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We are very lucky in England and Wales. We have a very well-regarded, strong and independent legal profession, which helps to uphold the rule of law to all of our benefit.

But there is a problem. At the moment, too few people, and too few businesses are accessing the legal help that they need.

- For example, we know from our research that every year, 3.6 million people in England and Wales experience a legal problem, and don't get help to resolve it.

- We also know that **only a quarter** of small businesses get professional help to deal with a legal issue, and that **around half** try to handle legal issues alone, or take no action at all.

This is why at the Legal Services Board, we have developed a strategy, based around a mission to "reshape legal services to better meet the needs of society".

There is no silver bullet to achieve this. But we believe that technology can, and should, have a big role to play. In helping more individuals, and more small businesses, get the help that they need.

So, we believe that regulation needs to be open to innovation and open to technology, because that is what consumers need.

But regulation is just one part of the solution. The biggest gains will be made if we approach this as a sector, in collaboration. Because we should all have a stake in making legal services work better for more people.

With all of this in mind, I'm going to talk today about **four** things that I think we need to do, as a sector, to maximise the potential that technology presents and help make legal services work better for the public.

But before I get too carried away, I will briefly take a step back and properly introduce myself and the Legal Services Board.

So, who am I and why am I here?

I am Chris Nichols, and I am Director of Policy and Regulation at the Legal Services Board, or LSB.

The LSB is the oversight regulator for legal services – so we regulate the SRA, BSB and seven other frontline regulators of legal services.

We set standards of regulation and we hold the regulators to account for their performance.

As I mentioned earlier, we have developed a strategy to "reshape legal services to better meet the needs of society".

It is a strategy for the whole sector, not just the LSB. Because, as I've already said, we will be most successful in achieving our mission if we approach it in collaboration.

So, what's the current state of play in terms of adoption of tech?

Traditionally, the legal sector has not been renowned for innovation and technology.

Going back to our 2018 Technology and Innovation Survey,[1] we found that overall, levels of innovation were quite modest, and they were largely unchanged since our 2015 survey.

But things have moved on a lot since 2018. There were signs that things were moving in the right direction before the pandemic and, as we all know, Covid-19 and its many lockdowns have helped to accelerate the use of technology, including in the legal sector.

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[1] https://legalservicesboard.org.uk/research/technology-and-innovation-in-legal-services-2018

So, these days, it's not hard to find stories in the press about new products or new entrants promising to change the future of legal services. We haven't yet seen the truly disruptive innovation seen in a number of other sectors. But I think there is a growing sense that more transformative change is coming down the track.

In fact, only last week, the Master of the Rolls made some interesting predictions about automation of personal injury claims, in a world where cars will one day be recording our every move.

So, with all of this in mind, what should we be doing as a sector to maximise the potential of technology and to make legal services work better, for more people and businesses?

1) We must be <u>active</u> in supporting innovation

It is not enough for regulators, and others, to say warm things and hope for innovation to arrive. Active steps must be taken to ensure that unnecessary barriers are removed and to encourage innovation.

We know from previous LSB and SRA research that regulation is perceived, by many providers, to be a barrier to innovation, and a barrier to greater adoption of technology.

We need to be actively pursuing all leads, to work out what is contributing to this perception. And we need to respond to what we uncover.

There's a good and very current example of this being done. The Regulatory Response Unit, which as most of you will probably know is part of the Lawtech Sandbox, recently issued a joint statement on Digital ID technology.[2] This came about because we identified a common misconception that Digital ID verification tools were not compatible with regulatory obligations. The joint statement seeks to address this misconception. It makes clear that regulation does not prohibit the use of these verification tools, and indeed it highlights the benefits of such technology.

And the Lawtech Sandbox more generally is another great example of actively encouraging innovation. It helps lawtech pioneers to bring their products to market by ensuring that innovators have practical, and timely, support in doing so.

These two examples are exactly the sorts of things we need to be doing. And we need to do more of it.

Moving on to my second point now…

2) **We need to understand consumers needs and how technology can address these**

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[2] https://lawtechuk.io/explore/legal-services-regulators-issue-joint-statement-in-support-of-digital-identity-technology

There is a growing body of research for us all to draw upon here. And using this evidence to develop our understanding of what consumers want and need, will be key in helping us, as a sector, to maximise the benefits that technology offers. I'll give a couple of quick examples to illustrate the point.

- Firstly, in 2021 we carried out research in collaboration with LawtechUK to better understand SME's attitudes to lawtech solutions.[3] One of the most powerful takeaways from this research is that SMEs do not want to choose between lawtech and traditional providers – they want both. They want lawyers involved in technology solutions.

- The LSB and SRA will also soon be publishing research looking at the 'social acceptability' of lawtech. And what members of the public, and legal professionals, see as the red lines in terms of public trust. I think this new evidence will be incredibly informative for those designing future lawtech solutions. I have two little snippets that I can share for today, in advance of publication of the full report soon.
    o Firstly, technology is seen as more acceptable in straightforward legal cases, and less acceptable in cases that are seen as complex, sensitive or involving high stakes.
    o And secondly, both the public and legal professionals share concerns about data security and cybercrime and want clarity on how existing regulatory standards apply to legal technology.

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[3] https://legalservicesboard.org.uk/lawtech-and-smes-report-october-2021

So, there is a lot of evidence already available and more to come, which can help us all to better understand what consumers want and need and how this evolves over time.

Next up…

3) We need <u>more</u> active collaboration

As I said earlier, everyone in the legal sector, or associated with it, has a stake in making it work better for more people and businesses.

And the real gains will be made if we approach this issue as a sector. If we are all actively looking for opportunities to collaborate and work effectively together.

I've given some positive examples of this already, particularly in relation to the recent joint statement on digital ID tools. But we have to see this as just the start.

I mentioned a minute ago the public's concern about data security and cybercrime in relation to lawtech. This is a great example of a big and important issue that will need a number of parties working together to address it.

To build trust and confidence we'll need close working between regulators, representative bodies, lawyers, innovators and government. And we'll also need to plug in, to work and learnings in other industries.

And this is just one example. An outward looking, collaborative approach needs to become our default mode of operation.

And of course…

4) We need the right regulatory frameworks in place to address risk

I've talked a lot about promoting and being open to technology, but it is also very important that we have appropriate, and proportionate regulatory safeguards. This is important for public protection and also for building trust.

But, given the imperative to support innovation and technology, we cannot afford to be overly risk averse. We must be proportionate, and we must be focused on evidence, not fear.

We also have to take a long-range view. There are immediate issues to grapple with, such as how our existing frameworks can best accommodate things like blockchain. But perhaps more important, is looking further ahead. How effective and relevant will our regulatory frameworks be in a future market, with much greater use of technology and much greater automation? The sort of market that the Master of the Rolls has talked about for personal injury.

I don't think that changing things around the edges of our current framework will leave us well placed to strike the right balance in such a market. To effectively and proportionately mitigate risk without stifling positive innovation.

So, I think we need to think expansively about what frameworks and approaches will strike the right balance in a more disrupted and automated market. And we need to be doing that thinking now.

Anyway, those are my four tips for how we set ourselves up to seize the opportunities that tech presents.

Conclusion

But this all needs to be underpinned by the right overall mindset.

As a sector, we need to be open to doing things differently and doing things better. Embracing lawtech and innovation is an important part of this wider mindset.

There is a lot to be proud of in terms of the strength and independence of our legal profession. But it remains the case that at the moment, too few people, and too few small businesses, are getting the legal help that they need.

And it is because the status quo is not working for so many people, that we cannot view change purely as a risk to be mitigated. As a sector, we need to be seeking out and embracing opportunities to do things differently, and to do things better. Because this is how we can all contribute to creating a future in which the legal services market works better for more people.