

# Can accountants change the legal sector?

*There's a sense of change around the legal sector as new challengers move in to become alternative legal service providers (ALSPs), and that's good news for innovative firms and entrepreneurs.*

Temps de lecture : minute

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The challenges to established law firms are coming from two main sources - accountancy firms and freelance lawyers, with many of them using technology to speed up service delivery and reduce costs.

The challenges are becoming a reality following the Legal Services act of 2007, which aimed to open competition in the legal sector by allowing Alternative Business Structures to provide legal services. Alternative legal service providers must be registered and approved by the Solicitor's Regulatory Authority (SRA).

## Large accountancy firms entering the market second time around

While accountancy firms are no strangers to offering legal services, the challenge has a different feel about it this time. The Law Gazette points out that large accountancy firms had earlier tried to penetrate the industry, using their scale and their close relationships with clients to offer a range of legal services. US firms also attempted to move into the UK market, offering large packages to attract recent law graduates.

The Gazette comments that the move was short lived and was unlikely to be repeated this time around.

Instead, the Gazette points out that large corporate clients, who might have been prime targets for large accountancy firms, are unbundling their services and looking to outsource certain legal services to alternative suppliers rather than dealing with one large firm for all services.

Despite the Law Gazette's views, news reports indicate that large accountancy firms are gearing up to return to the legal sector in force. PwC had recruited more than 3500 lawyers, EY acquired a number of legal practices and KPMG hired a large number of lawyers and partners from a French law firm.

The accountancy firms aim to offer their clients legal advice together with legal managed services, legal technology and consultancy.

## Smaller accountancy firms see strong client benefits

There are also moves from a limited number of smaller accountancy firms who believe that their clients can benefit from a partner who can look at business problems and opportunities from both a legal and financial perspective.

One example is Accounts & Legal who are offering law services and advice on commercial, employment and corporate law to their small business clients as well as a full range of accountancy services.

The firm has received approval from the SRA to offer legal advice and services. Accounts & Legal now has a team of fully qualified solicitors and is able to offer both accounting and legal services under one roof.

As the firm's founder, Neil Nichols, points out, "As some business challenges can be tricky to handle without receiving formal legal advice, Accounts & Legal makes it easy for small businesses to receive the necessary advice and documentation needed to successfully run their company."

The firm also believes that small businesses are reluctant to hire a High Street solicitor that is unlikely to understand their business, even though they really need good legal advice.

As an example, Nichols quotes possible issues in employment. "Signing a binding contract or dealing with an employment dispute is really tricky without proper legal advice. That's exactly why Accounts and Legal went through the process of getting approval from the Solicitor's Regulatory Authority to be able to employ solicitors who can provide legal advice alongside our accounting services."

## US businesses favour alternative providers

While the growth of alternative legal service providers is at a relatively early stage in the UK, it's big business in the United States.

According to Thompson Reuters Legal Executive Institute, 74 percent of large US corporations are choosing to use ALSPs for specialised legal services and the legal services market for US accountancy firms is currently worth around £7.6B a year.

One of the strengths that US ALSPs offer is their use of technology. However, US legal firm Shuman Legal says that technology for law firms has been slower to evolve, particularly the type of technology that can speed up complex time-consuming tasks.

Although both types of firms have adopted similar technology for tasks

such as document management, content management and practice management, the demand for time and cost savings can open the door for innovative accountancy firms who are generally further up the technology curve than their legal counterparts.

## Freelance lawyers are increasing the pool of alternative providers

Solicitors who want to break away from the traditional law firm business model or newly qualified solicitors can operate as 'SRA-regulated independent solicitors' and take on a range of reserved legal services.

Legislation in November 2019 means that freelance solicitors can set themselves up to compete for clients' business independently of law firms and other legal service providers. They can operate as sole traders provided they meet a number of conditions under the Authorisation of Individuals Regulations.

## A multidisciplinary future?

According to an interview in The Lawyer, "Clients want a provider that can identify and manage problems before they form; use data, artificial intelligence, and other technologies to compress delivery time and predict outcomes; and expand legal services' impact beyond the traditional legal function to add value to all parts of the business units."

The article points out that clients are demanding more innovative services to solve their business problems and that requires a firm that can offer multi-disciplinary expertise backed by significant technology resources.

However, most law firms, as other commentators have suggested, are in the early stages of digital transformation and that process must become a priority for practice leaders.

# Innovation is key to success

Innovative accountants are setting the pace as they aim to pry business away from traditional law firms. Tech blogger [Antoine Bechara](#), sheds some light on this and says, “Using technology and new business models, together with recognition and approval by the regulatory body, they are forcing the legal sector to respond.”

A number of law firms have recognised the threat and have set up innovation groups to find out how they can use technology to meet the changing demands of their clients. Some are setting up what they call ‘connected services’ as a way of differentiating themselves with a range of integrated and related services.



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