Transforming the UK legal sector through technology

Our vision
Summary

LawtechUK is a collaborative initiative between Tech Nation, the Lawtech Delivery Panel and the Ministry of Justice, to support the digital transformation of the UK legal sector. LawtechUK will focus on increasing awareness and understanding of lawtech and fostering transformative innovation for the legal sector. The LawtechUK work programme will include a government backed Lawtech Sandbox for innovative R&D, and the development of new platforms, toolkits and online training. It will support and encourage technology pioneers to deliver what business and wider society need from legal services and dispute resolution in the digital era.

The case for leadership

The law and legal services serve an essential purpose in society, ensuring our collective rights and responsibilities and enabling economic activity. As such, the legal sector must keep pace with a fast changing and increasingly complex landscape, in order to deliver what society and the economy need from legal services into the future. The global pandemic, Covid-19, is bringing an even greater urgency to the task of fundamentally restructuring the delivery of legal services and systems worldwide.

The UK legal market is a longstanding leader in the global legal services market. Legal, technological and academic excellence, world renowned courts and dynamic case law, regulation that supports competition, and strength in rule of law, provide a strong foundation to lead the necessary transformation of the sector.

The adoption of new technologies and processes into this market could more than double productivity and reduce the costs of legal services to UK business users by £350 million by 2030. Innovation will allow for greater handling of case volume and complexity and, as is already being seen in the fintech sector, better risk management, and new methods, models and markets. The global legal sector was on course (pre Covid-19) to be valued at $1trillion. The capacity for development is significant, with a range of legal markets as yet underserved or untapped.

This shift has begun. The UK is emerging as a centre for lawtech, with innovators and tech-trailblazers activating and shaping change in legal services delivery across law firms, in-house and beyond. Covid-19 has shown the industry’s ability to respond to this change, bringing accelerated technological innovation to court and ADR proceedings and the rapid adoption of new ways of working, worldwide.

The UK Government has recognised the imperative for wide-scale change, and invested £2million to support the ‘digital transformation’ of the UK legal sector, appointing Tech Nation to work with the Lawtech Delivery Panel to deliver on a clear purpose, through LawtechUK:

To support the digital transformation of the UK legal services sector to deliver what society and the economy need from legal services, and to create a climate to support the development and use of lawtech, including through considering changes in the legislative and regulatory framework.
Our focus and work programme

After a period of research and consultation, we have identified 3 objectives for LawtechUK:

1. **Build cross-sector awareness and understanding of lawtech**: providing a cohesive approach to information and training.

2. **Foster transformative innovation**: encouraging collaboration and supporting new ways of delivering excellent outcomes for customers.

3. **Provide cross-sector leadership**: helping define and shape the technology-enabled purpose and future of legal services and dispute resolution systems.

Our initial target beneficiary is *businesses* of all shapes and sizes. We intend to make a meaningful impact within two years. ‘Transformation’ will not occur within this timescale, but strong foundations can be laid, by advancing a practical work programme as follows:

*The Lawtech Sandbox*

An R&D environment to innovate, test and learn, with government backing.

*SME Dispute Resolution Platform*

The tech-enabled resolution tool for business.

*Online Hub and Training Centre*

The lawtech place to connect and learn.

*Guidance and Toolkits*

Authoritative guidance people can use.
The Lawtech Sandbox: an R&D environment to innovate, test and learn, with government backing

There are a number of drivers and barriers for innovation in legal services today. We are bringing forward a development and live testing environment - a Lawtech Sandbox - to help address these and enable greater innovation and accelerated development of new and advanced methods of legal services delivery.

The UK has an active and internationally competitive tech scene. The UK’s tech pioneers are developing new solutions in legal and other professional services: there are more lawtech startups in the UK than anywhere else in Europe. Yet the lawtech market overall remains nascent. UK lawtech startups and scaleups have raised investment of £290million to date, compared to £10.1billion of investment in UK tech companies. Providing the right environment for R&D is important to support the growth and confidence of the tech community innovating in the legal sector. That community can bring pioneering applications, platforms and new best practice to the legal market, particularly at a time when future growth has become ever more pertinent.

The Lawtech Sandbox will apply principles and learning from other sectors and the successful FCA Sandbox, set up in 2015 to deliver innovation in the UK financial services market, and will be delivered in close partnership with public and industry bodies. We will convene technology companies, clients, regulators, policymakers, incumbents, academics, investors and others, including from outside the law, to provide bespoke input, valuable datasets, live testing and support around Sandbox products, representing a coming together of the public and private sector around shared purpose, with Government backing.

The Lawtech Sandbox will be targeted at truly innovative initiatives looking to reinvent how legal services, processes or systems are delivered. Such initiatives might use technology and regulator support to address systemic legal issues, deliver new frameworks and platforms, re-work legal risk prediction, or deliver legal advice and dispute resolution in new and cost-effective ways.
The Lawtech Sandbox will include:

- **A Regulatory Response Unit** bringing together relevant regulators and policymakers to provide a coordinated and expedited response to live challenges and thematic issues as they arise.

- **A Business Unit** made up of experts and leaders from the business and legal community, to provide technical and operational input, and relevant datasets.

- **An Ethics Unit** to provide applied ethics input as and where needed.

Our initial target beneficiary is businesses of all shapes and sizes. We intend to make a meaningful impact within two years. ‘Transformation’ will not occur within this timescale, but strong foundations can be laid, by advancing a practical work programme - the ‘LawtechUK Growth Programme’ - as follows:

The Lawtech Sandbox is complementary to the range of valuable accelerators, labs and challenges in the UK legal sector. It is focused on the type of innovation that needs policymaker and regulator support. It is also complementary to other Government initiatives, such as the UKRI Next Generation Services Challenge, the Regulators’ Pioneer Fund, the HMCTS programme of court reform and the Ministry of Justice’s Legal Support Innovation Fund, which the Ministry of Justice hope to launch later in 2020.
SME Dispute Resolution Platform: the tech-enabled resolution tool for business

Investment and innovation are also needed within our public legal services infrastructure. The public and private sectors must work together to bring forward technology-led solutions. We are already seeing major developments, including the £1 billion HMCTS court reform programme, Money Claims Online, and the Land Registry’s Digital Street programme.

Dispute resolution is most pressing for businesses. It is estimated that 70% of businesses experience disputes\(^\text{12}\) and access to resolution is known to be time-consuming and costly, often prohibitively so.

LawtechUK will look to establish a tech-enabled online dispute resolution platform. The first focus will be on SMEs, who make up 99.9% of all business and 60% of all employment\(^\text{13}\). Litigation fees cost SMEs £11.6 billion each year in the UK\(^\text{14}\) and even pre-Covid-19, late payments were leading to the closure of 50,000 small businesses a year\(^\text{15}\), with an impact on health for business owners\(^\text{16}\), and a cost of £2.5bn to the economy\(^\text{17}\).

A feasibility study and proof of concept will focus on an alternative, elective method for SMEs to resolve late payments, without judicial determination (distinguishing the platform from the court-run Money Claims Online). This may result in a platform that integrates into existing SME accounting and management platforms, with a user interface sufficiently intuitive that an SME owner can use it without the need for training or appointment of a lawyer. This may also act as a foundation for further development covering larger scale disputes.
Online Hub and Training Centre: the lawtech place to connect and learn

Successful ‘digital transformation’ of legal services requires awareness and understanding of relevant technologies, a willingness to explore and apply new models, and embrace cross-disciplinary and innovation thinking, as well as new capabilities and talent.

Awareness and adoption of technology in the legal sector is currently patchy and fragmented, for a range of reasons, across all levels and specialisms. Training and development is of fundamental importance, not only to the creation and use of new technologies, but as a vehicle for behaviour and culture change. Change that is anchored in the evolving role and purpose of legal services in society: it is human behavioural change that will ultimately bring about transformation, not technology alone.

In this context, we are building an online hub, to provide:

1. A go-to place to see and connect with the various activities in the legal sector, around technology.

2. A training environment through which all those interested (practitioners, students, specialists and others) can support their own learning and development. This will allow for a curated training environment where users can tailor their learning experience, to demystify technology for lawyers and law for technologists.

We are also collaborating with the Society for Computers and Law and Her Majesty’s Courts & Tribunals Service on Remote Courts Worldwide, a website to enable the global justice community to come together and share best practice in the urgent transition to remote alternatives to traditional court practices.
Guidance and toolkits: authoritative guidance people can use

Confidence and legal certainty are important to the adoption and growth of transformative technologies, for businesses, investors and legal practitioners. We will contribute here by providing authoritative guidance to respond to areas of regulatory, legal and practical uncertainty or challenge, and provide toolkits to facilitate understanding and use of new technologies, including on matters arising in the Lawtech Sandbox.

An example of this work is the Legal Statement on Cryptoassets and Smart Contracts, published in November 2019 by the LTDP’s UK Jurisdiction Taskforce, in consultation with sector leaders. The Legal Statement has already been cited in judgments in the High Court and overseas, providing clarity in areas of importance to the business, technology and legal communities. The Law Commission is taking forward a review of cryptoassets and smart contracts to build on this work.

The next phase of work involves consideration of dispute resolution clauses engaging English law for use in transactions involving cryptoassets, and the production of open source legal materials, including those that programmers can use in smart contracts. The UK Jurisdiction Taskforce will shortly be consulting on other areas in which legal certainty would be valuable for those operating in the cryptoasset sector.
Conclusion:

The legal sector has the opportunity and urgent responsibility to restructure and reinvent itself, to meet the evolving demands of business: harnessing technology to deliver what society and the economy need from legal services.

Our view is that a step-change in the way technologies are understood and applied will help bring about a step-change in the entire legal sector. It will change the way in which legal services are delivered and consumed in the digital era, and the business models and ways of working that underpin them.

LawtechUK, a collaborative initiative between the Government, the Lawtech Delivery Panel and Tech Nation, is uniquely positioned to help drive this step-change forward, building on and with the efforts of others, through a targeted work programme to address the challenges and opportunities in a cohesive way.

The technology and legal pioneers building the products and services of the future play a pivotal role, along with the experts, regulators and policymakers who can inform and challenge, provide certainty, and direct change.

We look to a time when lawtech is simply law, and when tech-enabled models and enhancements are no longer treated as marginal considerations, but more fundamentally as a vehicle to deliver legal services and dispute resolution that meet and exceed the needs of business and society in our digital world.

This is a reality we can all help to build.

Collaboration: How you can contribute

Should you have suggestions or would like to partner or otherwise contribute to this work, wherever you are, we would welcome hearing from you. You can contact us or register your interest either by email to lawtechuk@technation.io or via the registration form at www.technation.io/lawtechuk.

Follow us on Twitter  @lawtech_uk
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References:

5. Tech Nation is the growth platform for UK tech companies and leaders, also responsible for the Fintech Delivery Panel.
6. Originally established in 2018 by the Secretary of State for Justice, the Lawtech Delivery Panel brings together industry, government, academia, judiciary, regulators and technologists in a single forum, to promote, champion and shape the use of technology in the UK’s legal sector and ensure the continuing strength of the UK jurisdiction.