LEGAL SERVICES BOARD
Legal Services Board
One Kemble Street
London
WC2B 4AN

T 020 7271 0043
F 020 7271 0051

www.legalservicesboard.org.uk

Maria Rican-Sevitz
Assistant Project Director
Sector Regulation Unit
Competition and Markets Authority
Victoria House
Southampton Row
London WC1B 4AD

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Dear Ms Rican-Sevitz,

Supplementary submission to CMA legal services market study: prices research

The LSB's first submission on the CMA's statement of scope, dated 3 February 2016, highlighted forthcoming research on behalf of the LSB into the prices of common legal services for individual consumers. This research, which is published today[1], for the first time provides **robust data on the average price of services** charged by a range of regulated and unregulated providers in the areas of:

- conveyancing;
- divorce;
- will-writing;
- probate;
- estate administration; and
- lasting power of attorney.

The study also provides some insights into **the extent of price competition** in the market, on which we wish to make some observations.

It is of course not possible to make definitive statements about price competition on the basis of a single research study and the CMA will no doubt wish to take into account evidence from a wide range of sources in forming its views. Our research also does not consider the varying quality and types of service between providers. Nevertheless, in our view the findings of this research may be consistent with weak price competition in these key segments of the legal services market.

[1] The full report is available on the LSB's website. As is our standard practice for all our research, we have also published the underlying dataset in Excel and SPSS formats in the interests of transparency and so that any individual or organisation can make use of the data.

The main areas of concern which we identify from the research are as follows:

- There appears to be a low level of price transparency with only 17% of providers in the sample overall displaying prices on their websites. Notably, providers that published their prices were cheaper for 14 out of 15 standardised services with the difference in price ranging between 2% and 37%. While the varying nature of an individual consumer's legal needs means it will not always be straightforward for providers to indicate prices in advance, this level of transparency is lower than might be hoped for, especially given the very common scenarios chosen.
- The research found substantial variation in the prices charged for the same service, as shown by the difference between the averages for the 25% highest and 25% lowest prices collected. For example, while the mean price for conveyancing for a freehold property sale was £640, the upper range was £700 and the lower range was £500.
- Providers located in the South East of England quoted significantly higher prices across each standardised service: 38-48% for the conveyancing services, 21-62% for the divorce services and 29-88% for the life planning services. Of course costs may be higher in the South East. But it is also of note that most providers surveyed in the research were only willing to serve local markets. This varied across services but the highest proportion of providers willing to provide services to clients remotely was just 52%, in conveyancing.
- Only 4% of providers in the sample stated they had reduced their prices over the previous 12 months, whereas 67% reported they had remained the same and 29% had increased their prices (although data on the scale of price increases was not collected). Again, this observation may in part reflect changes in underlying costs, but could also be consistent with weak downward pressure on price.

There were some more positive signals, however, in particular:

- The wide availability of fixed fee deals which consumers value because they offer greater certainty on price. As might be expected, the availability of fixed fees was higher for more simple services, but a significant minority of providers offered fixed fees even for complex divorce services (42% and 36%) and the estate administration services (23%).
- Geographic analysis suggests that prices are lower in deprived parts of England and Wales[2], which may indicate that the market – to a degree and at

[2] Indices of Deprivation are published every three years by the Department for Communities and Local Government. Postcode analysis was conducted to match the survey figures against deprived/other areas.

a local level –takes into account the consumer's ability to pay (although lower business running costs may also explain this, at least in part).

These findings should be seen in the context of other research and evidence, in particular findings showing low levels of shopping around[3] and few comparison website services to support consumers in searching the market for good deals. Furthermore, the lack of price transparency does nothing to alter perceptions about the high cost of legal services, and thus inhibits efforts to address unmet legal need. The Board will shortly be writing out to the legal services regulators to encourage them to explore further steps to increase price transparency, as part of the LSB's response to a recent report by the Legal Services Consumer Panel which also addresses this issue[4].

Finally, I hope you find the research and our observations above helpful and we would be very happy to discuss these further with you.

Yours sincerely

Neil Buckley
Chief Executive

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[3] The Legal Services Consumer Panel Tracker Survey suggests that 25% of consumers shop around.
[4] *Opening up data in legal services*, February 2016 http://www.legalservicesconsumerpanel.org.uk/publications/research_and_reports/documents/OpenDataInLegalServicesFinal.pdf