

Impact evaluation of SRA's regulatory reform programme

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[<https://www.sra.org.uk/globalassets/documents/sra/research/abs-evaluation.pdf?version=4a1ac2>]

Background

We have delivered significant regulatory reform to the legal market in recent years, intended to make legal services more accessible and help meet legal need by making it easier for non-lawyers to participate in legal services.

Key developments have included the introduction of

- Alternative Business Structures (ABSs) in 2012
- Multi-Disciplinary Practices (MDPs) in 2014
- the reformed separate business rule in 2015

To help us understand the early impact of these changes, including identifying evidence of any benefits or unintended consequences, we commissioned the Centre for Strategy and Evaluation Services (CSES) and Dr Christopher Decker, of Oxford University, to conduct independent research evaluating the impact of these reforms.

The evaluation involved a literature review, focus groups and in-depth interviews with solicitors, law firms and legal service users.

Key findings

The impact of these reforms has been gradual and incremental. Early indications show that users of legal services are beginning to see benefits.

Introducing ABSs and MDPs, and removing restrictions on firm ownership, have allowed new entrants (including foreign law firms, firms owned by professional services firms, local authority owned firms and retail brands) into the market. This has resulted in improved access, choice and quality of service for legal service users and innovation in provision.

There was no evidence to suggest that these reforms have detrimentally impacted, or resulted in a greater risk to, users of legal services.

Licensing of Alternative Business Structures

- Extending law firm ownership to include non-lawyers has contributed to the improvement of the financial stability of some law firms through attracting, promoting and retaining people with corporate management skills and encouraging external investment.
- ABSs appear more innovative than other types of law firm. According to a 2015 survey, conducted by Enterprise Research Centre, ABSs are particularly likely to have delivered radical service innovations or organisational innovations in the last three years, compared with non-ABSs.
- Many ABSs have targeted a mass market, including users of legal services who have lost access to legal aid. This should increase the diversity of people using solicitors, improve access and promote inclusion.
- Regulatory data shows that ABSs do not pose a greater risk to users of legal services, when compared with other firm structures and business models.

Licensing of Multi-Disciplinary Practices

People, particularly clients of accountancy and other professional service providers, are benefiting from a more integrated service offer by not having to engage a law firm separately.

Where parts of an MDPs business are overseen by other regulators, there is as much, or even more, protection for users of legal services.

Revision of the separate business rule

Revision of the separate business rule has allowed new providers to enter the legal services market without requiring a complex set of waivers to existing rules.

Firms that are connected to a separate business do not pose a greater risk to users of legal services, when compared with other firms.

What we will do with these findings

This early stage evaluation has shown the impact of these reforms to be gradual. Providers are starting to make increased use of the flexibilities offered and users of legal services are beginning to see the benefits, through better choice and availability of legal services and increased competition.

There is no evidence that these reforms have caused any harm to users of legal services or the public. However, the full effects of these reforms, particularly the revision of separate business rule, will only become evident in the next few years, with most contributors to this research expecting the longer-term impacts to be more significant.

We are continuing to reform our regulation through Looking to the Future (LTTF) [<https://www.sra.org.uk/sra/consultations/consultation-listing/code-conduct-consultation/>] and Better Information, More Choice (BI). We want to help encourage a more competitive and diverse market that truly meets the needs of people and businesses that need legal help. We consider it good practice that our key regulatory reforms should be subject to comprehensive, but proportionate evaluation.

CSES and Chris Decker have also developed an impact evaluation framework [<https://www.sra.org.uk/sra/consultations/consultation-listing/code-conduct-consultation/>], which was published last summer. This framework will be used to evaluate the longer-term impacts of our, including impacts on the public, law firms, the diversity of providers and users, and the wider legal services market.