

TheCityUK's Report on UK Legal Services 2019

Launch of Legal Excellence, Internationally Renowned

Thursday 5th December 2019

Sir Geoffrey Vos, Chancellor of the High Court

Introduction

1. I would like to start by congratulating TheCityUK on the production of yet another brilliant report on UK Legal Services.
2. I looked back at what I said this time last year in relation to the 2018 report, and it made me think that I must be starting to sound something like a broken gramophone record – if we are allowed to refer to such things in the brave new techno era.
3. I spoke then about maintaining the integrity of the English common law, reminding the world of the UK legal sector's Unique Selling Points, including the incorruptibility of our judges and our legal system, and of the need to regulate legal and financial services intelligently so as to make the use of smart contracts, FinTech and LawTech emanating from the UK, and perhaps governed by English law, safe and secure. I said that all that would be as much for the benefit of consumers as it would be for the benefit of business and financial service providers.
4. I still believe all that. So, I will not be surprised if you say that you have heard it all before.
5. But tonight, I want to move the dial forward a little from last year.
6. This last year has been a challenging one, even though TheCityUK's report evidences strong growth in UK legal services. The total revenue generated by legal activities in the UK grew from £33.4 billion in 2017 to £35.5 billion in

2018; an increase of just over 6%. Interestingly, specialist law firms outperformed generalist law firms. Specialism is definitely the direction of travel. It seems to me at least that it points the way to the likely success of firms that embrace new technologies and provide legal services adapted to that new environment.

7. The year has also been challenging because of various levels of uncertainty, some of which have still not entirely abated. We cannot expect 2020 to be any less challenging, and yet we need to make sure that we can continue to serve the national community and international business, providing world-class legal services and dispute resolution both in the Business and Property Courts and in arbitration with a London seat.
8. I want to examine what pro-active steps can be taken to ensure that English law and our UK jurisdictions stay ahead of the game in these challenging times.
9. What I am accustomed to suggesting is that we need to ensure that our dispute resolution mechanisms remain the most trusted and the most advanced anywhere. I point to the need for 4 areas to be considered together: ADR, online dispute resolution, dispute resolution for smart contracts, and mainstream court based and arbitral dispute resolution. In that latter area, the approach adopted must be fit for purpose in the light of rapidly developing Artificial Intelligence.
10. Every year, we see that the statistics demonstrate the significance of the legal sector in terms of turnover and employment and its general direct contribution to the economy. But what is not always considered is the economic role which our legal system plays in underpinning the financial and commercial markets which are the lifeblood of this city. Our legal system is the ‘Intel Inside’ of these markets. It is an often invisible component without which those markets would not function as smoothly as they do.

11. Some of our global competitors seem to understand these points better than we do. We are witnessing active promotion of their legal systems, their arbitration seats, and their laws in order to attract new commercial and financial markets. These efforts are often made with the support of governments and supra-national entities.
12. There are two aspects to this.
13. First, the UK legal community needs to make sure that the global business and financial community understands that we offer forward-looking technologically-enabled dispute resolution here in the UK, and that that offering is, as it must be, affordable and free from delays.
14. Secondly, we need to make sure that London is literally the most technology friendly global city. That is not just a question of encouraging our many LawTech and FinTech and RegTech start-ups. We do that very well already, but must be certain to continue to pull our weight. The point is more multi—faceted.
15. As I see it, there are a number of inter-locking aspects to making London a leading global LawTech hub:-
 - (1) The law is the first thing. In launching the UK Jurisdiction Taskforce's Legal Statement on the status of cryptoassets and smart contracts just 2½ weeks ago, English law was put firmly on the technological map, so that it can now develop incrementally as only common law systems can – to adapt to an ever changing commercial environment.
 - (2) Regulation is the next thing. Our regulators, as I often say, are effective, because they are making sure they understand precisely what legal situations they are trying to regulate, before doing so. That sets London apart from some of our international colleagues, who would prefer prophylactic regulation. Unfortunately, the caution that that approach involves can sometimes stultify progressive development of technological solutions in financial services.

- (3) Training is the third piece in the jigsaw. It is crucial that legal and technological education in the UK is world class – and I would see that as something that can put the UK’s jurisdictions and English law ahead in promoting legal innovation and dispute resolution for the era of smart contracts.
 - (4) Fourthly, to allow smart contracts to take off, the legal community needs to create an English law and UK jurisdiction dispute resolution clause that programmers can include in their developing algorithms for financial services and beyond. The clause would either allow for arbitration or a streamlined online dispute resolution mechanism.
16. The next question is how to respond to the drive towards disintermediation in both law and financial services. Here, there needs to be an element of compromise. Things will undoubtedly change as global on-chain tokenised payment mechanisms are adopted. Business models will develop organically. But again, the creation of business models that take full account of the use of cryptoassets, artificial intelligence and smart contracts more quickly than other jurisdictions will allow the UK to compete more effectively in the new on-chain world.
17. I understand that some of this remains strange and unfamiliar territory for many here in the City of London. But it is absolutely essential to maintaining London’s global legal standing. We can build upon some very secure foundations, but to do so we must be bold and adventurous. We need, as I have said, to make the most of USPs, such as the integrity of the legal system and intelligent regulation. But equally, we must not be complacent.
18. The UK government has taken steps to support the LawTech Delivery Panel by announcing funding of £2 million over the next two years. I believe that a co-ordinated effort will be needed to explain to international business how the UK legal sector can most effectively serve the global financial community in the future. It would be great to build on the

work of Legal UK, chaired by Dame Elizabeth Gloster. That body was established by the former Lord Chief Justice and ran a hugely successful London International Disputes Week in May this year. There remains much work to do.

19. I can conclude, however, by saying that I am optimistic. I think that our Legal Services sector is, as TheCityUK's report makes clear, in good heart. 75% of Commercial Court cases in London are international. We regularly see Chinese, Russian, US, Malaysian, Japanese, Korean, Gulf and many other international commercial parties litigating and arbitrating in the UK. To maintain and enhance that position, we will need to explain coherently how London provides an hospitable environment for legal and financial services in an era of cryptoassets and smart contracts. There is no doubt that we have an excellent story to tell.
20. As the Report says: “LawTech [is] disrupting the market”¹, and “[t]he UK has become a global hub for LawTech, a global market which is now worth £15.9 billion”. As I pointed out in a recent speech to the Commercial Bar Association, data is the new oil – the market for data is already worth more than oil. The legal sector will need to be adroit, but as I say, I am confident that it will be able to keep London at the forefront of international legal services and dispute resolution.
21. As I have said, the UK’s legal sector underpins the global financial services market and the City’s activities more widely. I hope that, by next year, we will be able to see beyond the uncertainties, and that we will be well advanced in producing a co-ordinated explanation to global business of the value of the UK’s legal and dispute resolution services.

¹ See page 14.