



Costs Lawyer Standards Board

ANNUAL RISK OUTLOOK

A tool to help Costs Lawyers recognise and
mitigate emerging market risks that could
impact their business

June 2025

With domestic and global landscapes shifting rapidly, this is as accurate as possible on the date of publication and readers are advised to consider this alongside subsequent developments.



ABOUT THIS REPORT

Introduction

This report offers a high-level overview of key drivers of change in the wider world that may pose risks – or create opportunities – for professionals and organisations working in legal costs. While not all of these factors will be equally relevant to every practitioner, our aim is to encourage critical thinking and help you plan strategically for the future.

The risks highlighted here fall into four broad categories: political, economic, social, and technology.

In general, these are external forces that shape the costs law market. Often described as “systemic risks,” they are unlikely to be significantly influenced by the actions of any single firm, individual, or regulator.

Because of their systemic nature, the risks outlined in this report sit outside the scope of the regulatory risks the CLSB seeks to mitigate on behalf of the profession. Those risks, such as poor client outcomes, unmet legal need, or a lack of innovation, are tracked through our internal risk register and addressed through our regulatory work.

This report, by contrast, focuses on factors beyond the CLSB’s direct control, but which may still influence how effectively Costs Lawyers are able to serve clients. As such, Costs Lawyers should consider how these external pressures may affect their work, and take appropriate steps to manage or mitigate any negative consequences. We encourage you to reflect on how these risks may interact with your specific area of practice, current competencies, and working arrangements. There may be additional risks unique to your situation, and we hope this report prompts you to consider what those might be.

This is the third edition of the CLSB’s annual risk outlook, building on the 2024 version. We welcome feedback on this publication to help shape our approach in future years. Please send your comments to: enquiries@clsb.info.

Paul Mosson
CEO, CLSB

POLITICAL DRIVERS OF RISK

The political and regulatory issues facing the costs law market operate at many levels and interact closely with the economics of the sector.



Geopolitical risk

Ongoing political tensions and threats to the established postwar institutional order are creating major sources of risk and uncertainty. The coming year is likely to be characterised by a dampening of global economic activity and increasingly risk averse and precautionary behaviour from businesses operating internationally.

What has changed?

Major geopolitical conflicts, including between Russia-Ukraine¹ and Israel-Gaza, as well as Iranian-backed Houthi attacks on shipping lanes² intensified throughout 2024 and into 2025. Immediately ahead of publication, a ceasefire is in place between Israel and Iran halting recent hostilities. Chinese expansionism in the Sea of Japan and the East and South China Seas further adds to concerns about the disruption of global supply chains. Since the beginning of April, blanket tariffs imposed by the US on trading partners³ have further downgraded global growth forecasts.

The economic consequences of these geopolitical tensions are higher inflation and lower growth than would otherwise be the case.

What could this mean for Costs Lawyers?

The unpredictable global economic environment could play out in different ways as far as Costs Lawyers are concerned.

On the one hand, there may well be increased litigation over the next year, prompted by sanctions and compliance work, or arising from attempts to cancel or renegotiate contracts in the light of changed economic circumstances. On the other hand, increased global political and economic uncertainty is likely to depress mergers and acquisitions and investment activity that might have produced more non-contentious or routine work for Costs Lawyers.

Costs firms with high exposure to international commercial litigation may find the next couple of years to be extremely volatile and may wish to consider diversifying their portfolio of work.

POLITICAL DRIVERS OF RISK



UK Politics

The domestic political landscape has undergone a major shift since summer 2024, with a new Labour government led by Sir Keir Starmer taking office in July 2024 after 14 years of Conservative administration. In Wales, minds are beginning to focus on the 2026 Senedd elections and the issues that will dominate elections there next year.

What has changed?

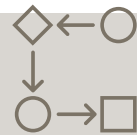
The UK Labour Government declared its intention to modernise and reinvest in the justice system and increase resources available to legal aid⁴. The Lord Chancellor has also highlighted concerns about system capacity in the criminal justice system, and pending the outcome of an in-depth review, the government is trialling a new “Case Coordinator” role in 10 Crown Courts⁵. Despite acknowledged needs, government spending priorities have been undermined by worse than expected public finances. The results of the 2026-28 Spending Review are expected to bring cuts to departmental budgets which may slow down the proposed improvements in justice infrastructure. The UK Government appears to be taking a cautious approach to legislation by setting up reviews or commissioning reports, rather than advancing proposals. Legislation to curb SLAPPs⁶ (Strategic Litigation Against Public Participation) and the Litigation Funding Agreements (Enforceability) Bill have both been delayed.

In the Welsh Parliament, the Senedd Cymru (Members and Elections) Act was passed in May 2024, finalising the transformation of the 60 member, secondary law-making Welsh Assembly established in 1998, into a 96-member primary legislative chamber, to be elected in 2026 by proportional representation⁷. Divergences between English and Welsh law are likely to grow, with the Health and Social Care (Wales) Act a prime example⁸. The Welsh Government is also reforming the Welsh Tribunal system⁹, leading to the creation of a single First Tier Tribunal and an Appeals Tribunal. A Bill to implement these reforms is expected in 2025.

What could this mean for Costs Lawyers?

Increased investment in both civil and criminal justice are welcome, and may open new opportunities for Costs Lawyers given their expertise in budgeting, costs assessment and billing. However, there is a risk that the delay in legislating in key areas of civil justice may undermine the attractiveness of England and Wales as a destination for litigation. The growing role of the Senedd means Costs Lawyers will need to be aware of the growing differences in Welsh-specific legislation and procedures, many of which are often areas of consumer interest, such as education, health and transport. The reform of the tribunal system will need to be watched closely. As the debate about fee rates and the need to provide adequate resources for the new system are ongoing.

POLITICAL DRIVERS OF RISK



Civil Justice Reform

The government has not yet set out in detail its strategy for civil justice but has outlined some principles which are likely to guide further reform in future.

What has changed?

The Ministry of Justice is still preparing its longer-term vision for civil justice but Ministerial statements provide some indication of the principles on which future developments will be built. These principles are:

- Access to justice – both legal aid and support for alternative ways of obtaining redress;
- More people-centred justice in which it is easier for everyone to understand how to exercise their rights, including more accessible information and access to mediation;
- Greater use of digital dispute resolution and of pre-action services, driven by the private sector;
- More digitisation to drive efficiencies in how long cases take and allocation between courts, and more virtual hearings;
- Maintaining global competitiveness in the commercial courts, including through investment in lawtech and the evolution of English and Welsh law to be technology friendly¹⁰.

What could this mean for Costs Lawyers?

The existing direction of travel in civil justice towards fixed costs and the removal of low value claims from the justice system is likely to continue. The government's suggestion that the private sector establish pre-action mechanisms for resolving issues could see further areas of claim removed from the formal civil justice system. The increasing emphasis on digitisation and legal tech underlines that the future of civil justice in England and Wales will increasingly go down this path.

Costs Lawyers need to be conscious of this broad direction of travel and build it into planning about how they will adapt their practices in future. New complex areas of work may happen earlier in the litigation lifecycle and be more reliant on technology. Costs Lawyers may also wish to factor these considerations into planning their personal development to ensure future competence.

POLITICAL DRIVERS OF RISK



Solicitors Regulation Authority (SRA)

Many Costs Lawyers work in SRA regulated entities, therefore, its work continues to influence the risk landscape for Costs Lawyers. In response to the collapse of Axiom Ince and SSB Law, it is placing a new emphasis on understanding the risks around innovative business models, large scale consumer legal businesses and private equity investment in law firms.

What has changed?

The knock-on impact of the collapse of Axiom Ince and SSB law¹¹, has continued throughout 2025. Not only have solicitors faced increased contributions to the SRA compensation fund, but the LSB has also taken enforcement action against the SRA which may lead to changes in its regulatory approach in future. These incidents have sparked widespread discussions about increased supervision of firms dealing with volume consumer litigation.

The SRA has also been proactively driving the pricing transparency agenda first set by the Competition and Markets Authority.¹² In April 2025, the High Court ruling of Jonathan Franklin v Your Lawyers¹³, emphasised the importance of clear billing practices and the need for transparency in solicitor-client costs agreement.

What could this mean for Costs Lawyers?

As most Costs Lawyers work closely with, or in, SRA-regulated law firms, the actions of the SRA in response to the risks it is facing as a regulator could impact on Costs Lawyers.

A tightening of the SRA's regulation of bulk consumer legal services providers could affect Costs Lawyers working in such firms. Increased regulation in relation to client care, data protection, and billing practices appears likely in future. But there may also be opportunities for Costs Lawyers emerging from a tightening of rules around the valuation of work in progress, for example.

In general, Costs Lawyers should keep up to date with the SRA's regulatory trends, as these trends will shape the practices and expectations of their clients, whether these are internal or external.

POLITICAL DRIVERS OF RISK



Legal Aid

The civil legal aid system remains in crisis. Reviews launched to address falling legal aid provision have yielded evidence of severe strain, but little substantial uplift in rates, leaving access to justice under threat for low-income litigants.

What has changed?

In early 2025, the Ministry of Justice published its Review of Civil Legal Aid which gathered extensive data on the state of the legal aid system¹⁴. Its findings confirmed that the legal aid provider base is shrinking and many legal aid firms are unsustainable under current rates.

A follow up consultation, which ran between January and March 2025, proposed some increases in housing and immigration fee rates, where the shortage of providers was deemed to be most serious, along with some rate simplification¹⁵. Although the government has indicated that this is only “the first step in what will be a much broader agenda to transform the justice system”, the pace of this transformation is likely to be slowed by the poorer than expected economic environment.

What could this mean for Costs Lawyers?

The proposed changes in civil legal aid rates for some areas are welcome, but do not compensate for the erosion by inflation of real terms legal aid rates over recent years.

Costs Lawyers may therefore find that the additional £20m committed to civil legal aid is insufficient to slow the long-term decline of the sector. This work is still far from profitable and Costs Lawyers acting for legal aid solicitors will have to continue to focus on maximising recoveries whilst taking on board procedural simplifications.

Overreliance on legal aid work remains a high risk for Costs Lawyers even if undertaken efficiently at volume.

POLITICAL DRIVERS OF RISK



Third Party Litigation Funding

The rise in third party litigation funding has been a driving force in the financing and management of collective actions, and in very high value litigation in England and Wales. Ongoing uncertainty about the treatment of litigation funding agreements is undermining the further development of this area of the litigation market. This creates a growing need for Costs Lawyers to be strategic in the advice they are giving in relation to proceedings. This creates the possibility for Costs Lawyers to demonstrate greater value added to clients and to become involved in cases earlier on.

What has changed?

Since 2023, there has been a significant shift in the legislative landscape for third-party litigation funding. The Supreme Court's decision in the PACCAR case¹⁶ cast a shadow over the enforceability of third-party funding agreements. The Litigation Funding Agreements (Enforceability) Bill had not completed its legislative journey before the general election of July 2024. The new government decided to undertake a bigger review of the third party litigation funding landscape before reintroducing legislation¹⁷.

The Civil Justice Council undertook the review for the Ministry of Justice and published its findings and 58 recommendations in a final report on 2 June 2025. Amongst its 58 recommendations, the final report, “*makes a series of recommendations for the introduction of light-touch regulation of litigation funding.*” and “*recommends the effect of the Supreme Court's decision [in PACCAR] be reversed by legislation, which should be both retrospective and prospective in effect*”¹⁸.

What could this mean for Costs Lawyers?

Further delays in clarifying the litigation funding landscape post-PACCAR¹⁶ represents a risk for Costs Lawyers, since it is likely to reduce the attractiveness of the UK as a destination for large litigation funders and may therefore make collective actions and other high-value or complex litigation harder to launch.

The shifting dialogue around third party funding is also likely to mean increased regulatory scrutiny around such agreements. This could create additional regulatory responsibilities along with opportunities for Costs Lawyers to differentiate themselves against unregulated costs advisors.

POLITICAL DRIVERS OF RISK



Economic Crime and Corporate Transparency Act 2023

The passing and enforcement of the Economic Crime and Corporate Transparency Act 2023¹⁹, ('ECCTA') marks a significant shift in the approach of the UK government towards corporate criminal liability and prevention of fraud.

What has changed?

ECCTA came into force in 2024. It aims to reinforce the fight against financial crime. It introduces a new regulatory objective into the Legal Services Act 2007 on tackling economic crime.

ECCTA includes two new corporate criminal offences:

- Section 199 - failure to prevent fraud. This new offence comes into force in September 2025. It makes a large organisation criminally liable where an employee, agent, subsidiary, or other 'associated person', commits a fraud intending to benefit the organisation, and the organisation did not have reasonable fraud prevention procedures in place.
- Section 196 of ECCTA expands the potential liability of company executives beyond solely directors and heads of departments. It provides that if a 'senior manager' of a corporate organisation or partnership, acting within the actual or apparent scope of their authority, commits any of the offences listed in Schedule 12 of ECCTA, the organisation or partnership is also guilty of the offence.

ECCTA also mandates much stricter identity verification for company directors and owners, improving Companies House processes and increasing information-sharing obligations for companies.

ECCTA gives the SRA new fining powers to sanction certain breaches that involve economic crime.

What could this mean for Costs Lawyers?

All Costs Lawyers should familiarise themselves with the CLSB's Economic Crime Guidance Note and related guidance. Costs Lawyers working in SRA-related firms should also familiarise themselves with the SRA's guidance on money laundering, economic crime and ECCTA. They should also ensure that they comply with their organisation's economic crime and anti-money laundering procedures.

ECONOMIC DRIVERS OF RISK

Economic forces create pressures and opportunities in the costs law market, from the changing nature of supply and demand for Costs Lawyers' services, to the emergence of new products and business models.



General economic outlook

The UK's economic outlook over the next year remains subdued. Against this background, the government is developing its plans to promote growth through an industrial strategy.

What has changed?

Since 2024, inflation has slowly fallen back to Bank of England target ranges and is expected to remain around 2% in 2025-26²⁰. The stickiness of inflation has also meant that the Bank of England has been slow to bring down interest rates²¹. Meanwhile, growth and productivity remain sluggish. It is against this unpromising background that the government is developing its growth strategy. This will be set out in more detail later in 2025 but will focus on the following eight industry growth 'poles':

1. advanced manufacturing
2. clean energy industries
3. creative industries
4. defence
5. digital and technologies
6. financial services
7. life sciences
8. professional and business services.

Legal services and costs are included in the professional and business services sector and have a supplier role to play in the development of other key growth industries.

What could this mean for Costs Lawyers?

Business conditions generally are likely to remain subdued in the near term, with growth only forecast to pick up in late 2026, barring further unexpected developments. Costs Lawyers running their own firms will need to manage cashflow carefully and may find profitability squeezed by rising business costs.

Although transactional business in the legal sector is likely to be adversely affected by prevailing economic uncertainty, the medium to long term outlook is strong for firms that offer advice in the eight industry growth 'poles' set out in the UK growth strategy. Costs Lawyers should, if possible, be thinking about how to develop their services in the medium term to serve these areas of law.

ECONOMIC DRIVERS OF RISK



The evolving legal market in England and Wales

The legal services market in England and Wales, including the costs sector, has been attracting growing attention from external investors. This is resulting in market consolidation, including aggregation of smaller solicitors firms, the creation of shared back-office functions across professional firms, and vertical and horizontal integration in particular areas of law. The latter has tended to be a more pronounced phenomenon in the costs market, but consolidation trends in the solicitor market will also have consequences for Costs Lawyers.

What has changed?

Investor interest in the UK legal market expanded significantly in 2024, with private equity investment amounting to an estimated £534 million, up 42% on the previous year²². The focus of much of this investment has been on consolidating smaller regional solicitor practices, where the greatest potential investor gains are perceived to be available through investment in technology and efficiency gains in managing the rising cost of compliance. But there is also ongoing investor interest in the volume market for personal injury and health related claims, given interest both from claimant and defendant clients for one-stop service providers. This latter phenomenon is already having a direct impact on costs firms, but a smaller number of larger solicitors' firms will also impact on the volume and complexity of work available to Costs Lawyers.

What could this mean for Costs Lawyers?

Shifts in the structure of the legal market which lead to fewer, larger solicitors' firms could mean that some Costs Lawyers lose smaller firm clients but gain better opportunities with bigger firms that have higher caseloads. Some Costs Lawyers may also find that there is more work in this market from private equity looking for accurate valuations, and possibly also from existing law firm clients interested in selling their businesses to prepare for acquisition. Rising costs, including in compliance and the impact of technology, being faced by all firms may well lead to further market consolidation, and may increasingly affect Costs Lawyers.

Individual Costs Lawyers will need to be conscious of the shifting customer base and the need to market themselves accordingly.

ECONOMIC DRIVERS OF RISK



Growth Areas of Litigation

At the beginning of 2025, the UK litigation market looked set for a buoyant 2025 with financial regulation, technology, shareholder activism, data, IP, the growth of class actions, and the evolution of litigation funding amongst the hottest topics cited by industry experts. However, broader global political and economic uncertainty is creating volatility in the legal services market, and this could begin to feed through later in 2025. However, as with the international litigation market, much depends on wider uncertain geopolitical conditions.

What has changed?

Since 2024, the English courts have seen a rise in large-scale, multi-claimant cases. Collective actions in the Competition Appeal Tribunal (CAT)²³ have multiplied in number over the past couple of years²⁴. At least 17 collective claims were filed in 2023 and another 10 in the first part of 2024, compared to fewer than 10 in total during the previous five years²⁵. The courts have also been handling more group litigation orders (GLOs) in product liability and environmental cases, for example emission standards claims against vehicle manufacturers²⁶.

Data privacy is another growing area, with both individual and group claims, especially when significant numbers of individuals are affected by a data leak or cyber incident. The growing incidence of cyber-attacks on large retailers and other businesses holding significant consumer data suggest that this area will continue to generate work.

What could this mean for Costs Lawyers?

Whilst interest in collective actions is growing, Costs Lawyers should be aware of the risks around this work, especially as it has been driven largely by the availability of third-party funding. This funding may be less readily available in the light of ongoing uncertainty following the PACCAR case. It is also unclear if this growth will be evenly distributed across the costs legal market. There is also likely to be increased regulatory scrutiny in this area following the collapse of Axiom Ince and SSB, and the pressure on the SRA to understand more about the risks and work in progress being carried out by firms engaged in high volume litigation.

It is also important to note that uncertain international political and economic conditions will increasingly feed into the domestic market. Firms that are heavily reliant on high-volume or cross-border litigation should consider the volatility in these areas and diversify their work.

SOCIAL DRIVERS OF RISK

Risks arising from social trends and developments evolve slowly. The ultimate extent of their influence can be difficult to predict, but their impact can be transformative.



Equality, diversity and inclusion (EDI)

Improving equality, diversity, and inclusion (EDI) remains a priority in the legal sector. There is growing recognition of the need to address under-representation and ensure fair treatment in the profession, and regulators are ramping up guidance and expectations on EDI accordingly.

What has changed?

Over the past year, the focus on EDI in the legal profession has intensified. The CLSB launched its Ethics Hub in late 2024, with resources covering EDI, alongside topics like bullying and harassment²⁷. Other regulators and bodies have acted as well. The SRA published its latest diversity survey of the solicitor profession and continued to push firms to collect and publish diversity data²⁸. In 2025, the Legal Services Board announced plans to consult on proposed expectations for regulators to promote equality and boost diversity in the legal profession²⁹.

Developments outside of the UK are impacting the implementation of EDI policies in multinational workplaces. In 2025, the White House issued an executive order rolling back “illegal and immoral” federal DEI (diversity, equity and inclusion) programmes³⁰ and this has prompted some US law firms to follow suit in order to retain US government instructions. US law firms with UK offices have so far tended to rebrand their DEI initiatives, rather than cancel them entirely,³¹ reflecting the challenges of the current environment.

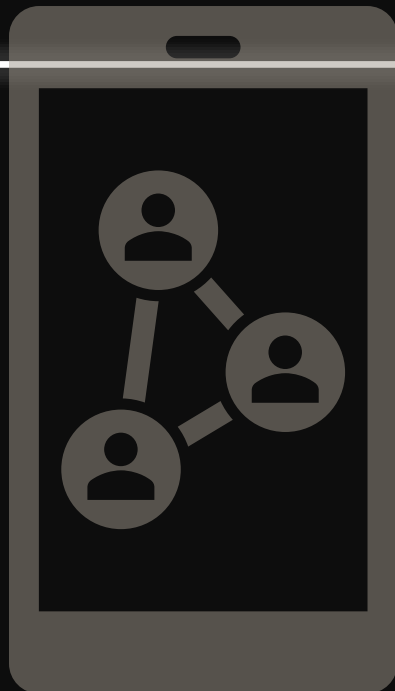
Councils in England and Wales now controlled by the Reform party following the 2025 Council elections may attempt to emulate US government approaches on diversity.

What could this mean for Costs Lawyers?

For individual Costs Lawyers and the firms, they work in, EDI efforts will increasingly shape workplace culture and regulatory compliance. Costs Lawyers who deal with litigants in person should make sure they and their staff are trained in dealing with vulnerable clients.

For individual practitioners of Costs law and Costs law firms, US government’s anti-EDI efforts might impact on public dialogue in the UK, but Costs Lawyers should continue to remain committed to best practices in recruitment and career development, as well as to inclusive workplaces. Current indications are that this reflects both client expectations as well as UK regulatory standards.

SOCIAL DRIVERS OF RISK



Changes in Work Practices

New employment legislation, a better understanding of workplace mental health, and evolving cultural expectations are transforming working practices in the legal sector.

What has changed?

The Employment Relations (Flexible Working) Act 2023 came into effect in 2024³² and expanded the rights of employees to request flexible working. Employees can now request flexible work from the first day of employment, no longer needing 26 weeks of employment before submitting a request. Employers must respond within two months.

Hybrid working, defined as a mixture of remote and in-office work³³ has been retained by many firms in the legal sector post-COVID. Law firms are now taking steps in advance to formalise these hybrid work policies to meet expectations of employees³⁴.

Developments in employment law, such as a right to carer's leave and extended parental leave for neonatal care, all reflect changing societal expectations in favour of a better work-life balance³⁵.

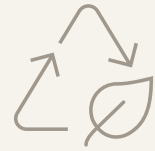
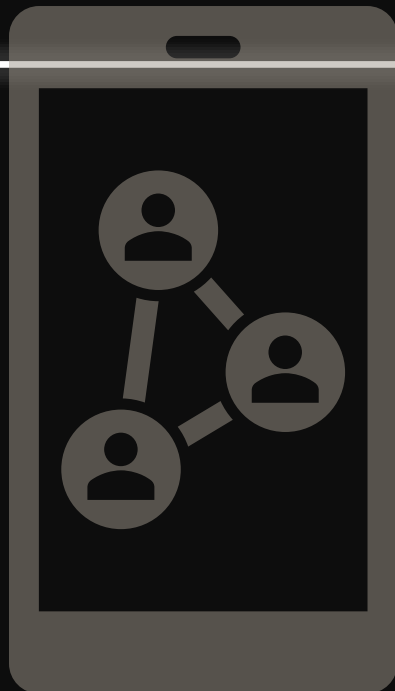
What could this mean for Costs Lawyers?

The impact of more flexible work practices for individual Costs Lawyers will depend on their individual working arrangements. Those who are employees may benefit directly, whilst those who act in consultancy roles could find greater understanding from clients should they choose to work flexibly.

Costs Lawyers who are employers or managers will need to familiarise themselves with the requirements of the new legislation, and understand what they should take into consideration when accommodating or rejecting a flexible working request from an employee.

Costs Lawyers who work flexibly or in a hybrid way will still need to consider data protection, cybersecurity and information security risks. Costs Lawyers should ensure that they are using secure systems and appropriate protocols to ensure confidentiality and security of client information. Costs Lawyers working in firms should also ensure that they comply with their organisation's data protection, information security and cyber security protocols.

SOCIAL DRIVERS OF RISK



Environmental issues

The growing public attention given to climate change and broader sustainability issues, such as air and water quality and waste, has been reflected in the growing number of environmental and climate-related lawsuits. There is also a growing trend of clients demanding environmental awareness and accountability from their service providers and business partners, including legal providers.

What has changed?

The UK policy framework continues to be aligned to government's 2050 net-zero emissions target. Enhanced requirements for companies to disclose any associated climate risks may generate an increase in legal and compliance work.

In terms of litigation, large groups of claimants (often NGOs and affected communities) are filing lawsuits against corporations and local bodies over carbon emissions and environmental damage caused by negligence³⁶, using litigation as a tool for environmental accountability. This is likely to be a growth area for Costs Lawyers.

The procurement policies of Government and larger organisations, especially publicly listed companies, are increasingly demanding in relation to environmental issues. Larger companies are expected to have a detailed understanding of their environmental impact and be taking action to reduce this.

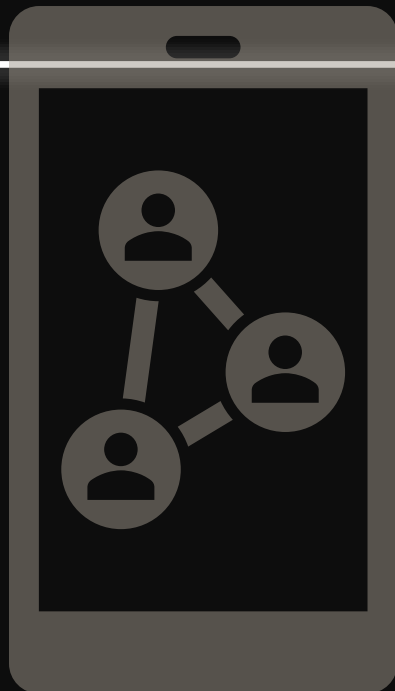
What could this mean for Costs Lawyers?

As environmental litigation becomes increasingly common, Costs Lawyers may find themselves dealing with complex costs work arising from environmental class actions and/or judicial reviews.

When acting on such cases, Costs Lawyers should be aware of the recoverability aspect of expert fees especially when cost-capping orders are applied in favour of public interest (environmental) litigation as set out in *R (Garner) v Elmbridge BC* (2010)³⁷.

At the same time, Costs Lawyers should be conscious of their own environmental impact and how that might influence their future competitiveness (for example in tendering).

SOCIAL DRIVERS OF RISK



Consumers and legal services

Consumer expectations of legal services are rising, with greater demand for transparency, value, and accessible services.

What has changed?

Over the last year, efforts to empower legal service consumers have progressed gradually. The Legal Services Board's 2024/25 plans reinforced their focus on ensuring consumers can shop around easily and compare providers on price and quality. Recent reports reveal that pricing transparency is still an ongoing challenge faced by many regulators³⁸.

Consumers are increasingly expecting digital convenience with online portals for communication, electronic updates on case progress, and even “self-serve” legal solutions for simple matters³⁹. Many law firms have responded by offering client dashboards or fixed-fee online packages. The growth of LawTech has also made new forms of consumer legal services possible, such as platforms⁴⁰ which channel litigants-in-person through processes that make it easier for them to engage at later stages with law firms or Costs Lawyers.

More consumers are also using unregulated legal advisers or DIY legal websites for certain tasks⁴¹. This has prompted concerns that some consumers may not understand the difference in protection available when using an unregulated/regulated advisor⁴² (such as no guarantee of insurance or redress). This is an issue for Costs Lawyers as well as solicitors.

What could this mean for Costs Lawyers?

Costs Lawyers retain their critical role in ensuring transparency and fairness in legal costs. They should be aware of the growing scrutiny from legal regulators in relation to the costs of legal services. The regulatory emphasis on consumer empowerment implies that any significant cost-related missteps (such as a bill that far exceeds an estimate without proper warning) could lead not only to a disgruntled client, but also disciplinary consequences or an Ombudsman ruling.

The rise of online legal marketplaces might also influence how Costs Lawyers get work from consumers in future. In future, litigants-in-person may be channeled through online services that make it easier for Costs Lawyers to engage with them.

TECHNOLOGY DRIVERS OF RISK

Risks arising from technology can arise from rapid change that makes keeping up more challenging. A failure to understand the technology can lead to mistakes, while an unchecked reliance on AI should be avoided.



Legal Technology

Technology is playing a steadily increasing role in legal practice management and service delivery. From document automation to cost calculation software, legaltech tools offer efficiency gains but also introduce new risks and require new skills.

What has changed?

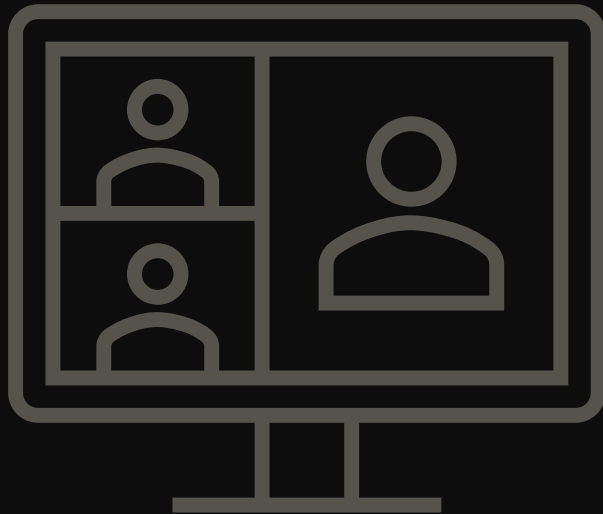
In 2024, the CLSB commissioned research into how technology and AI are being used by Costs Lawyer. The report, published in October 2024, sets out the current take-up of new technologies by the Costs Lawyer profession and how this has changed in recent years. It also looks at the risks, opportunities, and barriers that the profession is facing.

What could this mean for Costs Lawyers?

In order to stay attractive to clients, Costs Lawyers should reposition themselves as effective and efficient users of legal technology, able to add value beyond any software on its own.

This is likely to require time and effort both in upskilling and investigating new software tools. Costs Lawyers need to be open to the adoption of technology whilst at the same time being vigilant about risks.

TECHNOLOGY DRIVERS OF RISK



Digital Transformation of the Courts

The UK has been implementing an ambitious agenda for the digital transformation of the justice system. This has seen the increasing replacement of in person hearings with video hearings and online portals.

What has changed?

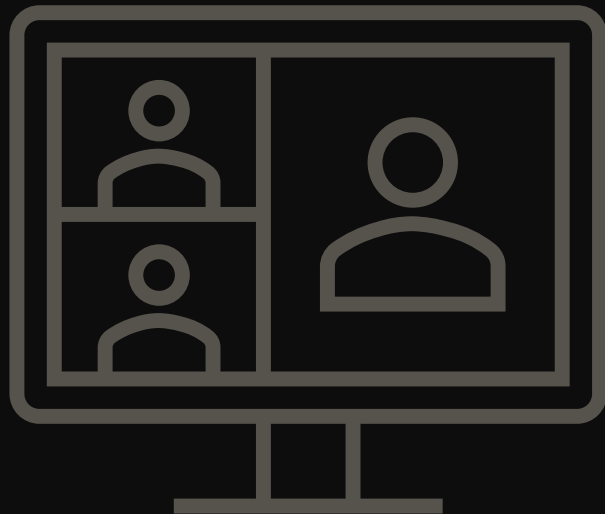
The HM Courts & Tribunals Service (HMCTS) completed its digitisation programme in Spring 2025⁴⁴. Although there are some elements that are still being rolled out⁴⁵, the direction of travel is well established and further adoption of technology can be expected in future.

What could this mean for Costs Lawyers?

Costs Lawyers should keep up to date with the courts digitisation programme and ongoing rollout. The move to digital courts will require Costs Lawyers to be proficient in using electronic filing systems for submitting bills of costs, applications, and budgets, and to understand the different systems in operation for different matters.

Costs Lawyers should also be mindful of the need to consider whether video hearings require a different approach compared to traditional in-person advocacy. They also need to keep abreast of potential risks that might arise in using online portals, as highlighted by the Law Society of England and Wales's ongoing research in this area⁴⁶.

TECHNOLOGY DRIVERS OF RISK



Artificial Intelligence

The UK has been implementing an ambitious agenda for the digital transformation of the justice system. This has seen the increasing replacement of in-person hearings with video hearings and online portals.

What has changed?

Over the course of 2024, the hype about AI tools such as ChatGPT was increasingly replaced by a more cautious note within the legal industry, highlighting data protection, intellectual property and ethical risks. In summer 2024, the Law Society of England and Wales published a practice note on generative AI in legal services⁴⁷ which summarised many key areas of risk for the legal sector. Although reported instances of lawyers using cases based on AI hallucination⁴⁸ have been less common in the UK than in some other jurisdictions, there are cautionary tales to be borne in mind. In late 2024, there was a case in New South Wales in which an Australian lawyer found out that the cases they had obtained from a software provider had been manufactured by AI⁴⁹.

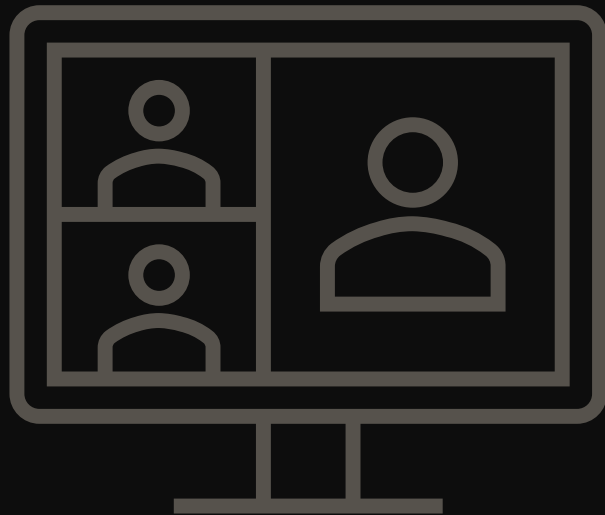
AI-driven software development has not yet impacted the costs world. Although prototypes that could improve the predictability of costs recovery do exist⁵⁰, to be successful they will need the input of expert Costs Lawyers.

What could this mean for Costs Lawyers?

Costs Lawyers must be aware of potential ethical risks around the use of AI and always double-check AI outputs against primary sources. If an AI-driven cost drafting software suggests a format or value, the Costs Lawyer needs to ensure it is correct under the Civil Procedure Rules⁵¹.

Costs Lawyers should also be aware of when and how they are using AI in their internal processes and remain cognizant of data protection risks from inputting data into publicly open AI systems. Any AI platform which is free to users will be capturing data and using it for training algorithms.

TECHNOLOGY DRIVERS OF RISK



Cybersecurity and Data Protection

Cyber threats targeting the legal industry continue to be a concern, putting client data and business continuity at risk.

What has changed?

Cybersecurity remains a major national concern in 2025. 43% of UK businesses surveyed by the Department for Science, Innovation and Technology reported some form of cyber incident in 2024⁵². The UK's National Cyber Security Centre (NCSC) 2023 Cyber Threat Report for the Legal Sector remains in place and cautions that law firms of all sizes face persistent and evolving cyber-attacks⁵³. In April 2025, the Legal Aid Agency's online digital service was subjected to a cyber attack that resulted in a major data breach, with personal data of applicants being accessed.

Costs Law firms that act as outside costs advisers to solicitors' firms should be conscious that they may be particularly vulnerable as they may be viewed as likely to have lower levels of cyber protection than large law firm clients. The ICO has imposed heavy fines against organisations (including law firms) for data breaches caused by poor information security⁵⁴.

What could this mean for Costs Lawyers?

Cyber threats represent a key personal and organisational risk. Not only is there a risk to a firm or individual Costs Lawyer's information security and reputation from cyber incidents, but there is also a risk of disciplinary or regulatory action, and potential ICO action where a cyber incident involves a data breach.

Costs Lawyers should ensure that they take appropriate steps to secure case files and client information, such as encrypting case files, using multi-factor authentication, and secure email and file-sharing. Costs Lawyers working in firms should ensure that they adhere to their organisation's cyber and information security protocols.

Costs Lawyers should consult the NCSC website regularly for risk updates <https://www.ncsc.gov.uk>.

COMPETENCY RISK



Emerging gaps in competency

This report demonstrates that a variety of political, economic and social developments are driving changes in the costs law market, from the type of services Costs Lawyers provide to the type of clients they act for, and the ways in which they work and organise themselves. Costs Lawyers should consider – when setting their annual CPD objectives or otherwise – what knowledge and skills they need to respond to the changing landscape to ensure they remain competent to do the job.

Examples of possible competency gaps that could arise from the drivers set out in this report include:

- Understanding how to use new technologies and systems, and the risks associated with them
- Appreciating the changing needs of clients and how to address them
- Adapting organisational management to changing workplace expectations
- Grasping how new regulatory and ethical obligations apply to specific practising arrangements
- Having sufficient technical knowledge of emerging work areas to spot issues, give sound advice and build a relevant specialism

The CLSB's [Ongoing Competency Framework](#) highlights other skills that Costs Lawyers will need to build throughout their career.

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