

Price transparency in the legal services market

25 January 2018

Research reports

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Summary

Why we commissioned the research

In December 2016, the Competition and Markets Authority (CMA) published its market study into the provision of legal services in England and Wales. The CMA concluded that competition in legal services for individual consumers and small businesses was not working well. It found that there was not enough information available on price, quality and service to help those who needed legal support to choose the best option. The study found that this lack of transparency was weakening competition between providers, and meant that some consumers, in particular vulnerable consumers, did not obtain the legal advice they needed.

We conducted this research to inform our thinking on whether we should make firms publish price information, and if so, how. Specifically, we sought to identify what type of information would be most useful for firms to publish, and how firms should present this information to consumers. Through engagement with firms, we also aimed to identify what they saw as the key barriers to publishing price information.

We commissioned research with members of the public from Economic Insight, an independent research organisation. This included the first large-

scale consumer trial in the legal services market. We undertook the accompanying survey of law firms.

Our research involved:

- an online survey of 1,001 recent purchasers of conveyancing services.
- a randomised, controlled trial which presented a series of model legal service websites to 4,001 consumers, which allowed us to estimate the effect of price information on consumer choice.
- an online survey of regulated solicitors' firms exploring their attitudes towards publishing price information, including whether they currently publish prices and what they see as the main benefits and barriers to price transparency.

A key recommendation of the CMA's report was for regulators to use consumer testing and behavioural research methods to assess the impact of policies aimed at increasing transparency in the market. The main method used in this research was a randomised, controlled trial, which is widely considered as the gold standard for policy evaluation and behaviourally-informed research, and this research is the largest of its kind in the legal market.

What did the research find?

Price and shopping around

Respondents to our survey expressed a clear appetite for shopping around when purchasing legal services, with 66% saying they considered more than one solicitor when instructing conveyancing work and 71% spending more than an hour researching options.

The majority of respondents said that price information was not readily available, with only 15% being able to get price information without having to contact a solicitor directly for a specific quote or approaching a third party.

Our survey supported other research in showing a firm's reputation (42%) and price (32%) are the two most important factors when choosing a law firm, ahead of location (26%) and a personal recommendation (22%). Firms also made it clear that they think it is important for people to focus on a number of different factors such as quality and consumer protections when they choose their legal provider.

Consumer trial

The independent research showed that people are more likely to make good financial decisions when prices are more readily available, although



some people still found it difficult. We saw no strong preference for a particular pricing model in the online trial. People were equally likely to choose a provider that offered fixed fees, hourly rates, or an estimate of costs. However, regardless of the way that price was presented, some participants found it difficult to make good price-related choices, with 58% of participants choosing one of the three better value options when presented with six providers.

Effect of pricing model

On the whole, participants were no better or worse at making good decisions depending on the pricing model that they were presented with. However, the longer that participants spent completing the task, the more likely they were to be influenced by the pricing model. In this case, we found that participants were more likely to select one of the better value options when presented with fixed fees as opposed to hourly rates.

Effect of price presentation

The way that price was presented on the website did significantly affect participant's ability to make good decisions. For example, 62% of participants made good choices when prices were readily available on the homepage of the website, compared to 57% of participants when prices had to be sought by filling out an online form (a 9% improvement).

Firm survey

In the firm survey, we found that most respondents did have a website (83%), while others were in the process of developing one. Only 18% of all firms advertise prices. Reasons for not publishing ranged from basing price on the needs of each client (53%), to not wanting competitors to see their prices (17%).

Of those firms that did advertise price, 70% of firms did so in order to make it easier for clients to understand their services, 57% to attract more clients and 31% to be more competitive. We asked firms what type of guidance would be useful to publish price information, 71% said that general best practice information would be useful, and 66% would like to see examples and templates of how to present price information.

What we will do with these findings

As part of our recent Looking to the future: better information, more choice consultation [<https://www.sra.org.uk/sra/consultations/consultation-listing/ltrf-better-information-consultation/>], we proposed that firms we regulate publish price for certain legal services. We also proposed that firms should publish a description of the services included in that price. We suggested that this information could help people find legal services that better meets their

needs. We received responses to our consultation from a wide range of stakeholders. We will take the findings of this research, along with our analysis of consultation responses and ongoing engagement with stakeholders, into account in developing our thinking. We expect to issue a formal consultation response by the summer of 2018.

This research has supported the wider assertion that while price is important to consumers, there are a number of other factors that they take into consideration when choosing a legal provider. We will carry out further research this year to explore how information on complaints, quality signals, and protections could help people make better legal choices. We will use this evidence to inform our next steps.

*Infographic - Research findings
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