

REPORT HIGHLIGHTS OPPORTUNITY OF UK LAWTECH AND CALLS FOR COLLABORATION TO REALISE FUTURE GROWTH

- *'Shaping the Future of Law'*, a report released today by LawtechUK, highlights the growth opportunity of UK lawtech as a critical untapped sector for the economy that benefits wider society.
- The ~200 UK lawtech startups and scaleups have already attracted £674mn in investment (December 2020), and are growing at a rate of 101% (2017 to 2020), outpacing fintech, climate tech and healthtech.
- The report highlights the role of lawtech in meeting the needs of businesses and consumers, and demonstrates a £22bn annual market opportunity for lawtech across legal services and business:
 - Serving unmet demand from SMEs and consumers is valued at up to £11.4bn in annual revenues, and £8.6bn in cost savings for SMEs each year.
 - Lawtech shows mass market capability through rapid growth in the consumer segment, increasing by 74% from 2017 to 2020.
 - Legal businesses can generate £1.7bn annually in productivity gains through use of lawtech.
- Cross-sector support is needed to accelerate further growth, as has been seen in other sectors such as fintech. LawtechUK calls for collaborative action to shape and realise the market opportunity across seven priority areas – identifying significant benefits to UK consumers, businesses, and the wider economy.

15th July 2021: [LawtechUK](#), a government-backed initiative within [Tech Nation](#), established to help transform the UK legal sector through technology - has today published a report on the future of UK legal and court services. The report is independent of Government and does not represent Government policy. The report, *'Shaping the Future of Law'*, highlights the rapid growth achieved within the UK's lawtech sector and the opportunity further growth and widespread digital transformation in law represents to the UK economy and wider society, through cross-sector collaboration and support.

The UK opportunity

The report emphasises the importance of a digitally-enabled legal sector to the UK, underpinning society, business and consumer activities, economic recovery post-pandemic, and the strength of the UK on the world stage.

Produced in collaboration with a range of cross-sector contributors, the report details the benefits of widespread use of technology and data in law and the vital role of lawtech in meeting user needs, including reducing regulatory burdens and improving decision-making for businesses, meeting increasing standards of ESG, and enabling time and cost savings through document automation, data analysis and use of transformative technologies such as AI and smart contracts. International trade alone is worth £1.153tr to the UK economy and can be streamlined through digital legal documents and effective use of

data. Benefits of lawtech for consumers include greater access to legal services, and better, faster, more affordable outcomes, through DIY applications, asynchronous online services, on-demand advice and dispute resolution tools.

In economic terms, the report places the market opportunity for lawtech to be up to £22bn annually, based on data commissioned from Frontier Economics, comprising:

- Unmet demand from SMEs and consumers in the UK estimated to be worth up to £11.4bn annually.
- Cost savings for SMEs of using lawtech products and services of up to £8.6bn each year.
- Productivity gains through increased use of lawtech by legal service providers estimated to be worth up to £1.7bn annually, which can be extended through tech adoption and the buying power of in-house legal departments.

Lawtech as the rising star

Lawtech is poised to meet this demand, with the ~200 UK lawtech companies attracting a total of £674m of private investment up to the end of 2020 and employing 7,100 people. The report anticipates UK lawtechs can attract up to £2.2bn in investment per year by 2026, as well as contributing up to 12,500 jobs over the same period, generating a GVA of £1bn - £1.5bn by 2026 - around 5% of the GVA of UK legal services - a similar ratio to the current UK fintech and financial services industry GVA of ~6%.

The average annual rate of growth in UK lawtech investment between 2017 and 2020 (101%) has outpaced that of other applied tech sectors, including climate tech (5%), fintech (20%), and healthtech (47%), demonstrating lawtech as a sector on an accelerating trajectory as the market also matures and consolidates.

The fastest growth in lawtech is seen in the regulatory compliance category, growing by 214% between 2018 and 2020, addressing the increasing legal compliance burden for businesses, and the consumer and SME category, which grew by 74% over the same period, demonstrating the wider market opportunity of lawtech that can establish its place at the core of the future economy. Legal document creation, management and review grew by 24% since 2018.

Accelerating change – the future of law

The legal sector is at an inflection point for digital transformation which has been slow to date - the technical capability and growth in lawtech is now able to meet the growing market demand, combined with fast adoption of certain technologies in the legal sector during Covid-19, and increasing emphasis on the needs of users and society at large. Lawtech offers an opportunity to add to UK economic growth and jobs, whilst directly making improvements to the legal system to benefit society. With government investment in innovation at an all time high, the commitment to build back better post-pandemic, and the focus on digital infrastructure and court reform, the UK has a unique opportunity to secure its position as a global leader in law for the future, through investment in lawtech.

LawtechUK is calling for collaborative action from the legal sector, regulators, policy-makers and businesses to accelerate investment in and adoption of lawtech to capitalise on the growth opportunity and ensure the future of UK law meets the changing needs of business and society. The report highlights seven priority areas:

1. Increased **investment** in lawtech R&D
2. Growth of **new markets**
3. Improved collection and availability of **data**, towards 'open legal'
4. Greater **connectivity** across the sector
5. Increasing technology **awareness and capability**
6. **Policy and regulation** that supports tech adoption
7. **Sustainable growth** anchored in the purpose of law

Lord (David) Wolfson of Tredegar QC, comments: *"I would like to congratulate LawtechUK on this important and timely report on digital transformation in our legal services sector, which forms an important contribution to the debate."*

Jenifer Swallow, LawtechUK Director at Tech Nation: *"The law is critical in all our lives and businesses and it should be easy to engage with and affordable and effective for everyone. Lawtech is how we make that happen."*

The sector is seeing incredible growth - with lawtech startups and scaleups growing at 101% over the last three years, and adoption levels increasing during Covid-19 across our courts, legal businesses and in-house legal teams. Building on this growth, working collaboratively across the sector, we can realise the full strategic opportunity of lawtech on an accelerated timeline, and deliver results no one organisation could achieve alone - for the benefit of regular people, businesses, the UK economy and the wider global ecosystem. The £22bn market opportunity of lawtech evidenced in this report only scratches the surface of the true impact we can have through digital transformation in law."

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About LawtechUK

LawtechUK, is a government-backed initiative within Tech Nation, established to support the transformation of the UK legal sector through technology, for the benefit of society and the economy. The Panel was established in 2018 by the Secretary of State for Justice, and as a group of leaders and experts from the public and private sectors, acts as the advisory board to LawtechUK. Its members take an active role in LawtechUK's work programme.

About Tech Nation

Tech Nation is the leading scaleup accelerator. Tech Nation fuels the growth of game-changing founders, leaders, and scaling companies so they can positively transform societies and economies. We provide

them with the coaching, content, and community they need for their journey in designing the future. Tech Nation has years of experience facilitating and helping UK tech companies scale, both at home and abroad. Over 20 cohorts and 600 companies have successfully graduated from Tech Nation's growth programmes. Alumni include Skyscanner, Darktrace, and Monzo.

About the data

LawtechUK commissioned Frontier Economics to assess the current and potential future economic contribution of lawtech to the UK economy, using a novel dataset on lawtech startups and scaleups, data on other emerging tech sectors, and desk research to provide new estimates on the UK lawtech ecosystem.

The study produced by Frontier Economics included the following analysis:

- Collating, updating and analysing data from Beauhurst and Dealroom, two data providers, to measure the number of lawtech startups and scaleups in the UK, their employment, and the investment they have attracted up to 2020.
- Using existing data on a range of applied tech sectors (from healthtech to fintech), in combination with data on recent growth of lawtech, to generate scenarios for the possible future growth of UK lawtech up to 2026;
- Using a range of existing data, including data on the current size of the legal services sector and unmet demand for legal services, to generate a high-level assessment of the potential demand for lawtech products.