This Month

- **Markets perceptions of business priorities for law firms (not always recognised challenges)**
    - **Image**
    - **Safe integration of AI**
    - **Client price sensitivity and impact**
    - **Compliance ramification**
    - **Cyber threats**
    - **Resourcing challenges**
    - **Private equity involvement**
- **Work – type Performance**
    - **Private Client – revenue, profit and asset value**

In recent months we have been reviewing the importance of active management within law firms and those with responsibilities having strategies, plans, and actions and being proactive in making things happen and certainly not to assume anything.

Just because the firm has a COLP and COFA we cannot assume that the necessary actions are actually being performed to maintain compliance and regulations. Too many firms being fined and struggling for Pii and even with financial leads running out of cash or making errors with client accounts.

The top commercial issues currently facing UK law firms centre on margins, compliance, and structural market evolution.

The UK legal sector is currently navigating a highly volatile corporate landscape. Law firm leaders—from regional mid-tiers to the elite Magic Circle—are managing a complex mix of rapid technological change, regulatory updates, and shifting client demands.

We also have about 1,000 less smaller law firms than a couple of years ago

A recent networking session with multiple managing partners and suppliers to the sector gives an impression.

My May article summarised some key areas to attack www.professionalchoiceconsultancy.com/articles/May2026.pdf – Regulation and Compliance, Upping the Asset value of the firm, getting Accounting right, Resourcing, New Clients and IT

In June we picked up not automatically assuming all ok www.professionalchoiceconsultancy.com/articles/June2026.pdf plus some real basic that need fo9llowing through in the firm.

Both available in Messenger The Messenger - Manchester Law Society – management matters always available around page 70.

Image

It is so important to get the right image in place for a firm with major impacts on retaining clients and upping the work done for them, getting referrals for new business along with being attractive for direct contact, referrals and of course retaining staff at a time when finding the right resources is getting very difficult

Safe Integration of Generative AI

For many law firm managers the mention of AI is a very quick turn off. However in reality it is moving forward very quickly. The question for law firms has shifted from whether to adopt Generative AI (GenAI) to how to scale it safely while maintaining professional indemnity. It is also so important that it integrates in a known way with existing or new PMS/CMS systems – where again many firms are considering the adoption of new vendors or at least ensuring the best use from current suppliers meeting business priorities.

Firms are beginning to aggressively using AI for high-volume tasks like document review, legal research, and drafting. However, recent High Court rulings have placed an absolute burden on legal teams to verify AI-generated output after instances of tools fabricating case citations. Furthermore, firms must navigate data privacy boundaries to ensure client information is never leaked into public LLM training sets.

Client Price-Sensitivity and the Decline of the Billable Hour

Sustained economic uncertainty and modest GDP growth have made corporate clients intensely cost-conscious. Clients are increasingly demanding transparent, fixed-fee, or subscription-based alternative fee structures (AFSs) rather than open-ended hourly billing. This shifts the commercial risk onto the law firm. If a firm hasn't optimised its internal workflows, fixed-fee arrangements can quickly erode profit margins.

The most effective use of PMS/CMS for performance and benefits is very key

Not all clients make a decision based on price – they want to believe in added value and confidence with their communication

Escalating Regulatory Burden and Shifting AML Oversight

Compliance is becoming vastly more complex, expensive, and critical to risk management.

Regulators are flexing their muscles. The Solicitors Regulation Authority (SRA) has intensified its focus on Anti-Money Laundering (AML) non-compliance. Concurrently, the transition of high-level AML supervision over legal providers toward the Financial Conduct Authority (FCA) is introducing a stricter, risk-based enforcement landscape. Non-compliance risks catastrophic fines and reputational damage.

Severe Cyber Security Threats and Data Litigation Risk

Law firms are prime targets for sophisticated cybercriminals because they hold vast amounts of sensitive corporate data and financial assets.

A 25% year-on-year spike in legal sector data breaches has put leadership on high alert. Compounding this, UK case law (such as *Farley v Paymaster*) established that there is no "minimum threshold of seriousness" required for individuals to claim damages for distress over data misuse. Consequently, even a minor data breach now represents an immediate class-action or individual litigation risk.

Serious damage to the firms image too. Due diligence essential on IT source.

Talent Scarcity, Burnout, and Remuneration Pressure

Attracting and retaining high-calibre lawyers remains a significant bottleneck to growth.

Over half of UK law firms report persistent recruitment difficulties, particularly for specialised talent in high-demand practice areas like ESG compliance, intellectual property, and data privacy. Meanwhile, workplace stress has hit critical levels – there are some that say “industry wellness data indicates nearly 70% of legal professionals have experienced mental ill-health or burnout”. Firms face the double challenge of paying top-of-market salaries to compete while actively restructuring workloads to prevent attrition. Nearly 60% of younger staff within firms are looking to leave because of performance and communication issue plus the profile of the firms they are working for.

Are you really a business that potential high performers want to work for. Do you seriously need to consider outsourcing to make sure the right level of skills are there – allies to legal as well as accounts, marketing, risk.

Market Consolidation and the Rise of Private Equity

The structural shape of the UK legal market is rapidly shifting through domestic and international mergers.

Scale is becoming a primary defensive and offensive strategy. Mega-mergers and increased cross-border expansions into hotspots like the Middle East are forcing mid-tier firms to rethink their identity. Additionally, legal leaders are increasingly turning to Private Equity (PE) investment to fund expensive tech infrastructures and growth strategies, challenging the traditional partner-owned business model.

The firms thriving in this environment are those treating technology not just as an IT expense, but as a core pillar of their commercial strategy to protect margins, automate compliance, and offset talent shortages.

Massive Client, Revenue from new and Existing and Asset Value Growth

Recent work, personal profiling and Added Value activity has proven that there are aspects of the law firms business that carry great potential – but in many cases not being actioned for the satisfaction of the firm, their clients or potential new ones. Private client activity with many firms seems to fall behind. It would not be difficult to do product marketing plans for all functions in the firm – services, benefits to clients, target market, route to market, timed action plan and making sure personnel and systems are ready for it. Believe it oir not it can be motivational for teams within the firm.

- 50% of the adult population has not got a Will – major issues for many
- With law firms – there is limited access to multiple databases – it is scary to look at the state of the will databases in many firms – alive or dead? Last time updated? Covering all issues in terms of beneficiaries or not, accountants, IFAs, property ownership, business ownership
- With law firms – they are not actively looking after their clients properly and advising why Will updates are needed – data with image – updating IHT issues, property, care??
- It is hard for Will owners to access their documents and say add or remove – can be done securely with modern technology, benefit for the firm also as the client can contact them with a request
- There are multiple disputes within families where members do not know the consequences of deaths – benefits, business and property ownership
- Private client teams seem to be the worst at wanting to do business development

It is all about to change

WBT I Bring your Will Bank to life without all the hassle Your Will Bank Is An Asset I WBT

- National Will register growth. People need to be able to find the Wills
- An organisation such as our WBT sorting out the data and databases for creativity (more firms signing up at the moment)
- Firms beginning to realise the asset value of their Will bank and the revenue, GP, working capital available

- MLS about to introduce a business that can find those missing probate individuals

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