



The Law Society

## Law Society Market Analysis 2012

Highlights from the main sectors report

March 2013



## Legal Services Market, part 2: Main Sectors

A Law Society project team has produced a series of assessments of the shape, nature and size of the legal services market and the factors likely to drive change in the future.

The main sectors report is the second publication in the series and it provides a synthesis of information about:

- Top 200 SRA regulated entities by turnover
- Small and medium sized firms outside the top 200 by turnover
- Advocates; and
- In-house lawyers.

This follows the recent publication of an overview of the legal services market as a whole which was published on 6th February 2013 and can be accessed here [www.lawsociety.org.uk/market-assessment/](http://www.lawsociety.org.uk/market-assessment/).

### **Highlights of the report**

Solicitors and barristers together contribute the largest proportion of UK legal services turnover (around 60%). The sectors report from the Law Society's market review team focuses on these regulated providers in private practice and those working in commercial businesses. Although firms regulated by the SRA take many forms, they have been divided into two very broad groups, for the purposes of analysis: top 200 by turnover and firms outside the top 200. Within the two groups there is considerable heterogeneity but even this broad division highlights two very different worlds within the market.

The group of the top 200 constitutes just under 2% of all SRA regulated entities yet employs over two-fifths of all solicitors in private practice and generates two-thirds of total fee income. After a turbulent two years, fee income, for the top 100 at least, has stabilised.

Nearly half of the income generated in England & Wales by these firms comes from business and commercial work for listed and non-listed companies and, amongst the top 50, income from international work and operations is increasingly significant and important in terms of their viability.

Firms outside the top 200 (98% of all firms) are much more likely to have experienced decreases in fee income over the past three years than top 200 firms. Unlike top 200, work from private individuals accounts for around 50% of small and medium SRA-regulated firms' turnover. Small and medium firms tend to dominate (relative to non-solicitor providers) in the provision of the most common 'retail' services: conveyancing, family, probate, wills, PI (followed by immigration, employment and crime) and demand in many of these areas has been affected by the economic climate and other factors.

The behaviour of purchasers impacts on top 200 and high street firms alike but, beyond that, the factors driving change, or presenting challenges and opportunities for firms, tend to differ. Top 200 firms face the challenges of the local economic climate but have the opportunities (and risks) presented by demand for services in the international context. This brings with it challenges around different regulatory demands and the domestic regulatory framework. However, these are more likely to be hurdles than threats to viability. Firms outside the top 200 face what appears to be a much more hostile environment, facing pressure from a range of interconnected issues that are likely to threaten the viability of many operators and impede access to justice by private individuals - especially those who lack the capital to invest in order to adapt or innovate.

Barristers are the main providers of advocacy but are facing the potential of increasing competition from a growing number of solicitors and CILEx with higher rights of audience.

In addition, publicly funded barristers face many of the same pressures experienced by legal aid solicitors. It is too early to tell whether changes such as direct access, BARCO and ProcureCo are likely to pave the way into barristers taking some of the work that might traditionally have gone to solicitors but the markers have been placed.

Finally, whilst the number of solicitors in private practice dropped for the first time in 2012, solicitors working in-house continue to grow in number. The key finding for this group is the pivotal role in-house lawyers, more generally, have to play in shaping the wider market for legal services: their purchasing decisions have the potential to influence the shape and nature of supply from private practice firms and, increasingly, private practice is no longer the only option and probably is not the cheapest.

The report is now available on the Law Society website, here [www.lawsociety.org.uk/market-assessment/](http://www.lawsociety.org.uk/market-assessment/) along with the first report in this series covering the overall market.