



# UK LEGAL SERVICES 2015

LEGAL EXCELLENCE, INTERNATIONALLY RENOWNED

FEBRUARY 2015

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## TheCityUK

TheCityUK represents the UK-based financial and related professional services industry. We lobby on its behalf, producing evidence of its importance to the wider national economy. At home in the UK, in the EU and internationally, we seek to influence policy to drive competitiveness, creating jobs and lasting economic growth.

Financial and related professional services are the UK's biggest exporting industry. We make a £67bn contribution to the balance of trade, helping to offset the trade in goods deficit. TheCityUK creates market access for its members through an extensive programme of work on trade and investment policy. To achieve this, we work closely with governments and the European Commission to represent member views and help deliver the best outcomes in international trade & investment negotiations. Allied to this, we have a country-focused programme to build relationships and to help open markets where our members see significant opportunities. We also have a strong focus on ways of influencing and delivering regulatory coherence through dialogue with regulators, governments & industry bodies internationally.

# 1 FOREWORD

from Chris Cummings, Chief Executive, TheCityUK

The rule of law is the bedrock of competitive and fair markets. It provides firms with contract certainty and facilitates global trade. The impartiality, integrity, quality and depth of experience of legal services and the judiciary found in the UK are particularly well-regarded, both domestically and internationally.

The UK also has an envied reputation for the fair, effective and transparent resolution of international commercial disputes. It provides integrated services for the resolution of financial, business and property disputes, and is unrivalled in terms of size, quality, experience, flexibility, efficiency and value for money.

This is underlined by the fact that more than 20,000 commercial and civil disputes are resolved through arbitration, mediation and adjudication in the UK annually. Furthermore, companies are twice as likely to choose English law over other governing laws for arbitration.

This report brings together key data, analysis and insight which evidence the value of the legal services and dispute resolution sector to the UK economy. The report also showcases the UK as the world's leading centre for international legal services and dispute resolution. Major global firms, across all sectors, come to the UK to access the unrivalled breadth of services offered by world-class legal and advisory firms. This is reinforced by the presence of over 200 foreign law firms in London and other cities in the UK.

There are three distinct legal jurisdictions in the UK: England and Wales, Northern Ireland and Scotland. Each has its own legal system, distinct history and origins. At the latest count, the legal sector generates £22.6bn, or 1.6%, of the UK's gross domestic product and directly employs over 300,000 people. The sector's trade surplus totals over £3bn helping to offset the UK's trade in goods deficit. This is a major contribution to the UK's economy, one which the range of actors involved in the development and promotion of the UK's offering have a duty to nurture.

TheCityUK is focused on ensuring the continued international competitiveness of the UK legal services sector. This involves working on both the domestic and international front to identify opportunities for our members. We bring together the leading law firms and institutions providing legal, litigation and arbitration services.

Legal services are a cornerstone of the broader financial and related professional services cluster which makes the UK the leading global financial centre, employing over 2.1 million people. It is essential that the UK continues to attract overseas firms, foreign direct investment and the best talent by sending a clear message that it is a genuinely competitive and world-leading place to do business.



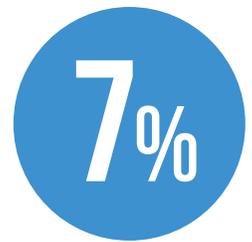
# UK LEGAL SERVICES INDUSTRY

# 3 OF 5



3 OF THE LARGEST 5 LAW FIRMS IN THE WORLD BASED ON HEADCOUNT HAVE THEIR MAIN BASE OF OPERATIONS IN THE UK

THE UK ACCOUNTS FOR 7% OF GLOBAL LEGAL SERVICES FEE REVENUE — AND A FIFTH OF EUROPEAN FEE REVENUE



# 24,000

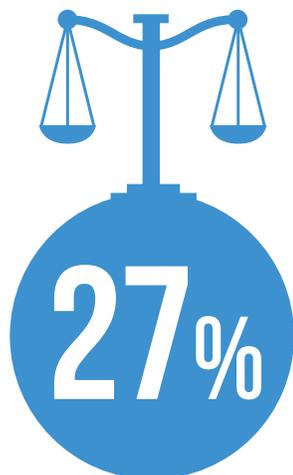
24,000, THE TOTAL NUMBER OF COMMERCIAL AND CIVIL DISPUTES RESOLVED IN THE UK THROUGH ARBITRATION, MEDIATION AND ADJUDICATION IN 2013

# 5 OF 10

5 OF THE LARGEST 10 LAW FIRMS IN THE WORLD BASED ON GROSS FEE REVENUE HAVE THEIR MAIN BASE OF OPERATIONS IN THE UK

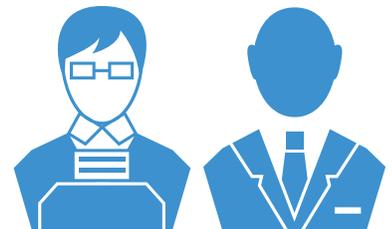
# 200

200 FOREIGN LAW FIRMS HAVE OFFICES IN THE UK — A HALF ARE FROM THE US



27% OF THE WORLD'S 320 LEGAL JURISDICTIONS USE **ENGLISH COMMON LAW**

# 316,000



316,000 PEOPLE ARE EMPLOYED IN UK LEGAL SERVICES — GENERATING 1.6% OF UK GDP AND A NET EXPORTS SURPLUS OF £3.1BN IN 2013

# 2 KEY FINDINGS

## Legal services in the UK

The UK has a strong reputation as the **leading global centre for the provision of international legal services and dispute resolution**. It is also an important centre for legal education and training. In addition to firms in London, there are high-quality providers offering choice and value in cities such as Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool and Manchester.

After a period of moderate growth during adverse economic conditions, turnover of law firms in the UK **increased by 8.4% in 2013 to a record £30.6bn**. This was the strongest rate of growth in six years. Growth was supported by the recovery in the UK's financial and business sector, the increase in housing market activity and strong law firms' exports.

A key purchaser of legal services is the financial services sector and the attractiveness of the UK as a place to set up and grow a financial services businesses has contributed to the strength of the UK's legal services industry. Between 2009 and 2014, the financial services industry accounted for 43% of the total value of deals amongst the top 50 UK 'City' law firms. Energy and utilities accounted for 10%, technology, media and telecommunications 9%, real estate and construction 5% and manufacturing 2%.

The UK legal services sector **directly employs 316,000 people**, two-thirds of whom are located outside London. These jobs are highly skilled with clusters of expertise which attract investment and drive growth. Legal services play an important role in the global success of British business and help to offset the UK's trade in goods deficit. The sector's **trade surplus nearly doubled over the past decade to £3.1bn** in 2013. Legal services' contribution to the economy also increased steadily over the past decade to £22.6bn in 2013, or 1.6% of UK GDP.

## The UK's position internationally

The **UK accounts for around 7% of global legal services fee revenue** which totalled around \$650bn in 2013/14. It is by far the largest market for legal services in Europe accounting for over a fifth of the sector's revenue, and is second only to the US globally. London's pre-eminence in legal and other professional services is not only an asset for the UK, it is also a European asset.

The UK is the world's most international market for legal services. It is very open in allowing virtually unrestricted access for foreign firms. There are **over 200 foreign law firms with offices in London and other cities in the UK**. Around a half of these firms are from the US, with the remainder mainly from Europe, Australia and Canada. The popularity of English law is an important factor contributing to the UK's strong global position. Some 27% of the world's 320 legal jurisdictions use English common law.

# 316,000

PEOPLE ARE  
EMPLOYED IN UK  
LEGAL SERVICES –  
TWO THIRDS  
OUTSIDE LONDON

The leading global position of international law firms based in the UK is underlined by:

- **Three of the largest five** Global 100 law firms, based on headcount in 2013/14, have their main base of operations in the UK. In terms of gross fee revenue, UK based firms held **five of the top ten places**;
- The largest international law firms in London have between 45% and 65% of their lawyers based outside the UK and many other London-based firms have between 10% and 20% of lawyers overseas. Typically US firms have less than a quarter of lawyers outside the US. Some 6,000 solicitors from England and Wales are located abroad;
- The largest international law firms in the UK are leading advisers in deals taking place in international capital markets, and advise on M&As, project finance, tax and intellectual property around the world. The largest **UK firms have outpaced US firms in terms of international expansion** in recent years, both in terms of number of jurisdictions they operate in and overseas offices opened.

London's reputation as the leading global centre for the provision of international legal services is underlined by the fact that in 2013, 1,198 claims were issued in the Commercial Court, of which 80% involved at least one party whose address was outside England and Wales. Furthermore, London is viewed as the leading preferred centre of litigation and arbitration. The number of commercial and civil disputes resolved through arbitration, mediation and adjudication in the UK totalled 24,224 in 2013. Around **40% of governing law in all global corporate arbitrations is English law**.

The strength of the UK as an international centre for legal services is reinforced by the expertise of barristers and advocates involved in international practice. Over **1,200 members of the Commercial Bar Association (COMBAR)**, and many members of other specialist bar associations, practice in the field of international commercial law, with many cases heard in the Rolls Building, which houses the Commercial Court, the Chancery Division, and the Technology and Construction Court.

There has been a major expansion amongst the leading international firms, both by office and by jurisdiction, as **law firms look to support the increasingly international activities of their clients** and capitalise on the expanding international marketplace for their services. Europe is enjoying strong growth as a source of business led by London, Paris, Frankfurt and Brussels. Over the longer term, however, growth in the established advanced countries is expected to continue to be outpaced by expansion into emerging market countries. A major trend in recent years has been the expansion of international law firms into China and other Asian countries, and more recently sub-Saharan Africa.

Legal services are a cornerstone of the broader financial and related professional services cluster which make the UK the leading international finance and business hub. Major global firms come to the UK to access this unrivalled breadth of services, seek advice from world-class legal and advisory firms, raise finance and insure their businesses. This **creates jobs across the country and helps the financial sector to fund hospitals, roads and other vital public services**. A strong, competitive and well-regulated legal services sector is essential for sustainable economic growth across the UK.

## THECITYUK AND LEGAL SERVICES

TheCityUK is focused on ensuring the continued competitiveness of the UK legal services sector. This involves working on both the domestic and international front to identify opportunities for our members.

Recent examples of TheCityUK's domestic agenda include submissions to UK government consultations on Court Fees and Contract Sanctions. TheCityUK was a supporting partner of the Global Law Summit held in February 2015 to commemorate the 800th anniversary of the Magna Carta and will help to promote the 2015 Commonwealth Law Conference in Glasgow. TheCityUK participated in an initiative led by the Lord Chief Justice to examine how the courts can better serve the needs of users from the financial services industry.

TheCityUK also plays an active role in promoting the use of UK legal services on the international stage. This includes identifying opportunities for TheCityUK members to engage in initiatives such as:

- China Free Trade Zone discussion papers: development of papers for Chinese policy makers including Commercial Legal Frameworks and Intellectual Property;
- Removal of overseas trade barriers to legal services: TheCityUK's Liberalisation of Trade in Services (LOTIS) Committee presses for their removal;
- International infrastructure: the demand for infrastructure projects and the development of PPP finance models in emerging economies is a key area of interest for members. TheCityUK has undertaken a variety of activities including member led masterclasses, seminars and workshops in a range of jurisdictions.

# 3 LEGAL SERVICES IN THE UK

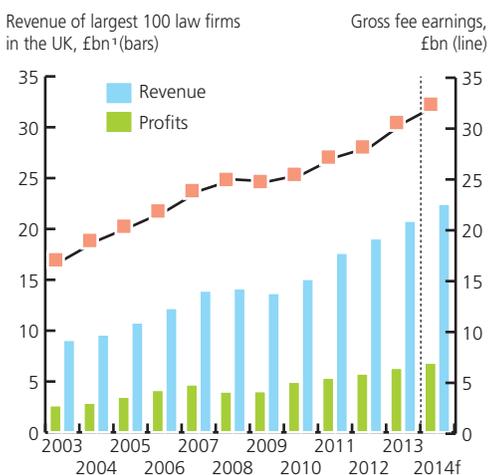
The UK has a strong reputation as the leading global centre for the provision of international legal services and dispute resolution. It is also an important centre for legal education and training. In addition to firms in London, there are high-quality providers offering choice and value in cities such as Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool and Manchester.

The economic contribution of legal services should be seen in its broadest context of facilitating the administration of justice and the wide range of transactions undertaken on behalf of clients. Legal services have both a multiplying and an enabling effect for business growth and stability. They also offer bespoke expertise to support other sectors of the economy. This report summarises the growing importance of legal services to the UK economy and highlights the strong position the UK's legal profession occupies on the global stage.

**Fee revenue** The legal services sector has shown resilience during the recent economic slowdown and has emerged from the recession leaner and more efficient. After a period of moderate growth during adverse economic conditions, the sector is seeing a pickup in business volume and confidence. The market for legal services in the UK is highly competitive. The current market conditions are driving consolidation and new entrants from outside the legal sector are developing plans to participate in the sector. This has resulted in the emergence of innovative business models for the delivery of a range of legal services, driven in part by the introduction of alternative business structures (ABSs) by the Legal Services Act 2007.

Gross fees generated by law firms in the UK increased by 8.4% in 2013 to a record £30.6bn (Figure 1). This was the strongest growth rate in six years, supported by the

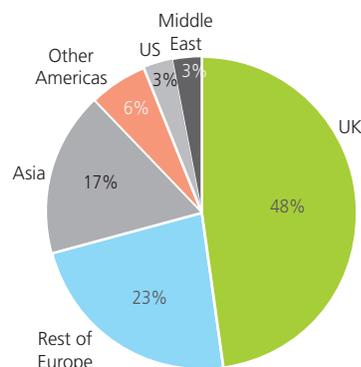
**FIGURE 1**  
UK LEGAL SERVICES FEE INCOME



<sup>1</sup> The income of top 100 UK firms primarily originates in London. Data for top 100 firms is for the financial year. Source: National Statistics; Legal Business

**FIGURE 2**  
DISTRIBUTION OF UK LAW FIRMS' LAWYERS

Geographical distribution of lawyers in largest 100 UK law firms (% share, 2013/2014)



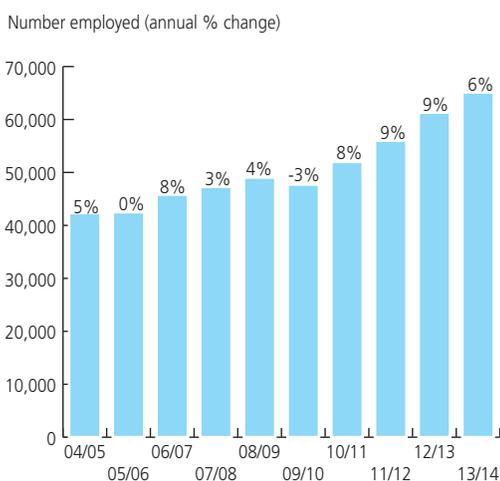
Source: Legal Business

recovery in the UK's financial and business sector, the increase in housing market activity and strong law firms' exports. A continued recovery in the wider economy and financial markets should support additional growth in the coming years. International expansion, fuelled by growth in advanced and emerging economies, should also feed through into demand, further improving UK based law firms' export performance.

The UK is the most international market globally for legal services, partly a result of the widespread use of English law as a framework for international contracting and dispute resolution. However, the market for international legal services is becoming increasingly competitive and the sector must continue to embrace, and adapt to, changing market conditions by offering services to both emerging and developed sectors and economies.

Approximately half of the revenue of the largest 100 law firms in the UK is generated by international law firms, predominantly based in London. US law firms in particular have expanded into the UK in recent years. The total number of deals involving the largest UK law firms increased steadily between 2009 and 2014 (Figure 4). The average value of deals has, however, generally decreased during this period, resulting in marginal growth in the total value of deals.

**FIGURE 3**  
LARGEST 100 LAW FIRMS IN THE UK TOTAL HEADCOUNT



Source: Legal Business

## STRUCTURE OF THE LEGAL PROFESSION IN THE UK

The legal systems in England and Wales, Scotland and Northern Ireland each have separate laws, judiciaries and legal professions. There are differences between Scots law, English law and Northern Irish law in areas such as property law, criminal law, trusts law, inheritance law, evidence law and family law while there are greater similarities in areas such as commercial law, consumer rights, contract law, taxation, employment law, and health and safety regulations. Scots law offers the advantages of a common law system that also has affinities with the civil systems of Continental Europe.

There are also differences in the terminology used between the jurisdictions. For example, in Scotland there are no Magistrates' Courts or Crown Court but there are Sheriff Courts and the Court of Session. The Procurator Fiscal Service provides the independent public prosecution service for Scotland like the Crown Prosecution Service in England and Wales and the Public Prosecution Service in Northern Ireland.

The legal profession in the UK is distinctive from many other countries in being divided into two branches, solicitors and barristers (advocates in Scotland). The judiciary is drawn from both branches of the profession. Solicitors provide the great bulk of 'first line' legal advice, undertaking detailed advisory work on behalf of their clients. While solicitors serving the local community, solving the legal problems of the public are often in a general practice, solicitors serving business customers tend to be specialists in a particular area of law.

Barristers and advocates provide specialist legal advice and represent their clients in courts and tribunals. Often solicitors or other professional clients will refer work to a barrister or advocate but, with some exceptions, it is also possible for a member of the public to go directly to a barrister for advice or representation.

The Legal Services Board is an organisation created by the Legal Services Act 2007. The Board came into being on 1 January 2009 and became fully operational on 1 January 2010. Its overriding mandate is to ensure that regulation in the legal services sector is carried out in the public interest; and that the interests of consumers are placed at the heart of the system. The Board itself is responsible for overseeing legal regulators in England and Wales. It is independent of Government and of the legal profession. It oversees ten separate bodies, the Approved Regulators. The Board also oversees the organisation established to handle consumer complaints about lawyers, the Office for Legal Complaints. Different regulatory arrangements apply in Scotland and Northern Ireland.

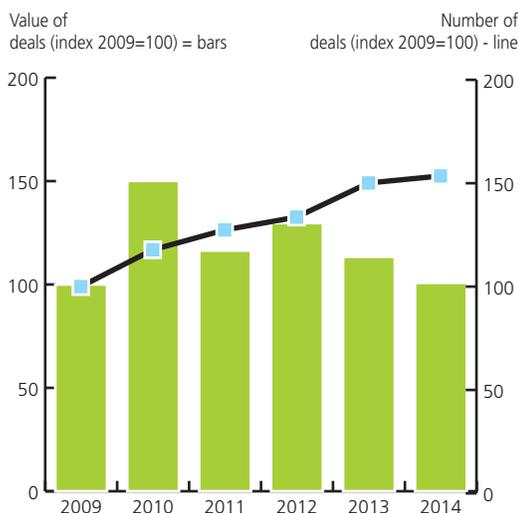
Law firms are continuing to maintain tight control over costs by improving operating models, moving lawyers between practice areas, tightening management controls and an increasing reliance on paralegals. They are also moving support functions and, increasingly, less complex legal functions to more cost effective locations. Many firms are choosing to locate these operations in cities across the UK allowing them to take advantage of the skilled workforce on offer.

A key purchaser of legal services is the financial services sector (Figure 5) and the attractiveness of the UK as a place to set up and grow a financial services business has contributed to the strength of the UK's legal services industry. Consolidation in investment banking and a fall in investment banking fee revenue in recent years has resulted in less advisory business for law firms. Practice areas which performed better since the recent economic slowdown have included insolvency/bankruptcy and restructuring. A number of firms have supplemented some of the loss in revenue with an increased focus on litigation and arbitration business.

Between 2009 and 2014, the financial services industry accounted for 43% of the total value of deals on which the top 50 UK 'City' law firms advised. Energy and utilities accounted for 10%, technology, media and telecommunications 9%, real estate and construction 5% and manufacturing 2%.

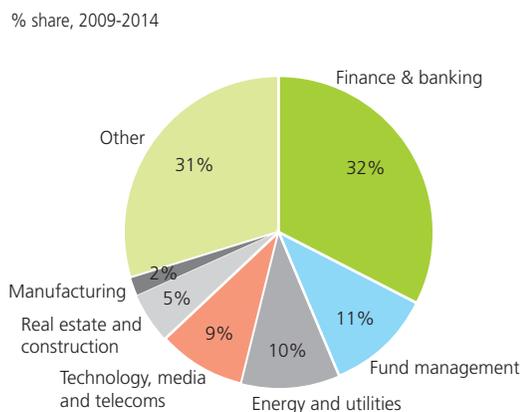
A strong, competitive and well-regulated legal services sector is essential for sustainable growth of the UK economy. Major global firms come to the UK to access an unrivalled breadth of services; seek advice from world-class legal and advisory firms, raise finance and insure their businesses. This creates jobs across the country and helps the financial sector to fund hospitals, roads and other vital public services.

**FIGURE 4**  
Top 50 UK 'City' law firms deals



Source: Law Society / Legal Monitor, City Legal Index

**FIGURE 5**  
Top 50 UK 'City' law firms deals by industry



Source: Law Society / Legal Monitor, City Legal Index

## International legal services in London

London is the leading global centre for international legal services. Law firms in the capital and elsewhere in the UK are in a prime position to win an increasing share of the global market, reinforced by a strong international reputation and a highly qualified workforce.

While US firms have a long-standing presence in the city, there is a growing demand for English legal and related advisory services, particularly from developing markets. Overall, the UK is very open in allowing virtually unrestricted access for foreign law firms. This foreign-firm presence adds to the sector's contribution to the UK economy. There are over 200 foreign law firms in the UK, many of which have developed capability in both English law and other forms of law. Large international law firms remain at the core of London's leading reputation as an international legal services provider.

London is the leading global centre for international financial services. The co-location and cluster effect of banking, insurance, fund management and other financial services helps to underpin its position as a major centre for international legal services. TheCityUK's Competitiveness Report found that decision makers specifically cited access to markets in the EU as a core reason for locating in the UK over other financial centres. In over 45% of UK-positive investment cases, decision makers cited access to skilled staff, including EU nationals, as one of the core reasons for choosing the UK.

London's reputation as the leading global centre for the provision of international legal services is underlined by the fact that over 80% of claims issued in the Commercial Court involve at least one party from outside England and Wales. Furthermore, London is viewed as the leading preferred centre of litigation and arbitration. Some 40% of governing law in all global corporate arbitrations is English law.

**FIGURE 6**  
HEADCOUNT OF LARGEST OVERSEAS FIRMS IN LONDON



<sup>1</sup> Figure is for 1 January 2014. Other years show an average yearly figure.  
Source: Legal Business

**FIGURE 7**  
NON-UK LAW FIRMS LARGEST OFFICES IN LONDON

2013/14, £m	London fee-earners	of which	
		English qualified	other qualified
Baker & McKenzie	398	381	17
Reed Smith	340	334	6
White & Case	310	238	72
Mayer Brown	271	266	5
Latham & Watkins	256	156	100
Jones Day	178	166	12
Weil, Gotshal & Manges	149	128	21
Dechert	141	115	26
Shearman & Sterling	138	94	44
Kirkland & Ellis	133	110	23
K&L Gates	131	127	4
Skadden, Arps, Slate, Meagher & Flom	125	80	45
Sidley Austin	117	105	12
Cleary Gottlieb Steen & Hamilton	115	85	30
Debevoise & Plimpton	96	68	28

Source: Legal Business

## RANGE OF INTERNATIONAL LEGAL SERVICES

The biggest areas of practice of law firms in the UK include corporate work, banking and capital markets. Property and dispute resolution have gained in importance in recent years, although the extent of each law firm's involvement in the various areas of practice will vary. The main areas of international work undertaken by law firms in the UK include:

- **Corporate finance** Joint ventures, M&As, equity issues, corporate reorganisations, management buyouts, company law;
- **Other corporate and commercial law** Aviation, shipping, commodities, competition, IT and digital media, telecoms, media and entertainment;
- **Banking/project finance** Bank lending, debt rescheduling, project finance, public private partnerships, securitisation, aircraft and ship finance;
- **International capital markets** Equity issues, money raising, asset securitisation, privatisation, derivative products, eurobonds;
- **Tax** Corporate tax (and personal tax planning where there is no private client department), stamp duty, VAT;
- **Dispute resolution** Arbitration, alternative dispute resolution, and litigation;
- **Insurance and reinsurance** Involves advising on claims and conduction related litigation and arbitration;
- **Property** sales and leasing of commercial property, property finance, property development, construction, environmental law, town and country planning;
- **Intellectual property** Patents, trademarks, copyrights, confidentiality;
- **Product liability** Liability along the chain of manufacture of any product for damage caused by that product;
- **Employment/pensions** Implications of M&As, establishment and maintenance of pension schemes, contracts of employment, immigration advice;
- **Public international law** Relates to the handling of legal issues affected by international jurisdiction such as the International Court of Justice;
- **Private clients** Family law, probate, tax planning, trusts;
- **World Bank / EBRD projects work** A niche market in relation to World Bank and EBRD projects work.

On average, for the largest ten global firms in London by headcount, London fee income increased by nearly 10% to £104.2m in 2013/14. The financial performance of these firms in the UK for the most part outperformed their global revenue figures. The bulk of business undertaken by international law firms in London is on behalf of UK and foreign international companies. Public sector organisations and high net worth private clients are also significant users of their services.

The headcount of the largest 50 foreign law firms in London reached a record 4,624 in 2013/14. This was up from 4,382 in the previous year (Figure 6). Around two-thirds of firms on this list saw an increase in employment during the year.

**International law firms in London** Firms are identified as international if more than a third of their lawyers are working outside their home country. Some firms, however, may have few lawyers working abroad but remain very global in their work and outlook. International law firms in London feature prominently in rankings of largest global firms (Figure 27). The largest UK law firms typically have between 45%-65% of their lawyers outside the UK. US firms are generally more orientated towards their domestic market, having less than a quarter of their lawyers outside the US.

International law firms in London have become leading advisers in deals taking place in international capital markets. They offer a substantial range of advisory services including M&A, project finance, tax and intellectual property around the world. Other smaller firms offer expertise in certain services such as for example in shipping or international insurance, being world leaders in their own niche practice area.

**Foreign law firms** in London can be divided into full service firms, specialist or niche firms and those firms that service clients looking to invest in the UK and continental Europe. Many of these firms derive a large proportion of their overall turnover from business conducted in London (Figure 7). The largest firms on this list include Baker & McKenzie, Reed Smith, White & Case and Mayer Brown.

The EU Establishment of Lawyers Directive (1998) requires EU lawyers practising in the UK to register with an appropriate professional body such as the Law Society or Bar Council and to comply with its regulations. EU lawyers may qualify as UK solicitors or barristers by having their qualifications recognised after three years of practice in the UK.

**US law firms** There are more than 100 US law firms with offices in London, around 40% – 50% of which offer a full service English law capability. The most sought after practice areas for recruitment for US firms in London are international arbitration and litigation, finance, M&As, financial restructuring and insolvency. Around 80% of lawyers employed by US law firms in London are from the UK.

**Law firms from other countries** Other foreign firms in London typically tend to provide services to London-based international corporations and financial institutions undertaking business in the country from which they originate. A number of European firms have a significant presence in London, including firms from France, Germany, Italy, Spain, the Netherlands, Scandinavia, Switzerland, Portugal and Russia. Australia is also well represented in London by its three largest firms which concentrate on providing expertise in deals involving Australian law, usually cross-border M&As, securities, banking and tax transactions between Australia and Europe. The majority of work of Canadian firms in London is in relation to inward investment into Canada, mainly in the energy sector. A number of offshore law firms also have offices in London.

## Legal services across the UK

The UK legal services industry directly employs over 300,000 people. The jobs are highly skilled and distributed across the whole country, with clusters of expertise which attract investment and drive growth. The legal services industry offers education, training and apprenticeships to develop the skills of its workers, who are more productive than the UK average. Around two-thirds of those employed by the industry are located outside London (Figure 10). This deep pool of labour and skills has seen the legal sector respond to the needs of key sectors throughout the UK. For example, with more than 2,000 companies operating in the energy sector, the Scottish legal profession has a highly developed expertise in the oil, gas and renewable energy sectors.

The UK is a major global hub for legal, financial and other related professional services. Within the UK, the importance of London is core to its international position, but other

## LARGEST UK LAW FIRMS OUTSIDE LONDON

According to Legal Business, the largest UK firms by turnover outside London include:

- Major UK: Eversheds (national), Pinsent Masons (national), Irwin Mitchell (national), Addleshaw Goddard (national), Wragge & Co (Birmingham), Hill Dickinson (Liverpool);
- South: Bond Dickinson (Bristol), Blake Morgan (Portsmouth), TLT (Bristol), Thomas Eggar (South-East), Bevan Brittan (Bristol), Clarke Willmott (Bristol), Ashfords (Exeter);
- Central: Browne Jacobson (Nottingham), Freeths (Midlands), SGH Martineau (Birmingham), Shakespeares (Birmingham), Hugh James (Cardiff), Birketts (Ipswich), Geldards (Cardiff), Mills & Reeve (Cardiff);
- North: Keoghs (Bolton), Pannone (Manchester), Cobbetts (Manchester), Walker Morris (Leeds), Brabners Chaffe Street (Liverpool), Ward Hadaway (Newcastle), Gordons (Leeds);
- Scotland: Maclay Murray & Spens, Brodies, Shepherd and Wedderburn, Dickson Minto, Burness Paull, Turcan Connell.

**FIGURE 8**  
FIRMS WITH THE LARGEST UK BUSINESS BY TURNOVER

	Turnover UK business only (£m)
	2013/14
1. Linklaters	546
2. Freshfields Bruckhaus Deringer	470
3. Clifford Chance	469
4. Allen & Overy	455
5. Slaughter and May	448
6. Eversheds	340
7. Herbert Smith Freehills	332
8. Pinsent Masons	280
9. Hogan Lovells	265
10. DLA Piper	260

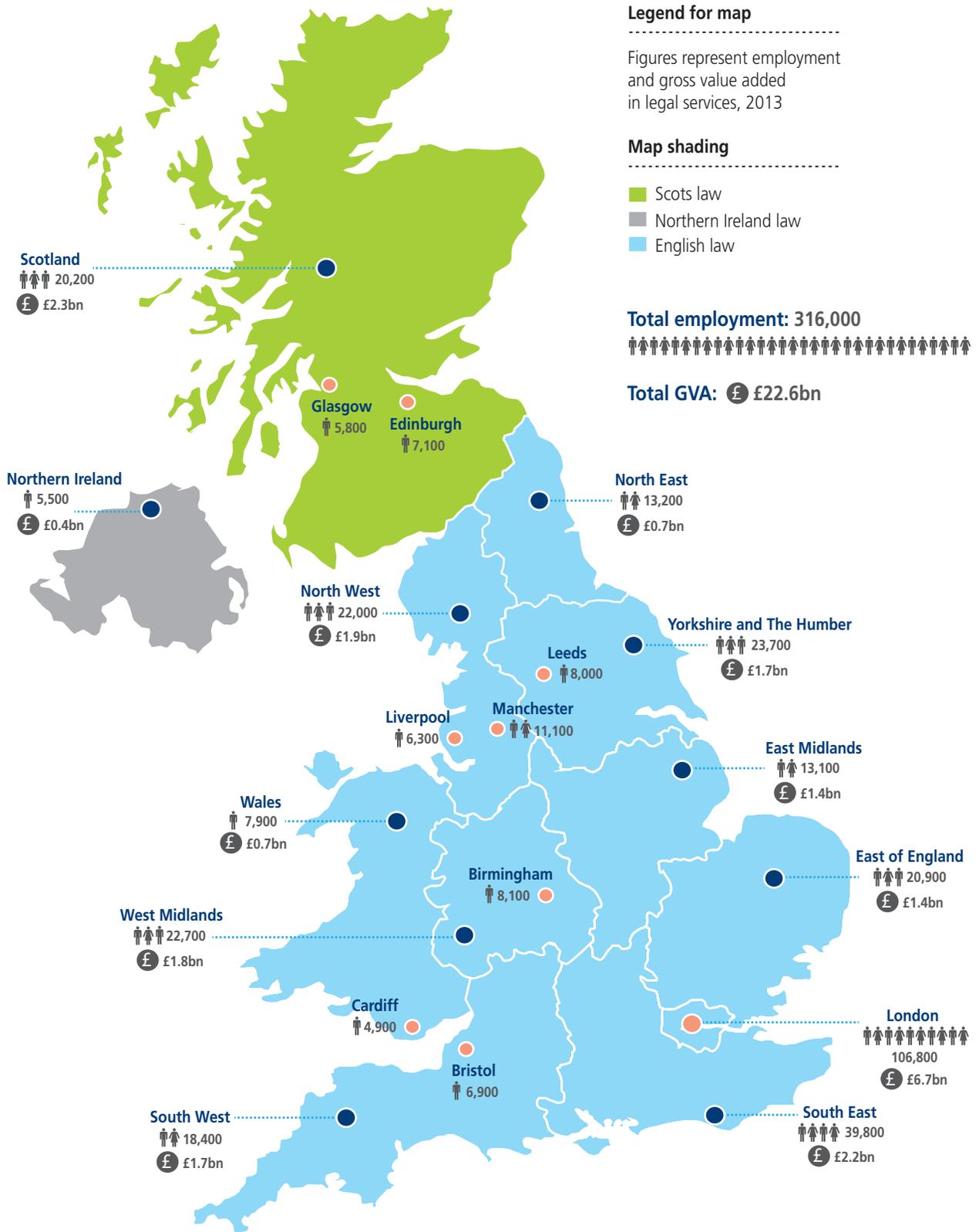
Source: Legal Business

**FIGURE 9**  
LARGEST LAW FIRMS IN THE UK BY REVENUE

2013/14	Revenue £m	% change revenue	Total equity partners
1. DLA Piper	1,566	2	454
2. Clifford Chance	1,359	7	401
3. Linklaters	1,255	5	416
4. Allen & Overy	1,234	2	444
5. Freshfields Bruckhaus Deringer	1,232	1	390
6. Norton Rose Fulbright	1,152	n/a	997
7. Hogan Lovells	1,098	7	520
8. Dentons	807	n/a	387
9. Herbert Smith Freehills	800	n/a	313
10. CMS	710	4	503
11. King & Wood Mallesons SJ Berwin	640	n/a	320
12. Ashurst	586	n/a	262
13. Squire Patton Boggs	485	-1	132
14. Slaughter and May	472	5	112
15. Eversheds	382	2	118

Source: Legal Business

**FIGURE 10**  
LEGAL SERVICES ACROSS THE UK



Source: ONS, TheCityUK calculations

cities such as Edinburgh and Glasgow in Scotland; Birmingham, Bristol, Leeds, Liverpool, Manchester, Norwich, Reading and Sheffield in England; Cardiff in Wales; and Belfast in Northern Ireland are also important legal, professional and financial services centres.

Firms are identified as regional if they have over 45% of lawyers in one region. Some domestic law firms, that have a broad spread of offices in the UK, have built up a capability to compete with international London-based law firms. One-time regional or domestic firms such as Eversheds have developed London practices. A number of other firms have opened London offices while others have merged with London based law firms. Conversely, some domestic law firms have chosen to stay out of London and concentrate on regional business.

## International practice of barristers and advocates

The importance of the UK as a financial centre has created enormous demand for specialist legal advice in a wide range of areas. COMBAR was formed in 1989 to bring together barristers who practice in the field of international and commercial law. The principal fields of practice for over 1,200 members of COMBAR cover international trade, shipping and aviation, banking and financial services, insurance, commodity transactions, international arbitration, insolvency, oil and gas/energy law and European Union law.

In addition to COMBAR, there are other specialist bar associations, many of whose members include barristers practising in aspects of international and commercial law. The Chancery Bar



### BARRISTERS AND ADVOCATES

Barristers (advocates in Scotland) form a group of specialist consultants with particular expertise in advisory, drafting and advocacy work. They include individuals with expertise in all areas of the law. Many also have knowledge of other systems of law and are able to advise on complex international questions. The regulatory differences between solicitors and barristers / advocates have been eroding but the main distinction remains that solicitors provide a continuous service to clients, whilst barristers / advocates act as a source of specialist legal advice on particular points of law and advocacy services.

In England and Wales barristers, who are independent sole practitioners, are typically organised in groupings known as Chambers, which typically specialise in one or more legal fields. There are approximately 1,400 senior barristers known as 'Queen's Counsel' or 'QCs', which is a world-wide recognised kite mark for excellence in advocacy. Many barristers are members of specialist bar associations, which provide further education for their members and represent their interests. The Bar Council is the professional association and approved regulator for all barristers in England and Wales.

In Scotland, an advocate performs the same function as a barrister in England & Wales. All advocates are members of the Faculty of Advocates based in Parliament House in Edinburgh, where the supreme courts are located. The Faculty is responsible for the admission of advocates and their professional conduct. It also provides library facilities, including the renowned Advocates' Library.

In Northern Ireland, some 600 barristers and a further 60 'QCs' operate as an independent referral bar from an iconic modern building - The Bar Library, in central Belfast. It is also the home of the Inn of Court of Northern Ireland. The governing body of the profession is the General Council of the Bar of Northern Ireland - the Bar Council. Barristers in this jurisdiction provide a comprehensive range of advanced legal services in advocacy and representation both at home and abroad. Specialisations offered from the members of the Bar Library include advanced advocacy, arbitration and mediation. The proximity of the Bar Library, Belfast to other European jurisdictions such as Dublin and the very close ties with the US makes legal representation from the Bar Library an attractive option for the many foreign entities and corporations who avail of both referral and also Direct Professional Access.

Association encompasses practitioners with a specialised knowledge of international trusts, taxation, pensions, financial services, insolvency, patents and corporate law. TECBAR is the organisation for barristers specialising in disputes arising out of technology and construction. The Criminal Bar Association is the focal point of contact for those concerned in commercial and business fraud. The Intellectual Property Bar Association is the specialist bar association for barristers practising in all areas of intellectual property law.

The concentration on court work has enabled barristers to develop specialist expertise particularly as representatives in courts where common law is practised. Barristers provide advice and opinions on points of law, and act as arbitrators in the UK and other major world centres. The main services offered by commercial barristers include:

- **Advocacy and litigation** Barristers can receive instructions to appear in a wide range of courts in the UK and overseas;
- **Legal advice and expert evidence** Barristers may be instructed to give advice, orally or in writing, on any matter of the laws of the UK, as well as European or international law arising anywhere in the world. Those specialising in criminal work are also increasingly involved internationally e.g. in business crime cases in the Caribbean and other regions;
- **Arbitration** London is the leading global centre for international and commercial arbitrations. Many QCs and other barristers as well as some law firms in the UK have specialist experience of conducting arbitration or acting as arbitration advocates. Many barristers also have direct experience in international arbitration including under the rules of the International Chamber of Commerce and the London Court of International Arbitration. Barristers can also be appointed to sit as international arbitrators by overseas lawyers or overseas lay clients.

### FIGURE 11 LEADING SETS OF BARRISTERS CHAMBERS

by number of practice area rankings

Blackstone Chambers	3 Verulam Buildings
Thirty Nine Essex Street	Doughty Street Chambers
Brick Court Chambers	Fountain Court Chambers
Matrix Chambers	Crown Office Chambers
Kings Chambers	Essex Court Chambers
Maitland Chambers	Guildhall Chambers
No5 Chambers (Birmingham)	Wilberforce Chambers
Serle Court	

Source: Chambers & Partners UK Guide

## HOW UK EXPERTISE MEETS THE REQUIREMENTS OF PARTIES TO INTERNATIONAL DISPUTES

Parties to international disputes wish to access expertise that will enable them to efficiently and effectively resolve any dispute in which they are involved. Frequently parties will wish to avoid litigation through arbitration or mediation. They will have a variety of requirements in choosing the jurisdiction used to resolve the dispute and the location of the arbitration or mediation. Such requirements, which are met in London and the UK, may include:

- Arbitration and Alternative Dispute Resolution (ADR) legal framework provided by the Arbitration Act 1996 and the Arbitration (Scotland) Act 2010 under which an award is enforceable, with limited grounds for challenging the award;
- Flexibility in procedures developed by dispute resolution organisations;
- Neutral forum for resolving disputes between international parties;
- Confidentiality of proceedings;
- Party autonomy in language and law;
- Depth of expertise in larger complex cases with appreciation of the commercial issues involved. Expertise in the UK may be derived from specialist dispute resolution organisations, individual arbitrators and mediators, expert witnesses as well as international law firms and barristers that provide specialist advice and advocacy;
- Impartial judiciary, independent of political influence, that encourages parties to a dispute to use arbitration and ADR;
- Availability of suitable venues and supporting services, such as interpreters, translators, stenographers and IT services.

**Advocates in Scotland** Advocates are available to be instructed in a wide range of courts and tribunals in Scotland and elsewhere, including the UK Supreme Court, the European Court of Justice and the European Court of Human Rights. They may also be instructed in arbitrations and other forms of alternative dispute resolution. Advocates may be instructed to give advice, orally or in writing, on any matter of Scots or European law.

## Dispute resolution in London and the UK

English law is the most commonly used rule of law in international business and dispute resolution. The abundance of legal talent in London contributes to its reputation as an attractive choice for international dispute resolution, whether in terms of litigation before the court or arbitration proceedings. This pre-eminence is heavily reliant on the fair and consistent judiciary, state-of-the-art courtrooms and the vast network of world class support services (including interpreters, transcribers, translators, document services and IT providers). London's place as a leading global finance hub means that most experts in banking, funds and insolvency disputes are in close proximity.

International arbitration is on the rise globally. This form of dispute resolution allows contracting parties to choose a neutral venue where their disputes are settled. The UK is a global leader in international and commercial arbitrations. More of these take place in London, under English law, than in any other city in the world. Within the UK, Scotland provides an attractive alternative forum for dispute resolution. With UK caseloads rising, a growing number of international law firms are viewing arbitration as an important practice area. However, the UK faces competition from New York, Paris, Geneva, The Hague and Dubai, as

**FIGURE 12**  
ARBITRATIONS, MEDIATIONS AND ADJUDICATIONS IN THE UK

Number of referrals, appointments or cases submitted

	2007	2009	2011	2012	2013
<i>Mostly international</i>					
London Maritime Arbitrators' Association	2,673	4,445	3,555	3,849	2,966
London Court of International Arbitration	137	285	237	265	301
Lloyd's Open Form	107	122	106	122	61
ICC Int. Court of Arbitration (UK seated) <sup>1</sup>	58	73	62	70	70
Centre for Effective Dispute Resolution	300	400	600	650	691
Ad hoc arbitrations <sup>1</sup>	300	300	300	300	300
Total international	3,575	5,625	4,860	5,256	4,389
<i>Mostly UK domestic</i>					
Royal Institute of Chartered Surveyors	9,112	8,917	5,004	4,273	4,462
Centre for Effective Dispute Resolution	2,500	3,500	4,000	6,500	7,009
Adjudication Society	1,506	1,737	1,064	1,282	1,211
Other mediations	2,281	4,668	6,440	6,510	6,653
Trade associations <sup>1</sup>	500	500	500	500	500
Total domestic	15,899	19,322	17,008	19,065	19,835
<b>Total</b>	<b>19,474</b>	<b>24,947</b>	<b>21,868</b>	<b>24,321</b>	<b>24,224</b>

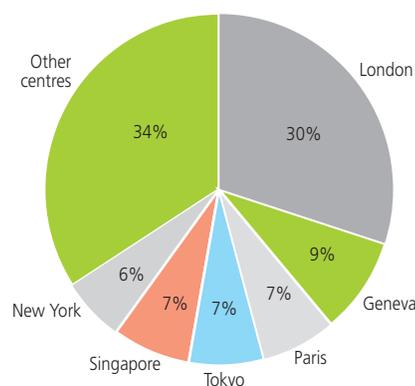
<sup>1</sup> Estimate

<sup>2</sup> There is some overlap in the numbers of mediations between individual mediations and those organised by providers.

Source: Dispute resolution organisations, TheCityUK estimates

**FIGURE 13**  
PREFERRED SEAT OF ARBITRATION

Seat of arbitration preferred by arbitrators, % share of survey respondents, 2010



Source: Queen Mary University of London International Arbitration Survey

well from the gradual rise of Asian arbitration centres such as Singapore, Seoul, Shanghai and Hong Kong.

Dispute resolution services in the UK continue to be provided across a range of activities and sectors at a domestic and international level:

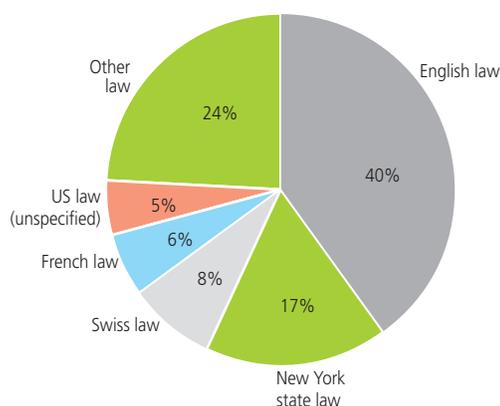
- The total number of commercial and civil disputes resolved through arbitration, mediation and adjudication totalled 24,224. Nearly 20,000 of these were domestic and over 4,000 mostly international (Figure 12).
- The Centre for Effective Dispute Resolutions's (CEDR's) latest survey showed an increase from 8,000 to 9,500 in disputes resolved through mediation between 2012 and 2014;
- Since the advent of The Housing Grants, Construction and Regeneration Act 1996, adjudication has established itself as a method for resolving construction and engineering disputes in the domestic market.

London and the UK are well positioned internationally in the conduct of commercial arbitration and alternative dispute resolution:

- London is the preferred seat of arbitration, favoured by 30% of respondents in the latest International Arbitration Survey undertaken by Queen Mary University of London. It compares with 9% favouring Geneva, the next most popular seat (Figure 13);
- English law is the main choice of law for commercial contracts. Companies are also twice as likely to choose English law over other governing laws for arbitrations. English law was chosen by 40% of companies and New York state law by 17% (Figure 14);
- The average costs of arbitrations in the rest of Europe are 18% higher than in the UK according to the latest survey of 20 arbitral organisations by the Chartered Institute of Arbitrators;

**FIGURE 14**  
GOVERNING LAW IN ARBITRATIONS USED BY CORPORATIONS

Governing law in arbitrations most frequently used by corporations  
% share of arbitrators surveyed, 2010



Source: 2010 International Arbitration Survey

**FIGURE 15**  
COMMERCIAL COURT, ADMIRALTY COURT AND TECHNOLOGY AND CONSTRUCTION COURT

Number of claims and trials

	Admiralty Court	Commercial Court	Technology and Construction Court
Claims			
2006	105	1,005	390
2007	89	838	409
2008	114	1,004	366
2009	230	1,259	528
2010	194	1,060	493
2011	214	1,331	528
2012	228	1,162	449
2013	181	1,198	475
Trials			
2006	15	75	32
2007	13	63	33
2008	13	55	39
2009	17	56	49
2010	6	74	51
2011	13	73	49
2012	1	63	46

Source: Ministry of Justice Judicial and Court Statistics

- The Rolls Building in London opened in 2011, it is helping to sustain the UK's reputation as the first choice for business law. Since 2008 the number of claims issued by the Commercial Court has exceeded 1,000 each year, of which only a small proportion came to trial;
- In Edinburgh, the Commercial Court of the Court of Session serves the needs of the business community and is well-suited to dealing with a wide range of commercial disputes. It has flexible procedures, under which cases are actively managed by experienced commercial judges.

**Main dispute resolution organisations and services** in London and the UK include:

**London Court of International Arbitration (LCIA)** The LCIA received a record number of cases in 2013, with 290 requests for arbitration and 11 requests for mediation or another form of alternative dispute resolution. This surpasses the previous peak of 272 in 2009.

**International Chamber of Commerce (ICC) – International Court of Arbitration** 70 arbitration tribunals were administered in London in 2013 by the ICC (11.8% of the 592 cases seated in 2013), second only to Paris where the ICC is headquartered.

**The London Maritime Arbitrators Association (LMAA)** Disputes handled by LMAA Full Members totalled nearly 3,000 in 2013, down from the 2009 peak of over 4,400. Despite this decline, the number of cases dealt within maritime arbitration in London far exceeds the number of all other international arbitrations in London. It also makes London by far the leading centre worldwide for the resolution of international maritime disputes.

**Lloyd's Open Form** In shipping there were 61 maritime arbitrations made under Lloyd's Form of Salvage Agreement in 2013. In about a half of those cases arbitration is invoked and an arbitrator appointed; the rest are settled without recourse to arbitration. Although the number was down in 2013 from 2012, the number of contested arbitrations going to full hearing remains at about 10 to 12 per year.

**The Centre for Effective Dispute Resolution's (CEDR)** CEDR handled 7,700 disputes for all ADR processes, which has increased across the board. One of the reasons for the increase in cases is a growing comfort from in-house legal to use ADR for a variety of different types of dispute. CEDR is Europe's leading provider of commercial and workplace mediation. CEDR conducted 732 mediations in 2013, of which roughly 405 were 'major cases' with a quantum of claim well in excess of £1 million (€1.25 million or \$1.7 million US).

CEDR is in the process of completing an extensive review of its global panel of CEDR mediators, with now over 100 confirmed for the UK and an equivalent number globally, drawing upon the best mediators from the 7,000 (of which 2,700 are in the UK) that CEDR has accredited to-date around the world over the last two decades. In 2013 CEDR conducted 344 arbitrations.

CEDR's latest audit of mediation services, found that a total of 9,500 mediations were conducted in the UK in 2013, 9% up on the previous year. Some £9 billion worth of commercial claims were mediated during this period. CEDR estimates that businesses have saved £2.4 billion in management time, relationships, productivity and legal fees over the same period.



## Rolls Building, Royal Court of Justice

The biggest dedicated business, property and commercial court in the world was opened in London in 2011. The building, called the Rolls Building, is helping to maintain the UK's reputation as the leading choice for business law.

The specialist jurisdictions of the High Court dealing with business, property and commercial disputes are now in a single building, replacing the previous facilities used by the Admiralty and Commercial Courts, as well as the Chancery Division and the Technology and Construction Court. The number of claims and trials heard by these courts is shown in Figure 15. Around 80% of these cases involve companies outside the UK.

The facility is believed to be around four times bigger than its nearest competitor. It provides 31 court rooms, 11 hearing rooms (for related work such as bankruptcy hearings), 55 public consultation rooms, better waiting facilities and improved IT infrastructure for parties involved in proceedings, as well as administrative office space for Her Majesty's Courts Service (HMCS) staff and judicial accommodation.

**The Royal Institute of Chartered Surveyors** The number of disputes to which resolvers were appointed increased from 4,273 in 2012 to 4,462 in 2013.

**The Adjudication Society** Over 1,200 disputes were reported in 2013 to the Adjudication Society, which promotes the use of adjudication in the resolution of construction disputes. Other bodies, including CEDR, CIArb, Royal Institute of Chartered Surveyors and the Royal Institute of British Architects, nominate adjudicators to resolve disputes in construction and engineering.

**The Scottish Arbitration Centre** opened in Edinburgh in March 2011, following the enactment in Scotland of a new arbitration regime in 2010. It promotes arbitration to the Scottish business community as an effective alternative to litigation and promotes Scotland to the world as a place to conduct international arbitration. The Centre's arbitration suites provide an attractive forum for dispute resolution overlooking Edinburgh Castle. The Centre has an independent Arbitral Appointments Committee, which can make appointments. The Centre is also home to the International Centre for Energy Arbitration (ICEA), an energy arbitration project between the Centre and the Centre for Energy, Petroleum and Mineral Law and Policy at the University of Dundee. ICEA is focused on the development of bespoke dispute systems for that sector, given Scotland's expertise in oil and gas in Aberdeen and renewable energy in and around Inverness.

## Contribution to the UK economy

Legal services have wide ranging economic significance through their close connection with the general institutional architecture of society. Institutions that are stable and credible facilitate economic development and lead to higher levels of economic activity. The quality of legal institutions is also linked to financial sector development, an area which is critical to economic growth.

The direct contribution of the legal profession to the UK economy can be measured in terms of gross value added (GVA), employment and net exports. The internationalisation of legal services has been an important contributor to the steady growth over the past decade. The sector's contribution to the economy is set to increase further as the economic fortunes of world economies stabilise and the volume of global trade and capital flows intensifies.

**Output** The output of UK legal services in terms of value added to the economy doubled in the decade up to 2013 to £22.6bn or 1.6% of total GDP. This includes legal representation of one party's interests against another party in civil and criminal cases, whether or not it occurs in the courts. It also includes advice and representation in a range of areas from corporate transactions of various sorts to labour law, patents, trademarks and copyright as well as activities of arbitrators, notaries and bailiffs. This also includes retail work (such as conveyancing, wills) and social welfare work (immigration, discrimination, human rights). The main exclusions on the Office for National Statistics (ONS) definition are the activities of the law courts, and lawyers employed by non-legal firms whose activity would be credited to the sector of their employer.

# £22.6bn

GROSS VALUE  
ADDED TO THE UK  
ECONOMY OF  
LEGAL SERVICES  
DOUBLED IN THE  
LAST DECADE

**Employment** In order to estimate the number of people employed by law firms in the UK, it is useful to categorise employment into: law firms and independent practitioners; barristers and advocates; and solicitors in non-private practice. Taken together, available figures indicate a total of around 316,000 people employed at the end of 2013. Around two-thirds of these are employed outside London. Solicitors account for 66% of the total with barristers and advocates representing 6% (Figure 16). Activities of patent and copyright agents and other legal activities account for the remainder.

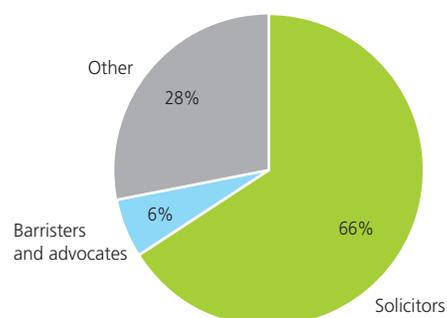
**Solicitors in private practice** include those employed by law firms and independent practitioners. Employment in this area has remained steady in the last year having increased by a fifth over the past decade.

- The number of fee earners in private practice in law firms in England and Wales totals over 145,000, of which nearly 87,000 were solicitors (Figure 17). This does not include lawyers employed in the UK by these firms who are trained in the law of another jurisdiction, principally US lawyers;
- Law firms in Scotland and Northern Ireland employ around 11,000 and 2,000 solicitors respectively;
- Over 200 foreign law firms, including over 100 US firms, maintain a presence in London, though the size of their presence varies from being 'full service' in a few firms to a 'nameplate' for a larger number.

**Solicitors working abroad** There are around 6,000 practising certificate holders who are working abroad.

**FIGURE 16**  
EMPLOYMENT IN UK LEGAL SERVICES

% share, 2013



Source: TheCityUK estimates based on various sources

**FIGURE 17**  
PRACTISING CERTIFICATE HOLDERS IN ENGLAND & WALES

Practising certificate holders in England and Wales

	Total Private practice	Total non-private practice <sup>2</sup>	Total
1990	46,652	8,082	54,734
2000	66,445	16,324	82,769
2001	68,466	18,137	86,603
2003	72,545	20,207	92,752
2005	78,092	22,846	100,938
2007	82,557	25,850	108,407
2009	85,128	30,347	115,475
2011	87,973	33,960	121,933
2012	87,768	41,010	128,778
2013	86,840	40,836	127,676
Practising certificate holders in Scotland			
2013 <sup>1</sup>	7,756	3,425	11,181

<sup>1</sup> 31 October 2014

<sup>2</sup> Practising certificate holders not in domestic private practice include those working in-house, in foreign firms and on a contract basis, and those not attached to an organisation.

Sources: Law Society, Annual Statistics Report 2013; The Law Society of Scotland

**Traineeships and graduate intake** According to the Times annual rankings of 100 largest graduate employers in the UK, law firms' graduate intake totalled over 700 in aggregate, about 5% of the total graduate recruitment in 2013. There were nine law firms listed amongst the largest 100 UK graduate recruiters list in 2013.

**Solicitors in non-private practice** represent another major source of employment in the UK and total over 44,000. Employment in this area has seen significant growth in recent years, doubling in the past decade. The majority of this growth is being driven by companies across a range of sectors undertaking more routine legal work in-house and by the development of new delivery models for legal services.

**Barristers and advocates** The number of barristers in independent practice in England and Wales totals around 12,600, a figure which has increased by a half during the past decade. In Scotland there are around 460 advocates, and in Northern Ireland 600 barristers.

**Number of firms** Based on ONS figures, over 30,000 firms made up the legal services market in the UK in 2013. Solicitors form the largest single group of providers (around 44% of all entities). The average size of a barrister firm is approximately 2, while the average size of a solicitor firm is around 19 people. Other law firms average approximately 12 people. These firms compete with a range of other legal professionals to differing extents. Within reserved work these include barristers, notaries, legal executives, law costs draftsmen, trade mark attorneys, licensed conveyancers and patent attorneys; within unreserved work these include the wider legal services market delivered by unregulated providers such as will writers.

The Legal Services Act 2007 is an Act of the UK Parliament that seeks to liberalise and regulate the market for legal services in England and Wales, to encourage greater competition and to provide a new route for consumer complaints. The Act allows ABSs with non-lawyers in professional, management or ownership roles. The Act creates a system whereby approved regulators can authorise licensed bodies to offer reserved legal services. The Law Society was designated as a Licensing Body and started accepting ABS applications from January 2012. The Solicitors Regulation Authority, an independent regulatory body of the Law Society, also authorises ABS applications. The Council for Licensed Conveyancers is another licensing authority. It is likely that legal services providers will increasingly diversify from being solely law firms to supplying a broader range of services. In Scotland the Legal Service (Scotland) Act 2010 also allows new business models to emerge, although these must be 51% owned by solicitors and/or members of other regulated professions.

More than 300 ABSs have been granted so far to a broad range of entities including large corporate groups such as BT Group, Capita, Saga and the Automobile Association. The aim of these firms is to bring legal services in-house to offer a wider range of services to customers at a lower cost. The 'Big Four' accounting firms are also looking to take advantage of the changes in the rules. PwC made the first move, announcing in January 2014 that it had received approval from the SRA to become an ABS, meaning it can now directly own limited liability partnership, PwC Legal. KPMG and EY had their own applications approved in October and December 2014 respectively with both receiving approval to operate on a multidisciplinary basis. These structures have the potential to expand the ability to offer integrated teams of tax, regulatory, accounting

and legal specialists, reducing the need for their clients to seek external legal expertise for activities such as large transactions, employment structures or group reorganisation projects.

**Exports of legal services** Legal services consistently generate a trade surplus helping to offset the UK's trade in goods deficit. They provide vital support to UK and multinational firms across all sectors with their services being particularly critical when developing a presence in new international markets and structuring multi jurisdiction projects.

Legal services exports are generated from a number of sources: law firms, including those originating in the UK and those firms with an office in the UK; barristers and advocates providing services to foreign clients; and legal services provided by lawyers employed by other organisations, which are not themselves, legal entities. Exports generated from providing legal services for overseas clients should be offset against any imports of legal services (mainly related to billings of UK businesses from law firms based overseas).

- Based on a survey of law firms in the UK, exports were estimated at £3,531m in 2013, slightly up on the previous year;
- Exports generated by barristers totalled £132m in 2013. More than 1,100 barristers undertake international work generating exports;
- Exports generated from lawyers in other organisations totalled around £126m in 2013, of which a large proportion was due to activities of patent agents. The other half is largely attributable to internal billings related to legal services provided by companies to their overseas subsidiaries.

Taking account of imports (mainly related to billings of UK businesses from law firms based overseas) of £733m, net exports of UK legal services stood at £3,056m in 2013 (Figure 18).

---

**FIGURE 18**  
NET EXPORTS OF UK LEGAL SERVICES

£m <sup>1</sup>	Exports	Imports	Net Exports
2000	1,520	490	1,030
2001	1,779	380	1,399
2002	2,031	486	1,545
2003	2,030	453	1,577
2004	1,991	416	1,575
2005	2,284	429	1,855
2006	2,702	534	2,168
2007	3,076	533	2,543
2008	3,471	659	2,812
2009	3,590	816	2,774
2010	3,703	777	2,926
2011	4,072	713	3,359
2012	3,925	799	3,126
2013	3,789	733	3,056

<sup>1</sup> Figures only include COMBAR members sets and not all barristers  
Source: National Statistics

# 4 THE UK'S POSITION INTERNATIONALLY

The UK accounts for around 7% of the global market for legal services in terms of fee revenue. It is by far the largest market in Europe, accounting for over a fifth of its revenue. While London remains the headquarters of many international law firms and the principal hub for their commercial and financial services, most larger firms have developed a global network.

The legal services industry is seeing a gradual improvement in average revenue and profits. Global law firms' fee income increased by 4% in 2013/14 to around \$650bn (Figure 19), around a fifth above the pre-crisis level. This was the fourth successive year of growth and follows two years of declining income as demand for legal services fell at the outset of the economic downturn in 2008.

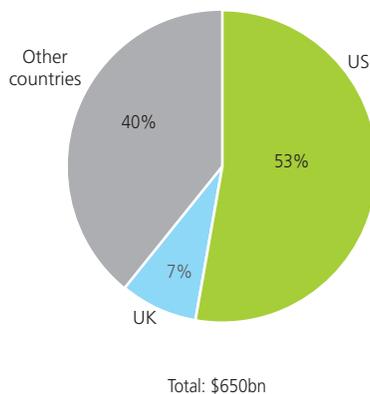
The largest 100 global law firms' fee revenue reached a record \$89bn in 2013/14 (Figure 20). Figures showing growth in recent years amongst the largest 100 law firms have, however, been inflated as some of the increase in fee revenue was driven by merger activity, leading to increased concentration of service providers. More than 50 law firms are competing either as global elite or international business law firms (firms with more than 25% of their lawyers based in a foreign country). In the coming years, there are likely to be more mergers amongst these firms, as well as between these firms and local firms in many jurisdictions.

This rise is likely to be driven by a number of factors, for example many large Asian law firms do not have a well established overseas presence which makes a merger with an international law firm an attractive proposition. However, recent history has shown that mergers can be difficult to successfully implement even without factoring in cross-border complexity.

The geographical distribution of Global 100 firms by region shows that nearly a half were located in the US, followed by Europe (excluding UK) 23%, UK 14%, Asia 12%, Latin America and Canada 3%, and Middle East the remaining 1%. Cities where international law firms are

**FIGURE 19**  
Global legal services fee revenue

Global fee revenue 2013/14



Source: TheCityUK

**FIGURE 20**  
"GLOBAL 100" FEE REVENUE AND PROFIT



Source: Legal Business

most likely to establish an office include London, New York, Brussels, Tokyo, Hong Kong, Singapore and Paris.

There has been a major expansion amongst the leading international firms, both by office and by jurisdiction (Figure 21). Europe is enjoying strong growth as a source of business for large international law firms led by London, Paris, Frankfurt and Brussels. A major trend in recent years has been the expansion of international law firms into China, other Asian countries, and more recently sub-Saharan Africa. This has been prompted by the internationalisation of a growing number of companies from these countries which is generating M&A, private equity and capital-raising business for law firms. The top 50 firms in Asia have over 27,000 lawyers, including 3,000 from firms headquartered outside the region, mostly in the US and UK (Figure 21). In countries that have more protectionist rules in place, foreign law firms have formed partnerships or strategic alliances with local firms as a way of gaining an entry point. Reduced market access barriers and mutual recognition among professionals will be key influences on the internationalisation of the sector.

There was a small increase in the number of legal professionals worldwide in 2013/14 to around 3.3 million. The headcount amongst the largest 100 law firms increased by 2% during the year to a record 115,000 (Figure 23). Consolidation in the industry continued in 2013. The largest 15 global firms accounted for over a half of the number of fee earners of the largest 100 firms, up 2% for the second year running, and 9% above their share a decade earlier (Figure 24).

Baker & McKenzie had the most lawyers worldwide, 4,087 in 2013/14, followed by DLA Piper and Norton Rose Fulbright (Figure 26). DLA Piper held the top spot in terms of gross revenue with over \$2,481 million, ahead of Baker & McKenzie \$2,419 million and Latham & Watkins \$2,285 million (Figure 27). Firms have increased hiring of new staff since 2010.

**FIGURE 21**  
EXPANSION OF INTERNATIONAL LAW FIRMS

	Offices			Jurisdictions		
	2010	2013	Change (%)	2010	2013	Change (%)
UK						
Global elite	125	141	13	88	98	11
IBL	284	344	21	176	217	16
Total	409	485	19	264	303	15
US						
Global elite	86	92	7	59	64	8
IBL	410	463	13	200	225	13
Total	496	555	12	259	289	12

<sup>1</sup> Global elite is made up for the UK's 'Magic Circle' and 14 of the largest Wall Street firms; IBL - international business law firms consist of 25 to 30 US and UK firms with more than 25% of lawyers abroad  
Source: Hodgart Associates

**FIGURE 22**  
DISTRIBUTION OF SOLICITORS OVERSEAS

Number of solicitors from England and Wales based overseas by country, 2010	Number of solicitors	% share
Hong Kong	883	15
United Arab Emirates	767	13
Singapore	524	9
Channel Islands	406	7
US	404	7
France	298	5
Germany	261	4
Australia	225	4
Switzerland	206	3
Japan	186	3
Other	1,830	31
Total	5,990	100

Source: The Law Society

The majority of firms amongst the Global 100 are from the US. Collectively US firms accounted for more than a half of the Global 100 fee revenue. The prevalence of US firms in the rankings is mostly a reflection of the size of its economy, added to the fact that it is the most litigious country in the world.

UK based firms featured prominently in the rankings:

- Three of the largest five global law firms in terms of the number of lawyers had their main base of operations in the UK in 2013/14. The largest UK firms have outpaced US firms in terms of international expansion in recent years, both in terms of number of jurisdictions they operate in and overseas offices opened;
- UK based firms held five of the top ten places based on revenue. Clifford Chance was the largest UK based law firm in the rankings, followed by Linklaters, Freshfields Bruckhaus Deringer, Allen & Overy and Norton Rose Fulbright.

The popularity of English law is an important factor contributing to the strong global position of UK-based law firms. In international commercial transactions, contracting parties are free to enter a clause into their contract which enables them to choose law from any jurisdiction they see fit as the governing law which will determine the outcome of any disputes which arise over contractual obligations. Many contracting parties favour English law over that of other jurisdictions.

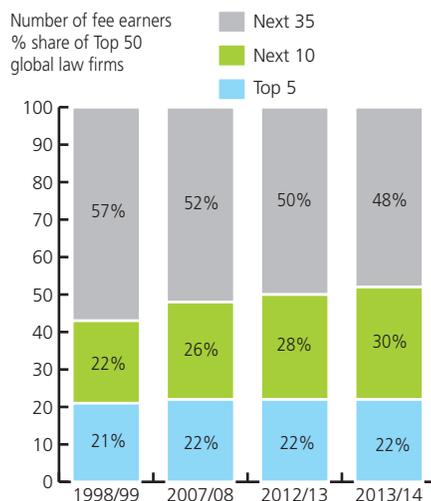
English law is credited for its impartiality when adjudicating commercial disputes. The success of England and Wales as the jurisdiction of choice for the resolution of disputes arising all over the world is partly a result of the emergence of the Eurobond market since the 1960s and the success of the London as a global finance hub. English common law is the most widely used legal system in the world, covering 27% of the world's 320 legal jurisdictions (Figure 25).

**FIGURE 23**  
GLOBAL 100 LAW FIRMS HEADCOUNT



Source: Legal Business

**FIGURE 24**  
CONCENTRATION OF LEGAL SERVICES



Source: TheCityUK calculations based on Legal Business data

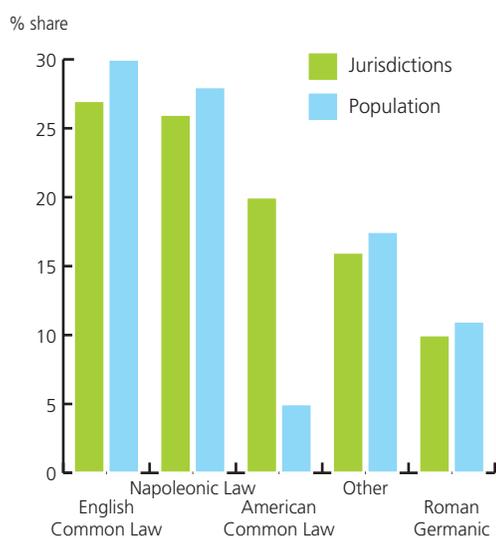
American common law is by contrast used by just 5% of the world's population. English law is by some distance the most widely used 'third-party' law in Asia.

The global expansion of legal services has been a reflection of law firms' need to support the increasingly international activities of their clients and also to capitalise on the expanding international marketplace for their services. A number of general observations can be made:

- The competition for business in international financial markets is largely the preserve of law firms from the US and the UK, although firms elsewhere in Europe are becoming more active;
- International law firms based in London typically have a wider international presence than US law firms.;
- Although the number of deals won by US law firms is often fewer than London firms, those they are involved in are frequently larger, aided by their close historic links with US investment banks. London firms' wider international coverage and increasing share of European and Asian markets is enabling them to expand relationships with US investment banks.

Legal services are a cornerstone of the broader financial and related professional services cluster which makes the UK the leading international finance and business hub. Major global firms come to the UK to access this unrivalled breadth of services, seek advice from world-class legal and advisory firms, raise finance and insure their businesses. It is important that the UK continues to attract overseas firms, foreign direct investment and the best talent by sending a clear message that it is a world-leading place to do business. The UK enjoys a clear competitive advantage in financial and related professional services but it is important that this competitive advantage is not lost. It is therefore vital to promote the UK as a place to do business, which in turn will continue to enable jobs and growth across the country. This report serves as a reminder of why the UK's leading global position in international legal services should be valued and supported.

**FIGURE 25**  
Comparison of global legal systems



Source: The Law Society; Wood 2008

**FIGURE 26**  
LARGEST LAW FIRMS BY NUMBER OF LAWYERS

2013/14	Location	Number of lawyers
Baker & McKenzie	International	4,087
DLA Piper	International	3,962
Norton Rose Fulbright	London	3,537
Clifford Chance	London	2,945
Allen & Overy	London	2,586
CMS	International	2,561
Linklaters	London	2,536
Dentons	International	2,503
Jones Day	National (US)	2,464
King & Wood Mallesons	Hong Kong	2,425
Freshfields Bruckhaus Deringer	London	2,363
Herbert Smith Freehills	London	2,351
Hogan Lovells	International	2,313
Latham & Watkins	National (US)	2,060
K&L Gates	National (US)	1,975

Source: Legal Business

# 5 LINKS TO OTHER SOURCES OF INFORMATION

## Advocate General for Scotland

[www.oag.gov.uk](http://www.oag.gov.uk)

## Bar Council

[www.barcouncil.org.uk](http://www.barcouncil.org.uk)

## Chambers and Partners

[www.chambersandpartners.com](http://www.chambersandpartners.com)

## The Commercial Bar Association

[www.combar.com](http://www.combar.com)

## The Journal of the Law Society of Scotland

[www.journalonline.co.uk](http://www.journalonline.co.uk)

## The Faculty of Advocates

[www.advocates.org.uk](http://www.advocates.org.uk)

## Law Gazette

[www.lawgazette.co.uk](http://www.lawgazette.co.uk)

## The Law Society

[www.lawsociety.org.uk](http://www.lawsociety.org.uk)

## The Law Society of Northern Ireland

[www.lawsoc-ni.org](http://www.lawsoc-ni.org)

## The Law Society of Scotland

[www.lawscot.org.uk](http://www.lawscot.org.uk)

## The Lawyer

[www.thelawyer.co.uk](http://www.thelawyer.co.uk)

## Legal Business

[www.legalbusiness.co.uk](http://www.legalbusiness.co.uk)

## Legal Services Board

[www.legalservicesboard.org.uk](http://www.legalservicesboard.org.uk)

## Legal Week

[www.lwk.co.uk](http://www.lwk.co.uk)

## Ministry of Justice

[www.justice.gov.uk](http://www.justice.gov.uk)

## Office for National Statistics

[www.statistics.gov.uk](http://www.statistics.gov.uk)

## Scottish Arbitration Centre

[www.scottisharbitrationcentre.org](http://www.scottisharbitrationcentre.org)

**FIGURE 27**  
LARGEST LAW FIRMS BY GROSS FEES

2013/14	Headquarters	Gross revenue \$m	% change from 2012/13
DLA Piper	International	2,481	2
Baker & McKenzie	International	2,419	5
Latham & Watkins	National (US)	2,285	3
Skadden, Arps, Slate, Meagher & Flom	New York	2,235	1
Clifford Chance	London	2,126	3
Kirkland & Ellis	Chicago	2,016	4
Linklaters	London	1,963	4
Freshfields Bruckhaus Deringer	London	1,927	0
Allen & Overy	London	1,897	1
Norton Rose Fulbright	London	1,851	n/a
Jones Day	National (US)	1,766	3
Hogan Lovells	International	1,718	5
Sidley Austin	Chicago	1,601	7
White & Case	International	1,440	4
Gibson, Dunn & Crutcher	Los Angeles	1,387	7
Morgan, Lewis & Bockius	National (US)	1,291	5
Sullivan & Cromwell	New York	1,278	8
Dentons	International	1,261	n/a
Herbert Smith Freehills	London	1,251	n/a
Greenberg Traurig	National (US)	1,231	-1
Cleary Gottlieb Steen & Hamilton	New York	1,190	5
K&L Gates	National (US)	1,159	9
Mayer Brown	International	1,146	5
Weil, Gotshal & Manges	New York	1,137	-7
Simpson Thacher & Bartlett	New York	1,129	15
CMS	International	1,119	4
Reed Smith	National (US)	1,075	6
Wilmer Cutler Pickering Hale and Dorr	National (US)	1,073	0
Morrison & Foerster	San Francisco	1,011	1
King & Wood Mallesons	Hong Kong	1,000	n/a
Ropes & Gray	Boston	998	6
Davis Polk & Wardwell	New York	975	3
Quinn Emanuel Urquhart & Sullivan	Los Angeles	973	14
Paul Hastings	National (US)	941	4
Paul, Weiss, Rifkind, Wharton & Garrison	New York	935	7
Ashurst	London	907	n/a
McDermott Will & Emery	Chicago	881	4
Orrick, Herrington & Sutcliffe	San Francisco	868	0
King & Spalding	Atlanta	861	4
Akin Gump Strauss Hauer & Feld	National (US)	828	7
Shearman & Sterling	New York	820	9
Dechert	National (US)	777	7
Squire Sanders	National (US)	776	0
Proskauer Rose	New York	768	4
Bingham McCutchen	National (US)	762	-13
Goodwin Procter	Boston	753	5
Winston & Strawn	Chicago	741	-2
Slaughter and may	London	737	4
O'Melveny & Myers	Los Angeles	733	-10
Milbank, Tweed, Hadley & McCloy	New York	706	6

Source: *Legal Business*

## THECITYUK LEGAL SERVICES AND DISPUTE RESOLUTION GROUP

The Legal Services and Dispute Resolution Group is a Sectoral Advisory Group for TheCityUK. The work of the Group is focused on ensuring the continued competitiveness of the UK legal services sector. This involves working on the domestic front to identify opportunities for our members to provide thought leadership on the development of the UK legal services sector. Furthermore, from an international perspective the Group works with the UK and overseas governments at central, regional and local levels to promote the wealth of expertise in legal services that are available from UK-based firms.

If you would like to get involved with the work of our Sectoral Advisory Group and enjoy access to its events and initiatives, or for more information, contact:

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