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UK Legal Services Market Report

Summer 2025

Key findings

Introduction

The UK legal services market is one of the most significant contributors to the national economy, generating over £40bn annually and employing more than 300,000 professionals.

The landscape of providers is highly diverse. The 2011 liberalisation of the UK legal market enabled an influx of private capital and supported the emergence of new business models.

Alongside this, the sector has been undergoing digital transformation. Technology has lifted productivity yet demands sustained investment; investment that is set to rise as law firms increasingly adopt AI tools

Combined, these forces have deepened investor appetite for corporatised law firms that can deploy capital over longer horizons and lead consolidation through M&A.

Law firms, in turn, are reassessing partnership economics, refining operating models and reviewing their organic (and inorganic) growth strategies.

This report sets out the factors that make the UK legal market attractive to both law firms and investors. It maps the biggest opportunities available, the key risks that need to be considered, and which strategies appear poised to best capitalise on this exciting and evolving sector.

>9k
Firms

£40bn
Market size

5%
p.a. growth expected 2024-29

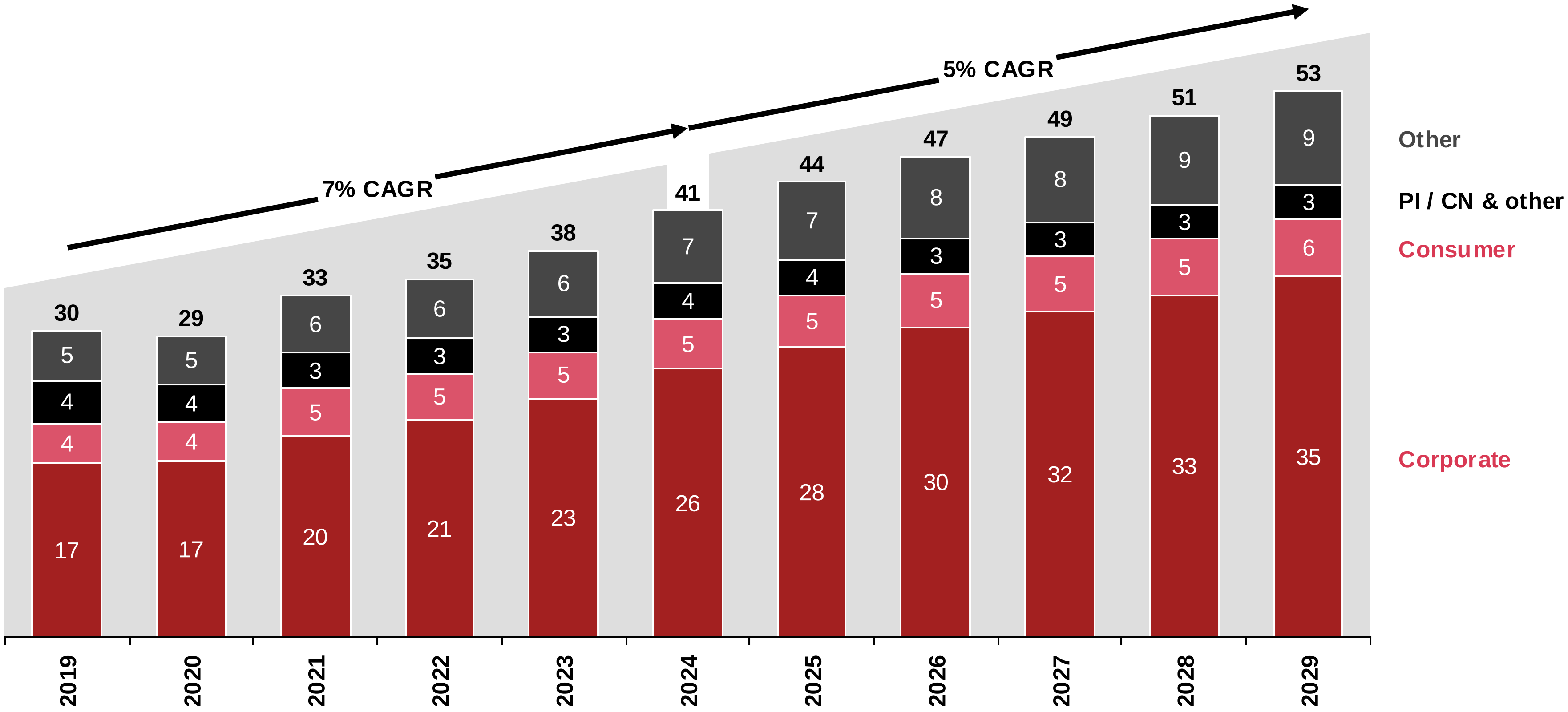
21%
p.a. growth of corporatised law firms from 2022-24

11%
Of hours could be saved with current AI tools

70
Legal deals in 2024 out of 475 Professional services deals

01 The legal sector market remains fundamentally attractive

UK legal services market, by segment | £bn, 2019-2029F



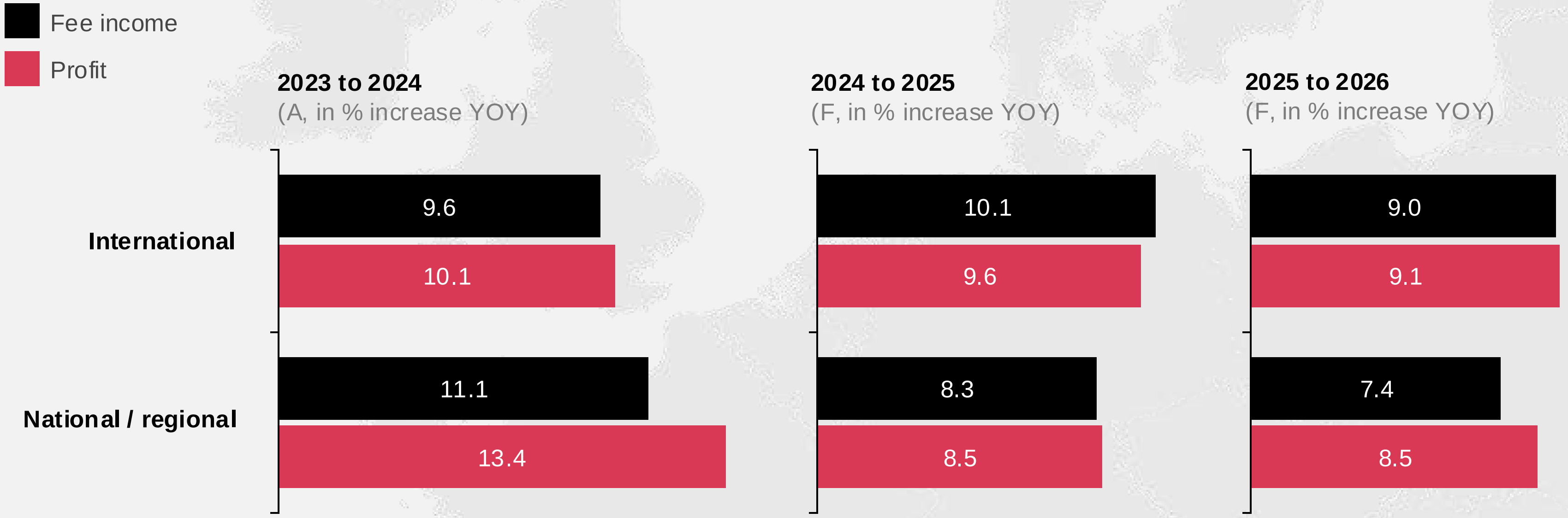
Year	Corporate	Consumer	PI / CN & other	Other	Total
2019	17	4	4	5	30
2020	17	4	4	5	29
2021	20	5	3	6	33
2022	21	5	3	6	35
2023	23	5	3	6	38
2024	26	5	4	7	41
2025	28	5	4	7	44
2026	30	5	3	8	47
2027	32	5	3	8	49
2028	33	5	3	9	51
2029	35	6	3	9	53

The UK legal services market is large, profitable and growing well-ahead of GDP.

In 2024 the market was worth c.£40bn and expected to grow at c.5.1% annually until 2029. We forecast corporate services to continue to grow at 6% p.a., underpinned by robust growth drivers across both volume (such as increased M&A activity, new immigration and employment regulations) and pricing growth. Consumer services are expected to grow at a slightly slower rate of 3% p.a.

Source: Strategy& Analysis

Movement in UK firms' fee income and profit by size | %, 2023 - 2026



Source: PwC Law Firms' Survey 2024, Strategy& Analysis

Our latest PwC Law Firm Survey confirms financial performance across the UK's largest firms was overwhelmingly positive in 2024. Across the Top 100, 97% (2023: 95%) of firms increased fee income, with many firms achieving double digit growth (55% vs 35% in 2023). Despite a challenging economic backdrop and pressure on staff costs, many also grew profit inline or ahead of fee income with national /regional firms performing particularly strongly.

The outlook is also positive, with most firms expecting to see continued strong growth over the next two years and robust profit margins.

02 Corporate models are now more diverse and sophisticated, adding pressure on the LLPs

A decade after the liberalisation of the UK legal market, we are now witnessing a genuine diversity of business models and strategies reshaping the sector.

While early Alternative Legal Service Providers (ALSPs) focused on large-scale outsourcing and contract lawyer models, these approaches have now matured, and innovation has permeated into other areas of the market.

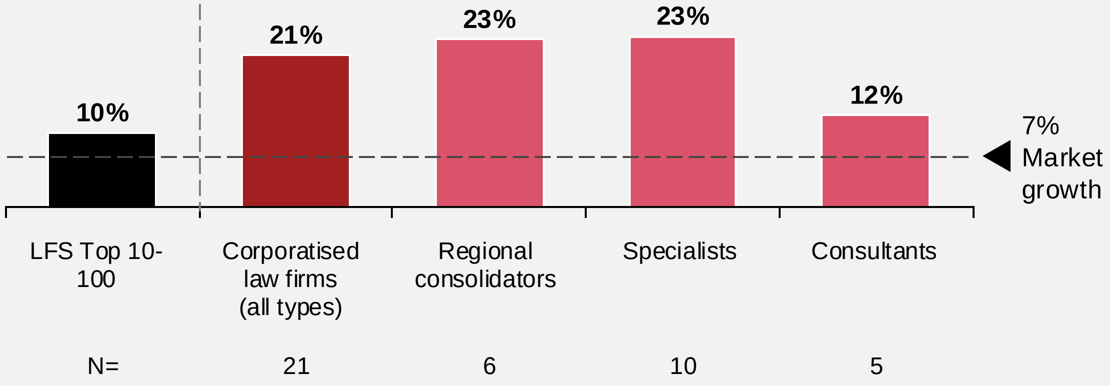
New disruptive legal models are employing a wide range of value levers to outperform traditional firms. This evolution is not solely driven by corporatisation but also by fundamental changes to the traditional law firm business model.

Specialist law firms have pushed innovation within the core legal framework, refining marketing strategies and diversifying into non-legal services to create additional revenue streams. Meanwhile, consultant-based firms, subscription pricing models, and digital-first legal services are bringing unprecedented flexibility and efficiency to the sector.

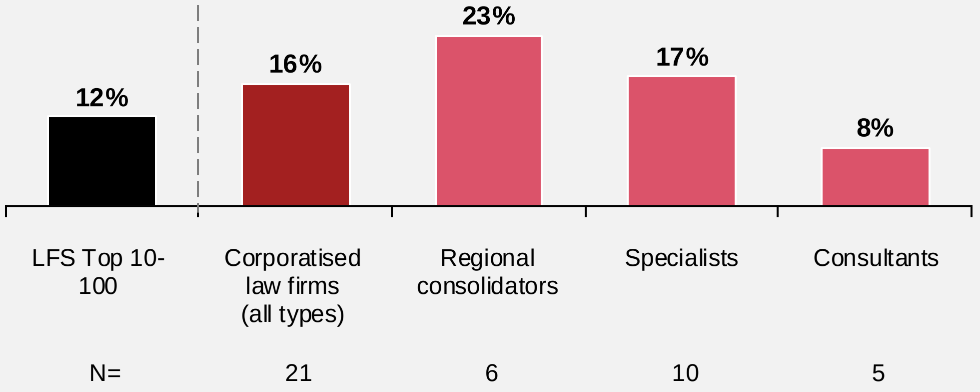
	Specialists		Regional consolidators	Consultant platforms	Flexible legal / managed services
	Consumer specialists	Corporate specialists			
	Specialist firms, focussed on specific practice areas, driving scale, and disrupting service offering & delivery		Full-service law firms with inorganic growth strategy targeting regional law firms	Dispersed firms offering back-office services through a commission-based model to networks of lawyers who own service delivery	Outsourced legal services for both law firms and in-house legal teams, including contract lawyers
End-to-end lead generation and conversion	✓				
Flexible talent				✓	✓
Talent recruitment and development	✓	✓	✓		
Subscription pricing		✓			✓
Commercial excellence		✓	✓		
Cross-sell			✓		
Internationalisation		✓			✓
Value chain expansion	✓	✓			✓
M&A	✓	✓	✓		
Tech development	✓	✓	✓	✓	✓

Source: Strategy& Analysis

Average revenue CAGR by type of firm | %, last two years based on latest available FY



EBITDA margin by type of firm | %, last two years based on latest available FY



Note: We have adjusted the EBITDA margin of the Top 10-100 law firms to enable a more like-for-like comparison across different business structures. A proportion of net profits was re-allocated to staff costs to align overall compensation levels of staff with our industry benchmarks.

Source: LFS, Annual Reports, Strategy& Analysis

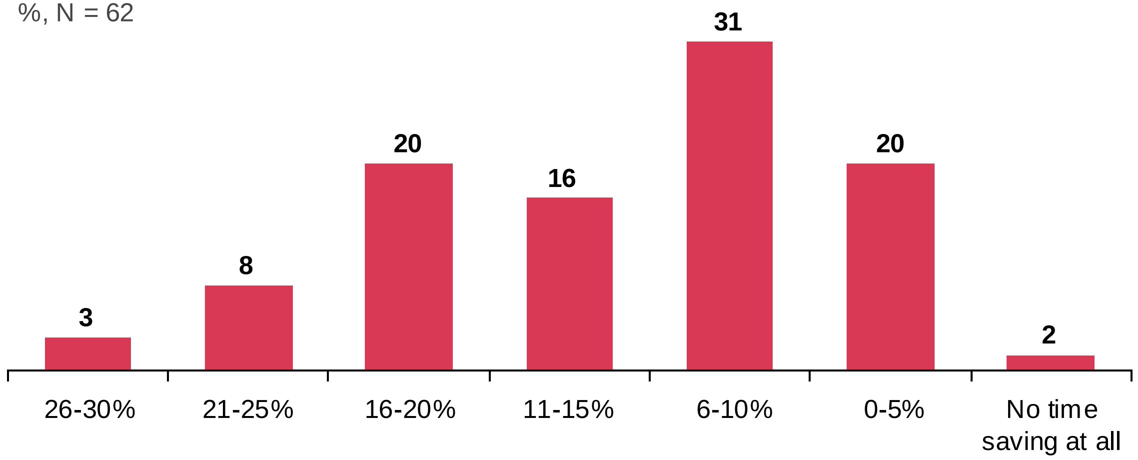
Although innovation has touched all parts of the market, its greatest impact has been within consumer-focused (B2C) legal services and the national/regional legal market. This shift is evident in perceptions of competitive threats, where larger, more corporate-focussed firms remain relatively unconcerned by disruptors (specialist firms were not considered a top three competitive threat for any of the Magic Circle or international firms in our latest law firms' survey). However, this threat may be overlooked as even the more corporate-focussed disruptors within the 'regional consolidators' category are outperforming the market and capturing share.

So far, these regional consolidators have achieved the highest revenue growth (27%) and EBITDA margins (25%) across the spectrum of corporatised models, driven by ambitious acquisition and integration strategies, alongside more commercial cultures driving cross-sell and optimising pricing. Nevertheless, all models are showing significant outperformance compared to the wider market and largest UK law firms. We expect continued outside investment into the legal sector will only accelerate the pressures on traditional LLPs.

03 Tech is at a watershed, but the commercial benefits have not yet been fully realised

Approximately, what proportion of chargeable hours of your existing fee earning work do you believe could be saved/automated through using these AI tools?

%, N = 62



11%
Average hours savings from current AI tools

~£4bn
Total equivalent value from AI tools' use

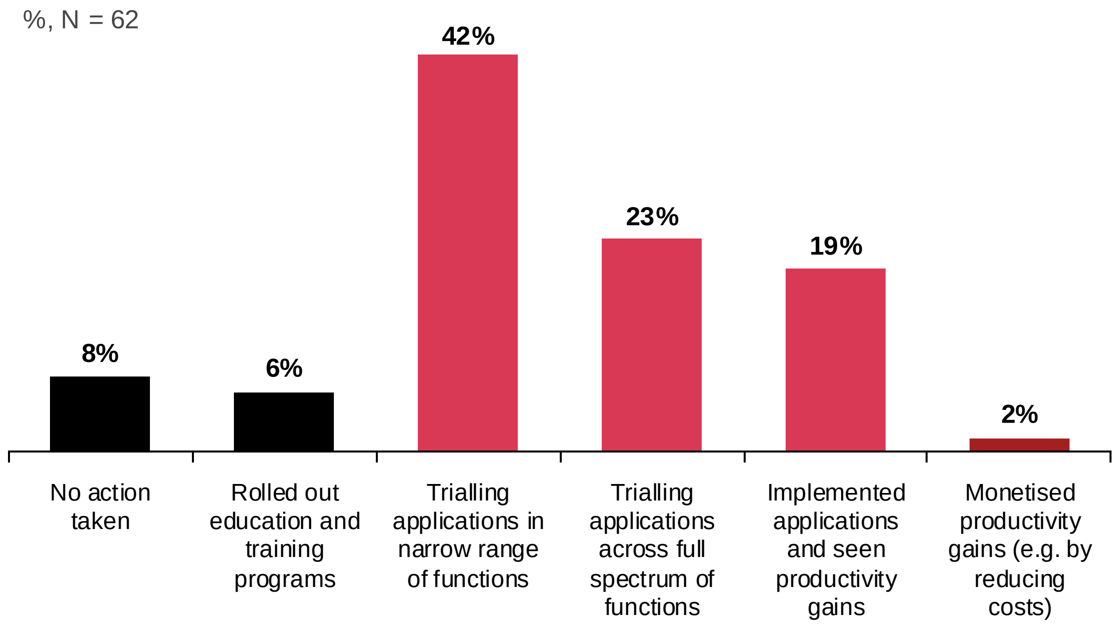
Source: PwC Law Firms' Survey 2024 – Strategy Section

Legal services has long been touted as one of the sectors that stands to see the most disruption from GenAI.

Many legal activities are language-based in nature and have characteristics that make them suitable for automation (e.g. high-volume, repetitive, rules-based). As a result, GenAI presents a significant opportunity for law firms to automate workloads, innovate service delivery and develop new client solutions. While a tremendous opportunity, this also creates an important risk if firms are unable to successfully adapt their business models and mitigate potential reductions in client demand and pressure on pricing.

While there was a wave of intense market speculation on the potential AI benefits, this has now somewhat settled. After trialling various solutions, law firms have now developed a more robust understanding of their capabilities and applications. Our latest Law Firms' Survey confirms the opportunity to increase productivity remains significant. On average, law firms expect more than 10% of chargeable hours could be automated through AI tools. This creates important commercial considerations over how firms capture this value.

To what extent has your firm trialled the usage of tools like ChatGPT / Harvey?



Source: PwC Law Firms' Survey 2024 – Strategy Section

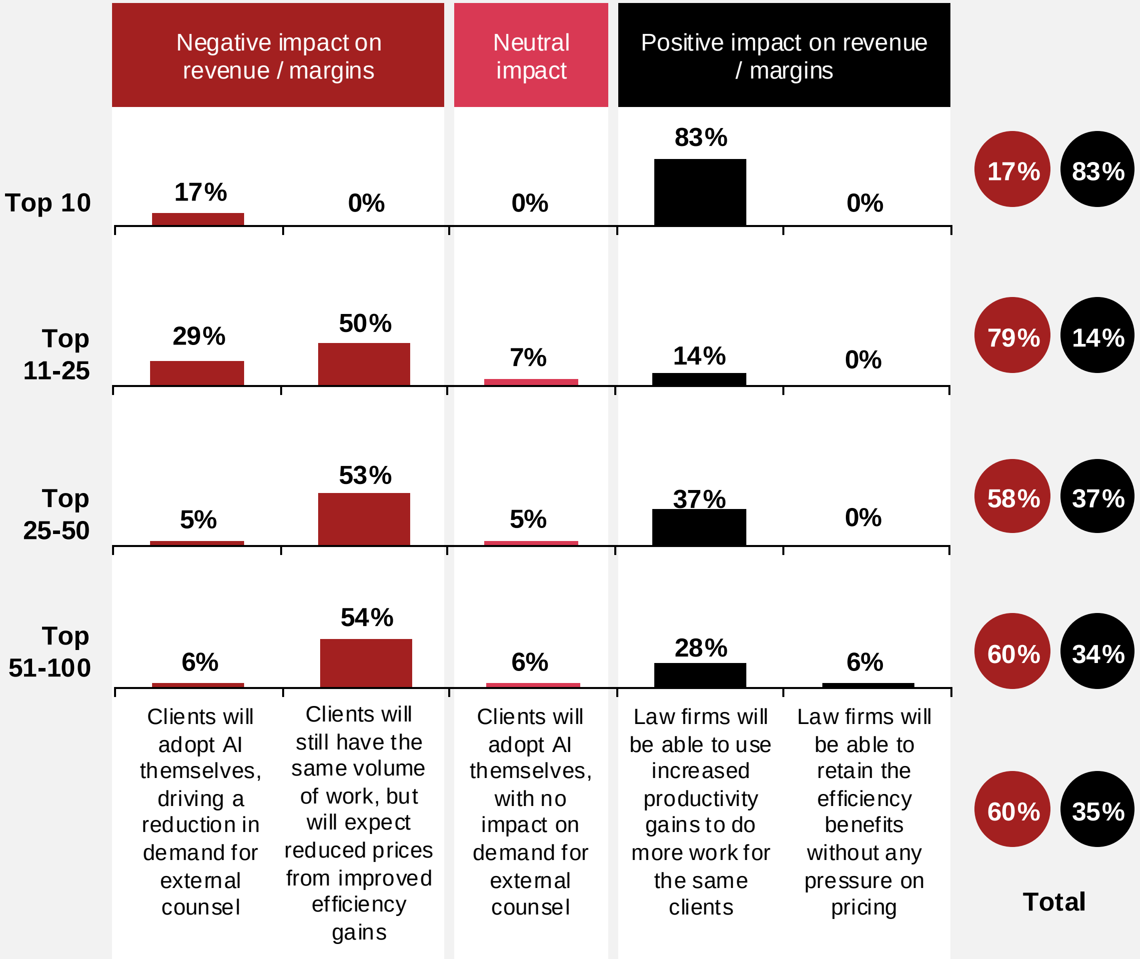
Most firms are trialling AI solutions, but many are facing challenges in realising the benefits. While 19% of law firms are seeing some productivity gains, only 2% have monetised benefits. Given the presence of time and materials pricing, the approach to monetising benefits is highly nuanced and may require significant changes to pricing models and levels.

Having the right data and technology infrastructure in place are key enablers to unlocking the benefits of GenAI. There are also important adaptations firms need to make to their operating models and ways of working to successfully harness the benefits of these tools.

84%
Of firms are taking preliminary steps to implement AI

2%
Of firms have been able to effectively monetise their benefits

Which of the following do you think will be the biggest impact of Generative AI on the legal sector if adopted widely? | % of respondents, N = 6 (Top 10), 14 (Top 11-25), 16 (Top 26-50), 17 (Top 51-100)



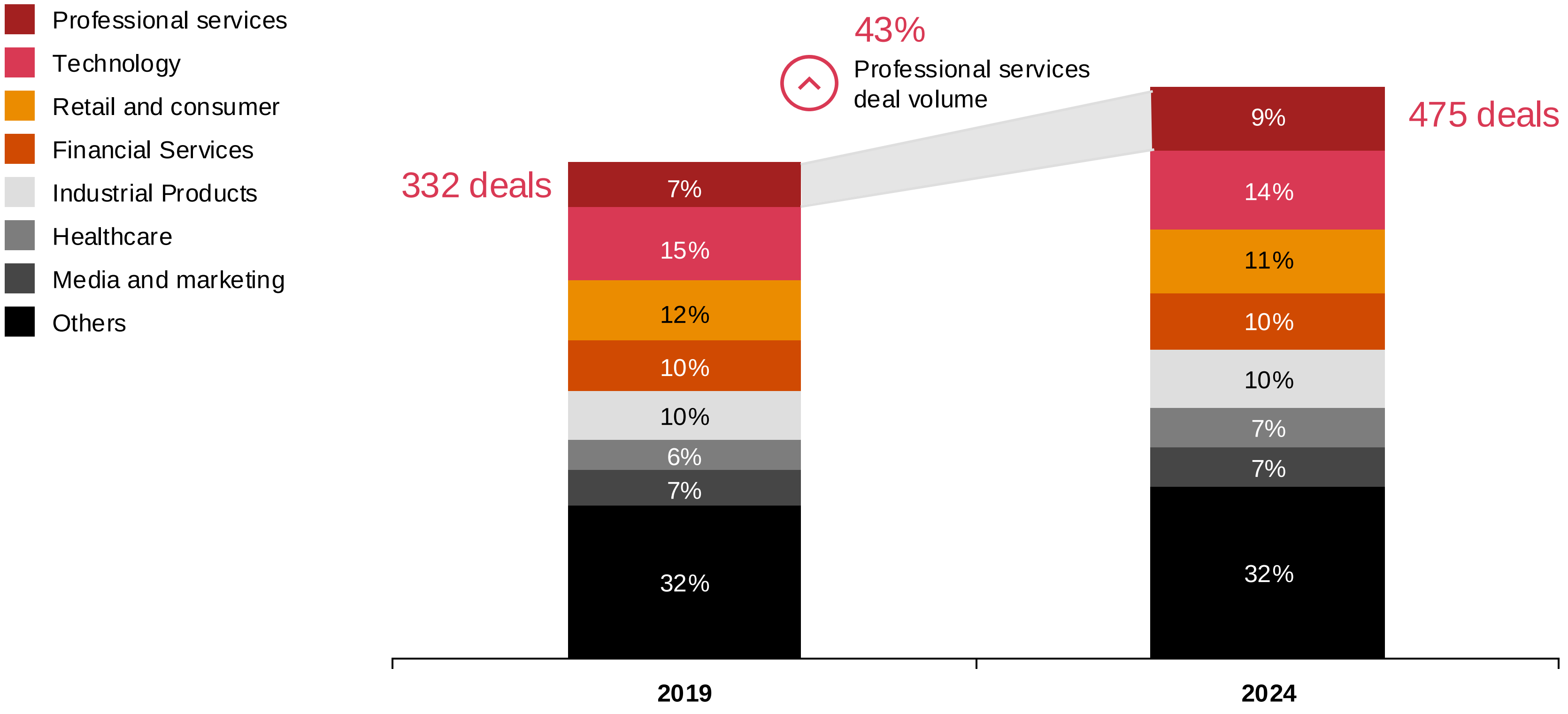
Whether AI is a risk or opportunity is still undecided, and it is clear not all firms agree. Attitudes have shifted significantly over the last 12 months towards an increased concern of price erosion.

There is however a clear rift by size of firm. Almost all Top 10 law firms expect widespread adoption of Gen AI to lead to increased productivity gains that enable them to deliver more work for the same clients. In contrast to this, smaller firms are more concerned with price erosion. This likely reflects clients becoming increasingly aware of the benefits of AI tools or firms feeling that they may be falling behind their peers.

Firms that can disrupt the existing model stand to benefit enormously, with potential to boost both fee income and profit margins. We expect more corporatised and centralised models could be better positioned to accelerate and capture the opportunity by taking a longer-term view on investment returns and their ability to drive standardisation across their business processes and ways of working. Traditional partnerships will need to consider how they can respond to this threat and ensure they are reinvesting a sufficient proportion of their profits into technology development.

04 We're seeing a significant acceleration in investment into the sector – likely to cause ripple effects for years to come

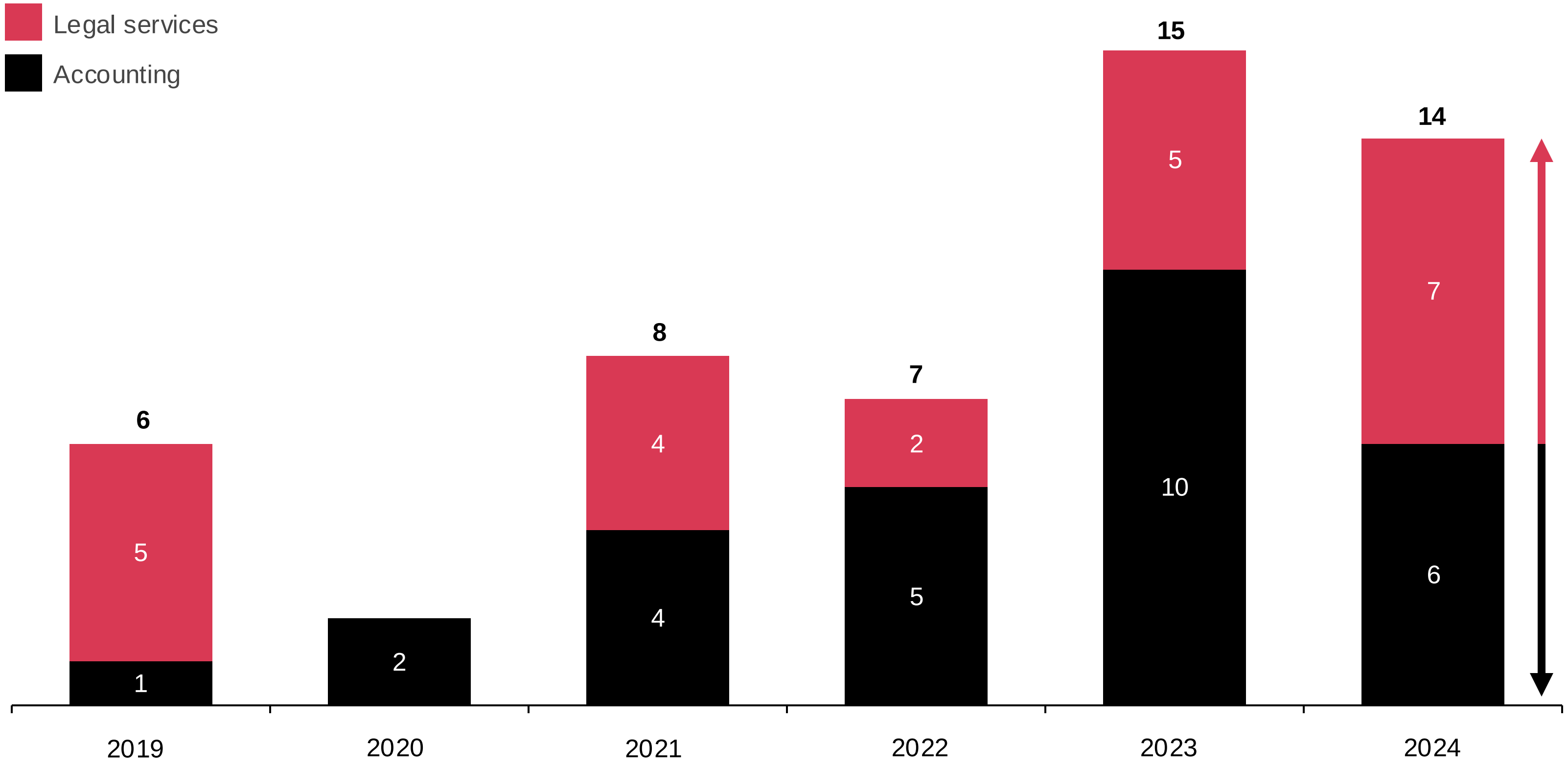
UK deal volume by sector[1] | # deals, 2019-2024



Over the last five years, the professional services sector has seen a real surge in deal volumes.

This has occurred despite the backdrop of economic uncertainty in the UK and other sectors, such as retail and consumer, seeing a downward trend in dealmaking. Deal volumes have been driven by ongoing consolidation led by trade buyers, alongside a growing influx of private equity (PE) investment, a trend that is likely to shape the market for years ahead.

UK legal and accounting PE platform deal volume (excluding bolt-on) | Number of deals, 2019-2024



Initially, PE interest predominately targeted the accounting sector, with 25 PE-backed platform deals occurring over the last four years. With the sector now maturing, investors are considering how this success can be replicated in the legal sector.

During 2024, we saw a record number of PE-backed legal platform deals:

- Stowe Family Law acquired by Investcorp
- Harrison Goddard Foote acquired by CBPE
- Horwich Farrelly acquired by CBPE
- Beyond Law Group acquired by Waterland
- Right Legal Group acquired by Vespa Capital
- Adeptio Law Group acquired by Horizon Capital

PE investors have been drawn to the sector due to a number of attractive market characteristics and the potential to drive benefits from well-invested scaled, corporate platforms.

05 Law firms will need to define a clear strategy, where they want to play, and how they expect to win

The evolving dynamics of the UK legal market present both opportunities and challenges for law firms and investors alike.

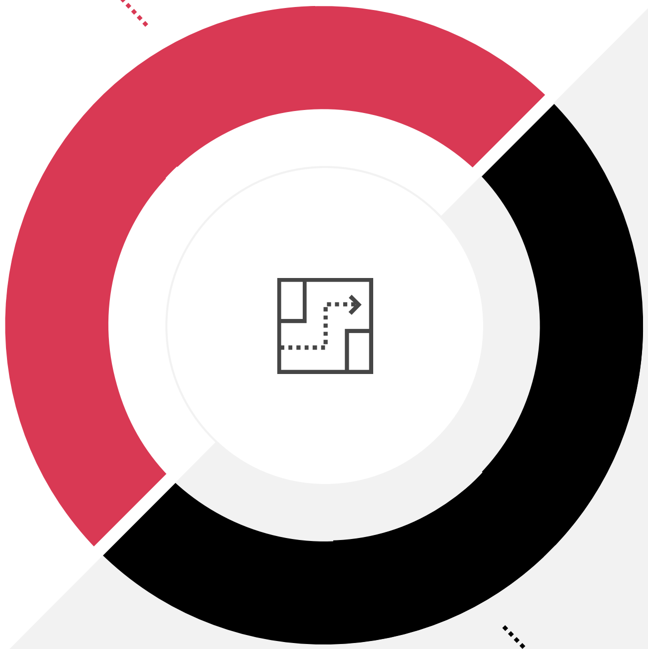
External capital investment can help unlock a number of beneficial value creation levers to accelerate growth and drive outperformance. However, realising the full potential of many of the levers often also requires a clear focus supported by strategic, operational and cultural alignment.

For law firms

Determine where you want to play based on market segmentation, your positioning, and opportunity or risk of AI disruption

Establish a clear commercial go-to-market, pricing approach, and sales capabilities to win in your focus areas

Value the business as a sum of the parts, and consider potential to divest non-core assets to invest in technology



Establish which legal practice areas and client types best fit your investment strategy

Identify the key levers for driving client and business value in a specific segment

Define a clear exit strategy and identify potential buyer groups

For investors

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