or planning to use, in addition to lawtech providers and market research on other firms.

In 2021, law firms made [significantly lower investment](https://lawtechuk.io/explore/lawtechuk-report-2021/) in tech R&D than in other sectors, however this came during a period when the UK lawtech market [grew 101%](https://lawtechuk.io/explore/lawtechuk-report-2021/) , faster than other tech sectors such as fintech or healthtech. Therefore, internal skills will soon need to match the increase in lawtech use across the sector.

### What are we doing to help?

As we have said, although we want to see firms innovating to succeed, we cannot tell you how and when to do so. Not only is that not our role as a regulator, your direct knowledge of your own firms' and consumers' needs will be a far better guide than we could offer.

What we can do is to direct you to the sources of assistance that we know of, and to show how we can help you make sure that new processes and techniques comply with your regulatory and legal requirements. We also want to hear from you about what more we could do to assist.

We are involved in several programmes to encourage innovation in the legal sector. This list is by no means exhaustive but covers some of the key projects or activities from which solicitors, and consumers could benefit.

### SRA Innovate

[SRA Innovate](https://upgrade.sra.org.uk/solicitors/resources-archived/sra-innovate/what-is-our-offer/) offers resources for both firms and lawtech providers that want to test technology or streamlined legal service arrangements. Our innovation team give advice on designing products and services to legal businesses, and our dedicated professional ethics guidance service give advice on any regulatory barriers that firms think could be stopping them from doing something new.

### Regulators' Pioneer Fund (RPF)

The Better Regulation Executive (BRE) from the Department for Business, Energy and Industrial Strategy (BEIS) created the RPF to help innovative businesses invest, innovate, and use emerging technologies. In the first round of the RPF (RPF1), we successfully won a grant to help develop innovative technologies to make legal services more affordable, understandable and convenient. For RPF1, we ran the Legal Access Challenge in partnership with Nesta, which aimed to support direct-to-user products, services and platforms to help individuals and SMEs resolve their legal problems. The Legal Access Challenge led to the distribution of £50,000 to eight finalists, as well as an additional £50,000 to two winners to support their product development and distribution to market.

In September 2021, we successfully won [another grant from the RPF](https://upgrade.sra.org.uk/sra/news/press/2021-press-releases/regulators-pioneer-fund-2021/) (RPF2), to improve legal access within local communities. For RPF2, we are working with partners at Swansea and West of England Universities, the Information Commissioner's Office

and the West of England Combined Authority. We will be working with communities around Swansea and Bristol to test new developments.

To date we have begun to:

- prepare a regional analysis of legal needs and people's legal confidence
- look at the development of vulnerability indicators in specific locations
- summarise international best practices and available self-help tools
- conduct workshops with advice agencies to explore how technology can support access to justice.

We have recently published [an interim report on RPF2](https://www.sra.org.uk/sra/research-report/regulators-pioneer-fund/) [https://www.sra.org.uk/sra/research-report/regulators-pioneer-fund/].

### **Unbundling pilot**

When services are unbundled, solicitors deal with only a portion of the required casework, while the client carries out other aspects of the case themselves. [For example](https://www.directlaw.com/UnBundlingLegalServices.asp) [https://www.directlaw.com/UnBundlingLegalServices.asp], a solicitor might agree to give advice only on those questions the client raises with them, or that the client will prepare most forms with support from the solicitor.

Our unbundling pilot will run until late spring of 2022, testing the experiences of providers and users of these services in family law. This research will help us understand the ways that legal services can be divided into standardised products, as proposed by the CMA.

Working in collaboration with the Law Society and the Legal Services Consumer Panel (LSCP) and supported by the Bar Standards Board (BSB), we aim to:

- explore the understanding and use of unbundling in the legal sector
- understand the potential benefits or drawbacks for consumers and firms who use unbundled services
- gain insight into practical, regulatory, and legal issues or risks which might arise from these services
- help firms test new or innovative ways of service delivery.

We are currently in the process of conducting interviews with firms and analysing the results of a survey which aims to gauge the understanding of unbundling in the legal sector.

### **Engagement and collaboration**

In October, eight start-ups were confirmed for the second cohort of the LawTechUK Sandbox. These start-ups are:

- Avvoka
- Feesier
- Hunit
- LegalMe
- Lexyfi
- Smarter:Contracts
- Valla
- What Visa?

We provide support to the start-ups as well as LawTechUK's Data Working Group. This working group looks at datasets that are available for the sandbox, as well as potential ethical considerations.

As part of BEIS's international Agile Nations programme, we are also leading a professional services Lawtech Working Group. More information on this work is available in our December [Chief Executive's Report](https://upgrade.sra.org.uk/globalassets/documents/sra/board-meetings/2021/sra-board-item-5---ceo-report.pdf?version=4afc4e) [https://upgrade.sra.org.uk/globalassets/documents/sra/board-meetings/2021/sra-board-item-5---ceo-report.pdf?version=4afc4e] and our [current projects](https://upgrade.sra.org.uk/solicitors/resources-archived/sra-innovate/innovate-projects/) [https://upgrade.sra.org.uk/solicitors/resources-archived/sra-innovate/innovate-projects/] on SRA Innovate.