

LAWTECHUK IMPACT ASSESSMENT

Summary Report

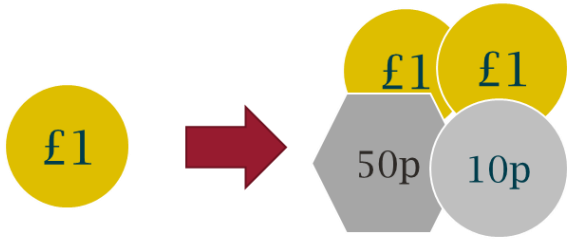
25 APRIL 2022

SUMMARY REPORT

LAWTECHUK IS A GOVERNMENT-BACKED INITIATIVE WITHIN TECH NATION, ESTABLISHED TO SUPPORT THE TRANSFORMATION OF THE UK LEGAL SECTOR THROUGH TECHNOLOGY.



LAWTECHUK HAS LEVERAGED SIGNIFICANT IN-KIND CONTRIBUTIONS FROM THE PRIVATE SECTOR.



For every £1 of government funding it received, LawtechUK leveraged up to £2.60 from private sources.

LAWTECHUK IS CONTRIBUTING TOWARDS THE GROWTH OF THE SECTOR, ENABLING SUBSTANTIAL ECONOMIC BENEFITS.

£30-43M IN GVA | **140-400** JOBS

The value if LawtechUK’s initiatives are associated with a plausible 5% increase in projected sector growth which would imply a return to the taxpayer (in higher personal taxes only) of £2.35 for every £1 invested.

THE LAWTECHUK SANDBOX HAS ACCELERATED GROWTH OF PARTICIPATING BUSINESSES.



One pioneer noted that they were able to increase their headcount six-fold due to being able to secure data through the Sandbox.

LAWTECHUK HAS PLAYED A KEY ROLE IN LAYING THE FOUNDATIONS FOR USE OF SMARTER CONTRACTS AND DIGITAL ASSETS IN THE UK.



LawtechUK is absolutely central for allowing transition of the digital assets space away from unregulated trading with no legal foundation.

Sir Geoffrey Vos, Master of the Rolls

LAWTECHUK HAS INCREASED AWARENESS OF DATA OPPORTUNITIES IN THE LEGAL SECTOR.



LawtechUK has put use of legal data on the map. There is no question in my mind that it has brought great benefits.

Lawtech Sector Expert

THE SME ONLINE DISPUTE RESOLUTION FEASIBILITY STUDY HAS SHOWN HOW TECHNOLOGY CAN BE USED IN THIS AREA.



A great demonstration of a new approach to solving problems in the justice system using technology.

Lawtech Sector Expert

THE LAWTECHUK HUB HAS ACHIEVED CONSIDERABLE ENGAGEMENT SINCE LAUNCH.



BACKGROUND

Legal services are vital for ensuring the collective rights and responsibilities of citizens and form a foundation upon which a thriving economy is built. The UK is a longstanding global leader in legal services. According to TheCityUK¹, it ranks second in the top contributors £26bn to the UK economy and employs more than 340,000 people.

Technology and innovation present significant opportunities for the legal sector to improve its offer to the end customer, be it through expanding into underserved or untapped markets or by providing services at greater speed and lower cost. The law underpins almost all economic activity, and as the needs of society and the economy evolve, it is vital for the sector to keep pace with technological change. Furthermore, English law is currently used as the international standard for contracts in many global markets, which creates a range of economic benefits for the UK. As new technologies such as smarter contracts, blockchain and digital assets emerge, it is essential for English law to adapt to maintain its status as a global standard.²

The UK Government has recognised the opportunity technology presents for the UK legal services sector by investing £2m in LawtechUK- a government-backed initiative within Tech Nation, established to support the transformation of the UK legal sector through technology, for the benefit of society and the economy. LawtechUK was established in 2019 with a grant from the Ministry of Justice (MOJ) with several objectives:

- To encourage investment and innovation in lawtech;
- To ensure understanding, awareness and use of lawtech;
- To establish an appropriate and flexible ethical regulatory basis for lawtech;
- To enhance the competitiveness of the UK as a global commercial dispute resolution centre; and
- To promote the use of English law and UK jurisdiction as a foundation for lawtech globally.

PURPOSE OF THIS STUDY AND APPROACH

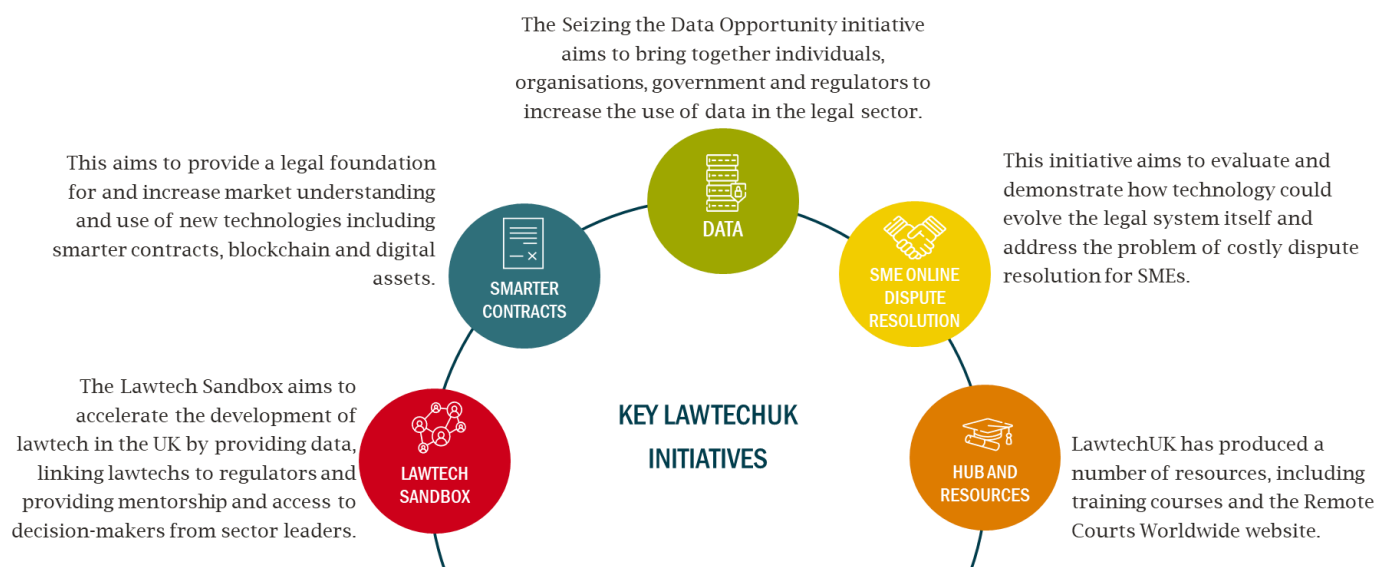
Frontier Economics was commissioned to conduct an independent assessment of the LawtechUK work programme to-date. This includes assessing the extent to which LawtechUK has delivered against its grant objectives, as well as assessing its impacts more widely.

Our approach was to gather evidence from a documentary and literature review, a programme of interviews with key stakeholders and existing secondary data. The data and evidence gathered were used to create a theory of change (or logic model) for the work programme, spelling out how each of the constituent parts of the programme can lead to economic impacts and what short term outputs and intermediate outcomes would need to occur before the impacts can materialise.

¹ <https://www.thecityuk.com/assets/2018/Reports-PDF/86e1b87840/Legal-excellence-internationally-renowned-UK-legal-services-2018.pdf>

² <https://legaluk.org/report/summary/>

FIGURE 1 KEY LAWTECHUK INITIATIVES



Source: Frontier Economics

Due to the timing of this work (approximately two years from the launch of LawtechUK), many of the initiatives that form the LawtechUK work programme have only just completed. This means that many of the expected outcomes and impacts of these initiatives will be fully realised in the years to come. Our work has focused on understanding what outcomes have already occurred and which impacts are likely to emerge given the effect that LawtechUK has had on the sector to date.

FINDINGS

LawtechUK has enabled enhanced cohesion and collaboration across the legal sector, policy-makers and regulators and created a sense of urgency around the development of lawtech

As in any market, individual actors have to balance their commercial interests with the interests of wider society - these may be perfectly aligned in some cases but where they are not, market failures can occur. One of the key benefits of LawtechUK is its neutrality and focus on social responsibility. LawtechUK has played an important convening role, bringing innovators, regulators, large businesses and government together to agree on actions that benefit society and industry at large. Their neutrality and convening power has enabled conversations to happen that would not otherwise have occurred, such as around sharing data, which is important for developing new products and services.

“Because it is not a commercial entity and is funded by the government, [LawtechUK] were able to get sign-ups and commitment on changes and acknowledgements for big movements forward”, Global Law Firm Technology Lead

One of the main achievements of LawtechUK, according to stakeholders, was to push regulators (financial, privacy and legal) to collaborate and focus on forward-looking issues and innovation. Following engagement with the Sandbox, in particular, regulators have taken steps to actively encourage innovation/start-ups and help create an environment of innovation, rather than focusing only on authorisation and the ‘usual’ set of immediate priorities. Gaining commitment from the diverse set of regulators to work together has been described as the biggest success of LawtechUK by several interviewees. The significance of this cannot be underestimated - one of the key barriers to the development of new products and services in lawtech

reported by start-ups we interviewed was around confidence and understanding the regulatory landscape and accessing regulatory advice.

LawtechUK has accelerated the development of new products and services

The feedback we received from pioneers, regulators and other market actors unanimously suggests that the Sandbox has been extremely successful at enabling vital connections to be made between innovators, regulators and customers, which has significantly accelerated the progress of start-ups and enabled them to expand beyond where they would have been had they not participated.

*"I can't think of a better way to impact the market than with what LawtechUK and the Sandbox are doing",
Sandbox Pioneer*

*"Being part of the Sandbox has hugely accelerated progress. It would have taken us a lot longer to get to where we are now. The valuation of our company has increased threefold following the Sandbox",
Sandbox Pioneer*

*"To have this support from the Sandbox was absolutely invaluable. They worked tirelessly to support us which for us as outsiders was a huge boost.",
Sandbox Pioneer*

*"The support we received from the Sandbox accelerated our product development by months",
Multiple Sandbox Pioneers*

The feedback from regulators has been similarly strong. When interviewed, regulators noted that being a part of the Regulatory Response Unit and the Sandbox provided them with the opportunity to learn both from other regulators and the Sandbox participants themselves. This has allowed regulators to take a more coordinated approach to adopting technology in the legal sector, which is vitally important for the development of lawtech. One of the regulators we interviewed commented that:

*"The regulatory response unit has been so beneficial that there is discussion between us to continue the group outside of the Sandbox.",
Legal Services Regulator*

LawtechUK has helped solidify the UK's position as a leader in legal services tech

The LawtechUK programme has enhanced the UK's position as a country that is "serious" about technology in legal services, with Singapore seen as the only plausible competitor. Interviewees commented that other countries are looking to the UK and thinking about how they can create something similar.

*"LawtechUK has solidified the standing of the UK in terms of legal services and legal technology [...] it has shown the UK to be forward thinking, which will attract inward business and talent..",
Regulator*

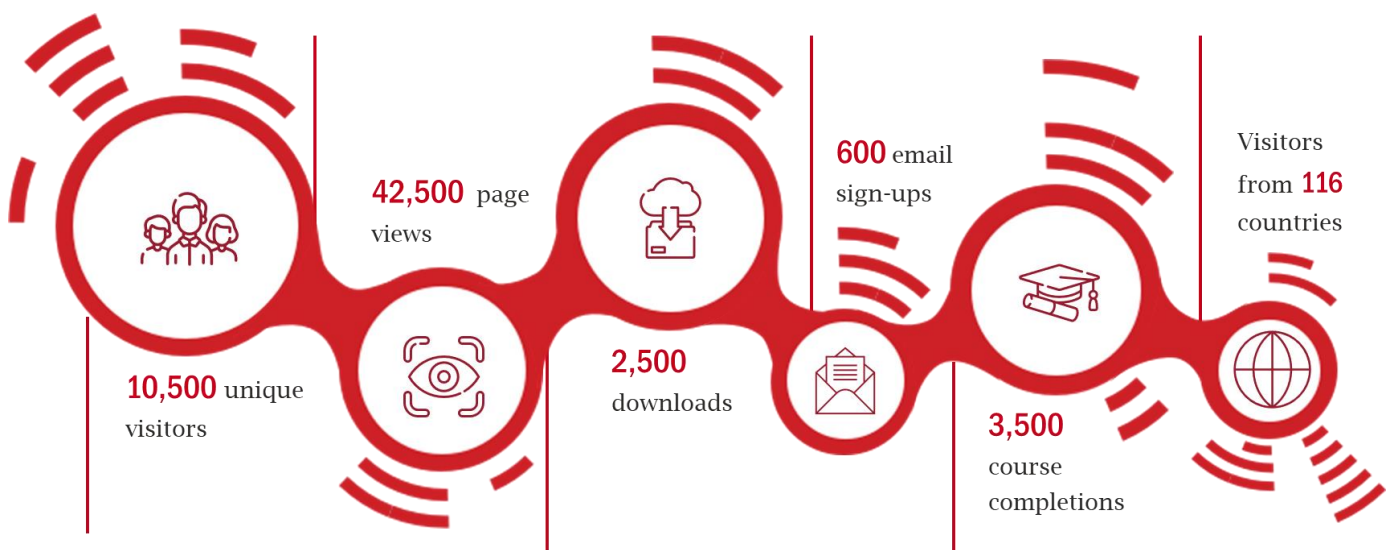
A key theme emerging from the interviews was that the nature of emerging technologies is that they tend to be cross-jurisdictional. It is therefore constructive for jurisdictions to work in harmony and ensure that legal systems are, to an extent, interoperable. The UK Jurisdiction Taskforce's (UKJT) Statement on Cryptoassets and Smart Contracts and their Digital Dispute Resolution Rules (both developed with LawtechUK) have acted as a catalyst for this in the digital and smart contracts space. Another benefit of the UKJT's outputs is that they promote the use of English Law and solidify the UK as a pioneering jurisdiction. This is likely to attract business to the UK legal sector and other sectors in the future.

" The Smart Contracts initiative has given a body of work that people can point to, which other countries do not have.", Regulator

LawtechUK has produced an impressive array of online content which has engaged audiences in the UK and overseas, improving knowledge and awareness of lawtech

LawtechUK has produced a range of content including training courses, the Remote Courts Worldwide (RCW) website (developed to allow sharing of experiences of developing remote alternatives to traditional court hearings worldwide), the LawtechUK report and others. Figure 2 summarises website data produced using Google Analytics, and shows that the programme has achieved considerable engagement since its launch in August 2021, despite relatively limited marketing so far.

FIGURE 2 LAWTECHUK HUB ENGAGEMENT DATA SINCE LAUNCH



Source: LawtechUK Google Analytics

Note: Information accurate as of 21st April 2022

The Remote Courts Worldwide (RCW) website is a joint project between LawtechUK, the Society for Computers and Law and Her Majesty's Courts and Tribunals Service (HMCTS), which launched during the Covid-19 pandemic and has 168 countries represented on the site. It has received very positive feedback from users and experts around the world:

"The RCW project provided the best 'bang for buck' of all the initiatives". Legal Tech Expert

*"RCW has allowed judges of the world to share their experiences for the development of remote justice",
International user of RCW*

LawtechUK has leveraged £2.30 - £2.60 from the private sector for every £1 it received from government, indicating high value for money

It is too early to provide a definitive value for money (VfM) assessment of the LawtechUK work programme, as many of the medium and longer-term impacts of the programme will take years to materialise. What is clear is that the work of LawtechUK has been influential and has been engaged with deeply and supported by prominent actors in the sector - legal professionals and firms, technology start-ups and regulators - which itself is indicative of the substantial value of the programme.

We have analysed the in-kind contributions that have been made by very senior individuals within private sector organisations and LawtechUK in order to provide an indication of the value that the programme has leveraged over and above its central government funding. These in-kind contributions broadly fall into three categories: secondments, pro bono advice, support in design/development of content. In addition to these, we have analysed timesheet data for key LawtechUK employees, which allows us to estimate the amount of overtime hours worked by key staff over the past two years. Using very conservative assumptions (excluding contributions by civil servants, regulators and Panel members) we estimate that the total value of these contributions is between £4.6m and £5.2m. **Given the total value of Government funding of £2m, this suggests that for every £1 of government funding it receives, LawtechUK leverages in another £2.30 - £2.60 from private sources.**

There are likely to be direct economic benefits to accelerating the growth of the lawtech sector and therefore improving the productivity and efficiency of legal services

Ultimately, many impacts of LawtechUK will be related to the growth of the sector (lawtech start-ups and scale-ups) and improvements in the quality and cost of services delivered. The value at stake here is very large so even small improvements can lead to significant benefits. A recent study by Frontier Economics³ suggests that lawtech employment and GVA could more than double in five years (to 2026) to 15,000 people and £1.5bn, respectively. Our engagement with start-ups and other stakeholders clearly indicates that the work of LawtechUK is accelerating the development of lawtech in the UK. A number of the Sandbox Pioneers we engaged with reported that their start-ups were able to expand significantly with the support of LawtechUK to access data which is essential for training algorithms or helping them navigate the regulatory landscape. This is also evidenced by the willingness of the sector to engage with initiatives deeply and contribute substantially without direct financial gain. Even if one assumes that a very small fraction of the anticipated growth in the sector is associated with LawtechUK's activities, this could indicate high value for money – a 5% increase in the projected sector growth rate is equivalent to £30m-£43m in GVA and 150-400 jobs which would be expected to deliver up to £4.7m in personal taxation⁴ (i.e. income tax and national insurance) alone, more than double the government funding of LawtechUK.

More generally, LawtechUK is stimulating underdeveloped areas in the market where the value at stake is extremely large. An example is the use of data which is fundamentally important for training algorithms and the development of new products and services in lawtech. The increased use of data has been found to lead to productivity improvements of around 8% for larger businesses – in the legal sector the value of such improvements would exceed £1bn annually.

Another way to illustrate the value of LawtechUK is to look at some of its individual initiatives and the potential value they can unlock. An example is the Small and Medium-sized Enterprises (SME) Dispute Resolution Platform (ODR) which was developed to tackle late payment disputes. SME late payment debt stands at £23.4bn, with a cost to SMEs of £4.4bn each year to collect money owed⁵. If the platform can onboard 200,000 SME late payment debt cases (accounting for more than £3.4bn of debt value) over 5 years, this could enable much faster resolution and significant savings for businesses – a 1 percentage point reduction in estimated legal fees (based on 70% resolution rate) would be equivalent to ca. £24m.

³ See <https://35z8e83m1ih83drye280o9d1-wpengine.netdna-ssl.com/wp-content/uploads/2021/07/LawtechUK-Report-2021-Final.pdf>

⁴ Income tax and national insurance estimate based on mean full-time earnings for individuals employed in 'Legal and accounting activities' from the ONS Annual Survey of Hours and Earnings 2021

⁵ See https://resources.lawtechuk.io/files/SME_ODR-LawtechUK_feasibility_study.pdf

All of the above indicates that for its £2m investment in LawtechUK, the government is receiving a very high return on investment⁶.

There are also likely to be large economic benefits to positioning the UK as a legal centre for the future

English law is used as the international standard for contracts and litigation in many global markets, which creates a range of economic benefits to the UK, including international businesses locating in the UK (e.g. to have convenient access to the relevant legal services) and reducing transaction costs for UK firms trading internationally. However, as new technologies and markets emerge, there is a risk of the UK losing its international advantage if these new areas such as digital currencies and smart contracts are not underpinned with English law.

“It is absolutely critical that, when we move from a paper to a digital world, English law underpins these transactions. That would be an amazing boost to the UK economy”, Sir Geoffrey Vos, Master of the Rolls

Our interviews suggest that LawtechUK, through its work on Smarter Contracts and Digital Assets, is making progress towards removing impediments to English law underpinning international transactions using new technologies. LawtechUK is uniquely positioned to take leadership in this space because it brings together all the necessary parties, including government, regulators, lawyers, judiciaries and the Law Commission. The economic value of retaining and consolidating the UK’s global position in legal services is very large. English law is estimated to govern around £250bn of global mergers and acquisitions, and 40% of global corporate arbitrations⁷ as well as \$11.6tn of global trading in metals. Global transactions underpin a number of important economic sectors which are large contributors to the UK economy such as maritime and insurance for example. Even small increases in global transaction volumes would bring substantial economic benefits to the UK running into the hundreds of millions or even billions.

⁶ See for example Department for Transport value for money indicators which suggest that projects returning £2 (or more) per £1 invested are considered to be high value for money.






⁷ See <https://legaluk.org/wp-content/uploads/2021/09/The-value-of-English-law-to-the-UK-economy.pdf>

ANNEX

BACKGROUND TO LAWTECHUK

LawtechUK is a government-backed initiative within Tech Nation, established to support the transformation of the UK legal sector through technology, for the benefit of society and the economy. LawtechUK was established in 2019 with a grant from the Ministry of Justice (MOJ). The core grant objectives, given in the LawtechUK terms of reference, are summarised in Table 2.⁸

TABLE 2 MOJ GRANT OBJECTIVES

OBJECTIVE	DESCRIPTION
 Ecosystem	Encourage investment and innovation in lawtech
 Education and adoption	Ensure understanding, awareness and use of lawtech
 Regulation and ethics	Establish an appropriate and flexible ethical regulatory basis for lawtech
 Commercial dispute resolution	Enhance the competitiveness of the UK as a global commercial dispute resolution centre
 UK jurisdiction	Promote the use of English law and UK jurisdiction as a foundation for lawtech globally

Source: LawtechUK Terms of Reference

With the funding from MOJ, LawtechUK established a team, responsible for delivering a number of initiatives. The initiatives build on parts of the work delivered by the former Lawtech Delivery Panel; however, the funding allowed for the policy guidance and ideas developed by the Panel to be operationalised and delivered.

Since its launch, LawtechUK has focussed on several key initiatives, which are summarised in Table 3. Details of each initiative and its associated activities and outputs can be found in Section **Error! Reference source not found.**

TABLE 3 SUMMARY OF LAWTECHUK INITIATIVES

INITIATIVE	DESCRIPTION
LawtechUK Sandbox	The Sandbox aims to accelerate the development of lawtech in the UK and is designed to “fast track transformative ideas, products and services that address the legal needs of businesses and society”. ⁹ It includes:

⁸ It is important to note that the objectives of the work programme are not limited to those outlined in its terms of reference.

⁹ <https://lawtechuk.io/sandbox>

INITIATIVE	DESCRIPTION
	<ul style="list-style-type: none"> ■ Support to access data needed for testing and developing lawtech products ■ A Regulatory Response Unit (RRU) to provide fast access to expertise from a group of regulators ■ Connections to facilitate collaborations and commercial opportunities ■ Individual mentorship from sector leaders..
Smarter Contracts and Digital Assets	The aim of this work is to increase market understanding and use of new technologies including smarter contracts, blockchain and digital assets. This initiative includes the UKJT Legal Statement, Digital Dispute Resolution Rules, the Smarter Contracts project and the Smarter Contracts & Digital Assets Hub providing a range of additional guidance, insights, courses and resources.
Seizing the Data Opportunity	The aim of this initiative is to bring together individuals, organisations, government and regulators to increase the use of data in the legal sector to drive innovation and growth. LawtechUK has published several resources around data-use, including a legal data-sharing toolkit and a Legal Data Vision.
SME Online Dispute Resolution Platform	Dispute resolution is a longstanding problem faced by SMEs because of the length and cost of the traditional court process. This initiative aims to evaluate and demonstrate how technology could address this problem. The primary output is a feasibility tool for an SME online dispute resolution (ODR) platform.
LawtechUK Hub and Resources	In addition to the initiatives described above, LawtechUK has produced a number of resources, including: <ul style="list-style-type: none"> ■ Training courses to give users an introductory understanding of core technology topics in lawtech ■ Remote Courts Worldwide: a website designed for global communities of justice workers to share their experiences of remote alternatives to traditional court hearings.

Source: LawtechUK and Frontier Economics

IMPACT EVALUATION

LawtechUK has commissioned Frontier Economics to conduct an impact assessment of its work programme to-date. This includes assessing the extent to which LawtechUK has delivered against its grant objectives, as well as its impacts more widely.¹⁰

We used the following approach to perform the evaluation:

- 1 We performed a **review of LawtechUK data and documents**. These included:
 - LawtechUK Terms of Reference and Grant Agreement
 - Delivery plan and other strategic documents

¹⁰ This evaluation follows a previous Frontier evaluation of the Sandbox Pilot, completed in 2021.

- Reporting packs for MOJ
 - Documents published on the LawtechUK website, and publications in draft form
 - A list of events attended and contributions made by the LawtechUK team members
- 2 Using the information collected above, we developed **logic models** for LawtechUK, including a programme-wide logic model, as well as five initiative-specific models. Logic models represent, in a simplified way, a hypothesis or ‘theory of change’ about how an intervention works, including inputs, activities, outputs, outcomes and impacts. It is important to note that the logic models are not strategic documents and do not represent LawtechUK strategy.
- 3 We performed **semi-structured interviews** with stakeholders relevant to LawtechUK. These included:
- LawtechUK Panellists
 - Individuals from the regulators involved in the RRU
 - Individuals from tech companies participating in the Sandbox (“pioneers”)
 - Sector experts and collaborators
 - Individuals from the LawtechUK core team and from Tech Nation
- 4 We performed a **value for money assessment**, analysing the in-kind contributions that have been made by private sector organisations and individuals in order to understand the value leveraged by LawtechUK in addition to the grant funding it receives from government.

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