

Speech: Launch of TheCityUK legal services 2018 report: David Gauke speech

It's a real pleasure to be here today as TheCityUK launches its annual report on our legal services sector. It's so important right now that we know and understand the sector's strengths.

We are living through a critical time in our nation's history. As Britain prepares to leave the European Union, we must take every opportunity to build on our successes, remain competitive and continue to be a global, outward-looking nation.

I do want to start by saying something about the EU political declaration and withdrawal agreement.

The prime minister has been clear from the beginning of this process that the government's goal is to secure a deal that is in the best interests of the whole of the UK.

We believe the deal on the table does that. The agreement is an unprecedented one – establishing the parameters of an ambitious, broad, deep and mutually beneficial future relationship across trade and economic cooperation, law enforcement and criminal justice, foreign and security policy and wider areas of cooperation.

The Political Declaration commits to ambitious arrangements for services and investment that go well beyond WTO commitments, and build on recent EU Free Trade Agreements, alongside new arrangements on financial services, and a basis for recognition of qualifications.

The deal also recognises the importance of certainty for businesses.

The implementation period secured through the Withdrawal Agreement provides that legal certainty for citizens and businesses alike during the implementation period, with clear arrangements for UK citizens living in the EU and vice versa and giving businesses time to prepare for the new arrangements.

The UK also remains committed to future cooperation on civil and commercial matters with the EU. We are prioritising commencing preparations to join The Hague 2005 convention on choice of court agreements. We also intend to seek to accede to the Lugano Convention in our own right during the implementation period.

It is a deal upon which we will build on as we agree a longer-term future relationship with the EU.

What is certain right now is that our legal services sector is in good shape.

As your report demonstrates, the UK continues to be the world leader for international legal services and dispute resolution; and at £26 billion per year, the sector's contribution to our economy is vital.

But its wider economic influence – underpinning trade and building confidence for businesses both here and abroad – is probably inestimable. A small window into its wider value is that we know English Law is used in 40% of all global corporate arbitrations.

And as employment rates in our country continue to hit record highs, the report tells us that legal services have been a part of that – increasing the number of people working within the sector by the tens of thousands.

For those of us who know the sector, none of this comes as a surprise. English Law, with its history, its reliability, and its predictability is the envy of the world. When that is complemented by world class talent both in our renowned law firms and our independent judiciary, it is easy to see why the world looks to us to be their counsel and courtroom.

But we must never rest on our laurels. Through initiatives like the Legal Services are GREAT campaign the government wants to inspire law firms and chambers to export their services overseas, connect UK legal professionals to new markets by harnessing our international networks, and encourage overseas buyers to choose the UK for legal advice.

Through the campaign we are able to publicise the benefits of English Law so that we can maximise our potential within more international markets, like Kazakhstan and Nigeria.

To do that – and continue winning business in our established markets – we must not only point to the certainty of our past and the excellence that undoubtedly exists in our present – we must also look to the future.

If we are going to protect and enhance the reputation and competitiveness of our legal services in the world then we must accept that the way the sector works is changing. The technological revolution that has changed the way we all live our lives is undoubtedly and inevitably changing our economy – and legal services is no exception.

As the report highlights, LawTech has the potential to lower the costs of litigation, improve the efficiency of the court system and drive innovation. The sector is growing fast with a global value estimated at £16bn, and I would wager this is an underestimate.

I was struck recently by the work of researchers at University College London, the University of Pennsylvania and the University of Sheffield who developed a programme to analyse case text of European Court of Human Rights cases to see whether judgments could be predicted accurately. Using artificial intelligence and machine learning, the programme accurately predicted 79% of judicial decisions. For those of you in this room who have appeared before the ECHR, I am sure you will agree that is no mean feat!

As the report rightly points out, the technological shift and the need to be

at the forefront of innovation so as to maintain our competitiveness in the digital age, is something that is well recognised here in the UK. That is absolutely crucial because we know that our international competitors – ever keen to get ahead of us – have made that same realisation. As one example, look no further than Singapore's Future Lawyers Innovation Programme.

Right across the legal services sector firms are utilising technology to reduce costs, scale economies, and allocate labour more efficiently. This allows them to spend more time doing what they do best – giving their clients high quality legal advice. I see Norton Rose Fulbright recently launched a chatbot named Parker. Powered by artificial intelligence, Parker helps clients from non-EU jurisdictions understand their GDPR obligations and determine whether it applies to their business.

And I'm pleased to see that firms are working together on LawTech.

The Accord Project, for example, brings together forty of the top law firms, the Law Commission, standards institutions, professional associations and blockchain companies with a view to creating a legal and technical framework for smart legal contracts. Self-executing smart legal contracts will radically transform commercial transactions and I am determined to see the UK become a hub for their development and use.

Furthermore, while Barclays Eagle LawTech Lab provides a home for a LawTech ecosystem in London, LawTech is far from a London phenomenon. The University of Manchester has just launched a legal technology initiative with Freshfields and DWF ventures, the Law Society of Scotland has launched LawScotTech to stimulate innovation in Scotland, and Belfast is rapidly establishing its self as a centre for legal innovation hosting LawTech firms such as Axiom as well as legal services centres for Allen & Overy, Baker McKenzie and our hosts tonight, Herbert Smith Freehills.

The government is acutely aware that we have a role to play in ensuring that LawTech in the UK fulfils its potential to keep us competitive. That's why we recently provided £700,000 to support the Solicitors Regulation Authority's Data-Driven Innovation in Legal Services project, which will seek out and accelerate ethical AI-powered legal services.

And under the government's flagship industrial strategy we are investing £20 million to support innovation in legal services, accountancy, and the insurance sector. As part of the strategy, the UK Next Generation Services Challenge Fund is creating opportunities for businesses and researchers to collaborate in developing cutting edge service solutions.

I'm really pleased today to be able to announce almost £3 million of funding from the Fund for three new research projects, two of which are focused on legal services sector:

1. The University of Oxford's research – "Unlocking the Potential of AI for English Law" – which will examine the use of AI in the legal system and identify how constraints on implementation can be relaxed to unlock its

potential.

2. And the University of Sheffield's research – "Innovating Next Generation Services through Collaborative Design" – which will focus on people's experiences of new products and services within legal services and accountancy – to generate insights into people's usage for innovation and the integration of AI technologies.

These projects will support the sector to better understand the use of AI and its application to businesses within legal services, as well as strengthening the UK's reputation as a global centre for new and emerging technologies.

But we know that funding alone is not enough to support the development of LawTech, which is why I convened the LawTech Delivery Panel – to bring together people in the sector who have the experience and expertise to ensure that it reaches its true potential.

I want to take this opportunity to thank TheCityUK for their role in the Panel and Gary Campkin in particular for his work on the regulatory taskforce. And I want to encourage all of you here today to consider how you too could contribute to the Panel's work in supporting the sector.

One particular area of focus that I believe the Panel can help to shape over the coming years is how legal education and training can embrace the change that is happening within the legal services sector – so that the lawyers of today and tomorrow not only survive but thrive during this technological revolution.

There is one final observation I want to mention and which I believe is easy to overlook. This year we have seen Deloitte join the other "big four" accountancy firms and enter the legal sector. We have also seen PwC's UK legal practice reach a headcount of 320 and generate revenue of £60 million. That puts it just outside the UK's top 50 law firms in its own right! The entrance and growth of alternative business structures has provided additional choice for consumers, driven competition and fostered innovation, and in part played a crucial role in maintaining the attractiveness of our judiciary. As the report highlights none of this would have been possible without our open, progressive, and consumer oriented regulatory regime.

It has been a real pleasure to be here today. What TheCityUK's 2018 report shows us is that the UK's legal services sector continues to flourish and grow. It is undoubtedly embracing the technological revolution that is changing every facet of our lives.

The government is keen to work with the sector and support it to maximise the opportunities technology offers. By working together, I have no doubt we can ensure that UK legal services will protect and cement its position as a global leader – so that the world continues to look to the UK to be its counsel and courtroom through the digital age and beyond.