LSE Law

Competition and the Regulation of the Legal Services Market

Robert Bourns
President, Law Society of England and Wales

Rachel Merelie
Senior Director, Competition and Markets Authority

Professor Julia Black
Interim Director of LSE and Professor of Law, LSE

Dr Niamh Dunne
Assistant Professor, LSE Law

Paul Philip
Chief Executive, Solicitors’ Regulation Authority

Hashtag for Twitter users: #LSELS
@lsepublicevents  lse.ac.uk/events
Legal Services Market Study

Rachel Merelie, Acting Executive Director, CMA

LSE public lecture ‘Competition and the regulation of the legal services market’, 19 January 2017
Issues we examined

Theories of Harm

ToH 1: Consumers’ inability to assess value for money (price and quality) leads to ineffective competition between service providers (e.g. barriers to search/switch)

ToH 2: Consumers are inadequately protected by existing regulations and redress mechanisms

ToH 3: Regulations lead to barriers to entry or unnecessary costs

Market outcomes

Low quality

High prices

Reduced demand

Reduced innovation

Reduced entry

Low consumer satisfaction and trust

Lack of redress
Findings (1)

Competition
• Lack of transparent information (price, quality, service) is limiting the ability of consumers to drive effective competition.

Price dispersion (divorce)

- £600  (petitioner)
- £350  (respondent)
- £750  (children)
- £1,200 (children)
- £2,000 (assets)

• Need for better information to help consumers identify if they have a legal need, and what options are available.
Consumer protection

- Lack of evidence on the unauthorised part of the sector, but limited evidence available does not suggest unauthorised providers raise greater quality concerns than authorised providers.
- However, concerns that customers of unauthorised providers do not benefit from the redress mechanisms enjoyed by customers of authorised providers.
Findings (3)

Regulation

• Existing regulatory framework is not currently a major barrier to competition.
• BUT the current regulatory structure is not fully aligned with risk and cannot respond flexibly to changes over time.
• In the long run, the current regulatory framework may therefore not be sustainable.
• Multiplicity of frontline regulators does not have a significant impact on market outcomes now but a reduction in number of regulators may be appropriate in the future.
• Ensuring full independence of the regulator from the providers it regulates is a key principle.
Introducing new minimum standards on transparency

We have recommended that regulators introduce new minimum standards on the information that lawyers provide to their customers on websites and in person. This will make shopping around easier.

Providers will, for the first time, have to provide prospective clients information on the price and service they can expect, at the point it matters.
Customers need to understand price, service and quality to fully compare providers.

Recommendations are an important feature of the legal services market. We see a greater role for aggregated reviews and recommendations.

We have recommended that regulators both encourage providers to engage with quality signals, such as online reviews and provide guidance on how to engage with online reviews.
Transparency remedies (3)

1. We have recommended that regulators make more data available through open data licence and in machine readable formats.

2. This data can then be used by new and existing comparison tools.

3. Consumers will be better able to compare legal services providers on price, quality and service.

unlocking regulatory data

We have recommended that regulators work together to adopt a consistent approach with the potential for a single digital register across regulated professions.
Helping consumers with their Legal Choices

Transparency remedies (4)

To provide a single definitive source of information on the legal market we have recommended that regulators develop the content of the existing Legal Choices website.

To make sure customers access Legal Choices at the right time, we have recommended that more needs to be done to promote it.

We see a role for consumer and business groups in providing guidance on how to develop content.
Incremental changes

- Ensuring consumers have relevant information
- Encouraging providers to engage in quality signals
- Facilitating comparison through open data
- Ongoing regulatory changes
Thank you

- More information can be found online: bit.ly/CMA_LegalServices

- Thank you to the many stakeholders in the legal services sector who contributed to this study by sharing their expertise, time and resources.
LSE Law

Competition and the Regulation of the Legal Services Market

Robert Bourns
President,
Law Society of England and Wales

Rachel Merelie
Senior Director,
Competition and Markets Authority

Professor Julia Black
Interim Director of LSE and Professor of Law, LSE

Dr Niamh Dunne
Assistant Professor,
LSE Law

Paul Philip
Chief Executive,
Solicitors’ Regulation Authority

Hashtag for Twitter users: #LSELS
@lsepublicevents lse.ac.uk/events