TheCityUK

Legal excellence, internationally renowned

UK legal services 2021

December 2021

About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK, across Europe and internationally that drive competitiveness, support job creation and ensure long-term economic growth. The industry contributes over 10% of the UK's total economic output and employs more than 2.3 million people, with two thirds of these jobs outside London. It is the largest tax payer, the biggest exporting industry and generates a trade surplus exceeding that of all other net exporting industries combined. It also makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business and protect and manage risk.

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LEGAL SERVICES **EMPLOY**

365,000

PEOPLE, **TWO THIRDS** OF WHOM ARE **OUTSIDE LONDON**

43,209

DISPUTES WERE RESOLVED BY **ALTERNATIVE DISPUTE RESOLUTION** IN THE UK

LEGAL SERVICES **CONTRIBUTED**

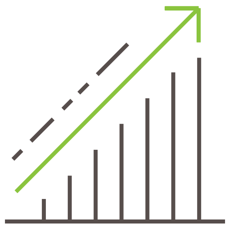
£29.6BN

TO THE **UK ECONOMY** IN 2019

THERE ARE **OVER**

200

FOREIGN LAW FIRMS WITH OFFICES IN THE UK



THE REVENUE OF THE UK'S **LARGEST 100 LAW FIRMS** GREW BY **4%** TO

£28.8BN

IN 2021

THE UK RANKS **SECOND**

GLOBALLY

FOR LEGAL SERVICES **FEE REVENUE**

LEGAL SERVICES' **TRADE SURPLUS** IN 2020 WAS A STRONG

£5.6BN

PARTIES FROM

75 COUNTRIES

USED THE **COMMERCIAL COURTS** IN 2020/21

Foreword

The UK's legal services sector has continued to show resilience and agility in the face of economic headwinds caused by the global pandemic. It has played a key role in helping businesses in the UK and across the globe navigate the crisis, acting as trusted advisers and assisting clients to reorganise their affairs.

Legal services form an integral part of the financial and related professional services ecosystem and underpin business stability and growth across the economy. The sector's significant economic contribution is well distributed across all regions and nations of the country. It employs around 365,000 people, two thirds of whom are based outside London.

The sector is one of the country's great success stories, contributing 1.5% of UK gross value added (GVA) in 2019 and contributing a trade surplus of £5.6bn in 2020.

UK legal services are recognised across the world for their quality and excellence. The UK is the world's preferred destination for businesses to resolve international commercial disputes. English common law is by far the most popular choice of governing law for cross-border contracts, and the sector provides a foundational pillar that supports the UK's status as one of the world's leading international financial centres.

TheCityUK's output on behalf of the legal sector is led by its Legal Services Group, chaired by James Palmer of Herbert Smith Freehills. The Group provides a senior strategic reference point for our legal services policy output and provides thought leadership on how the provision of legal services can best respond to global economic drivers. The Group's work over the past year has continued to focus on competitiveness both in terms of the sector itself and also in contributing to wider issues such as corporate governance and inward investment.

This 10th edition of our report underlines with clarity that the UK remains the jurisdiction of choice for international legal services and dispute resolution. However, there is no room for complacency in what is a highly competitive global environment. The UK-based legal services sector is a crucial national asset and one that needs to keep innovating and adapting to ensure it retains its globally leading status and continues to provide the foundation for the country's future economic success.

Miles Celic
Chief Executive Officer
TheCityUK

Key findings

Legal services in the UK

- The UK remains a world-leading centre of legal excellence and a destination of choice for international legal services and the resolution of legal disputes. London leads the way on international law, but other UK cities such as Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester and Newcastle are highly renowned for both their legal services expertise and their contribution to the UK's legal training and education sector and serve to distribute the economic impact of the sector across all regions of the country.
- In the midst of dealing with difficulties related to Covid-19, the UK-based legal services sector has shown great resilience while continuing to play a key role in helping businesses in the UK and across the world negotiate the crisis, acting as trusted advisers and assisting firms to reorganise their affairs accordingly.
- The UK's legal services sector employed around 365,000 people in 2020. Regional sector employment data for 2019 illustrates the UK's major centres of legal services employment which include Manchester (with 14,000 in employment), Birmingham, Bristol and Leeds (9,000 each), and Glasgow, Edinburgh and Liverpool (7,000 each); two thirds of sector employment overall was outside London. The sector contributed £29.6bn to the UK in 2019, equivalent to 1.5% of GVA, and posted a trade surplus of £5.6bn in 2020.
- Total revenue from legal activities in the UK was £36.8bn in 2019 and £17.8bn in the first half of 2020, much of which was generated by the top 100 UK law firms, who netted nearly £29bn in 2020/21, a figure which has more than doubled over the past decade.
- The UK's legal sector is also a significant contributor to the UK's public finances. TheCityUK's research estimates that the total tax contribution of the legal and accounting sectors to the UK public finances in 2020 was £20.5bn, up by 5.4% from 2018. We also estimate that for every £100 of UK turnover made by UK legal and accountancy firms, an amount equivalent to £33.63 is paid in taxes, and for every £100 of profit, £54.60 is paid in tax by the sector.[1]
- The UK's legal services sector continues to lead the way in changing the practice of law. Non-lawyers have been able to own and manage legal services businesses in the UK since the Legal Services Act 2007. More than 700 of England and Wales' 10,000+ law firms are now operating as alternative business structures. This liberalisation has brought increased investment in the sector as alternative legal services providers (ALSPs) grow and partner with law firms, boosting technology adoption and strengthening client offerings.
- Alongside strong growth in private practice, there have been further increases in the number and proportion of solicitors working in-house in England and Wales. More than 24% of all practising certificate holders, totalling over 31,000, worked in the in-house sector in 2020, up from 16% a decade earlier. Scotland has seen a similar trend, with 32% of the profession working in-house in 2021, up from 22% in 2010.
- The sector is recognising the potential value of LawTech. Law firms are continuing to innovate and are finding ways to reduce administration costs, improve economies of scale, and allocate labour more efficiently within firms. These innovations are of benefit to clients who can achieve greater value as well as benefit from the fact that legal advisers can devote even more time to providing them with quality advice.

1 TheCityUK, Total tax contribution study for UK legal and accounting activities. (October 2021). Available at: https://www.thecityuk.com/research/total-tax-contribution-study-for-uk-legal-and-accounting-activities-2021

The UK's position internationally

- The UK is the largest legal services market in Europe (valued at £36.8bn in 2019) and is second only to the US globally. It accounts for a third of Western European legal services fee revenue and around 7% of global legal services fee revenue (which totalled about $713bn in 2020). The UK is home to a wide range of international law firms with more than 200 foreign law firms from around 40 jurisdictions now operating in the country and all of the world's top 50 law firms having an office in London.
- The UK's position in legal services is helped by the international prestige of English common law, which forms the basis of the legal systems for some 27% of the world's 320 jurisdictions. Meanwhile, the UK's reputation as the leading centre for international dispute resolution is a strong driver for commercial parties to frequently opt for their contracts to be governed by English law.
- The UK's international standing is reflected by the following indicators:
  - Five of the 20 largest law firms, based on number of lawyers in 2019/20, have their main base of operations in the UK.
  - Four of the top 20 revenue generating law firms are based in the UK.
  - All of the top 50 law firms by revenue have an office in London.
  - The largest international law firms in London have between 45% and 65% of their lawyers abroad, and many other London-based firms have between 10% and 20% of lawyers overseas.
  - Latest figures available indicate that there are more than 6,500 practising certificate holders from England and Wales who are working abroad.
- The Bar is renowned for the quality of its advocacy. More than 2,100 members of the Bar of England and Wales now receive instructions from abroad, earning more than £360m from these instructions.[2] Bar Council figures show that the number of barristers who act for clients located abroad has more than doubled over the past decade. Many barristers specialise in international commercial law, and the UK's judiciary has facilitated the growth of this sector by establishing the Business and Property Courts, which includes the civil courts and lists of the High Court including the Commercial Court, the Technology and Construction Court and the Chancery Division.
- London's reputation as a leading global centre for international dispute resolution through the courts is underlined by the fact that the Business and Property Courts continue to attract high numbers of international users, most notably in the Commercial Court and Financial List. In 2021, 100% of cases in the Financial List were international in nature and to the end of June, more than two-thirds of cases in the Commercial Court were international in nature.
- London is also seen as the world's preferred centre for arbitration. The number of civil disputes resolved through arbitration, mediation and adjudication in the UK exceeded 43,000 in 2020.
- UK-based law firms continue to grow their presence in both developed and emerging markets. This international growth is driven by corporate clients, who increasingly expect law firms to serve as their trusted adviser whenever necessary, regardless of location and time zone.
- Legal services are an integral part of the financial and related professional services ecosystem that makes the UK one of the world's leading international financial centres. Major firms are drawn to London to access this breadth of services, seek advice from world-class legal and advisory firms, raise finance, and insure their businesses in the UK. The health of UK legal services is therefore intrinsically linked to the health of the broader ecosystem in which it is situated.

2 Bar Mutual Investment Fund figures

Covid-19 and UK legal services

Since the beginning of 2020, the world has been in the grips of Covid-19. The pandemic has brought about a dramatic reduction in economic activity which has been more pronounced in some industries than others.

Within legal services, the impact has been varied. For example, junior barristers who work in criminal law and are self-employed have faced a particularly difficult time, whereas demand for specialists in employment law and business restructuring has continued to be high throughout the pandemic. The strong revenue figures for the largest law firms in the UK highlighted in this report, are the first to take in the full period of the pandemic. They demonstrate the resilience and adaptability shown by the sector during this difficult period.

In the midst of dealing with its own Covid-19 induced difficulties, UK legal services have played a key role in helping businesses and communities in the UK and across the world negotiate the crisis, providing trusted advice, assisting clients to understand what financial support is available to them and helping them to reorganise their affairs.

Just as it has been an essential support in helping UK businesses navigate the effects of the pandemic, the legal services sector is also playing an important role in facilitating the UK's economic recovery.

The enduring benefits of English law and UK legal services

With the UK having now left the EU, it is particularly important that European and other international commercial parties continue to understand the benefits of using English law and call upon the expertise of the UK's legal services sector. The UK must retain its preeminence as the jurisdiction of choice for international legal services and dispute resolution.

The benefits of choosing English law and England and Wales as a jurisdiction have not changed. Factors such as its flexibility, stability, predictability, track-record of being accepted by business, strong and independent judiciary and reputation as a centre for excellence will continue to endure.

2021 research commissioned by LegalUK and funded by legal services sector stakeholders examined English law's role as a national asset and its wider commercial importance. It found that English law supports the creation of economic value and is therefore a critical platform on which other economic activity rests. As the global standard for internationally mobile transactions, English law was estimated to have governed around £250bn of global mergers and acquisitions, and 40% of global corporate arbitrations. The report calls for further investment in the promotion of English law as an international business platform to ensure that the UK is well placed to take advantage of new opportunities.

With respect to English law and its standing in Europe post-Brexit, the government has taken steps to ensure choice of law and jurisdiction clauses will continue to be upheld in the EU. On choice of law, the EU regime on applicable law in cross-border contracts, Rome I, has been incorporated into English law so English courts will continue to apply these rules. EU courts will also continue to apply Rome I, so the choice of English law in a contract will not be affected by Brexit. On jurisdiction, the UK has legislated to ratify the Hague Convention on the Choice of Court Agreements in its own right. Under the Hague Convention, exclusive jurisdiction clauses in favour of the courts of contracting states and resulting judgments will be recognised by other Contracting States, including the EU.

The decision in the 2020 Supreme Court case Enka v Chubb has served to further solidify the use of English law and jurisdiction in arbitration clauses. While the UK has been subject to the EU treaties, English courts have been prevented from issuing injunctions to restrain parties from pursuing court proceedings in EU Member States, even in breach of arbitration agreements. In Enka v Chubb, the Supreme Court found that, irrespective of the law governing an agreement to arbitrate in England, (and irrespective of the law governing the substantive obligations of the contract), the English courts are able to issue an anti-suit injunction to restrain foreign proceedings brought in breach of the agreement to arbitrate in England.

TheCityUK continues to be a strong advocate for the UK's accession to the Lugano Convention, which provides for recognition and enforcement of judgments for both EU and EFTA states. We are active participants in the work of the International Law Committee, established by a former Lord Chancellor and Lord Chief Justice to report to government and other interested parties on the future relationship with the EU and trading with other markets.

TheCityUK and legal services

TheCityUK continues to focus on maintaining the international competitiveness of the UK's legal services sector. We do this by building and maintaining strong relationships with senior government, regulatory and industry stakeholders under the auspices of our Legal Services Group.

TheCityUK's Legal Services Group brings together industry leaders to provide thought leadership on the development of legal sector policy and regulation for the UK legal services sector. The group is Chaired by James Palmer, Partner, at Herbert Smith Freehills.

Domestically, we look to further build on the UK's already strong reputation as a leading global centre for international legal services and dispute resolution, a reputation which underpins the country's position as a world-leading financial centre. Internationally, we work with both the UK and overseas governments at central, regional and local levels, to promote and share the wealth of expertise in UK-based firms, the importance of the sector as a foundation for growth and build further on its value as an export commodity.

This work is supported through our contributions to the most important and influential government and industry groups including the International Law Committee, the Professional Business Services Council (PBSC) and its various sub-groups and the Department for International Trade's Professional Services Trade Advisory Group, among many others. Our work on these committees operates alongside our programme of ongoing bilateral and multilateral engagement with HM Government, MPs, the Ministry of Justice and other senior stakeholders.

The Legal Services Group led the drafting of many of TheCityUK's written responses to government in 2021 including a response to the Ministry of Justice consultation on Judicial Review reform, the Law Commission's project on corporate criminal liability, the Home Office's legislation to counter state threats, as well as overseeing the corporate governance section of the response to the BEIS 'Restoring trust in audit and corporate governance' consultation. The Group also ensured TheCityUK's 2021 Budget and Spending Review submission called for additional funding for the Judiciary and Courts.

In 2021, we have continued to engage with EU stakeholders about the mutual value of the UK's accession to the Lugano Convention, which provides for recognition and enforcement of judgments for EU Member States as well as Iceland, Liechtenstein, Norway, and Switzerland.

While the shape of the UK's future relationship with the EU is important, it is also essential to ensure that UK legal services remain competitive and gain better access to markets outside the EU. TheCityUK continues to promote UK legal services in a range of jurisdictions, creating both new export markets and building deeper links with existing markets. The Legal Services Group has worked closely alongside the Ministry of Justice and other relevant departments this year on issues related to international trade, helping to develop government positions on current and future trade talks with the US, Australia, New Zealand, India and the CPTPP.

Legal services in the UK

The UK remains the leading global centre for international legal services and dispute resolution. The country is renowned for the expertise, consistency and incorruptibility of its justice system, and the esteemed standing of its legal education and training facilities serve to draw in high-calibre global talent. Many global law firms are based in London and the UK's offering is further supplemented by a range of domestic and international providers offering choice and value in cities such as Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester and Newcastle.

While this report provides a wealth of data demonstrating the strength of the UK's legal services sector, it is important to remember that the economic contribution of the sector goes far beyond revenue. Legal services (particularly English law and the strength of England and Wales as a legal jurisdiction) facilitate a wide range of business activities and provide an essential framework of law and justice that underpins all commercial transactions.

LegalUK's 2021 research estimates that English Law likely governed at least €6,615tn of global OTC derivatives trading in 2019, $11.6tn of global metals trading in 2020, £250bn of global M&A transactions in 2019, and £80bn of insurance contracts annually.

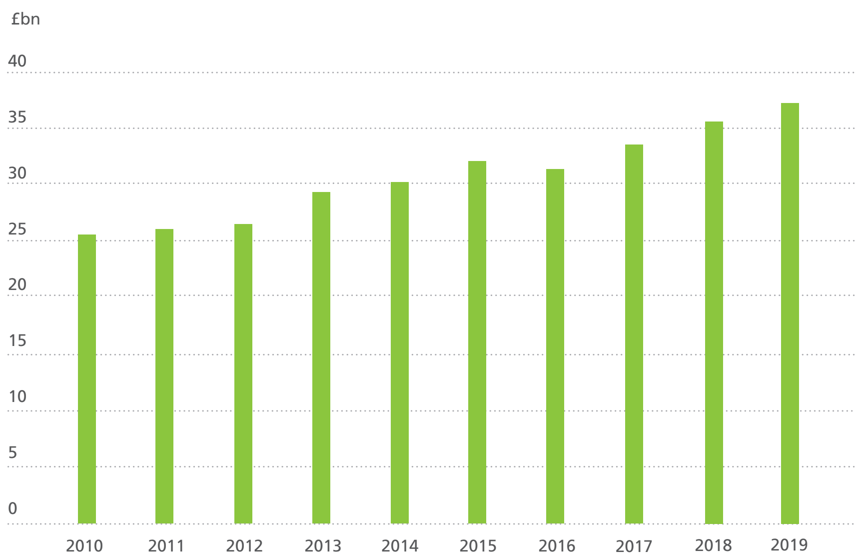
The UK's legal sector framework has both a multiplying and an enabling effect for business growth and stability, and offers expertise to support all other parts of the economy. In particular, the success of the broader financial and related professional services ecosystem is driven by the UK's world-leading legal sector.

UK legal activities revenue

Revenue generated by legal activities in the UK has trended strongly upwards in the past decade and increased by a substantial 3.9% year-on-year in 2019 to £36.8bn (up 44% since 2010).[3]

Figure 1: Revenue generated by legal activity in the UK, £bn

Source: Office for National Statistics



3 Office for National Statistics, 'Turnover of legal activities, January 2010 to June 2020', (12 August 2020). Available at: https://www.ons.gov.uk/economy/grossdomesticproductgdp/adhocs/12138turnoveroflegalactivitiesjanuary2010tojune2020

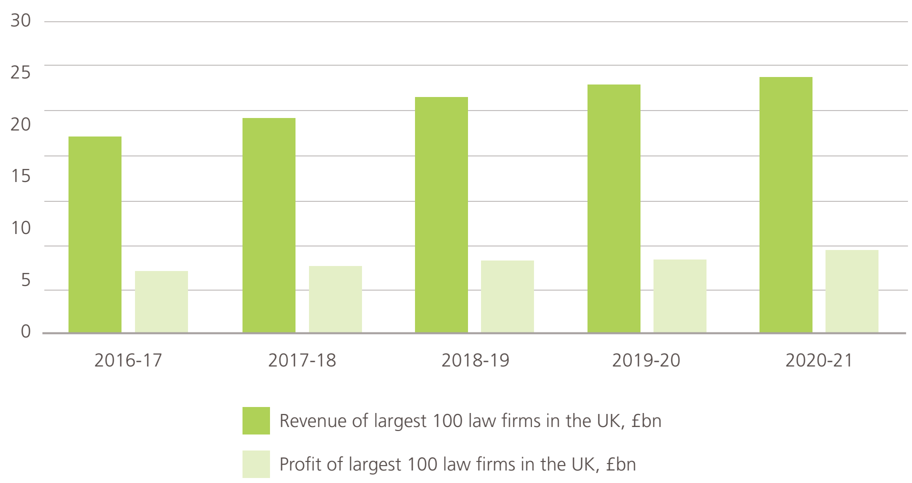
UK law firm fee revenue and key market trends

Despite these figures taking account of the economic downturn caused by the global pandemic, revenue for the UK's top 100 firms (ranked by revenue) rose by 4% to £28.8bn in 2021, a figure which has more than doubled over the past decade (this figure stood at £13.7bn in 2010). The revenue of the top 25 firms rose by 3% to £22.4bn which now accounts for almost 80% of the revenue of the top 100 firms. The top 10 firms' £15.6bn collective turnover for 2021 is higher than that earned by the entire top 100 in 2011 (£15.1bn).

In 2021, firms ranked 26-50 also showed resilience, experiencing a 4% increase in average revenues and an increase in total revenues of more than £150m to £3.86bn. The profitability for the 26-50 contingent was particularly impressive this year, with profit per equity partner jumping by an average of 19%.

Figure 2: Revenue and profit of the largest 100 law firms in the UK

Source: Legal Business



In-house legal teams continue to grow in the UK. This is particularly visible across highly regulated sectors such as financial services, pharmaceuticals and telecoms. In England and Wales, more than 24% of all practising certificate holders, or some 31,100, worked in-house in 2020, up from 23% in 2019 and from 16% a decade earlier. The Law Society believes the official number registered in-house is an underestimate as a significant number of those recorded as not attached to an organisation will be working in-house at locations they do not identify.[4]

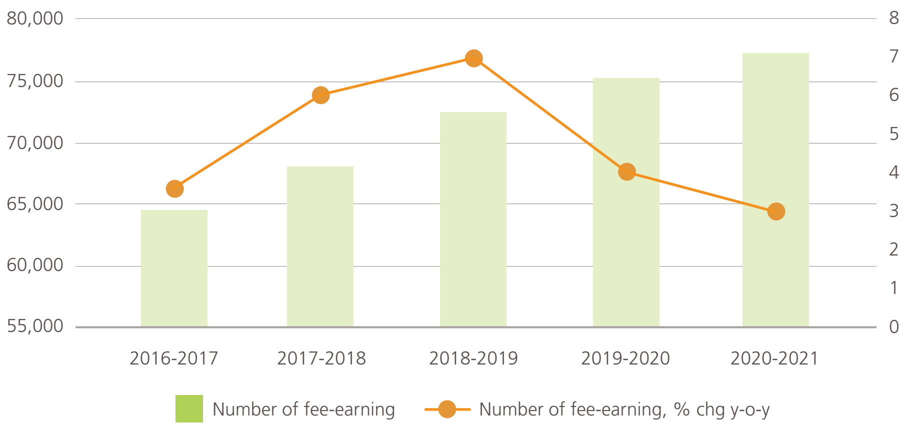
According to the Law Society of Scotland, almost one third of Scottish solicitors work in-house. Many larger in-house teams have created their own litigation, regulatory and compliance capability. Major UK financial institutions are known to have in-house litigation teams consisting of between 15 and 40 people.

The UK's top 100 law firms have continued to increase headcount in the past year with strong year-on-year growth of 3% and total headcount (including partners) now exceeding 77,000.

4 Law Society Annual Statistics

Figure 3: Total fee-earning headcount of the largest 100 UK-based law firms

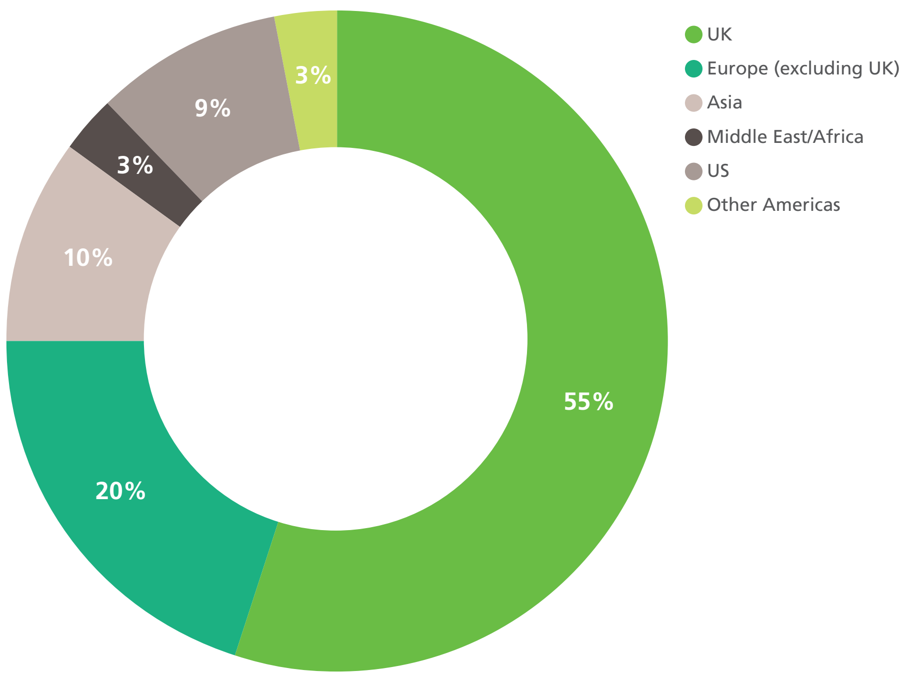
Source: Legal Business



The UK's position as a hub for international commerce and law is exemplified by the top 100 UK firms continuing to build their international practices with 45% of the lawyers employed by these firms currently being based overseas. The overall percentage based overseas has increased by 1% since last year and the geographical distribution has also slightly altered. Europe remains the leading region for lawyers from top 100 firms with 20% based there (up from 19% in 2020). Asia is next with 10% (down 1%) then the US with 9% (up from 8%), followed by 'Other Americas' 3% (no change) and Middle East and Africa also 3% (up 1%).

Figure 4: Geographical distribution of lawyers in largest 100 UK law firms (% share), 2020/21

Source: Legal Business



Structure and regulation of UK legal services

The UK legal profession is divided into two branches: solicitors and barristers (advocates in Scotland). The judiciary is drawn from both branches. Solicitors provide 'first line' legal advice. While solicitors serving their local communities are often in a general practice, solicitors serving businesses tend to specialise in a particular area of law, for example, finance or real estate.

Barristers (advocates in Scotland) provide specialist legal advice, with particular expertise in drafting and advocacy work. Many are qualified in other jurisdictions, have knowledge of other systems of law and can advise on complex international matters.

The regulatory differences between solicitors and barristers/advocates are diminishing, but solicitors typically provide a continuous service to clients, while barristers/advocates provide specialist legal advice on points of law or strategy, and present cases before courts, arbitrations or other tribunals.

In England and Wales, barristers, who are independent practitioners, typically share premises with other barristers in chambers, which specialise in one or more legal fields. There are approximately 1,800 senior barristers known as Queen's Counsel (QCs), a globally recognised badge for excellence in advocacy. Lawyers and clients from other jurisdictions can instruct barristers directly, without using a UK law firm, in a range of transactions and disputes.

Many barristers are also members of specialist bar associations, which provide further education for their members and represent their interests. The Bar Council is the representative body for all barristers in England and Wales. In Scotland, an advocate performs the same function as a barrister. There are currently around 460 advocates and they are all members of the Faculty of Advocates based in Parliament House in Edinburgh.

In Northern Ireland, approximately 650 barristers, including 110 QCs, operate as an independent referral bar from the Bar Library in central Belfast, having been admitted in the first instance to the Inn of Court of Northern Ireland which is located in the adjacent Royal Courts of Justice. Barristers in this jurisdiction provide a range of advanced legal services in advocacy and dispute resolution.

The Legal Services Act 2007 created the Legal Services Board to ensure that legal services regulation in England and Wales is carried out in the public interest and puts consumer interests first. The Board oversees eleven legal regulators and the Office for Legal Complaints, which handles consumer complaints about lawyers. The two largest of these eleven legal regulators are the Solicitors Regulation Authority, who regulate solicitors and their firms, and, the Bar Standards Board, which regulates barristers and specialised legal services businesses.

In Scotland, the Law Society of Scotland regulates solicitors, solicitor advocates, Notaries Public and a small number of conveyancing practitioners and executry practitioners. Advocates are regulated by the Faculty of Advocates. The Scottish Legal Complaints Commission provides a single point of contact for all complaints against legal practitioners operating in Scotland.

The Law Society of Northern Ireland is a professional body, which also acts as the regulatory authority governing the professional conduct of solicitors while the Bar Council of Northern Ireland regulates barristers in the region.

LawTech, Alternative Legal Service Providers, and the future of law

Legal services has been traditionally characterised as a relatively conservative market. While law firms continue to adopt new technologies, a tried and trusted firm operating model has largely endured. However, new technologies (or LawTech) are disrupting the market. LawTech has the potential to lower the cost of litigation, improve the efficiency of the court system, and drive innovation. While many of the LawTech solutions currently available tend to focus on tackling routine and administrative work, entrepreneurs are looking to achieve more fundamental transformations using machine learning and artificial intelligence.

Some of the areas LawTech tools encompass include:

- **Contract review:** LawTech tools can read and analyse legal agreements, extracting useful data, and checking them against current law.
- **Legal data research:** Research and litigation prediction systems can analyse data held by a law firm or in-house team, or else examine large numbers of relevant cases and statutes, to produce actionable insights for users.
- **Intelligent interfaces:** Interactive web-based question and answer systems can teach clients how to complete basic legal documents.

The UK has become a global hub for LawTech, the global market for which is now worth at least $15.9bn.[5] It benefits from a highly developed legal market, a technology talent pipeline, a competitive tax system, a liberal regulatory regime and the recognition of the importance of innovation by government.

Around 200 legal tech businesses in the UK have attracted £674m in investment as of December 2020 and employ more than 7,000 people, with these figures predicted to rise to £2.2bn in annual investment and 12,500 jobs by 2026.[6]

LawTechUK commissioned research estimates the annual demand for LawTech to be worth up to £22bn to the UK economy, made up of: up to £1.7bn annually in productivity gains for legal services providers through increased use of LawTech; up to £11.4bn in annual revenues from LawTech meeting unmet demand for legal services from SMEs and consumers, and; up to £8.6bn per year in cost savings for SMEs from using LawTech services.[7]

The Financial Times ranked the 30 most innovative law firms in Europe in 2021 and UK-based firms made up the top five places and 12 of the top 16.[8] The UK is home to 44% of all LawTech start-ups in the EU.[9] This rapid development is the result of an extensive network of 'tech labs' created by law firms, universities and other corporate organisations including financial services businesses.

In one prominent example, Barclays has transformed its London Eagle Lab into a hub for LawTechs which aims to encourage co-working and mentoring, and bring together LawTech entrepreneurs.

Similarly, the Law Society of Scotland launched its LawscotTech programme in 2018, aiming to stimulate legal technology innovation to deliver practical benefits for those working in the justice and legal sectors and their clients. These centres are providing employment across the UK; many are based in the North of England, Scotland and Northern Ireland. For example, Hogan Lovells has a centre in Birmingham; Ashurst has one in Glasgow; and Berwin Leighton Paisner, Freshfields Bruckhaus Deringer and Latham & Watkins have centres in Manchester.

5 Legal Insights Europe, 'Legaltech Startup Report 2019—A Maturing Market', (October 2019), available at: https://blogs.thomsonreuters.com/legal-uk/2019/10/18/a-new-report-legaltech-startup-report-2019-a-maturing-market/

6 LawtechUK, The LawtechUK Report 2021, available at: https://technation.io/news/uk-lawtech-report-2021/

7 ibid

8 Financial Times, 'Innovative Lawyers: Europe', (October 2021), available at https://www.ft.com/content/a602a51e-3f2e-48f4-90db-25d36928c69c

9 Thompson Reuters, 'Investment in UK's Legaltech Sector More than Doubled to £61m in 2018', (October 2019), available at: https://www.thomsonreuters.com/en/press-releases/2019/october/investment-in-uks-legaltech-sector-more-than-doubled-to-61m-in-2018.html

The UK government continues to foster a policy environment that supports LawTech. In 2018, the then Advocate General for Scotland and Ministry of Justice spokesperson for the House of Lords, convened an industry-led and government supported UK LawTech Delivery Panel to identify policies that will support innovation in legal services. Further to this, in 2019 the government announced it will provide £2m to support the LawTech Delivery Panel's work and to embrace the opportunities of LawTech, drive innovation and help the UK legal sector to grow.[10]

In May 2020, the LawTech Delivery Panel announced the 'LawTechUK Vision' and work programme which is an initiative to help accelerate the digital transformation of the UK's legal sector. The centrepiece of the Vision has been the development of the LawTech Sandbox – a development and testing environment modelled on the pioneering regulatory sandbox in financial services, encouraging tech businesses, experts and public bodies to come together to innovate and establish new products and frameworks that reinvent service delivery and benefit businesses and wider society.

Another contributing factor to innovation in the UK legal sector has been the liberalisation of the types of business structure which legal services firms can adopt. Whereas most jurisdictions bar non-lawyers from involvement in legal services firms, the UK's Legal Services Act 2007 permits Alternative Business Structures (ABS), business models that allow investment, ownership and management by non-lawyers. A 2019 study by Thomson Reuters found that the value of the global Alternative Legal Service Provider (ALSP) market in 2017 was around $10.7bn up from $8.4bn in 2015 and that approximately 40% of law firms are currently using an ALSP for at least one type of service.[11]

Opening up the sector to non-lawyers has helped law firms secure external funding: an analysis published in 2016 identified £510m of external investment in the UK legal sector.[12] This additional funding illustrates how ABS firms have been able to contribute to LawTech growth.

The entry of the 'Big Four' accounting firms (Deloitte, EY, KPMG and PwC) into legal services has the potential to shake up the established order of the sector. In 2018, Deloitte became the last of the Big Four to receive its ABS license. Globally, the Big Four's legal divisions are already considerable. PwC has more than 3,500 lawyers operating in 90 countries, while Deloitte has 2,500 lawyers in 85 countries, KPMG more than 2,700 in 80 countries and EY more than 2,100 in 80 countries. In the UK alone, PwC has a headcount of 350 and revenues of around £85m. EY has around 85 UK lawyers while KPMG has approximately 100, with UK revenues of roughly £15m and £20m respectively. Deloitte now has around 35 partners and 150 lawyers in its UK legal division.

As these relatively recent market entrants evolve, law firms are having to consider whether to change their operating models. Law firms are increasingly turning to mergers and acquisitions to build scale, deepen specific practice experience and enter new geographical markets. There have been 1,170 publicly reported mergers involving UK-based law firms in the Lawyer 100 rankings since 2011 and 81 involved a UK firm merging with a firm in another jurisdiction.[13]

BELFAST AS LAWTECH HUB

Belfast has emerged as a leading centre for legal innovation. It hosts LawTechs such as Axiom, iManage and BRIEFED as well as legal services centres for Allen & Overy, Baker McKenzie and Herbert Smith Freehills. Belfast benefits from a strong talent pipeline with almost 3,000 STEM graduates and 700 law graduates from its universities each year and in 2020 Ulster University's innovation centre launched a new Corporate Law and Computing LLM/MSc covering topics including professional software development, data science, business intelligence, and how these can be practically applied to day-to-day legal practice. The Northern Ireland Executive, industry and academia have worked together to ensure the region's skills base meets the needs of employers and government backed initiatives under the region's Assured Skills guarantee have provided further incentives for employers to move to Belfast.

10 Ministry of Justice, 'Legal services and LawTech bolstered with £2 million of government funding', (June 2019), available at: https://www.gov.uk/government/news/legal-services-and-lawtech-bolstered-with-2-million-of-government-funding

11 Thomson Reuters, 'Alternative legal services providers', (April 2019), available at: https://legal.thomsonreuters.com/content/dam/ewp-m/documents/legal/en/pdf/reports/alsp-report-final.pdf

12 Arden Partners, 'Strategic research on investment in the UK legal sector', (July 2018), available at: http://www.arden-partners.com/media/1352/strategic-research-on-external-and-corporate-investment-in-the-uk-legal-sector.pdf

13 Jomati, 'UK Law Firm Mergers', (October 2021), available at: http://jomati.com/uk-mergers

Diversity and inclusion in legal services

Across the sector, law firms, chambers, in-house teams and the judiciary are eager to draw upon the diversity of talent available in the UK. By some measures, diversity in the legal profession is well established but, as is the case across financial and related professional services, there is still much work to do and the sector is working hard to address historical imbalances.

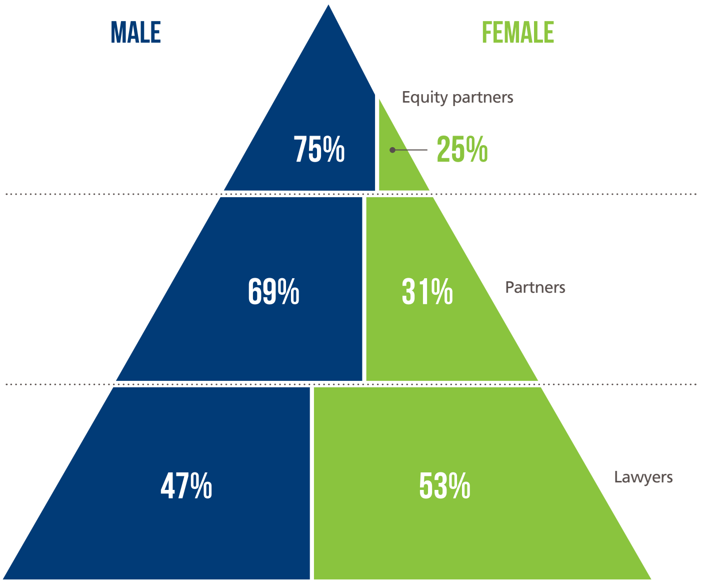
In England and Wales, Law Society figures show that in 2020, women with practising certificates outnumbered men by over 6,600 (up from 4,500 in 2019) while representation of Black, Asian and minority ethnic groups (BAME) among practising certificate holders rose to 17.6% (up slightly from 17.5% in 2019).[14] Solicitors Regulation Authority (SRA) data shows that women make up 49% of all lawyers in law firms (compared to 47% of overall UK workforce); while BAME lawyers represent 21% of the workforce in law firms, up 7% from 2014 (and compared to 13% of overall UK workforce). Meanwhile, 3% of solicitors identify as lesbian, gay or bi-sexual (LGB) and 3% declare a disability.[15]

Law Society of Scotland figures show that 54% of the more than 12,300 practising solicitors in Scotland are women, making up more than two thirds of the country's practising lawyers under the age of 40.[16]

Bar Council and Bar Standards Board figures show that in 2020, women made up 38% of practising barristers in England and Wales and 50% of pupils declaring gender, while Minority Ethnic group individuals make up 14% of practising barristers.[17] Judiciary figures show that in 2021, 34% of court judges and 50% of tribunal judges were female, and 9% of court judges and 12% of tribunal judges were BAME.[18]

Figure 5: Diversity in the UK's 100 largest law firms

Source: Legal Business



14 Law Society Annual Statistics

15 Solicitors Regulation Authority, 'How diverse is the legal profession?', (March 2020), available at: https://www.sra.org.uk/sra/equality-diversity/key-findings/diverse-legal-profession/

16 Law Society of Scotland, 'Diversity Data 2020/21', (July 2021), available at: https://www.lawscot.org.uk/research-and-policy/equality-and-diversity/research/diversity-data-202021/

17 Bar Council of England and Wales, 'Report on Diversity at the Bar 2020', (January 2021), available at: https://www.barstandards-board.org.uk/uploads/assets/88edd1b1-0edc-4635-9a3dc9497db06972/BSB-Report-on-Diversity-at-the-Bar-2020.pdf

18 Diversity of the judiciary: Legal professions, new appointments and current post-holders 2021 (July 2021), available at: https://www.gov.uk/government/statistics/diversity-of-the-judiciary-2021-statistics

The Law Society of England and Wales ran a project on 'Women in Leadership in Law' to promote gender equality at all levels of the profession. To better understand the key issues that affect women working in law, it conducted a survey collating qualitative and quantitative data on women in the legal profession and published a report in 2019, 'Influencing for Impact: The need for gender equality in the legal profession', outlining findings and recommendations. The report found that female lawyers do not uniformly occupy leadership roles commensurate with their qualifications and experience. The research also found that perceptions of unconscious bias is the main barrier for career progression and that a significant disparity in pay still exists between female lawyers and their male colleagues who perform similar roles.

Another challenge the profession faces is ensuring that talented people from all backgrounds can enter the sector. At the moment, lawyers are disproportionately likely to come from relatively privileged backgrounds. SRA figures show that 21% of solicitors attended fee paying schools, compared with just 7% of the general population.[19] Partners are more likely to have attended fee paying schools (23%), and privately educated lawyers are more frequent still at law firms that mostly do corporate work (46%).

The sector is working hard to address this imbalance. In 2020, legal services organisations made up nearly half of the Top 75 Social Mobility Employer Index, with 29 entries, including five entries in the top ten. The list, compiled by the Social Mobility Foundation, recognises firms for initiatives such as outreach programmes and objective recruitment systems and career progression policies. Legal services organisations that ranked highly include Baker McKenzie, the Ministry of Justice, Linklaters, Bryan Cave Leighton Paisner, DWF, DLA Piper, Herbert Smith Freehills, Freeths, Brodies, Allen & Overy, Clifford Chance, Slaughter and May, Shoosmiths, Eversheds Sutherland, Pinsent Masons, Hogan Lovells, Burges Salmon, Freshfields Bruckhaus Deringer, Macfarlanes, Mayer Brown, Charles Russell Speechlys, and Simmons & Simmons.[20]

In 2016 as part of its work on fair access to the profession, the Law Society of Scotland established the Lawscot Foundation, a charity that supports academically talented students from less-advantaged backgrounds in Scotland through their legal education journey. Combining financial support with professional mentoring, the Foundation is now supporting its fourth cohort of students through university.

International practice of barristers and advocates

The Bar Council of England and Wales and its International Committee undertake many initiatives to help barristers develop an international practice and to increase their practice rights abroad. The Bar Council plays an active part in the work of the most important multinational lawyers' organisations and has built strong relationships with foreign lawyers' associations and Bars, both in legal business development and rule of law advancement.

The Commercial Bar Association (COMBAR) was formed in 1989 to bring together barristers who focus on international and commercial law. COMBAR represents approximately 1,600 members and 38 leading barristers' chambers, who specialise in fields such as international trade, shipping and aviation, banking and financial services, insurance, reinsurance, commodity transactions, international arbitration, insolvency, oil and gas/energy law, private international law and EU law. COMBAR members have been instructed to appear as advocates or experts in 40 international arbitration centres and courts in 25 jurisdictions globally.

19 Solicitors Regulation Authority, 'How diverse is the legal profession', (March 2020), available at: https://www.sra.org.uk/sra/equality-diversity/key-findings/diverse-legal-profession/

20 Social Mobility Foundation, 'Top 75 UK employers for social mobility revealed', (November 2020), available at: https://www.socialmobility.org.uk/2020/11/top-75-uk-employers-for-social-mobility-revealed-2/

Barristers have created further specialist associations, such as:

- The Chancery Bar Association (for practitioners with specialised knowledge of trusts, taxation, pensions, financial services, insolvency, patents and corporate law)
- The Technology and Construction Bar Association (for barristers specialising in disputes arising from the technology and construction sectors)
- The Criminal Bar Association (for those concerned with commercial and business fraud)
- The Intellectual Property Bar Association (for specialists in intellectual property)
- The Property Bar Association (for specialists in property law).

Barristers develop highly specialised expertise in their areas of practice. In addition to international court-based advocacy, they are often instructed as arbitration advocates or arbitrators around the globe as well as in all other forms of ADR.

The main services offered by barristers include:

- **Advocacy and litigation:** Barristers can appear in most UK and many foreign domestic courts, as well as before international tribunals, including the International Court of Justice, the International Criminal Court and the European Court of Justice.
- **Legal advice:** Barristers may be instructed to give advice on any matter of UK, European or international law. They also frequently appear as expert witnesses on such laws in overseas courts and arbitration proceedings.
- **Arbitration:** London is a major centre for international arbitration, the International Chamber of Commerce and the London Court of International Arbitration being two of the most frequently used arbitration bodies. Many barristers and UK-based law firms have developed considerable expertise in the area and they are prominent in all major arbitration centres around the world.
- **Advocates in Scotland:** Advocates can be instructed in a range of courts and tribunals in Scotland, the UK Supreme Court, the European Court of Justice and the European Court of Human Rights. They may also be instructed in arbitrations and other forms of alternative dispute resolution. Advocates can give advice, orally or in writing, on any matter of Scots or European law.

International legal services firms in London

London is one of the leading global centres for international financial services. The co-location and clustering effect of banking, insurance, fund management and other financial services help to underpin its position as a major centre for international legal services and consolidate its status as the world's most preferred centre for dispute resolution.

The UK legal market has an extensive history of being open and welcoming to international law firms. Today there are more than 200 foreign law firms based in the UK from over 40 jurisdictions. US firms have a particularly established presence in the UK, around 100 are based in the country, and London is the main European hub for most of them. Initially US firms based in London tended to focus on helping European clients to access the US market, and US clients access the European market, however, now around half of the foreign firms in the UK offer a full-service English law capability. Many of these firms derive a considerable percentage of their revenue from their offices in London. The largest non-UK firms ranked by London fee-earners on this list include Baker McKenzie, Bryan Cave Leighton Paisner and Latham & Watkins (Figure 6).[21]

21 Legal Business, 'Global London 2021 (April 2021) Main table', available at: https://www.legalbusiness.co.uk/analysis/global-london-2021-main-table/

Figure 6: The largest offices of non-UK law firms in London, 2020/21.

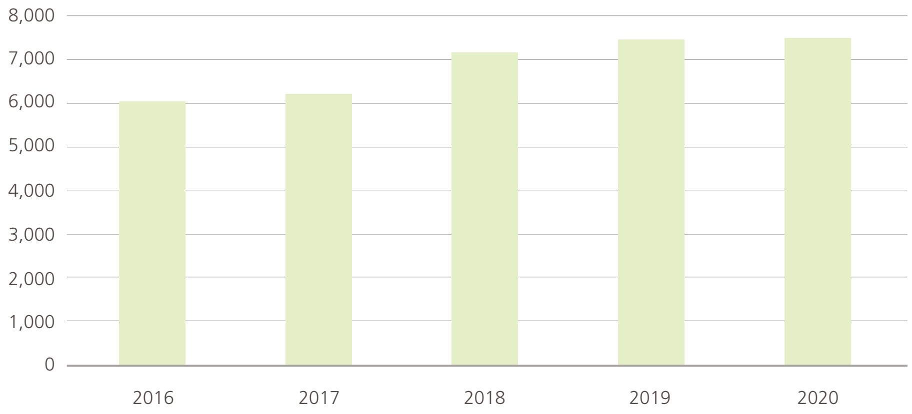
Source: Legal Business

	London fee-earners	*Of which* English qualified	Other qualified
Baker McKenzie	517	440	77
Latham & Watkins	485	411	74
Bryan Cave Leighton Paisner	453	440	13
White & Case	441	394	47
Dentons	421	383	38
Reed Smith	365	339	26
Kirkland & Ellis	353	281	72
Mayer Brown	279	247	32
Weil, Gotshal & Manges	208	183	25
Milbank, Tweed, Hadley & McCloy	164	131	33
Dechert	162	140	22
Sidley Austin	153	118	35

The headcount of the largest 50 foreign law firms in London reached a record 7,460 in 2020. The total number of partners grew to a new high of 2,155 (an increase of 5% from 2,066 in 2019). This year foreign-qualified lawyers in the largest 50 non-UK law firms based in the UK stands at 995 (down from a record 1,341 in 2019).[22]

Figure 7: Total headcount of fee-earners (50 largest overseas law firms in London).

Source: Legal Business



The continued presence of large international law firms helps explain London's prominence as a global legal hub.

International law firms in London feature prominently in rankings of the largest global firms (Figure 24). US firms have traditionally been more focussed on their domestic market given the greater scale of the US economy. However, with continued merger activity combined with the pressure to expand internationally, it is becoming more common for leading US firms to have between 25 and 40% of their lawyers based outside the US.

22 TheCityUK calculations based on Legal Business, 'Global London 2021 – Main table'. Available at: https://www.legalbusiness.co.uk/global-london/global-london-2021-main-table/

International law firms in London are leading advisers on deals which take place in the world's international capital markets. They offer a wide range of services, including advising on M&A, securities, project finance, tax and intellectual property. Other smaller firms are world leaders in their own niche practices, providing deep sector-specific experience. An area where the UK has led global practice is maritime law, where a combination of professional expertise and a high-quality Admiralty Court has ensured that the UK continues to be the world's leading centre for the international maritime community.

Range of international legal services

The biggest areas of practice of law firms in the UK include corporate work, banking and capital markets. Property and dispute resolution have gained in importance in recent years, although the extent of each law firm's involvement in the various areas of practice will vary. The main areas of international work undertaken by law firms in the UK include:

- **Corporate finance** - joint ventures, M&A, equity issues, corporate re-organisations, management buyouts, company law.
- **Other corporate and commercial law** - aviation, shipping, commodities, competition, IT and digital media, telecoms, media and entertainment.
- **Banking/project finance** - bank lending, debt rescheduling, project finance, public private partnerships, securitisation, aircraft and ship finance, World Bank and EBRD projects work.
- **International capital markets** - equity issues, asset securitisation, privatisation, derivative products, and eurobonds.
- **Tax** - corporate tax (and personal tax planning where there is no private client department), stamp duty, VAT.
- **Trade law** - The World Trade Organization, international commercial law on trade in goods and services, trade and intellectual property, cross-border transactions, and trade disputes.
- **Dispute resolution** - arbitration, mediation and litigation.
- **Insurance and reinsurance** - advising on claims and related litigation and arbitration.
- **Property** - sales and leasing of commercial property, property finance, property development, construction, environmental law, town and country planning.
- **Intellectual property** - patents, trademarks, copyrights, confidentiality.
- **Product liability** - liability along the chain of manufacture of any product for damage caused by that product.
- **Employment/pensions** - implications of M&A, establishment and maintenance of pension schemes, contracts of employment, immigration advice.
- **Public international law** - relates to the handling of legal issues affected by international jurisdictions such as the International Court of Justice.
- **Private clients** - family law, probate, tax planning, trusts.
- **Competition** - anti-trust law, monopolies, mergers, cartels and abuse of a dominant position.
- **EU Law** - despite Brexit, London remains a hub for EU law.

Legal services across the UK

The UK is the major global hub for international legal, financial and other related professional services. Within the UK, London stands out as a world leading international financial centre, but other cities such as Edinburgh and Glasgow in Scotland; Birmingham, Bristol, Leeds, Manchester and Newcastle in England; Cardiff in Wales; and Belfast in Northern Ireland are also important centres for the UK's legal industry.

In 2020, the UK legal services sector directly employed 365,000 people, two thirds of whom are located outside London. The sector provides continuous education, training and apprenticeships to develop the skills of its employees on an ongoing basis. Legal services jobs are highly skilled and distributed across the whole country, with clusters of expertise which attract investment and drive growth.

This sector is highly flexible and regularly adapts to client needs. Lawyers in Scotland, for example, have developed expertise in energy law to service the 2,000 companies operating in the UK's energy sector. The North West of England is the largest legal hub outside of London and firms based there are benefiting from growing practice areas in maritime and environmental law.

Figure 8: Largest UK law firms in the UK, by revenue, 2020/21.

Source: Legal Business

	Firm name	Location	Total revenue (£m)
1	DLA Piper	International	2,166.9
2	Clifford Chance	International	1,828
3	Hogan Lovells	International	1,796
4	Allen & Overy	International	1,771
5	Linklaters	International	1,673.9
6	Freshfields Bruckhaus Deringer	London	1,590
7	Norton Rose Fulbright	International	1,452.3
8	CMS	International	1,312.5
9	Herbert Smith Freehills	International	1,038
10	Eversheds Sutherland	International	991.8
11	Ashurst	International	711
12	Slaughter and May	London	690
13	Bryan Cave Leighton Paisner	London	670.4
14	Clyde & Co	London	639.6
15	Pinsent Masons	International	503.3
16	Gowling WLG	International	476.5
17	Simmons & Simmons	London	437.2
18	Bird & Bird	International	401.2
19	Womble Bond Dickinson	National	373
20	Taylor Wessing	London	371.3
21	DWF	National	338
22	Addleshaw Goddard	National	320.6
23	Osborne Clarke	Bristol	305.9
24	Fieldfisher	London	290
25	Irwin Mitchell	National	275.8
26	DAC Beachcroft	National	275
27	Kennedys	London	264

28	Macfarlanes	London	261
29	Withers	International	243.7
30	Stephenson Harwood	London	209
31	HFW	London	200.2
32	Mishcon de Reya	London	188.3
33	Travers Smith	London	185.7
34	Watson Farley & Williams	London	177
35	Charles Russell Speechlys	London	173
36	Shoosmiths	National	168
37	RPC	London	136
38	Mills & Reeve	National	124.4
39	Gateley	Birmingham	121.4
40	Trowers & Hamlins	London	111.9
41	Slater and Gordon	National	111.1
42	TLT	Bristol	110
43	Burges Salmon	Bristol	108.7
44	Keoghs	Bolton	105.3
45	Knights	National	103.2
46	Freeths	Midlands	100.2
47	Ince	London	100.2
48	Weightmans	National	97.9
49	Penningtons Manches Cooper	London	97
50	BLM	National	96.3

Figure 9: Largest UK law firms outside London, by revenue, 2020/21

Source: Legal Business
Note: The table excludes firms identified by Legal Business as 'national'

	Firm name	Location	Total revenue (£m)
1	Osborne Clarke	Bristol	305.9
2	Gateley	Birmingham	121.4
3	TLT	Bristol	110
4	Burges Salmon	Bristol	108.7
5	Keoghs	Bolton	105.3
6	Freeths	Midlands	100.2
7	Browne Jacobson	Nottingham	85.1
8	Brodies	Scotland	82.5
9	Hill Dickinson	Liverpool	82
10	Burness Paull	Scotland	72
11	Birketts	Ipswich	69.8
12	Shakespeare Martineau	Birmingham	69.4
13	Shepherd and Wedderburn	Scotland	59.3
14	Bevan Brittan	Bristol	56.1
15	Walker Morris	Leeds	55.2
16	JMW Solicitors	Manchester	53.4
17	Clarke Willmott	Bristol	53

18	Foot Anstey	Exeter	49.7
19	Ashfords	Exeter	48
20	Veale Wasbrough Vizards	Bristol	41.4
21	Ward Hadaway	Newcastle	38.6
22	Cripps Pemberton Greenish	South East	38.1
23	Michelmores	Exeter	38
24	Brabners	Liverpool	36.9
25	Royds Withy King	Bath	36.9

Figure 10: UK law firms with the biggest UK business, by revenue, 2020/21

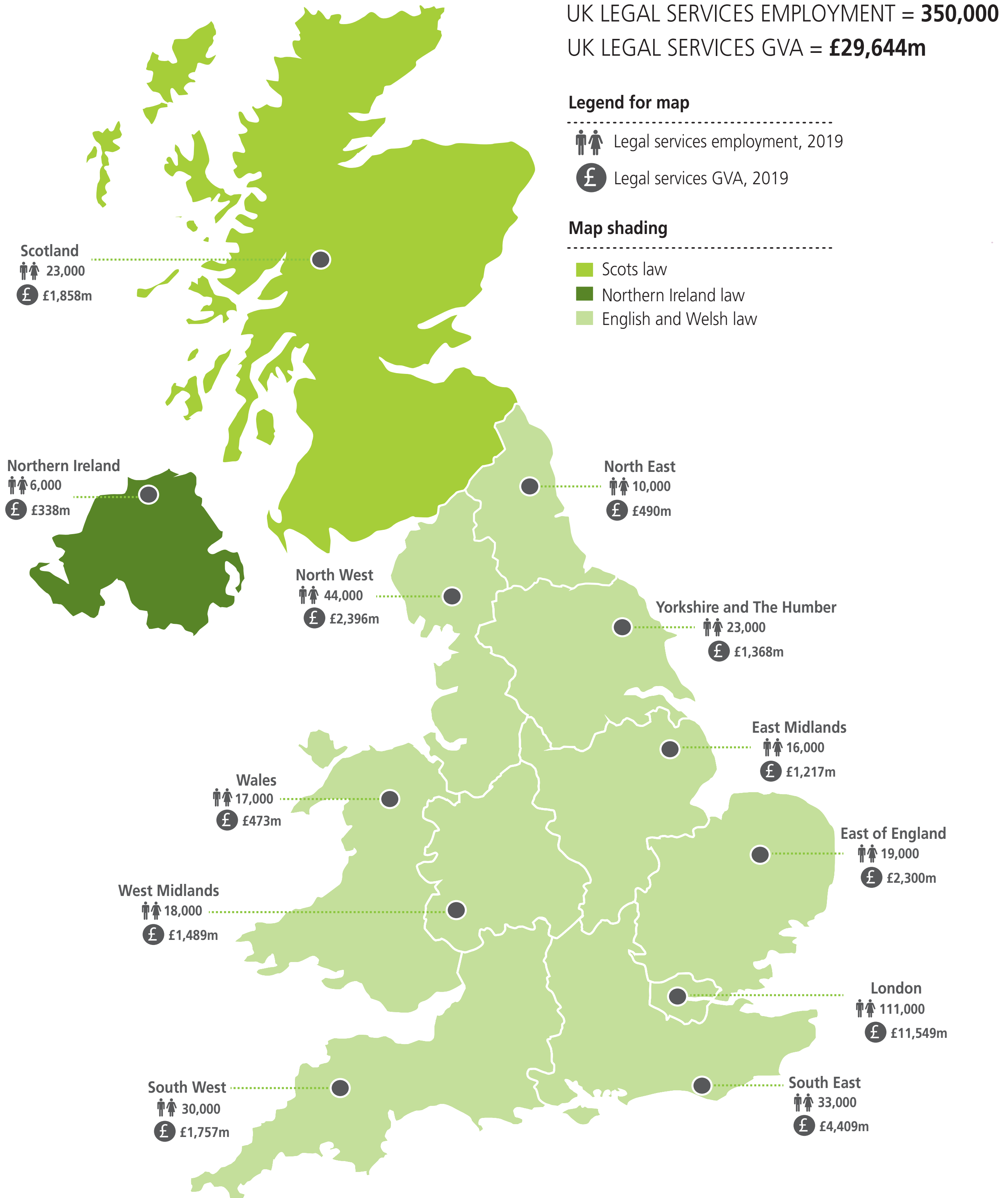
Source: Legal Business

Note: This table only lists the top 25 firms by UK fee income that chose to disclose a breakdown of fee income geographically

	Firm name	Total revenue (£m)
1	Clifford Chance	640
2	CMS	481.6
3	Pinsent Masons	378.8
4	Hogan Lovells	342
5	Clyde & Co	287.8
6	Addleshaw Goddard	283.4
7	Irwin Mitchell	275.8
8	Macfarlanes	261
9	Ashurst	254
10	Norton Rose Fulbright	251.8
11	DAC Beachcroft	251
12	DWF	242
13	Bryan Cave Leighton Paisner	185.4
14	Taylor Wessing	175.5
15	Shoosmiths	168
16	Fieldfisher	168
17	Osborne Clarke	166.4
18	Kennedys	151
19	Charles Russell Speechlys	147
20	Mills & Reeve	122.2
21	Gateley	120.7
22	Slater and Gordon	111.1
23	TLT	110
24	Burges Salmon	108.7
25	Womble Bond Dickinson	106.2

Figure 11: Legal services across the UK - 2019

Source: Office for National Statistics, Nomis, TheCityUK estimates



The scale of the contribution that legal services makes across the nations, regions and cities of the UK is further illustrated by the table below (Figure 11).

Figure 12: The employment and GVA contribution of legal services across the UK

Source: ONS, Nomis, and TheCityUK estimates

	Legal services employment in selected nations/regions/cities, 2019	Legal services GVA in selected nations/regions/cities 2019, (£m)
East Midlands	**16,000**	**1,217**
Northampton	3,500	99
Nottingham	1,000	144
Leicester	1,500	142
Derby	900	-
East of England	**19,000**	**2,300**
Cambridge	2,000	209
Norwich	1,500	58
Ipswich	1,000	60
Chelmsford	1,000	51
Peterborough	900	73
Watford	800	149
Southend-on-Sea	600	25
London	**111,000**	**11,549**
North East	**10,000**	**490**
Newcastle	4,000	153
Sunderland	500	18
North West	**44,000**	**2,396**
Manchester	14,000	634
Liverpool	7,000	153
Preston	1,250	-
Stockport	600	78
Warrington	500	135
Salford	800	76
Northern Ireland	**6,000**	**338**
Belfast	3,124	220
Scotland	**23,000**	**1,858**
Edinburgh, City of	7,000	384
Glasgow, City of	7,000	322
Aberdeen, City of	1,500	288
Fife	700	82

South East	**33,000**	**4,409**
Guildford	1,500	138
Southampton	1,500	99
Reading	1,250	282
Brighton and Hove	1,250	66
Milton Keynes	1,000	185
Oxford	1,000	98
Crawley	600	49
South West	**30,000**	**1,757**
Bristol	9,000	339
Exeter	2,250	87
Cheltenham	2,000	41
Bath	2,000	-
Bournemouth	1,250	73
Gloucester	700	51
Swindon	500	151
Poole	400	43
Wales	**17,000**	**473**
Cardiff	6,000	149
Swansea	1,500	51
West Midlands	**18,000**	**1,489**
Birmingham	9,000	466
Coventry	700	85
Yorkshire and The Humber	**23,000**	**1,368**
Leeds	9,000	472
Sheffield	4,000	151
York	900	90
Bradford	900	117
Halifax	350	42

Note: GVA estimates unavailable for Derby, Preston and Bath

Dispute resolution in London and the UK

The work of the Business and Property Courts continues to underpin the position of English law as the global business law of choice with decisions of B&PCs judges having a wide impact in financial, business, commodities, insurance, shipping and other markets.

Work has continued to identify ways to increase the deployment of judges at all levels across the seven Business and Property Court centres outside London, further enabling local businesses to have their disputes resolved in a local court by a specialist judge. One example was the extension of the ability to hear multi-track IPEC cases in those seven major cities. The Business and Property Courts' pilot on disclosure has been extended to the end of December 2022 and has been the subject of further refinements following feedback from legal professionals and their professional associations. These included the creation of a separate regime for less complex claims, a simplified version of the Disclosure Review Document and some modifications designed to simplify the process for agreeing lists of issues for disclosure.

Attention has turned to finding additional ways of reducing the cost and increasing the speed of specialist civil litigation through the adoption of some of the new ways of working which were developed during the pandemic, including through the use of remote hearings for those shorter, often preparatory and collaborative hearings that lend themselves to that approach. These initiatives have helped to promote England and Wales as a centre for international business and commercial litigation, as well as speeding and improving domestic business disputes.

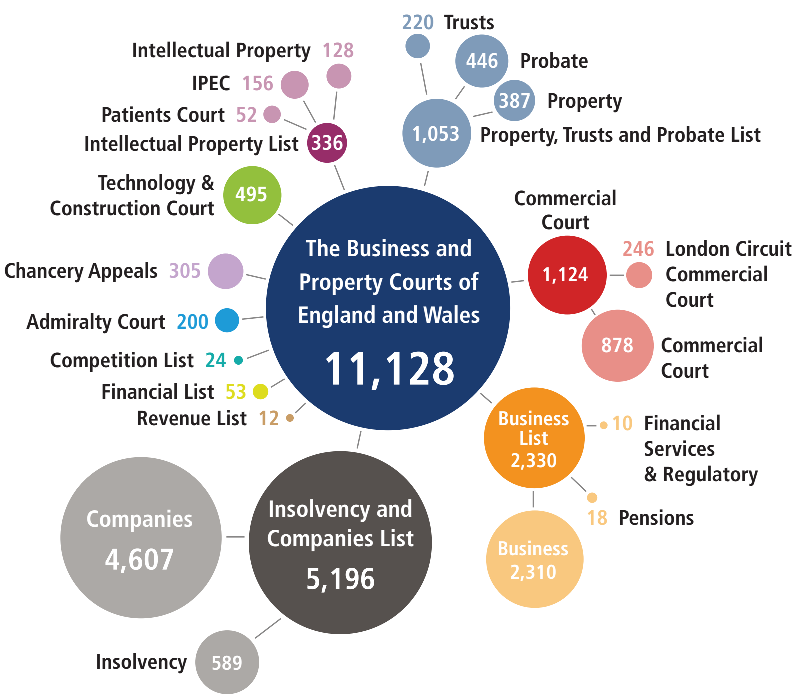
Courts-based dispute resolution

London's Rolls Building continues to house the Business and Property Courts, the world's biggest business, property and commercial court which includes all the specialist jurisdictions of the High Court dealing with commercial disputes.

Figure 13: Cases issued by list, January – December 2020

Source: Civil Justice statistics quarterly: October 2020 to December 2020 © Crown copyright

Note: includes only cases issued in the Rolls Building, London



International work in the Business and Property Courts

The number of cases issued to the end of June 2021 has been 4,562, with 1,356 cases in the Insolvency and Companies Court and 150 cases of Chancery Appeals. There were 250 cases in the Technology and Construction Court with 542 across all Commercial Courts. There were 92 in the Admiralty Court and 6 cases in the Financial List. The Business and Property Courts continue to attract high numbers of international users, most notably in the Commercial Court and Financial List. In 2021, 100% of cases in the Financial List were international in nature and to the end of June, 67% of cases in the Commercial Court were international in nature.

The Commercial Court

The number of cases issued in the Commercial Court has been steady. In the legal year 2020-2021 the number of claims issued was 839 compared to 860 in the year 2019-2020 and 807 in the year 2018-2019. Of these 36 claims were Financial List claims – maintaining the increase in these large (over £50 million) financial/financial markets claims.

The Court also continues to see substantial business both in its traditional areas such as shipping and carriage of goods and in the more recent growth areas, such as commercial fraud. Market conditions have seen a number of notable increases in case numbers in specific areas – aviation (aircraft lease) and insurance and reinsurance claims are up - as are pre-action injunctions, particularly those in support of arbitration.

The Court has seen a number of high profile trials and applications, including a number of disputes relating to state immunity and the strike out of the £1.5 billion claim arising out of the Danish tax authority's claims to recover tax refunds which were said to have been paid out as a consequence of fraudulent misrepresentations. It has also seen the first trial under the Insurance Act 2015.

The year has been notable for the number of large trials heard - with 15 trials of over three weeks length taking place. Some of these have been fully live, some fully remote and some in hybrid format.

As regards insurance, following on from the Supreme Court's decision in FCA v Arch, the court has instituted a Covid Business Interruption Insurance sub-list to manage further claims as efficiently as possible. One further issue was decided in Rockcliffe Hall v Travelers Insurance. Five more cases are being managed towards trial, with a trial and two expedited hearings scheduled for the year 2021-2022. It is anticipated that these cases will provide helpful determination of a significant number of the outstanding issues.

The Financial List

The Financial List saw a substantial increase in cases issued, with 53 issued in 2020 as compared with 18 in 2019. The first Users' Group meeting was held for clients – generally financial institutions – and their legal advisers during the year which seems to have been well received. A meeting will continue to be held annually.

The Patents Court

The Patents Court maintained its work rate during the pandemic with no material disruption to its trial listings, and it will continue to conduct proceedings remotely in part or in whole where appropriate and cost-effective, taking account of the parties' wishes. It has recently reaffirmed its goal of bringing actions to trial within 12 months of issue of the claim, even without specific expedition. In appropriate cases where there is commercial urgency it will direct trials even more quickly. Cases in the Patents Court are often of international significance, because they have global participants but also because they set precedents that are followed or replicated elsewhere. Over 90% of cases currently listed in the Patents Court Diary involve at least one international party.

CASE STUDY – Optis v. Apple [2020] EWHC 2746 (Pat), [2021] EWHC 1739 (Pat), [2021] EWHC 2564 (Pat)

This is litigation between a patent assertion entity and the well known maker of iPads and iPhones, about patents essential to the 4G/LTE standards for mobile telephony.

For efficiency, the litigation has been split into multiple trials, heard by Mr Justice (now Lord Justice) Birss and Mr Justice Meade.

The trials have involved multiple complex patents and important points about the obligations of the owners of standards-essential patents to give licences to the patents on terms which are fair, reasonable and non-discriminatory ("FRAND"), and the ability of implementers to invoke those obligations.

The international scope of the litigation is illustrated by the fact that the relevant FRAND obligations are subject to French law (with expert evidence of French law being given at two of the three trials listed above), and ongoing parallel proceedings in Texas.

The technical complexity of the cases showed the scientific proficiency of the judges of the Patents Court in the UK, and their familiarity with commonly-litigated fields of technology like telecoms, which along with the speed of bringing cases to trial make the court an attractive forum for major technology companies.

Insolvency

The Corporate Insolvency and Governance Act 2020 (CIGA 2020) introduced short and long-term measures to help businesses survive, adding new procedures for insolvent or near insolvent companies and individuals. The short-term legislative measures have suppressed the number of petitions presented to wind up companies over the last year. That is expected to change with the withdrawal of government fiscal support together with the relaxation of the 'covid test' in schedule 10 to CIGA 2020.

As a debtor-friendly measure, the new restructuring plan, giving the court the jurisdiction to sanction "cross-class cram down", represents a significant insolvency reform and has created some new jurisprudence this year. Re Virgin Atlantic Airways Ltd was the first case to be sanctioned by the court but it was not until the start of this year that the cross-class cram down was tested in DeepOcean Group Holding BV. The proposed plan in DeepOcean was to facilitate a solvent wind-down, rather than facilitate a rescue. The court needed to be satisfied that if the restructuring plan was to be sanctioned, none of the members of the dissenting class would be worse off than they would be in the event of the 'relevant alternative'. That required an analysis of the likely financial return in each of the alternative eventualities. The court found that the dissenting class was no worse off with the plan than in the liquidation. Small and medium sized businesses do not appear to have used the restructuring plan to the same extent as larger sized businesses.

The effect of online retail competition and the requirement for shops to close during lockdowns has put voluntary arrangements into sharp focus for retailers this year. Unlike schemes of arrangement or restructuring plans, the creditors' right to challenge arises after the voluntary arrangement has been blessed by the requisite majority. To make a successful challenge the aggrieved creditor needs to demonstrate unfair prejudice or material irregularity. The Business and Property Courts recently decided two cases where such challenges were made in this context but failed: *New Look Retailers Ltd*, and *Re Nero Holdings Ltd.*

Another debtor-friendly process introduced by CIGA is the free-standing moratorium. This provides a distressed company with a 'payment holiday' for certain debts and bars legal and other enforcement action whilst the company is subject to the moratorium. Unlike the restructuring plan the moratorium has yet to make an impact on court business. The Insolvency Service anticipates this will change when all class action restrictions are lifted, and fiscal support withdrawn.

Personal insolvency has not been immune to legislative change. In May 2021 the Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 came into force. These provide individuals experiencing debt problems legal protections against their creditors. They affect most types of unsecured debt and mortgage arrears. The courts have continued to hear high value bankruptcy petitions during the pandemic, including that presented against the Indian businessman Dr Vijay Mallya who was adjudged bankrupt following lengthy proceedings involving jurisdictional and other challenges.

Complex liquidations such as Carillion and Thomas Cook still occupy the Business and Property Courts but, for now at least, there is little sign of a large volume increase in insolvency court work. This period before Christmas 2021 may be the calm before the storm.

The Technology and Construction Court (TCC)

The latest figure for new claims in the TCC continues to rise inexorably, from 480 in 2019/20 to 521 in 2020/2021. This continues a five-year trend, which has seen the number of claims issued in the London TCC increase by 38% over that period.

TCC international cases usually comprise large group actions for environmental damage compensation in the billions of dollars. Other jurisdictions such as Brazil, Chile, Zambia and Nigeria are involved, often with a UK parent as an 'anchor defendant'.

The TCC also hears a growing number of procurement challenges, which combine judicial review applications in the Administrative Court with a separate Part 7 challenge in the TCC under the relevant regulations, often based on European Directives. These cases are heard by TCC judges who also sit in the Administrative Court and hear both sets of proceedings together. Depending upon the subject matter, trials of such claims are often heard very quickly. Examples include expedited trials within 6 months of issue of proceedings (see: Draeger Safety UK Ltd v London Fire Commissioner [2021] EWHC 2221 (TCC)) and early directions for applications to be made during ongoing procurements.

The subject matter of TCC cases also includes international arbitrations and practitioners in the area are experienced in appearing at both kinds of hearing. Adjudication enforcements are heard within a very short time scale in the TCC (usually 6-8 weeks after issue of the claim), often resolving disputes without the necessity for a full trial or arbitration.

Alternative dispute resolution

Alternative dispute resolution (ADR), provides a way of resolving disputes between parties without going to court. Arbitration is a form of ADR that allows contracting parties to choose a neutral venue where their disputes are settled. The UK is a global leader in international arbitrations. London is the most popular, and widely used, seat for international commercial arbitration by a wide margin. More of these take place in London than in any other city in the world.

When choosing whether to resolve a dispute with ADR claimants have a variety of requirements they may consider when deciding on the location of the arbitration or mediation. Some of the elements which make London the leading destination for ADR include:

- Arbitration framework provided by the Arbitration Act 1996 and the Arbitration (Scotland) Act 2010 which governs how awards are enforced and provides limited grounds for challenging the award.
- Flexibility in procedures developed by dispute resolution organisations.
- Neutral forum for resolving disputes between international parties.
- Confidentiality of proceedings.
- Party autonomy in language and law.
- Depth of expertise in larger complex cases as practitioners understand the commercial issues involved. Expertise in the UK may be derived from specialist dispute resolution organisations, individual arbitrators and mediators, expert witnesses as well as international law firms and barristers that provide specialist advice and advocacy.
- A well-respected judiciary and appropriately resourced courts system which provides vital support for a well-functioning arbitration and ADR sector.
- Availability of suitable venues and supporting services, such as interpreters, translators, stenographers and IT services.

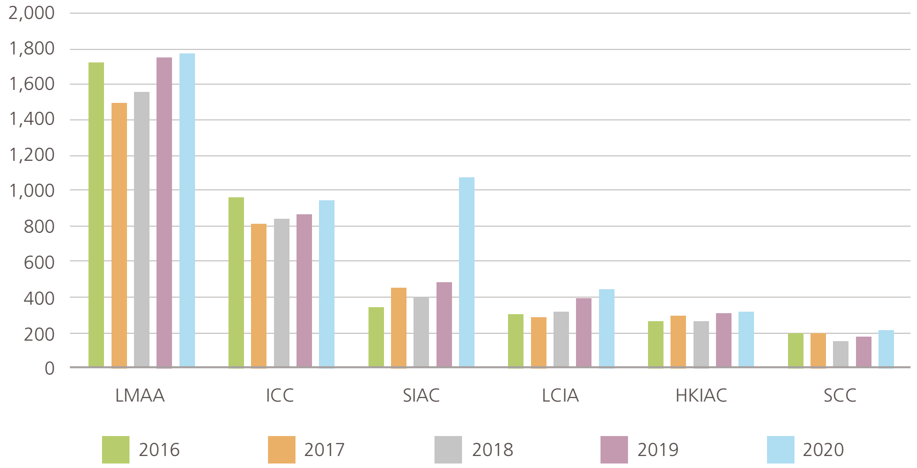
Commercial arbitrations grew in 2020, no doubt in part influenced by ongoing global supply chain issues and the effects of the global pandemic.

LexisNexis UK's Lexis PSL Arbitration team analysed the caseload statistics of six of the largest international commercial arbitral bodies (London Maritime Arbitrators Association, ICC International Court of Arbitration, Singapore International Arbitration Centre, London Court of International Arbitration, The Hong Kong International Arbitration Centre, Stockholm Chamber of Commerce), and found that arbitration continues to grow in popularity as a form of dispute resolution, with an overall rise of 26% in the annual number of new arbitrations across all six bodies between 2016 and 2020 (3,793 to 4,776).[23]

The London Maritime Arbitrators Association (the LMAA) continues to lead the caseload statistics with 1,775 new cases in 2020 which comprises more than 37% of the total new arbitration cases in 2020 across all six bodies (4776).

23 Lexis Nexis, 'Arbitration statistics 2020—from sole arbitrators to no arbitrators' (August 2021), available at: https://www.lexisnexis.co.uk/blog/research-legal-analysis/arbitration-statistics-2020-from-sole-arbitrators-to-no-arbitrators

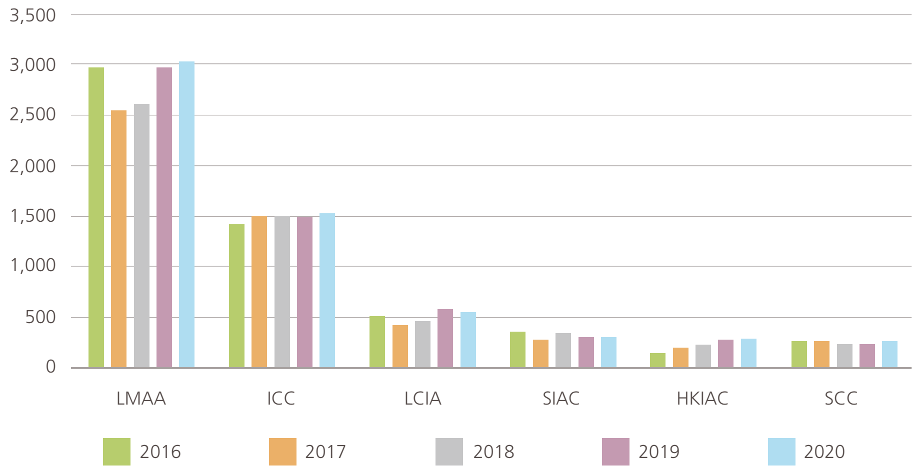
Figure 14: Arbitral caseloads across six major international arbitral bodies 2016 - 2020
Source: Lexis®PSL Arbitration



If we turn to the number of arbitral appointments across the six bodies over the same period, we see a rise in the number of arbitral appointments, but at only 6%, not as great as the rise in new cases shown in the chart above.

The LMAA, whose Terms and Procedures are used in ad hoc arbitrations, continues to lead the way on this measure, accounting for more than half of the appointments across the six organisations in 2020, as it did in the previous year. The LCIA is in third place for appointments, consistently seeing more of these than the other international arbitral institutions with the exception of the ICC.

Figure 15: Appointments of arbitrators across six major international arbitral bodies 2016 - 2020
Source: Lexis®PSL Arbitration



The arbitrations conducted under the rules of these six bodies are predominantly international. The LCIA reports that 82 of the 407 arbitrations administered pursuant to its rules involved parties from the UK on both sides and 26 arbitrations involved only UK parties.

In the UK, ADR services continue to be provided across a range of activities and sectors at a domestic and international level. The total number of commercial and civil disputes resolved through arbitration, mediation and adjudication totalled more than 43,000 in 2020. Around 37,000 of these were domestic and more than 6,500 mostly international (Figure 16).

Figure 16: Arbitrations, mediations and adjudications in the UK
(Number of referrals, appointments or cases submitted)

	2016	2017	2018	2019	2020
Mostly international					
London Maritime Arbitrators Association	1,720	1,496	1,561	1,756	1,775
London Court of International Arbitration	303	285	317	395	444
Lloyd's Open Form	48	54	53	35	40
Grain and Feed Trade Association (Gafta)	610	984	526	388	291
ICC Int. Court of Arbitration (UK seated)	65	73	72	115	85
Centre for Effective Dispute Resolution	1,042	1,072	793	4,635	3,665
Ad hoc arbitrations[24]	300	300	300	300	300
TOTAL INTERNATIONAL	4,088	4,264	3,622	7,624	6,600
Mostly UK domestic					
Royal Institution of Chartered Surveyors	5,100	4,635	4,897	3,702	3,478
Centre for Effective Dispute Resolution	7,401	13,869	24,055	17,775	24,366
Adjudication Society	1,511	1,533	1,685	1,905	1,945
Other mediations[25]	6,608	6,515	6,562	5,564	6,320
Trade associations[26]	500	500	500	500	500
TOTAL DOMESTIC	21,120	27,052	37,699	30,446	36,609
TOTAL	28,686	34,416	44,417	45,256	43,209

In addition to the many arbitrations, mediations and adjudications taking place in the UK, the services of UK professionals are highly sought in ADR cases abroad. For example, in ICC arbitrations worldwide in 2020, more arbitrators were appointed from the UK than from any other country: 220, representing 14.5% of all appointments and confirmations of arbitrators.

Main ADR organisations and services in London and the rest of the UK include:

London Court of International Arbitration (LCIA): The LCIA received 444 requests for arbitration in 2020. The proportion of banking and finance arbitrations under the LCIA Rules remained strong in 2020, representing 20% of cases.

International Chamber of Commerce (ICC): For the International Court of Arbitration, London was the second most popular global seat in 2020 with 85 (behind Paris with 87) of the 929 new arbitration cases filed under the ICC Rules of Arbitration seated there. ICC arbitrations were seated across 113 cities in 65 countries in 2020.

24 TheCityUK estimate
25 Ibid
26 Ibid

London Maritime Arbitrators Association (LMAA): Set up in 1960 to serve the local London maritime broking community, the LMAA has grown organically from a small association of members to the leading arbitration body used by maritime communities worldwide. The LMAA has over 800 members in 40 countries and serves users of maritime arbitration around the world. Over the 25 plus years during which the Association has collected limited statistics from its arbitrating members, the results have indicated, on average, 2,500 to 3,000 new appointments per year, relating to approximately 1,700 new arbitrations per year and resulting in more than 500 awards per year. LMAA arbitration remains the primary forum of choice for dispute resolution in the world of ships and shipping, and its reach extends across the maritime spectrum, encompassing not only shipping (for example, carriage of goods, shipbuilding and ship sale and purchase) but also international trade and offshore energy, including renewables. Together with the other providers of international arbitration in London, the LMAA assists London in maintaining its position as the leading centre worldwide for international arbitration, offering its services to the myriad parties who choose to have their disputes resolved in London.

Lloyd's Standard Form of Salvage Agreement (Lloyd's Open Form (LOF)): The LOF has been in use for over a hundred years, providing a framework for determining the amount of remuneration to be awarded to salvors for their services in saving property at sea and minimising or preventing damage to the environment. Originating in the late 1800s, it is today the most widely used international salvage agreement of its kind. In 2020 Lloyd's was notified of salvage services being rendered under LOF in 40 cases. About 75% of LOF cases are settled amicably between the parties, with the remaining cases proceeding to arbitration in London in front of an independent arbitrator appointed by Lloyd's.

The Centre for Effective Dispute Resolution (CEDR): In 2020 a total of 28,031 cases were handled by CEDR, which included 2,282 commercial mediations, 79 arbitrations and 25,670 adjudications (the vast majority of the latter two were conducted as paper-based processes rather than through hearings). In the last financial year once again the majority of small claims that came to CEDR used Adjudicative processes whereas the larger cases (with an average quantum of claim of £1 million plus) used Mediation. Some of the busiest sectors for CEDR were Banking, Telecommunications, Travel & Aviation, Construction (including House Building), Healthcare (including Clinical Negligence), Utilities and Energy.

The Royal Institution of Chartered Surveyors (RICS): From October 2020 to 30 September 2021, RICS Dispute Resolution Service were requested to appoint 3,478 dispute resolvers to individual disputes. Volumes are slightly down primarily due to effects of UK lockdown caused by Covid-19, which had a knock-on effect on disputes received from the commercial and construction sector that would normally have taken place during this period. Despite this dip over the last six months of 2021, the RICS has started to see signs of recovery with an increase in applications.

The Adjudication Society: 1,945 disputes were reported in 2019/20 to the Adjudication Society, which promotes the use of adjudication in the resolution of construction disputes. Other bodies, including CEDR, The Chartered Institute of Arbitrators, RICS and the Royal Institute of British Architects, nominate adjudicators to resolve disputes in construction and engineering.

The Scottish Arbitration Centre: The Centre promotes domestic and international arbitration under the Arbitration (Scotland) Act 2010 and Scotland as a place to resolve disputes. The Centre has an independent arbitral appointments committee, which can make appointments in ad hoc cases and its arbitration suites provide an attractive forum for dispute resolution. It is also home to the International Centre for Energy Arbitration (ICEA), an energy arbitration project between the Centre and the Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP) at the University of Dundee, which is focussed on research and the development of dispute systems for the energy sector.

The Resolution Centre: The Bar of Northern Ireland opened the Resolution Centre in 2018 to provide a bespoke ADR facility to meet the needs of barristers, solicitors and clients. The Resolution Centre provides a unique environment, custom designed to achieve conciliation and consensus.

The Meeting Space at Law Society House: Opened in September 2021, this venue is a major development by the Law Society of Northern Ireland which can be configured to accommodate meetings, mediations, seminars and negotiations.

The Commodity Markets: The UK is also home to a number of international commodity markets and trade associations, each with its own standard contracts, arbitration rules and tribunals. Every year these associations administer several hundred arbitrations arising from international trade and arbitrations under these bodies are usually held in London under English law. Examples include the London Metal Exchange (LME), the Grain and Feed Trade Association (Gafta), the Federation of Oils, Seeds and Fats Associations Ltd (FOSFA) the International Cotton Association (ICA), the British Coffee Association (BCA) and the Refined Sugar Association (RSA).

The second London International Disputes Week was held in May 2021. This five-day event explored the future of international dispute resolution and celebrated the heritage of London as a leading centre for handling international disputes, through a programme of interactive sessions and networking events. The event looked at how and where future disputes are likely to arise and identified ways in which London can adapt to these developments to ensure it remains the world's leading centre for dispute resolution.

During 2020, TheCityUK sought leave to intervene in a Supreme Court Case which had implications for the attractiveness of London as a seat of arbitration. The case Enka Insaat Ve Sanayi A.S. (Respondent) v OOO Insurance Company Chubb (Appellant) UKSC 2020/0091 concerned whether, if an arbitration agreement provides for arbitration in England, that is enough for the English courts to issue an injunction preventing a party to that agreement from pursuing proceedings in some other jurisdiction, whether or not any arbitration has been commenced in England. Although we were not granted leave to intervene in the case, on the point on which we had applied to do so, all five members of the Court upheld the position that we were advocating, namely that irrespective of the law governing an agreement to arbitrate in England, (and irrespective of the law governing the substantive obligations of the contract), the English courts are able to issue an anti-suit injunction to restrain foreign proceedings brought in breach of the agreement to arbitrate in England.[27] The decision confirms that an agreement to arbitrate in London is supported by the courts being willing to prevent a party to that agreement from commencing court proceedings elsewhere, further increasing London's attractiveness as a seat of arbitration.

Meanwhile, the Scottish Government, Law Society of Scotland, Royal Institute of Chartered Surveyors in Scotland, Faculty of Advocates, Chartered Institute of Arbitrators (Scottish Branch), Scottish Arbitration Centre, Scottish Mediation Network and the Scottish Courts and Tribunal Service have formed a collaboration partnership to promote all forms of dispute resolution in Scotland. The partnership seeks to make it as easy as possible for parties in a dispute to navigate the different routes to dispute resolution. This non-competitive collaboration demonstrates the strength of Scotland as a dispute resolution destination of choice where the jurisdiction puts the efficiency of choice for the parties at the heart of its approach. Edinburgh will also play host to the delayed International Council for Commercial Arbitration (ICCA) World Congress in September 2022, led by the Scottish Arbitration Centre with support from the Scottish Government and the Partnership.

27 UK Supreme Court 2020, 'Enka Insaat Ve Sanayi AS v OOO Insurance Company Chubb', (October 2020), available at: https://www.supremecourt.uk/cases/docs/uksc-2020-0091-judgment.pdf

Contribution to the UK economy

The legal services sector enables economic growth throughout the UK by providing an infrastructure of law and justice that facilitates commerce and drives the international competitiveness of the UK as an attractive place in which to do business. The UK's strong legal framework also contributes to fostering stronger financial institutions across the whole country which further propel wider economic growth. The UK's legal services industry also brings direct benefits that can be measured in terms of Gross Value Added (GVA), employment and net exports.

GVA: The output of UK legal services was £29.6bn, or 1.5% of total UK GVA in 2019. This includes legal representation of one party's interests against another party in civil and criminal cases, whether or not it occurred in courts. It includes advice in a range of areas, from corporate transactions to labour law, patents, trademarks and copyright as well as the activities of arbitrators, notaries and bailiffs. This covers retail work (including conveyancing and wills), and social welfare work (including immigration, discrimination and human rights). The main exclusions in the ONS definition are the activities of the law courts, and lawyers employed by non-legal firms whose activity would be credited to the sector of their employer.[28]

In 2020, the Law Society conducted research with KPMG to assess the gross economic and social contribution of the legal sector in terms of GVA, which estimates the contribution made by legal professionals who work in other sectors of the economy (e.g. legal professionals working in-house within corporates or in public institutions). The study concluded that in 2018, the legal services sector contributed £59.93bn of GVA to the UK economy.[29]

Employment: The number of people employed and self-employed in legal services in the UK is around 365,000 according to ONS data. Around two thirds of these jobs are outside London.

Solicitors in private practice include those employed by law firms and independent practitioners: recently, there has been a growth in in-house practitioners employed in the private sector. Some in-house legal teams have taken on more routine legal work as they can perform this more cost-effectively than external legal advisors.

The 2020 Law Society and KPMG research also estimated employment figures including the contribution made by legal professionals who work in other sectors of the economy and found that in 2018, the legal services sector supported approximately 552,000 FTE employees in the UK,[30] comprised of an estimated:

- 358,000 direct FTE employees employed in the legal services sector, of which:
  - 225,000 FTEs were employed in the 'Legal activities' sector; and
  - 133,000 FTEs were employed as legal professionals in sectors other than the 'Legal activities' sector.
- 150,000 indirect FTE employees employed in the UK legal services sector's supply chain.
- 43,000 induced FTE employees supported through the spending of the UK legal services sector's direct and indirect employees' spending of wages within the UK economy.

28 TheCityUK calculations based on Office for National Statistics, 'UK businesses: activity, size and location 2021', (04 October 2021), available at: https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/ukbusinessactivitysizeandlocation/2021

29 Law Society and KPMG, 'Contribution of the UK legal services sector to the UK economy', (January 2020), available at: https://www.lawsociety.org.uk/topics/research/contribution-of-the-uk-legal-services-sector-to-the-uk-economy-report

30 Ibid.

Further data from the Law Society of England and Wales shows that the in-house sector is home to more than 24% of all practising certificate holding solicitors in 2020, up from 23% in 2019 and from 16% a decade earlier.[31] The majority of in-house solicitors work in the private sector, with many concentrated in the financial services sector. The number of solicitors employed in private practice in law firms in England and Wales was 96,091 in 2020. This figure does not include lawyers employed in the UK who are qualified in another jurisdiction or practising certificate holders employed in private practice outside England and Wales.

Figure 17: Practising certificate holders in England and Wales
Source: Law Society of England & Wales, Annual Statistics Report

Number of solicitors in England and Wales			
	Total private practice	Total non-private practice	Total
2011	87,973	33,960	121,933
2012	87,768	41,010	128,778
2013	86,840	40,836	127,676
2014	90,306	40,076	130,382
2015	91,062	42,305	133,367
2016	91,166	45,010	136,176
2017	93,155	46,469	139,624
2018	93,825	49,342	143,167
2019	95,028	51,925	146,953
2020	96,091	53,831	149,922

Law firms in Scotland and Northern Ireland employ around 8,000 and 2,300 solicitors respectively.

Traineeships and graduate intake: According to the Law Society of England and Wales these totalled 5,626 in the 12 months to 31 July 2020, an 11.3% decrease on the previous year.[32]

Figure 18: Top 20 firms by number of training contracts offered by legal firms in the UK, 2021/22
Source: Legal Cheek

Company	Number of training contracts offered
Linklaters	100
Clifford Chance	95
CMS	95
Slaughter and May	88
Allen & Overy	85
Freshfields Bruckhaus Deringer	80

31 Law Society Annual Statistics
32 ibid

Pinsent Masons	69
DLA Piper	65
Herbert Smith Freehills	60
Addleshaw Goddard	58
Accutrainee	50
Eversheds Sutherland	50
Hogan Lovells	50
White & Case	50
Dentons	48
Irwin Mitchell	48
Clyde & Co	45
Norton Rose Fulbright	45
Ashurst	40
Osborne Clarke	35

Barristers and advocates: The number of barristers in independent practice in England and Wales totalled 17,078 in 2020[33]. In Scotland there are around 460 advocates, and in Northern Ireland around 650 barristers.

Number of firms: ONS figures show that the legal services market in the UK comprised 33,085 firms in 2020/21, with 30,380 in England and Wales, 1,300 in Scotland and 990 in Northern Ireland.[34] These firms compete with a range of other legal professionals to differing extents. Within reserved work, these include barristers, notaries, legal executives, law costs draftsmen, trade mark attorneys, licensed conveyancers and patent attorneys; within unreserved work, these include the wider legal services market delivered by unregulated providers such as will writers.

Exports of legal services: Legal services consistently generate a trade surplus, helping to offset the UK's trade in goods deficit. The sector provides vital support to UK and multinational firms and is especially helpful when organisations seek to develop a presence in new international markets and structure multijurisdictional projects.

Legal services exports are generated from many sources: law firms, including those originating in the UK and international firms with an office in the UK; barristers and advocates providing services to foreign clients; and legal services provided by lawyers employed by other organisations, which are not themselves legal entities:

- Exports from solicitors' firms were estimated at £6,513m in 2020
- Exports generated by barristers totalled £136m in 2020
- Exports generated from lawyers in other organisations totalled £134m in 2020, of which a large proportion was due to activities of patent agents. The remainder is largely attributable to internal billings related to legal services provided by companies to their overseas subsidiaries.[35]

33 Bar Standards Board, available at: https://www.barstandardsboard.org.uk/news-publications/research-and-statistics/statistics-about-the-bar/practising-barristers.html

34 Office for National Statistics, 'UK businesses: activity, size and location 2021', (04 October 2021), available at: https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/ukbusinessactivitysizeandlocation/2021

35 Office for National Statistics, '03 Trade in Services: The Pink Book', (29 October 2021), available at: https://www.ons.gov.uk/releases/ukbalanceofpaymentsthepinkbook2021

Taking account of imports (mainly related to billings of UK businesses from law firms based overseas) of £1,227m, net exports of UK legal services stood at £5,566m in 2020 (Figure 19), an increase of 3.2% on 2019.[36]

Figure 19: Net exports of UK legal services (£m)

Source: Office for National Statistics

	EXPORTS	IMPORTS	NET EXPORTS
2011	3,848	774	3,074
2012	4,301	784	3,517
2013	4,646	834	3,812
2014	5,067	902	4,165
2015	5,085	838	4,247
2016	5,537	872	4,665
2017	6,010	976	5,034
2018	6,157	1,009	5,148
2019	6,567	1,185	5,382
2020	6,783	1,227	5,556

36 Office for National Statistics, '03 Trade in Services: The Pink Book', (29 October 2021), available at: https://www.ons.gov.uk/releases/ukbalanceofpaymentsthepinkbook2021

The global picture and the UK's position internationally

Research on the global legal services market indicates that it was worth approximately $713bn in 2020.[37] The UK is the largest market in Europe and accounts for around a third of Western European legal services fee revenue.[38]

The revenue of the world's largest 100 law firms (ranked by revenue) grew by 5% in 2019/20 to a record $119.72bn.[39]

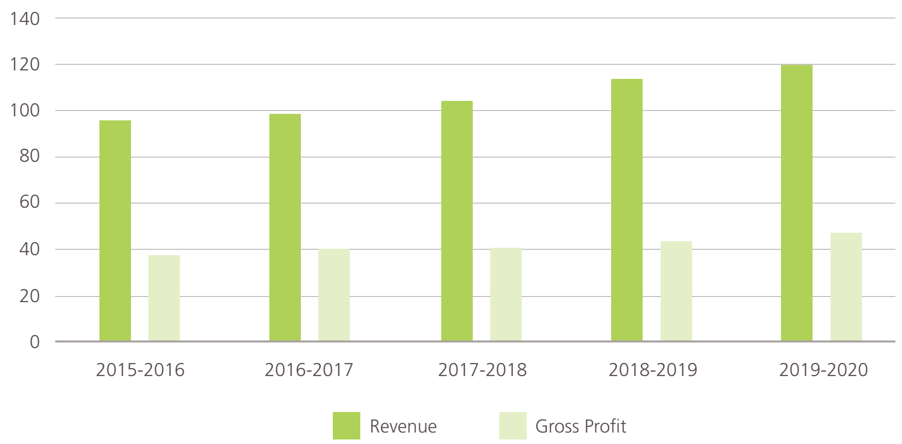
Forty-nine of the world's top 100 firms now turn over more than $1bn, compared to 45 last year, with 14 firms reporting turnover greater than $2bn.[40]

While over two thirds of Global 100 law firms in 2019/20 were American, UK-based firms continue to feature prominently in the rankings:

- Five of the top 20 law firms in terms of the number of lawyers employed were headquartered in the UK in 2019/20. Clifford Chance was the largest UK-based law firm on this measure, followed by Allen & Overy, Linklaters, Herbert Smith Freehills and Freshfields Bruckhaus Deringer.
- UK-based firms also held four of the top 20 places based on revenue. Clifford Chance was the largest UK-based law firm on this measure, followed by Allen & Overy, Linklaters and Freshfields Bruckhaus Deringer.
- All of the top 50 law firms by revenue have an office in London.

Figure 20: Revenue and gross profit of the world's largest 100 law firms (ranked by revenue)

Source: Legal Business



The number of lawyers employed by the world's largest 100 law firms increased by 5% to a record 154,5154 (from 146,542) (Figure 21).

37 The Business Research Company, 'Legal Services Global Market Opportunities And Strategies', (May 2021), available at: https://www.thebusinessresearchcompany.com/report/legal-services-market

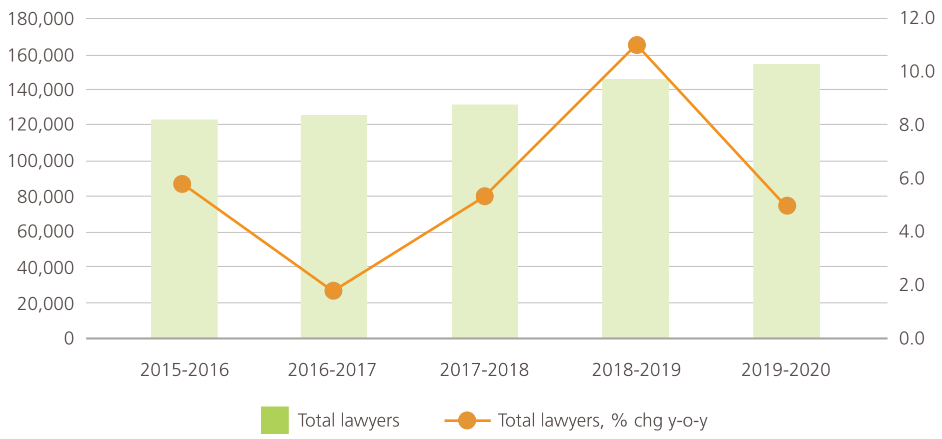
38 TheCityUK calculations based on Cision PR Newswire, 'Legal Services Global Market Report 2018', (23 July 2018), available at: https://www.prnewswire.com/news-releases/legal-service-global-market-report-2018-300685002.html

39 Legal Business, 'The Global 100 2021', (April 2021), available at: https://www.legalbusiness.co.uk/analysis/global-london-2021-main-table/

40 ibid

Figure 21: Headcount of the world's largest 100 law firms

Source: Legal Business



Most of the largest global firms continued to increase headcount in 2019/20. Dentons again had the most lawyers worldwide with over 10,000, followed by Chinese firm Yingke (8,862), Baker McKenzie (5,425) and DLA Piper (4,404) (Figure 21).

Figure 22: Largest law firms by number of lawyers, 2019/20

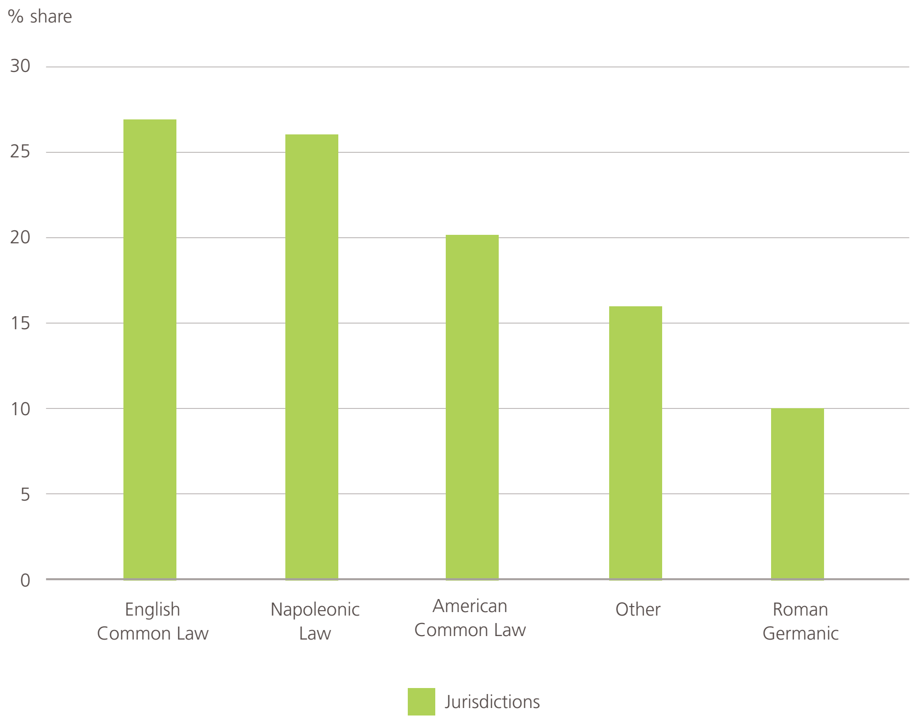
Source: Legal Business

Company	Location	Number of lawyers
Dentons	International	10,566
Yingke	China	8,862
Baker McKenzie	International	5,425
DLA Piper	International	4,404
CMS	International	4,111
Norton Rose Fulbright	International	3,568
AllBright	China	3,178
Clifford Chance	London	3,005
Allen & Overy	London	2,989
Hogan Lovells	International	2,929
Linklaters	London	2,837
Latham & Watkins	National (US)	2,720
Kirkland & Ellis	Chicago	2,634
Herbert Smith Freehills	London	2,619
Eversheds Sutherland	International	2,563
Freshfields Bruckhaus Deringer	London	2,555
Jones Day	National (US)	2,514
White & Case	International	2,284
King & Wood Mallesons	Hong Kong	2,152
Morgan Lewis	National (US)	2,083
Greenberg Traurig	National (US)	2,070
Clyde & Co	London	1,939

The popularity of English law strengthens the position of UK-based law firms and independent legal practitioners. Contracting parties are free to enter a jurisdiction clause to decide where disputes over contractual obligations will be determined. Many parties opt for their agreements to be governed by English law. It is the most widely-used legal system, covering 27% of the world's 320 legal jurisdictions.[41] American common law is by contrast used by around 20% of the world's jurisdictions (Figure 23).

Figure 23: Comparison of global legal systems

Source: Wood



English law is by some distance the most widely-used foreign law in fast growing Asian markets. A 2019 survey of more than 600 legal practitioners and in-house counsel who engage in cross-border transactions in Asia conducted by the Singapore Academy of Law found that English law remains the most popular choice of governing law in contracts. It was selected as the most frequently used governing law by 43% of respondents and was often used in transactions with little or no other link to the UK.[42]

The global prominence of English and Welsh law as the preferred law for international business means the global demand for solicitors qualified in England and Wales is high and many choose to work overseas. The latest statistics available from the Law Society suggest the number of England and Wales solicitors working overseas total around 6,500 (Figure 24).

41 Sweet & Maxwell, 'English Common Law is the most widespread legal system in the world', (November 2008), available at: https://www.sweetandmaxwell.co.uk/about-us/press-releases/061108.pdf

42 Singapore Academy of Law, '2019 Study on governing law & jurisdictional choices in cross-border transactions', (April 2019), available at: https://www.sal.org.sg/sites/default/files/PDF%20Files/Newsroom/News_Release_PSL%20Survey_2019_Appendix_A.pdf

Figure 24: Distribution of England and Wales solicitors working in foreign jurisdictions, 2018.

Source: Law Society

	Number of solicitors	% share
United Arab Emirates	1,017	16%
Hong Kong	981	15%
Singapore	712	11%
United States of America	461	7%
Channel Islands	459	7%
Switzerland	266	4%
Germany	262	4%
Australia	259	4%
France	257	4%
Japan	155	2%
Others	1,603	26%
TOTAL	6,432	100%

The international growth in UK legal professionals operating overseas has not been restricted to solicitors and law firms. Many barristers' chambers, especially those specialising in various forms of commercial law, are establishing permanent presences in locations such as Singapore, Hong Kong, Abu Dhabi, New York, Doha and Geneva to focus on dispute resolution and arbitration.

Kirkland & Ellis held on to the top spot globally in terms of gross revenue (with $4.15bn), ahead of Latham & Watkins ($3.76bn) and DLA Piper ($3.11bn).

When considering the composition of the top 100 firms, it is important to remember that UK law firms that account in sterling have suffered from the strong US dollar as the revenues we cite are reported in dollars; many of these firms recorded growth in their own currency.

Figure 25: Largest law firms by gross revenue, 2019/20

Source: Legal Business

Law Firm	Headquarters	Gross revenue, $m
Kirkland & Ellis	Chicago	4,154.6
Latham & Watkins	National (US)	3,767.6
DLA Piper	International	3,112.1
Baker McKenzie	International	2,920
Dentons	International	2,899.6
Skadden, Arps, Slate, Meagher & Flom	New York	2,632.6
Sidley Austin	Chicago	2,337.8
Clifford Chance	London	2,302.1
Morgan, Lewis & Bockius	National (US)	2,265
Hogan Lovells	International	2,246

White & Case	International	2,184.8
Allen & Overy	London	2,160.7
Linklaters	London	2,093.6
Jones Day	National (US)	2,077
Gibson, Dunn & Crutcher	Los Angeles	2,008.3
Freshfields Bruckhaus Deringer	London	1,942
Norton Rose Fulbright	International	1,904
Ropes & Gray	Boston	1,903.6
Greenberg Traurig	National (US)	1,641.7
Simpson Thatcher & Bartlett	New York	1,618.6
CMS	International	1,596.1
Weil, Gotshal & Manges	New York	1,517.
Mayer Brown	International	1,484
Sullivan & Cromwell	New York	1,467.4
Davis Polk & Wardwell	New York	1,444
Paul, Weiss, Rifkind, Wharton & Garrison	New York	1,387
King & Spalding	Atlanta	1,338.6
Goodwin Procter	Boston	1,330.2
Cooley	San Francisco	1,329.3
Paul Hastings	National (US)	1,268.9
Herbert Smith Freehills	London	1,263.9
Quinn Emanuel Urquhart & Sullivan	Los Angeles	1,252
Reed Smith	International	1,246.9
Cleary Gottlieb Steen & Hamilton	New York	1,211
Eversheds Sutherland	International	1,206
Covington & Burling	Washington DC	1,187.4
Wilmer Cutler Pickering Hale and Dorr	National (US)	1,184.3
McDermott Will & Emery	Chicago	1,172.1
Orrick, Herrington & Sutcliffe	San Francisco	1,158.5
Morrison & Foerster	San Francisco	1,147.2
Dechert	National (US)	1,135.5
Akin Gump Strauss Hauer & Field	Washington DC	1,135
King & Wood Mallesons	Hong Kong	1,079
Milbank	New York	1,069
Debevoise & Plimpton	New York	1,049.5
Squire Patton Boggs	International	1,035
Holland & Knight	National (US)	1,026.8
K&L Gates	National (US)	1,026.6

Winston & Strawn	Chicago	1,012.3
Proskauer Rose	New York	1,004.9
Shearman & Sterling	New York	968.1
Wilson Sonsini Goodrich & Rosati	San Francisco	961
Arnold & Porter	Washington DC	919
Perkins Coie	Seattle	934.8
Foley & Lardner	Milwaukee	920.4
Wachtell, Lipton, Rosen & Katz	New York	882.1
Bryan Cave Leighton Paisner	International	869.1
Willkie Farr & Gallagher	New York	868
McGuireWoods	Richmond	853.5
Kim & Chang	Korea	845.1
Alston & Bird	Atlanta	835.9
O'Melveny & Myers	Los Angeles	835.3
Ashurst	London	822.3
Clyde & Co	London	800.1
Cravath, Swaine & Moore	New York	799.6
Sheppard, Mullin, Richter & Hampton	Los Angeles	799.1
Vinson & Elkins	Houston	792.6
Fried, Frank, Harris, Shriver & Jacobson	New York	776
Yingke	China	762.9
Hunton Andrews Kurth	Richmond	756
Baker Botts	Houston	751.1
Slaughter and May	London	738
Baker & Hostetler	National (US)	732.5
Seyfarth Shaw	National (US)	717.4
Fragomen	New York	701.8
Pillsbury Winthrop Shaw Pittman	San Francisco	677.3
Katten Muchin Rosenman	National (US)	669.7
Venable	National (US)	657
Gowling WLG	International	645.6
Lewis Brisbois Bisgaard & Smith	National (US)	642
Pinsent Masons	National UK	632.7
Osler, Hoskin & Harcourt	Canada	617.5
Littler Mendelson	National (US)	590
Polsinelli	National (US)	580
Nelson Mullins Riley & Scarborough	National (US)	558
Fox Rothschild	Philadelphia	558

Troutman Sanders	Atlanta	549.6
Zhong Lun Law Firm	China	535.3
Blake, Cassels & Graydon	Canada	524.1
Faegre Baker Daniels	Minneapolis	521.1
Ogletree Deakins	National (US)	520.1
Cozen O'Connor	National (US)	517.3
Duane Morris	National (US)	510.3
Allbright	China	506.7
Nixon Peabody	National (US)	505.5
McCarthy Tetrault	Canada	498.5
Simmons & Simmons	London	498
Locke Lord	Dallas	496.4
Jackson Lewis	National (US)	486.1
Bird & Bird	London	485.3

Conclusion

This report demonstrates the key role the legal services sector continues to play in contributing to the UK economy and its integral role in underpinning the country's position as a world-leading international financial centre. Its inherent strength, agility and diversity means it is well placed to thrive in the future.

The report exhibits in numbers, the resilience and adaptability shown by the sector in both reorganising its own affairs as well as the affairs of clients in response to the global pandemic. Its strong performance in the past year has reaffirmed its integral role as a facilitator and enabler of growth in supporting the UK's economic recovery following the Covid-19 pandemic.

Alongside the international prestige of English common law and the strength of the judicial institutions which underpin it, the sector and the UK jurisdictions remain a national asset and an essential component of the broader financial and related professional services ecosystem that puts the UK at the heart of global business.

Sources of information

Data comparing law firms is mainly based on gross fee earnings and the number of lawyers, fee-earners and other support staff employed by each firm, which includes an indication of the number of lawyers employed overseas. These figures are published in league tables including the Legal Business 100 and the Legal Business Global 100. Law firms in England and Wales provide certain information to the Law Society Group. Some of this data is aggregated and made available for publication by the Law Society of England and Wales as the professional body for solicitors. This includes a variety of data on employment, according to, for example, type of employer (including where solicitors are not employed in private practice), size of firm and revenue. The Law Society also report on a range of other information on, for example, numbers of law graduates, trainees and newly qualified solicitors.

Adjudication Society	www.adjudication.org
Advocate General for Scotland	www.oag.gov.uk
Bar Council	www.barcouncil.org.uk
Centre for Effective Dispute Resolution	www.cedr.com
Cision PR Newswire	www.prnewswire.com
Commercial Bar Association	www.combar.com
International Bar Association	www.ibanet.org
International Chamber of Commerce	iccwbo.org
Jomati Mergers	jomati.com/uk-mergers
The Journal of the Law Society of Scotland	www.journalonline.co.uk
The Faculty of Advocates	www.advocates.org.uk
Law Gazette	www.lawgazette.co.uk
The Law Society of England and Wales	www.lawsociety.org.uk
The Law Society of Northern Ireland	www.lawsoc-ni.org
The Law Society of Scotland	www.lawscot.org.uk

The Lawyer	www.thelawyer.co.uk
Legal Business	www.legalbusiness.co.uk
Legal Services Board	www.legalservicesboard.org.uk
Legal Week	www.legalweek.com
LexisPSL Arbitration	www.lexisnexis.co.uk
Lloyd's Open Form	www.lloyds.com
London Court of International Arbitration	www.lcia.org
London Maritime Arbitrators Association	www.lmaa.london
Ministry of Justice	www.justice.gov.uk
Office for National Statistics	ons.gov.uk
Royal Institution of Chartered Surveyors	www.rics.org/uk
Scottish Arbitration Centre	www.scottisharbitrationcentre.org
The Times Top 100 Graduate Employers	www.top100graduateemployers.com
Thomson Reuters	thomsonreuters.com

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