

RESEARCH SUMMARY

June, 2016



UNREGULATED LEGAL SERVICES PROVIDERS

1. About the research

i We conducted research to help us understand more about unregulated services – who is providing them and in what parts of the market, and the risks and benefits associated with them. We define unregulated providers as providers who are not authorised and regulated under any legal sector specific legislation, and who (for the purposes of this research) are providing legal services for profit and as a significant focus of their work.

The project involved an **internal mapping exercise and externally commissioned research** involving provider and stakeholder interviews, a review of provider websites, analysis of legal need surveys and desk research. The research looked in detail at **will-writing, online divorce and intellectual property**.

2. Key findings

i **For profit unregulated providers make up a small proportion of the legal services market.** In the individual legal needs survey, they represented 4.5-5.5% of cases in which consumers paid for advice or representation. In contrast, not for profit providers, most of whom will be unregulated, accounted for approximately 37% of all legal problems where advice was sought.

Benefits for consumers include lower prices and greater price transparency compared to regulated providers, innovation and service differentiation, and competitive impact on regulated providers.

The main **risks to consumers** relate to consumers **not making informed choices** and **misleading advertising claims**. The research did not assess the technical quality of work.

Consumer satisfaction with customer service is broadly comparable across regulated and unregulated providers – 84% versus 81% respectively.

More than half of consumers who instruct for profit unregulated providers are aware of their regulatory status. Of those who don't check, a significant proportion do not do so because they assume that they are regulated.

There is a **limited potential market for voluntary regulation** beyond existing trade associations given the size of the market and low appetite for such initiatives among providers.

3. Regulatory insights

i **The for profit unregulated sector is smaller than expected**, although in some segments these providers have gained a significant market share.

Based on the evidence of benefits and risks to consumers and limited potential market for voluntary regulation beyond existing trade associations, **the LSB will monitor developments but will not pursue a voluntary arrangement under the Legal Services Act.**

Consumers should be encouraged to check whether or not providers are regulated.

4. Estimates of market shares – in segments where the market share could be estimated with an acceptable degree of confidence

Consumer problem type	Indicative market share of for profit unregulated providers	Types of for profit unregulated providers
1. Family (divorce)	10-13% (EI 2016)	<ul style="list-style-type: none"> ▪ Online divorce providers ▪ Fee-charging McKenzie Friends
2. Property, construction and planning	10-11% (ILN 2016)	<ul style="list-style-type: none"> ▪ Landlord advice services ▪ Tenant eviction services
3. Wills, trust and probate	7-9% (ILN 2016)	<ul style="list-style-type: none"> ▪ Wills and estate administration providers ▪ Specialist will writers ▪ DIY/automated providers
4. Intellectual Property	7-8% (EI 2016)	<ul style="list-style-type: none"> ▪ Trademark and patent providers ▪ Invention promotion companies
5. Employment	4-5% (SB Legal Needs)	<ul style="list-style-type: none"> ▪ HR/business support services ▪ Fee-charging McKenzie Friends
6. Conveyancing	2% (ILN 2016)	<ul style="list-style-type: none"> ▪ DIY/automated providers
7. Injury	1-2% (ILN 2016)	<ul style="list-style-type: none"> ▪ HR/business support services
8. Civil liberties	1-2% (ILN 2016)	<ul style="list-style-type: none"> ▪ Fee-charging McKenzie Friends

*Estimated market shares are based on analysis of the LSB/Law Society Individual Legal Needs Survey (2016) and the LSB Small Business Legal Need Survey (2015).

5. Three segments – in detail

Wills and estate administration

- Over 1,600 for profit unregulated providers – mainly sole traders
- These write 65,000 wills per year (7-9% of purchased wills)
- Generally conduct home visits to secure business and to take instructions
- About half of providers are members of the two largest trade associations

Divorce

- Currently five active unregulated providers, operating 11 websites
- Assist an estimated 23-30,000 clients annually (10-13% of individuals getting a divorce)
- Services delivered online, acquisition reliant on search engine optimisation and adwords
- Services range from DIY packages (av. £36) to managed services (av. £173)

Intellectual property

- 26 trademark and patent providers and 8 invention promotion companies
- Unregulated providers sometimes employ UK regulated or European Patent Attorneys
- File 7-8% of UK patent and trademark applications
- Indemnity insurance common but formal complaints processes less prevalent