

PRESS RELEASE

Monday 13th November 2006

Law Metrics: Consumer and Small Business Behaviour in the UK Legal Services Market

A new growth opportunity for banks and insurance companies?

Introduction

The information contained in the following press release is drawn from Finaccord's recently completed market research study titled *Law Metrics: Consumer and Small Business Behaviour in the UK Legal Services Market*. The research for this report was carried out during August 2006 using the IMRS (www.imrs.co.uk) Internet panel of consumers and small business owners. In total, completed surveys were filled in and submitted on-line by 1,385 consumers with the parallel survey of small business owners, including self-employed individuals, attracting a total of 240 responses.

The study provides a detailed analysis of the current behaviour of consumers and small business owners, including self-employed individuals, in the context of legal services in the UK. Moreover, it evaluates how this is likely to change when deregulation of the market becomes a reality in the near future.

With respect to their current behaviour, for both consumers and small business owners, the research measures their present usage of different types of legal service, identifies the means by which they find out about and choose providers of legal services and investigates the degree to which they were satisfied the last time that they used a traditional solicitor or law firm.

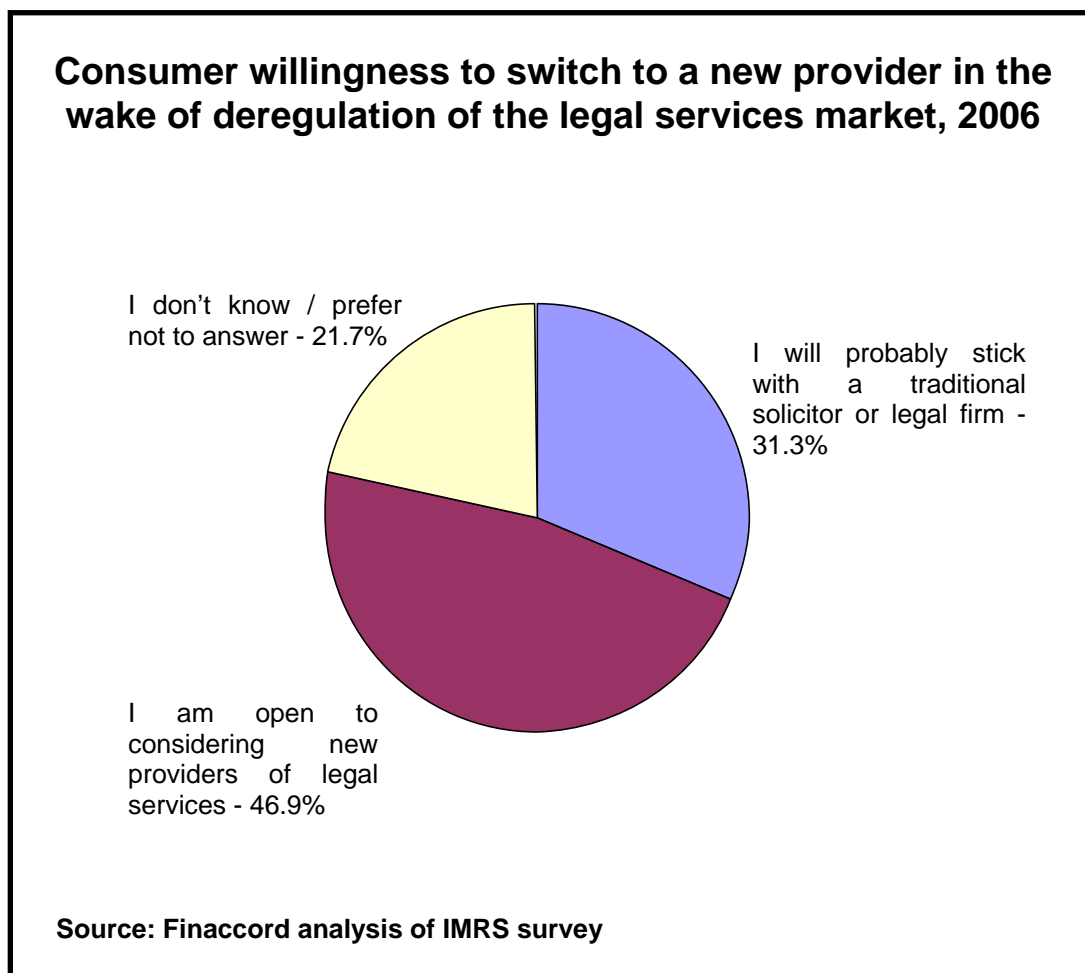
As for their future behaviour, *Law Metrics* examines the willingness of consumers and small businesses to consider switching to new providers of legal services when deregulation occurs. In addition, it clarifies the types of new provider that they will consider using, explains how this willingness varies by type of legal service, identifies the factors driving usage of new providers, and assesses the degree to which they will interact with new providers through remote interfaces.

The research for *Law Metrics: Consumer and Small Business Behaviour in the UK Legal Services Market* has been undertaken in advance of the planned deregulation of the market. Among the consequences of this is that so-called 'alternative business structures' will be permitted to offer legal services. This implies that while once the exclusive preserve of law firms, legal services are now set to be distributed to a greater extent through other types of channel, potentially including organisations as diverse as banks, insurance companies, motoring organisations, professional bodies and supermarkets.

A high proportion of consumers show a willingness to switch to new providers of legal services

Having been informed of the forthcoming deregulation due to occur in the legal services market, almost one half of the consumers surveyed - 46.9% to be precise - stated that they would be open to considering new providers of legal services post-deregulation with 31.3% taking the opposite view in stating that they would probably stick with a traditional solicitor or legal firm. Although the balance of 21.7% of consumers was either unable or unwilling to express an opinion, these data points suggest, nevertheless, that there is significant potential for new providers to enter the consumer legal services market in the UK in the wake of deregulation.

Among those who were able to express a view, the percentage of those who would rather stick with a traditional solicitor or legal firm outweighs that which would be open to considering new providers only in the over-65 age group according to the analysis by age group. Furthermore, it is generally the case that those open to new competitors outnumber more decisively those preferring to remain with a traditional provider among respondents within the higher annual household income groups. As such, the more regular usage of legal services by wealthier consumers already depicted earlier in this chapter does not produce a greater likelihood to stick to traditional providers - in fact, the results show that quite the opposite is the case.



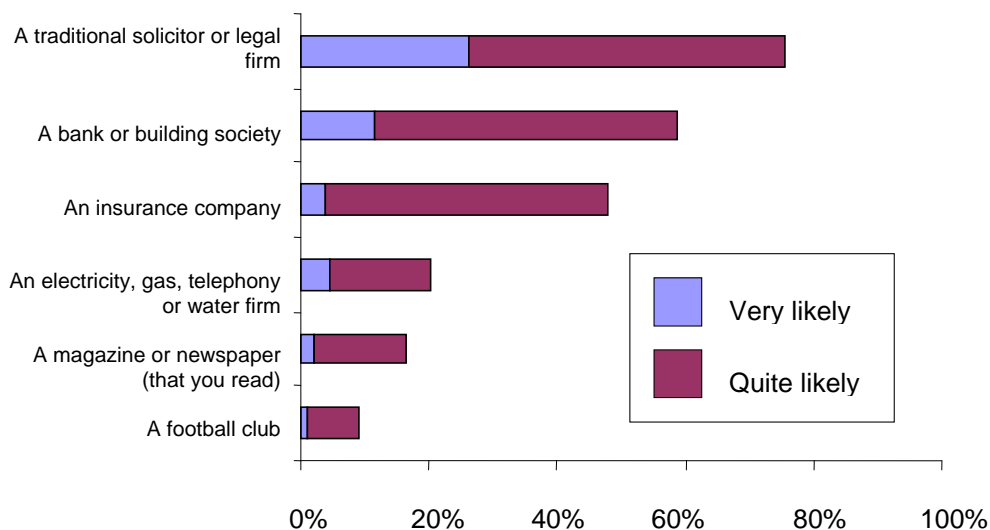
Banks, insurers and other financial providers are viewed as the most viable new entrants

Deregulation of the legal services market in the UK potentially opens up opportunities for a variety of different types of organisation to act as providers or introducers of legal services in the future including financial institutions, other commercial organisations, not-for-profit entities and employers. Nevertheless, and, perhaps, unsurprisingly, the largest constituency of consumers stating that they would be very likely to use or quite likely to use a specific type of organisation after deregulation is the 75.5% citing traditional solicitors or legal firms.

However, banks and building societies achieve an equivalent score in excess of 50% with 11.6% of consumers stating that they would be very likely to use a bank or building society for legal services once deregulation has occurred and 47.1% suggesting that they would be quite likely to do so.

Thereafter, the corresponding data points for respondents answering that they would be very likely to use or quite likely to use a specific type of organisation post deregulation vary from a low of 8.9% for football clubs to a high of 47.9% for insurance companies. Banks and building societies are also felt to be viable providers of legal services by a significant percentage of small businesses and self-employed individuals given that 53.9% expressed at least a degree of interest in using such an institution.

Consumer willingness to use specific types of new provider in the wake of deregulation of the legal services market, 2006



Note - the graphic depicts the three top and three bottom types of provider felt by consumers to be very likely or quite likely to be subject to their usage for legal services following deregulation. Other types of provider considered were an accountancy firm, a charity, an employer (if it endorses a particular legal provider), an estate agent, an independent financial adviser / insurance broker, a major supermarket, a motoring organisation (e.g. the AA or RAC), a professional association, a specialised claims company (e.g. Accidents Direct, Claims Helpline) and a trade union.

Source: Finaccord analysis of IMRS survey

Which specific organisations do consumers view as obvious providers of legal services?

With a view to adding further detail to the possible new market for legal services that may emerge following deregulation, a final analysis relating to consumer legal services measures the hypothetical willingness of consumers to use specific potential providers of legal services in the new environment. Respondents were provided with a list of 65 possible new providers ranging from specific financial institutions (eg. Lloyds TSB, Norwich Union) to charities (eg. Age Concern), Internet entities (eg. eBay), media entities (eg. Times or Sunday Times), supermarkets (Tesco), utilities (British Gas) and a variety of other organisations.

While the list may seem eclectic, or even fanciful, a common thread running through the organisations chosen is that virtually all are already involved in the provision of consumer financial services of one sort or another, the sector which can, perhaps, be compared most closely to legal services.

It is interesting to note that the Citizens Advice Bureau achieves by far the highest rating in this respect as a consequence of 7.3% of all respondents stating that they would be very likely to use it and 27.4% venturing that they would be quite likely to use it. However, while the offices of the Citizens Advice Bureau do constitute a logical first port of call for some consumers, the organisation would be unlikely to begin offering legal services itself as its main objective is to help individuals to resolve their financial, legal and other problems by providing free information and advice;

Thereafter, a key feature of the results is that in terms of the likelihood that all consumers would use them for legal services, a further seven of the top ten positions are taken by financial institutions with the companies in descending order as follows: Halifax, Nationwide Building Society, Barclays Bank or Woolwich, Lloyds TSB, AXA Insurance or AXA Sun Life, NatWest Bank and HSBC.

It is clearly the case that banks and building societies, in particular, could be well-placed to offer legal services for a number of reasons, including: their close, on-going relationships with customers; the fact that their branch networks provide the opportunity for the face-to-face contact that many consumers appear to require for legal services; the obvious compatibility of mainstream legal services such as residential conveyancing and will-making with core aspects of financial services provision (ie. mortgages and financial advice / investments); and the fact that their status as financial services providers lends them a gravitas suited to legal services that firms offering other consumer services may lack.

However, while financial institutions monopolise the rankings from 11th position to 20th position it should be noted that the fourth and tenth berths within this analysis are taken by organisations whose original proposition lies outside of financial services, namely the AA and Tesco, respectively. Indeed, 2.9% of all consumers declared that they would be very like to use the AA for legal services with 17.3% stating that they would be quite likely to do so, the equivalent percentages for Tesco being 3.8% and 14.1%, respectively.

Other entities whose core proposition lies in areas other than financial services which achieve a reasonably favourable score as potential providers of legal services are Age Concern, ASDA, Help the Aged, Marks & Spencer, the RAC, Saga, Sainsbury's and Virgin. Meanwhile, organisations with less apparent chance of being used in the context of legal services are, almost without exception, non-financial institutions for which the leap of imagination required by consumers to utilise them is, perhaps, significantly greater than for organisations whose core proposition is financial services.

**Willingness of current customers to use
specific potential new providers in the wake of
deregulation of the legal services market, 2006
- top ten potential new providers**

Organisation	Very likely	Quite likely
Citizens Advice Bureau	7.3%	27.4%
Halifax	4.2%	18.9%
Nationwide Building Society	5.2%	16.9%
AA (Automobile Association)	2.9%	17.3%
Barclays Bank or Woolwich	3.7%	15.5%
Lloyds TSB	3.4%	16.1%
AXA Insurance or AXA Sun Life	2.3%	17.1%
NatWest Bank	3.6%	14.6%
HSBC	3.2%	15.1%
Tesco	3.8%	14.1%

Source: Finaccord analysis of IMRS survey

Commented a Finaccord spokesperson:

“Overall, the results of the survey suggest that deregulation of the market for legal services in the UK is likely to bring about changes in the behaviour of a significant proportion of consumers and small businesses, including self-employed individuals, which could give rise to attractive prospects for new entrants. Key to success for new entrants will be the degree to which they can market themselves as credible providers of legal services, combining the expertise to offer specific types of service with the correct channel mix for both initially engaging with and interacting on an on-going basis with prospective customers. Indeed, the research indicates that banks, building societies and other financial institutions may be particularly well-placed to benefit from the changes that seem set to occur in the years ahead and it is worth noting that both Halifax and MORETH>N have developed legal services propositions.”

Law Metrics: Consumer and Small Business Behaviour in the UK Legal Services Market was published in September 2006 and is available from Finaccord at a cost of £1,495.

About Finaccord

Established in 2002 by a team of professionals with an extensive background in financial services, Finaccord specialises in the provision of market research, consulting services and published reports on the financial sector in the UK and Europe. By offering a focused service, Finaccord aims to be the marketing services consultancy of choice for organizations with an interest in financial services in the UK and Europe and to provide insights that are sharper, more actionable and which represent better value for money than those of generalist consultancies.

For further information, please contact Finaccord:

Telephone: +44 20 8453 7552

Fax: +44 20 8453 7583

E-mail: info@finaccord.com

Web: www.finaccord.com