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# Costs Lawyers, Technology and Regulation

**Authors:**

Alison Hook  
Sundaram Balasubramanian

**Date:**

October 2024

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## Executive summary

This report has been commissioned from Hook Tangaza by the Costs Lawyer Standards Board ('CLSB'). It is intended to assist the CLSB in addressing the fifteen recommendations issued in April 2024 by the LSB to legal regulators on how they should address the issue of artificial intelligence ('AI') and new technologies.<sup>1</sup>

The report reviews 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. In doing so, the report draws on evidence gathered in May-June 2024 through a survey of Costs Lawyers and a series of interviews conducted with Costs Lawyers engaged in different types of organisations.

The report identifies actions which the CLSB could take to address most of the LSB's fifteen recommendations. It suggests a high/medium/low priority designation for each of these recommendations. This prioritisation takes into account both the significance of the barrier to the take-up of AI/technology addressed by the action being considered, and the impact that implementing the recommendations might have. Judgments about the priority to be accorded to any particular action are based on the needs expressed by Costs Lawyers in our survey and interviews. An assessment of the potential impact of following any of the LSB's specific recommendations is based on the size and role of the Costs Lawyer profession.

Eight priority actions that the CLSB could take to help Costs Lawyers increase their take-up of AI and other new technologies, and potentially assist consumers are highlighted. These eight recommendations reflect the current position of Costs Lawyers in the market, which has historically been to act as internal suppliers to other legal services providers. Although there is some evidence that there is now greater direct engagement between Costs Lawyers and consumers than in the past, such instructions still represent a very small proportion of overall Costs Lawyer activity. The prioritisation also considers the role and resources of the CLSB, which are limited by the scope of its regulatory remit and its small size and budget.

Some of the priority tasks identified draw on existing CLSB responsibilities and would not be unduly onerous for it to implement itself or to collaborate with others to achieve. These include education and training and awareness raising of technology issues for the profession, as well as the issuance of more specific guidance on potential ethical issues and closer collaboration with bodies such as the SRA and the courts on technology issues.

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<sup>1</sup> <https://www.legalservicesboard.org.uk/wp-content/uploads/2024/04/Legal-Services-Board-update-on-AI-approach-April-2024-pdf.pdf>

There are other suggested priorities, however, that may be more challenging for the CLSB, given the size of the profession and the resources at its disposal. These include, for example, promoting engagement with developers and Costs Lawyers directly. The information gap between Costs Lawyers and developers is a common problem for small and fragmented professional services sectors, but there is a specific costs sector need which goes beyond simply awareness raising of the possible use cases for small legal businesses. This relates to the need to correct the specific costs market failure that exists due to the lack of suitable costs software incorporating AI. This could be remedied by increasing the cross-pollination of information and ideas between developers and the costs profession. The report acknowledges that this recommendation, and some of the others that involve more consumer-focused activity, may be more challenging to the CLSB in terms of resource availability and allocation. We have suggested, therefore, that these could be bundled together into a project for which separate grant funding or co-funding could be sought.

# Glossary

<b>ACL</b>	Association of Costs Lawyers
<b>ACLT</b>	Association of Costs Lawyers Training
<b>AI</b>	Artificial Intelligence
<b>Blockchain</b>	Blockchain is a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network.
<b>RCJ CAB</b>	Royal Courts of Justice Advice Bureau
<b>CLSB</b>	Costs Lawyer Standards Board
<b>Costs market</b>	The segment of the legal market which deals with the assessment, negotiation, and recovery of legal costs and covers all providers regardless of their employing organisation or regulated status. This may include firms that deal exclusively with Costs or individuals working on Costs matters in SRA regulated solicitor firms or in-house in the public or private sector.
<b>Costs Lawyer</b>	Legal professional regulated by the CLSB
<b>Costs law firm</b>	Organisation owned or part-owned by Costs Lawyers operating in the Costs market
<b>Costs draftsman</b>	Unregulated individual advising on costs matters.
<b>Data analytics</b>	The science of analysing raw data
<b>Generative AI</b>	Artificial Intelligence models based on language based neural networks that can simulate human responses and can generate high-quality text, images, and other content based on the data they were trained on.
<b>Hackathon</b>	A hackathon is a structured event designed to take place over a short, fixed period and to tackle a specific problem by bringing together users and developers
<b>LLM</b>	Large Language Model (type of generative AI)
<b>LSB</b>	Legal Services Board

<b>Metaverse</b>	The convergence of physical and virtual space accessed through computers and enabled by immersive technologies such as virtual reality, augmented reality and mixed reality
<b>No Code applications</b>	Applications that use visual drag-and-drop interfaces instead of code, enabling a user with no background in computer programming to generate content, undertake particular tasks, create websites etc
<b>Predictive AI</b>	Artificial intelligence programmes based on statistical analysis (as opposed to the neural networks of a generative AI programme). Most useful for numerical data, they can help to identify patterns, anticipate behaviours, and forecast future events
<b>Phishing</b>	Occurs when scammers or other cyber attackers deceive individuals into revealing sensitive information or installing malware such as viruses, worms, adware, or ransomware. The legal sector is particularly vulnerable as a target
<b>Quantum Computing</b>	Quantum computing overcomes the processing limits of traditional computers and significantly speeds up and expands the capacity of single processing units. It is still at an early stage of development
<b>RPF</b>	Regulators' Pioneer Fund
<b>SEO</b>	Search engine optimisation. This enables websites and content to be found more easily.
<b>SRA</b>	Solicitors Regulation Authority
<b>SRA regulated firm</b>	Organisation regulated as an entity by the SRA

# Introduction

## What does technological change in the legal services industry mean for the Costs sector?

Recent developments in AI and other cutting edge technologies look set to reshape traditional legal practice. A recent report from the management consultancy firm McKinsey<sup>2</sup> suggests that AI has the potential to automate around a quarter of the day-to-day tasks undertaken by US lawyers, whilst wider adoption of blockchain could revolutionize contract management and remove the need for lawyers to work on certain types of transactions altogether. Although this level of transformation is challenging, it could dramatically increase the efficiency of the legal industry and allow lawyers to focus on their true value added instead of on the performance of routine tasks. Over \$2.61 billion dollars were invested globally in 2023 in new legal tech ventures to unlock this potential<sup>3</sup>, so the pace of change and adoption of new technologies looks set to accelerate in the coming years.

A [LexisNexis AI survey](#) of over 1,200 legal professionals found in January 2024 that just over a quarter (26%) of those surveyed were using used generative AI tools, compared to only 11% six months earlier. Moreover, nearly two-thirds (62%) had used AI-related training for staff or were hiring AI experts to develop their digital transition.

In the UK, the digital transformation of the legal sector is gradually speeding up, prompted, inter alia by the National AI strategy<sup>4</sup> and leadership from ventures such as [Lawtech UK](#)<sup>5</sup>.

To date, however, the adoption of more sophisticated technologies in the UK has remained the preserve of those with characteristics that support greater innovation. A [2021 report for the Solicitors Regulation Authority](#)<sup>6</sup> found that the law firms most likely to be adopting new technologies like AI, were either likely to have been recently established, operating as alternative business structures or those serving larger corporate clients.

The Legal Services Board (LSB) has also entered this debate. Mindful of the regulatory objectives set out in the Legal Services Act 2007, it has made it clear that it would like to see both growth in the general use of new technologies in the legal sector, and the better use of technology to improve consumer access to legal

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<sup>2</sup> [Technical Potential for Automation, McKinsey](#)

<sup>3</sup> [Law360.com](#)

<sup>4</sup> [UK National AI Strategy](#)

<sup>5</sup> <https://lawtechuk.io/>

<sup>6</sup> <https://www.sra.org.uk/globalassets/documents/sra/research/chapter-6---technology-and-innovation-in-legal-services.pdf?version=4a1bfe>

services<sup>7</sup>. The LSB's own research suggests that technological innovation could help to go some way towards helping to provide justice solutions for the third of people facing legal disputes in England and Wales without the advice and support they need.

In April 2024, the LSB issued [guidance to regulators](#)<sup>8</sup> on technology and innovation. This is intended to prompt legal regulators to take proactive steps to help create an environment that improves consumer access to legal services.

The guidance sets out three outcomes that regulators should seek to achieve through their regulatory frameworks:

- Greater facilitation of the use of technology and innovation to support improved access to legal services and to address unmet need.
- A balance in the benefits and risks, and the opportunities and costs, of technology and innovation in the interests of the public and consumers.
- A regulatory environment that is open to technology providers and innovators.

The CLSB has previously engaged with these challenges. In 2022, it published a report funded by the Regulator's Pioneer Fund (RPF) entitled "[How can Costs Lawyers help to control legal costs?](#)"<sup>9</sup>. This report explored how Costs advisers (both regulated and unregulated) might be able to help drive down the costs of legal services and what barriers exist to innovation in this area.

The RPF report found that levels of technology innovation among Costs Lawyers were low, due partly to the nature of the work that most Costs Lawyers are doing and partly to the structures through which they provide their services. The report also found that only a very small proportion of Costs Lawyers appeared to be engaged in consumer facing activity. How the CLSB is to respond to the LSB's guidance now will therefore depend on:

- The extent to which the work that Costs Lawyers do has been affected by technological developments since 2022, or appears likely to be affected in future and
- Whether there is evidence of any growth in the use of technology to support consumer facing activity by Costs Lawyers or Costs Law firms

These questions are addressed in this report, alongside evidence of how Costs Lawyers and the wider Costs sector are currently deploying technology, the opportunities they see for its wider use in future, and the barriers and risks that might

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<sup>7</sup> [Technology and innovation guidance, Legal Services Board](#)

<sup>8</sup> Ibid

<sup>9</sup> <https://clsb.info/regulatory-matters/data-about-costs-lawyers/how-could-costs-lawyers-reduce-the-costs-of-legal-services/>



slow down its adoption. The report concludes with some reflections on what this might mean for the CLSB.

## Note on methodology

This report focuses on the community of regulated Costs Lawyers registered with the CLSB but also draws on evidence of use by the unregulated Costs sector, as a counterpoint, in particular to help answer the question of whether regulation has a role to play in speeding up or slowing down the take-up of technology in the sector.

The organisation that a Costs Lawyer works for, and the role that they are playing in it, are also key factors in understanding this very particular sector of the wider legal market. We distinguish in this report between Costs Lawyers who are working in SRA regulated entities and Costs Lawyers in Costs law firms.

There is no formal definition of a Costs law firm, since this an unregulated entity, but we use this terminology to distinguish between those non-SRA regulated firms where there is at least one regulated Costs Lawyer in the ownership, and organisations of unregulated individuals running a firm dealing with Costs. There are, of course, also individual Costs Lawyers and costs draftsmen who operate as sole practitioners and they are also covered in this study.

The data that is used in this report was collected through a survey that was conducted between May 24 and June 11 2024. The survey received 145 responses (of which 126 were from qualified Costs Lawyers, 14 from Costs draftsmen, and 5 from trainees or others). This gives a 95% degree of confidence that the results obtained are representative of Costs Lawyers in general. There was however a slight overrepresentation in the responses of Costs Lawyers working in SRA regulated firms and an underrepresentation of those working in Costs law firms when compared to the statistics in the 2022 RPF report<sup>10</sup> (48% of survey respondents were employed in SRA regulated firms compared to 42% in the RPF and 33% of survey respondents were working in Costs Law firms compared to 44% in the RPF). This difference may partly be accounted for by shifts in the working environment of Costs Lawyers in the last 2-3 years but is nonetheless important to note. Where it is relevant to the interpretation of Costs Lawyers' responses to the survey, we have distinguished between the views expressed by Costs Lawyers working in Costs law firms and those in SRA regulated firms.

The data obtained from the Costs Lawyers and Technology Survey was supplemented by six interviews with individuals working in a range of working environments representative of the Costs Lawyer profession and in organisations of varying sizes. These individuals were amongst a number of respondents to the survey

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<sup>10</sup> Based on the CLSB register at the end of 2021

who expressed an interest in contributing in more detail. They were selected from the wider pool of survey respondents interested in contributing further, because they represented a cross-section of the different roles and organisations within which Costs Lawyers work. The interviewees could be categorised by type, as follows:

- Owner of a growing and innovative costs law firm,
- Costs law firm owner and sole practitioner undertaking legal aid work,
- Employee in the costs department of a regional solicitors firm,
- Costs draftsman team leader in a top 100 SRA regulated firm specialising in litigation and costs,
- Costs lawyer in an innovative and “disruptive” SRA regulated firm,
- Costs lawyer leading an in-house team.

Given the very small number of interviews, these were used principally to enrich and further interrogate the data obtained in the survey.

# How might recent technological change affect Costs Lawyers?

The legal sector is increasingly being shaped by new technologies. Those which are having the biggest influence include the following:



**Core tools:** There is an increasing range of off-the-shelf software now available to lawyers. These include tools designed specifically for legal sector use, such as legal matter management or case management software and contract generation tools, as well as general business software. The latter, which include: Client portals, online billing and accounts packages, e-signature tools, video-calling technologies and simple website building tools can also be used to improve legal business efficiency<sup>11</sup>. The LSB's 2022 Technology and Innovation Survey investigated in depth how different types of solicitor firms and barristers were using these tools. These tools are mostly affordable and easily accessible. They are therefore most likely to be the starting point into technology for most Costs Lawyers.



**Cloud technology:** Although the use of the cloud for accessing software and storage is now mainstream, surprisingly the LSB found that less than fifty percent of SME firms regulated by one of the legal regulators, were using the cloud.

In future, more computing power will be provided through the cloud, rather than through traditional servers. This means that much increased computing capability will be accessible to even the smallest organisation. AI technologies will become cheaper and it will become easier to build bespoke use cases. This should make it easier for Costs Lawyers to access the power of AI and use it to make their services more competitive.



**Generative Artificial Intelligence:** Tools such as ChatGPT which are based on generative AI Large Language Models (LLMs) are changing the way legal professionals approach tasks such as drafting and research. LLMs can help to generate text, images, other forms of content and even simulate human responses in conversations (chatbots). The largest law firms have been experimenting in building their own bespoke applications for some time, but off the shelf software is now becoming more widely available for drafting and contract analysis. Many law firms are also now using chatbots to deal with initial enquiries<sup>12</sup>. We would expect the traditional role of Costs Lawyers as

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<sup>11</sup> [LSB Technology and Innovation Survey 2022](#)

<sup>12</sup> [Ibid](#)

B2B lawyers, combined with the relatively small size of the profession, to influence the pace and degree of adoption of such tools within the Costs Lawyer profession. Costs Lawyers tend to be “takers” in relation to technology and the pace of adoption will tend to be affected by the pace at which their clients have adopted AI or are willing to facilitate its use (e.g. through electronic files, case management systems and discipline around data recording).



**Predictive AI:** Other forms of AI, drawing on big data and statistical information, are being used in the legal sector<sup>13</sup> for predicting likely case outcomes and have potentially interesting applications in predicting costs and costs outcomes. Given the nature of Costs activities, we would expect predictive AI to play a growing role in the Costs profession over time. However, the small scale of most Costs firms presents several challenges that make widespread adoption less likely outside of Costs departments in the largest firms. These challenges include the significant costs associated with implementing predictive AI, the large datasets and substantial training required for its effective use, and the limited resources smaller firms may have to invest in such advanced technology.



**Blockchain:** Blockchain developments have been overshadowed over the past eighteen months by advances in AI but nonetheless also contain important transformative potential for the legal sector. They are likely to play a fundamental role in automation of tasks in the legal services sector in future. For example, smart contracts (based on the blockchain) can automate insurance payouts reducing the number of potential claims disputes. There is therefore potential for its increased use to reduce the need for Costs Lawyers in future.



**Metaverse:** Although the adoption of the Metaverse has not lived up to its initial hype, this technology still offers valuable use cases in the legal sector, such as in training, simulations, virtual chatrooms, and virtual courtrooms. The potential of the Metaverse for Costs Lawyers might lie in its ability to enhance remote collaboration, provide immersive training environments, and facilitate complex case simulations that could improve their practice. As the technology becomes more accessible, it could become more useful in a business environment in future, and hence to Costs Lawyers for use with clients and even in hearings.

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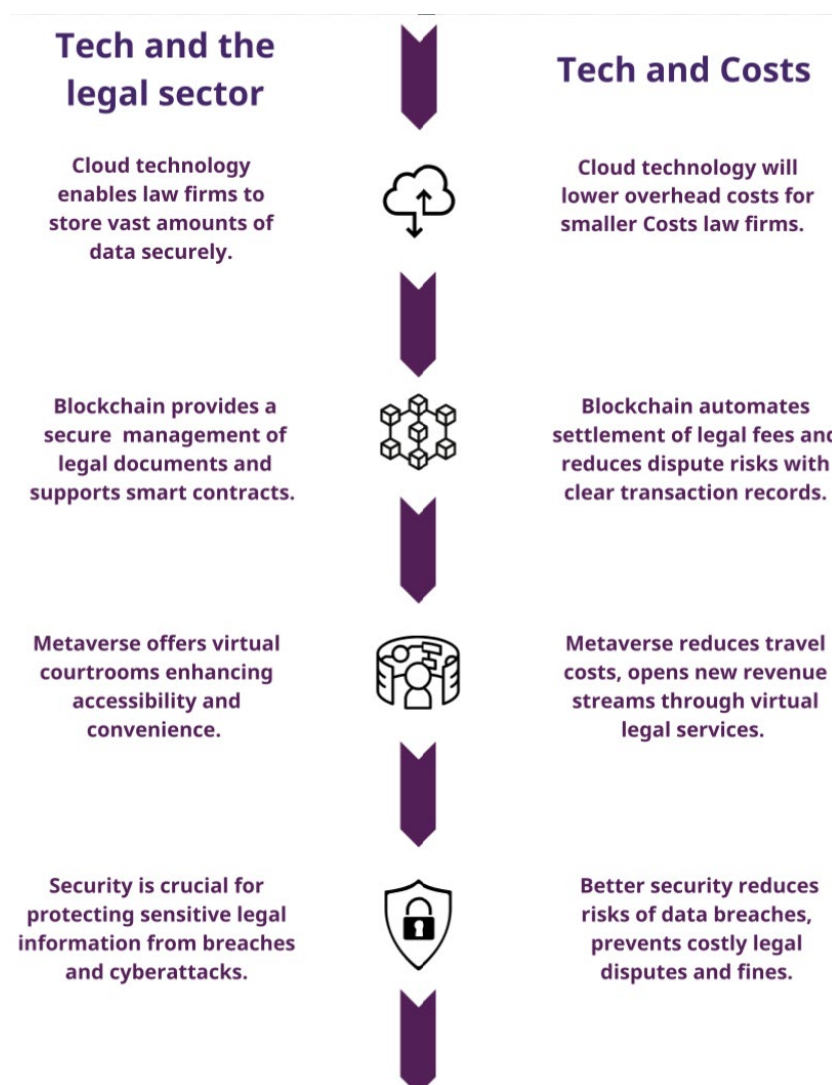
<sup>13</sup> <https://www.lse.ac.uk/law/Assets/Documents/news/AI-in-Law-the-Legal-Profession-Industry-Insights-Report.pdf>



**Cybersecurity:** Cyber and information security technologies are already critical to the legal sector and are required to secure the levels of trust needed for effective client communication. Costs Lawyers are exposed to similar hacking, phishing etc. risks as others in the legal sector and therefore need to be well versed in this area of technology.

Figure 1 summarises how these technologies apply in the legal sector and, more specifically, in the Costs sector.

**Figure 1: Technology and the Legal Sector, Technology and Costs**



Further down the road there are newer technologies, such as quantum computing<sup>14</sup>, which may have even more transformative effects for the legal sector and for Costs Lawyers. The significantly enhanced processing capacity of quantum computers will enable the development of programmes able to undertake the most sophisticated tasks. As these have not yet reached the stage of commercial dissemination, we have focused our attention on investigating how the costs sector is engaging with those technologies shown in figure 1, above.

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<sup>14</sup> Quantum computing overcomes the processing limits of traditional computers which process in binary “bits” with every observation only able to take a value of 0 or 1. In contrast quantum computing is carried out by processing in Qubits, which can hold infinite possibilities between 0 and 1, allowing computers to be significantly more powerful and faster.

## What might be driving current technology use in the Costs Market?

There are various factors that appear to be driving current use and take-up of technology in the costs sector:

- The COVID pandemic has clearly had a major transformative effect. All of our interviewees had observed a major shift to paperless communications and video conferencing.

*“So, the market’s changed 100% ... ten years ago and probably up to about five years ago... we were getting boxes and boxes of paper files... We rarely get a paper file nowadays.”*

*Costs Lawyer in Costs Law Firm*

- The use of case management systems by solicitors in their role as both clients and employers of Costs Lawyers as a factor contributing to more technology take-up, was cited in both the survey and interviews. The use of such systems now appears to be more widespread across the legal sector<sup>15</sup>. This increases the potential for increased transparency and fewer solicitor costs disputes, resolved more quickly.

*“Solicitors ... appear more clued up now (on costs) ...a lot of them are using case management systems and therefore they have a perception as to the cost potential of a case because of the time recording,”*

*Costs Lawyer in Costs law firm*

- The public is also becoming more informed about costs thanks to the publicity around high-profile celebrity cases, such as the Rooney-Vardy case and the withdrawal of litigation against News International by Hugh Grant, as well as the wider availability of information on the Internet. This is a development even in comparison to the findings of the RPF report in 2022.

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<sup>15</sup> This may also be true of others who instruct Costs Lawyers but no explicit evidence of this was presented in the research gathered for this report.

On the other hand, factors that might have been expected to move the costs market more firmly in the direction of technology adoption are not yet having the anticipated effect.

The extension of the fixed costs regime does appear to be driving greater use of technology amongst those Costs Lawyers engaged in low-margin, volume work, given that the use of case management systems and billing software is essential to the viability of this kind of work. But the extension of the fixed costs regime has not yet had a widespread influence in the sector. This topic was also cited by most of our interviewees as one of the most critical factors likely to shape the take-up of more sophisticated forms of technology in future.

The digitisation of the courts has also not yet had the impact that might have been expected. Over 70% of our survey respondents reported that court use of IT had either had no impact or only a slight impact on their work as a Costs Lawyer. This is largely due to differing levels of enthusiasm amongst the judiciary for the use of e-bundles, for example, and inadequate infrastructure in the courts themselves to support the roll-out of more technology.

The technological environment in which Costs Lawyers operate is changing, albeit slowly. The next section will look in more depth at how the costs sector is responding to these changes.

*“The percentage of litigant-in-person enquiries (we receive) has gone up significantly (in recent years). And whereas five years ago, I used to get a bit work from the CAB in the Royal Courts of Justice, now I am getting people actually calling me up. They found me on the ACL website or on my website and they understand what our role is in the industry and how we can benefit them and how we can help them in terms of adverse costs or, or cost entitlements”.*

*Costs Lawyer in Costs Law Firm*

**70% of Costs Lawyers think that the digitization of the courts has had no, or only minimal impact on their work so far**



## How are Costs Lawyers currently using new technologies?

For the CLSB, the starting point for considering how it might shape its regulatory framework to support innovation, is understanding how Costs Lawyers are currently using technology.

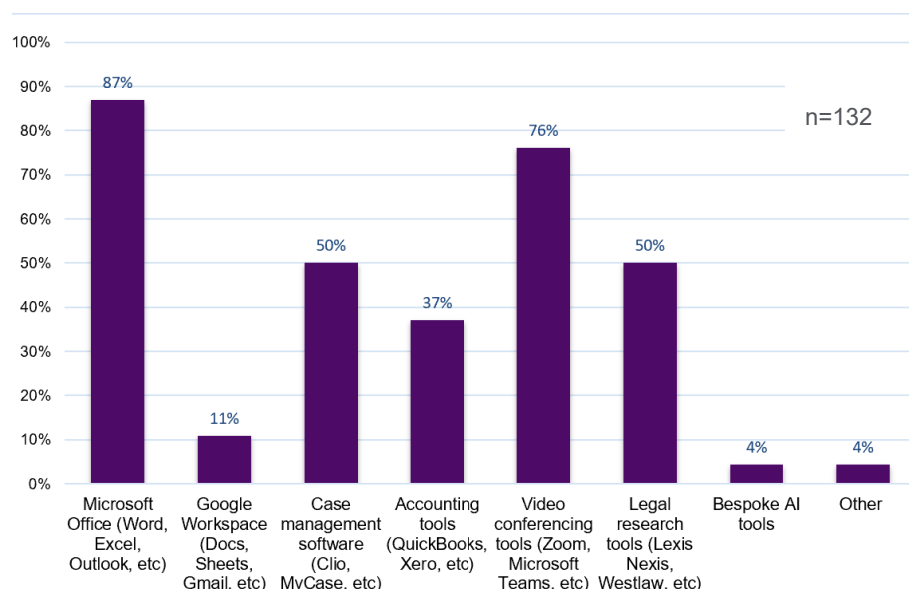
### What kinds of technology are Costs Lawyers currently using?

Our survey asked respondents in the costs sector about the technologies they are currently using for their work. Figure 2 illustrates the overall results, which suggest that:

- Industry standard software (e.g. Microsoft) is fairly universal, which means that most of the Costs sector will be using cloud storage and processing, whether consciously, or not.
- The costs sector is well-equipped for remote working, with over 80% of respondents using this capability.

The other forms of technology identified in figure 2 were used to varying degrees, depending on the type of organisation through which Costs Lawyers stated they were operating. These differences are described in more depth in figure 3.

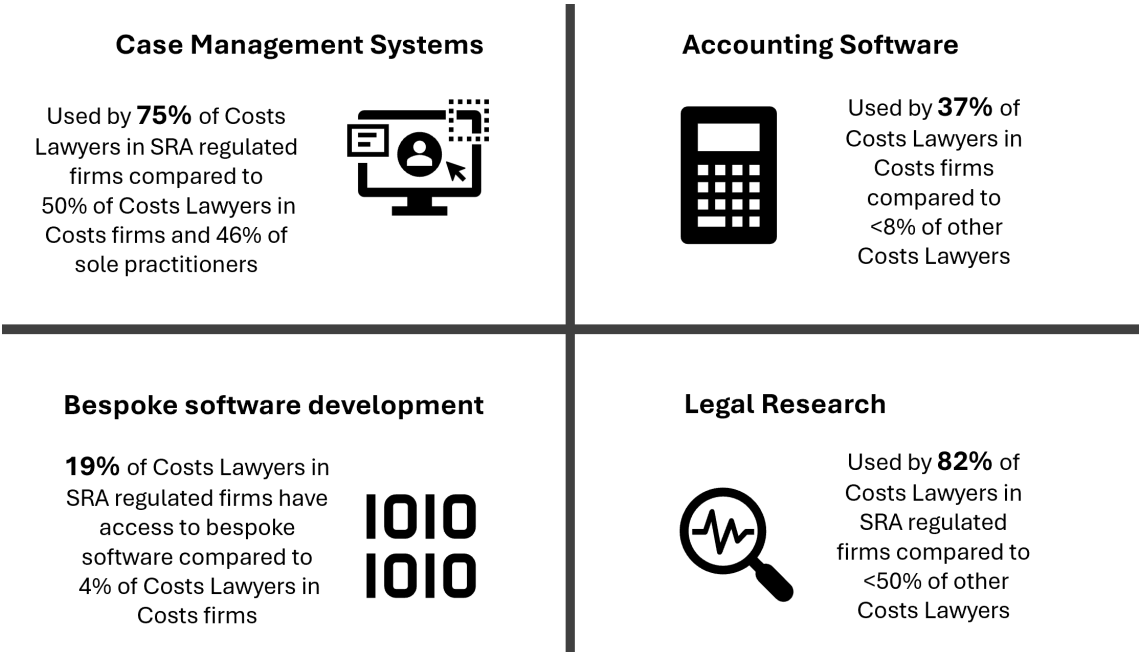
**Figure 2: What types of software and technologies do you currently use in your work?**



*Source: Survey on Technology and AI in the costs law profession*

The most striking differences in technology use between different types of organisations are shown below in figure 3.

**Figure 3: Differing degrees of access to technology tools across the Costs sector**



Source: Survey on Technology and AI in the Costs law profession

Figure 3 shows that Costs Lawyers in SRA regulated firms benefit from access to the wider suite of technology tools that are available in their employing firms. Significantly higher proportions of Costs Lawyers working in these firms have access to case management software, legal research tools and bespoke software tools compared to their counterparts in costs law firms or Costs Lawyers working as sole practitioners. However, Costs Lawyers in costs law firms are, however, nearly twice as likely again, compared to sole practitioners, to have access to case management tools.

This differences in access to technology tools may become more relevant over time. At present, Costs Lawyers are more mobile in employment terms than their solicitor counterparts appear to be. A comparison between the organisations Costs Lawyers are connected to in different practising certificate years, obtained from the CLSB register, suggests that individuals can move between costs law firms and regulated SRA firms without difficulty. But if the ability to use particular tools becomes an essential skill for Costs Lawyers in certain settings in future, then this could possibly reduce mobility in the sector. For the time being, however, we were told by

interviewees that costs knowledge and skills were far more important than technology knowledge as hiring criteria, although the latter could be a helpful deciding factor if two candidates for a position were otherwise equally matched.

Case and client management software, such as LEAP, CLIO, FilePro, and ProLaw, are heavily used in SRA regulated firms and, in theory at least, the greater use of these tools by their instructing lawyers should make it easier for Costs Lawyers to automate their own processes and prepare cost assessments more efficiently. Costs Lawyers working in costs law firms told us, however, that the lack of standardisation across case management software, both in terms of how such packages work and in terms of how they are used by solicitors, means that Costs Lawyers need to undertake a surprising amount of manual intervention to turn the output from such systems into a form that could then be used by specialist costs software. All our interviewees mentioned time-consuming data entry as an issue.

All our survey respondents used specialist costs software such as CostsMaster, Proclaim or similar, with the vast majority using CostsMaster. The general view from the Costs profession was that a combination of the virtual monopoly position of CostsMaster, coupled with the small market for costs software, had meant little investment or innovation in this area of software, with no development of AI features, in contrast to many other software packages.

## Are Costs Lawyers using AI?

Our survey suggested that although Costs Lawyers in costs law firms were significantly less likely to have used AI applications in their work (48%) compared to Costs Lawyers in SRA regulated firms (62%), Costs Lawyers using AI had experimented with a wider range of applications.

Most of the use of AI by Costs Lawyers in SRA regulated firms was based around the use of AI driven searches and case summaries provided by the likes of Lexis Nexis and Westlaw (44%). Around 16% of respondents from this group had tried ChatGPT or similar generative AI programmes and a handful had access to bespoke software.

In contrast, only 12% of Costs Lawyers in cost law firms had used Lexis Nexis or Westlaw AI. But, on the other hand, 18% of this group had used ChatGPT.

*"Many people don't realise how much they're using AI at the moment because it's just getting embedded in everything that's on offer to us, like Microsoft tools"*

*Costs Lawyer in a large SRA-regulated firm*

*"We trialled getting AI to write case summaries for us... it does seem a little bit like black magic sometimes"*

*Costs Draftsmen in an SRA-regulated firm*

There were also some Costs Lawyers in Costs law firms who reported using various AI-assisted billing or accounting software packages, or software for the management of costs and predictive billing. And there were examples of Costs law firms that were actively trying to engage with technology (see box opposite).

There are a few interesting observations that can be drawn from this:

*"Our firm have always been interested in using technology to better the firm. We used different drafting software, case management tools, and invested in training in Excel. We have dabbled with ChatGPT, but so far, the results have been less than impressive. We continue to do so and will do until we work out how it can be of benefit to us and our clients. We will do the same with other forms of AI"*

*Costs Lawyer in costs law firm*

- Costs Lawyers in larger firms have access to tools and resources that are too expensive for smaller firms to adopt.
- But Costs Lawyers are slightly more likely to have used ChatGPT if they are based in a costs law firm than an SRA regulated firm. This might be explained by restrictions that larger firms have reportedly put on the use of publicly available generative AI tools, given concerns about their output, and the privacy and security of data used in searches.
- There are pockets of experimentation within the costs sector, but they are isolated. Even those Costs Lawyers in larger SRA regulated entities did not appear to be close to making any AI-driven costs specific innovations in their firms.

Overall, the current use of technology amongst Costs Lawyers is typical for the legal sector as a whole<sup>16</sup>, although there are some areas in which the costs sector is ahead of mainstream legal practice, such as the early adoption of specialised billing software, advanced cost budgeting tools, and the use of detailed cost management processes. The next section looks at how Costs Lawyers are expecting to use technology in future and the new opportunities that it might bring.

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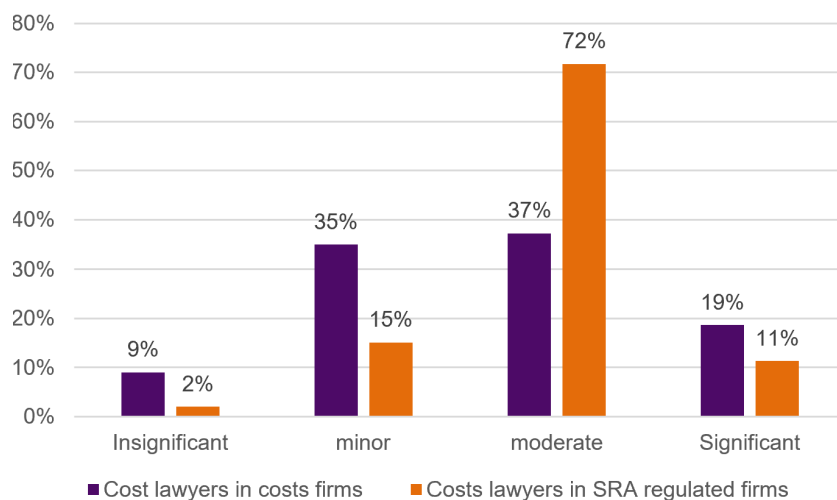
<sup>16</sup> When compared, for example, sector averages identified by the LSB's 2023 research

## New opportunities for Costs Lawyers

In our survey, we asked participants in the costs sector about their views about how technology might affect their work in future.

Figure 4 illustrates some important differences between the views of Costs Lawyers operating in different environments.

**Figure 4: What difference do you think new technologies and AI in particular will play in your work within the next five years?**



Source: Survey on Technology and AI in the Costs law profession

Costs Lawyers in Costs law firms are more divided than their counterparts in SRA regulated firms about the potential impact of AI, but the majority of Costs Lawyers overall believe AI will have a moderate to significant impact on their work in future. Where individuals fall on the spectrum of opinion largely depends on the value-added that they perceive their work brings to clients. Those who work in organisations that deal with lower value, high-volume caseloads tend to be more pessimistic than those engaged with a greater degree of complexity.

The following quotes from responses to our survey represent these two different views.

#### *The Pessimistic View*

*"It will, in the not-too-distant future, obliterate the profession. AI will be able to draft bills of costs in a matter of minutes and will be able to predict/value a bill of costs quicker and more accurately than a human. In 10 years', time I doubt there will be 10% the current number of costs professionals."*

*Costs Lawyer in costs law firm, Insurance litigation focus*

#### *The Optimists*

*"Elements of our work can clearly be automated or assisted with AI technology. For those who embrace and develop this there are significant opportunities in terms of generating additional profit."*

*"Hopefully AI will allow me to focus on drafting bills and dealing with assessment and move away from more admin work."*

*Views from Costs Lawyers in SRA regulated firms*

*"I imagine it will largely eradicate the need for traditional "drafters" as AI should be able to pull the information from the file into a presentable format as well as interpret timeline notes into a more user-friendly format. I also expect AI to assist with points of dispute and replies. I do not think these changes will happen overnight and whilst I do think it will reduce the amount of people in costs (especially those without sufficient expertise) but there will always need to be some costs lawyers for a people approach, strategy, project management and to check and tweak the AI!"*

*Costs Lawyer in large regional SRA regulated firm*

Interestingly, the sole practitioners who responded to the survey were more likely than Costs Lawyers working in other types of organisations to state that they did not have enough experience of AI to be able to form a view. This illustrates the importance of exposure to technology as a factor in its adoption.

On balance, the optimists were of the view that AI could strip out a lot of manual data entry and allow Costs Lawyers to focus on areas of real expertise, whilst the pessimists were more likely to be concerned about the ability of clients to recognise and be willing to pay for this expertise. But overall, no one expected change to happen quickly in the costs sector.

### **What might be the opportunities of AI?**

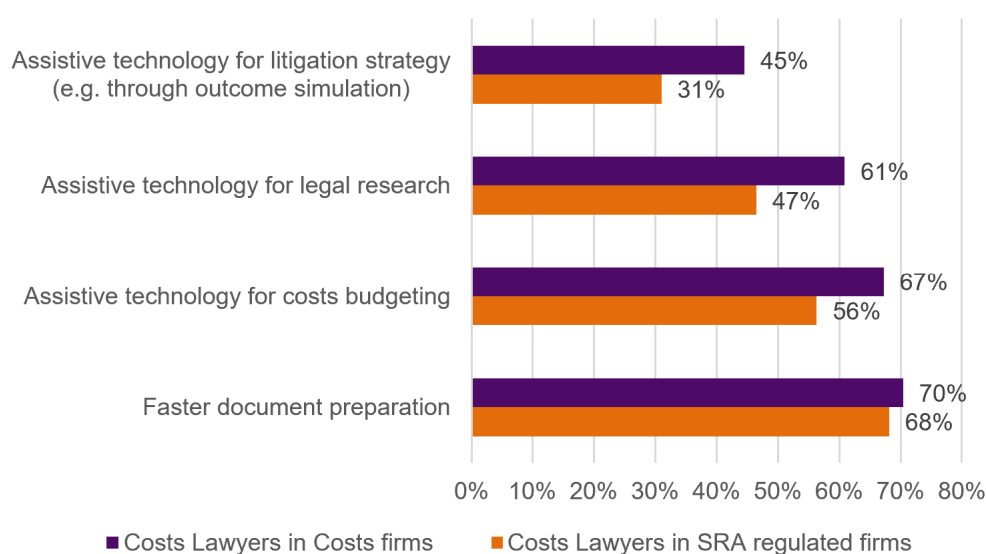
The potential opportunities for Costs Lawyers to use AI in future were ranked by survey respondents. Survey respondents were invited to rank different potential opportunities on a scale of 1-5, with 5 being the most. Costs Lawyers in costs law

firms and those in SRA regulated firms ranked the main potential uses of AI in the same order but those in Costs law firms placed a higher relative rank on some of the more advanced uses (e.g. predictive case outcome or use in legal research) than their counterparts in SRA regulated law firms.

This may reflect the greater availability of early-stage AI modules in legal research tools like Westlaw and Lexis Nexis to organizations with larger budgets, as well as the different roles that Costs Lawyers might perform in various working environments.

Figure 5 illustrates the ranking of the different potential uses of AI, made by Costs Lawyers in Costs firms and Costs Lawyers in SRA regulated firms out of a possible 100%.

**Figure 5: Ranking of potential opportunities for Costs Lawyers to use AI**



Source: Survey on Technology and AI in the Costs law profession

Costs Lawyers views about these opportunities are explored in more detail below.

## Faster document preparation

Faster and more efficient preparation of case documentation was something that many of those expressing positive views about AI felt could deliver the greatest immediate benefit to Costs Lawyers. It is surprising that a significant amount of manual data entry is still taking place in the sector, especially considering the availability of specialist Costs software. This is an area where AI could make a substantial improvement, automating these tasks to increase efficiency and reduce errors. There was no expectation that the dominant market software used for Costs work would be updated to include AI capabilities. This underlines the low level of awareness in the costs market of the rapidly growing accessibility and affordability of AI processing power and the potential to build relatively low-cost, bespoke applications.

*"We export a ledger from a time recording system... into CostsMaster...(then)...all you're really doing with it is editing the descriptions of the work that's been done and making sure... phase and activity codes are attached to it...It's become to a large extent a data processing exercise... with ...people spending 80-90% of the time typing... I've only really become aware of AI in the past couple of years, but it seems like artificial intelligence could do an awful lot of heavy lifting for us."*

*Cost Lawyer in Costs law firm*

## Assistive technology for costs budgeting

The extension of fixed costs presents significant challenges for Costs Lawyers, such as the potential reduction in the scope of work available, as fixed costs limit the ability to negotiate fees based on the complexity or time required for a case.

There may be increased pressure to work more efficiently within these cost constraints, which could lead to a greater emphasis on cost management and a need to adopt new strategies or technologies to maintain profitability. It could help both to triage cases (see box opposite) and to run cases cost-effectively under a fixed Costs regime.

*"I have certainly spoken to some bigger law firms that are already looking at how they can utilise AI, especially in the claims space with fixed costs coming in. ...some firms are using AI to triage work in order to understand, is this a case that's going to be profitable for us to run, or not, under the fixed costs regime?"*

*In-house Costs Lawyer*



## Assistive technology for legal research

One use of AI which some respondents identified as potentially useful, is the ability to harness faster research capabilities.

*"AI is going to help with the time wasted on Westlaw and hunting case law. I'm certain that AI will have that nailed off in 5-10 years"*

*Costs Lawyer in a Costs firm*

## Assistive technology for litigation strategy

Data analytics is transforming the way legal professionals approach cost management. There are clearly opportunities for Costs Lawyers to harness the power of big data to gain strategic insights into billing patterns, resource allocation, and cost recovery processes.

Advanced analytics tools can also help to identify trends and anomalies, helping Costs Lawyers to make more informed decisions and recommendations about costs strategy, for example.

The views expressed through our survey and in interviews suggested that parts of the sector do have access to the data that would enable AI to assist with decision-making, but do not yet have the ability to exploit it.

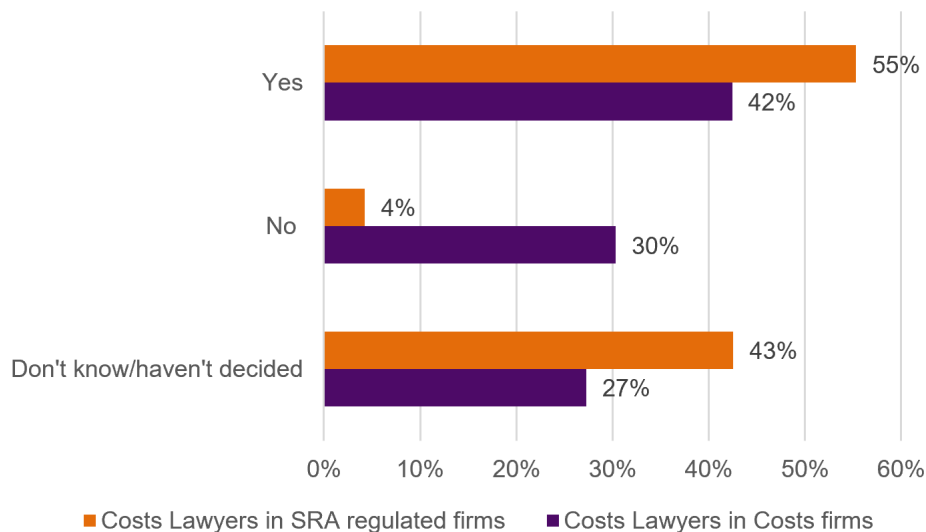
*"I have a big suite of data... when we get bills, we record all the data on the system. So, I know what our average reductions are with certain firms and solicitors and also what our average reductions are with certain judges, and in certain courts... If you input that data into a machine, you're going to get a likely scenario that says... with this firm, this type of injury, this length of time until settlement, costs could be in the region of this bracket. There's no reason why an AI software can't come up with that. However, you will still need people to sense check the result."*

*In-house Costs Lawyer, Insurer*

Costs Lawyers' views of the opportunities that new technologies might offer them were also notable for what they did not include. Only one interviewee mentioned the possibilities that more client facing software such as chatbots might offer. There was also little or no awareness of the other technologies that might affect the legal sector and the Costs sector as a consequence, such as blockchain or quantum computing.

When asked about plans to increase the use of technology in their work, there were also some noticeable differences between Costs Lawyers depending on the environment in which they were working. In larger firms or corporate settings, for example, Costs Lawyers were more likely to report plans to adopt advanced billing software, AI-driven research tools, and automation technologies. In contrast, Costs Lawyers in smaller firms or independent practices often cited budget constraints and a focus on maintaining traditional methods, resulting in a slower rate of technological adoption. Overall, though, although both Costs Lawyers in solicitor firms and those in Costs firms expected on average to increase their use of technology it is nonetheless striking that around a third of Costs Lawyers answered "no" to this question.

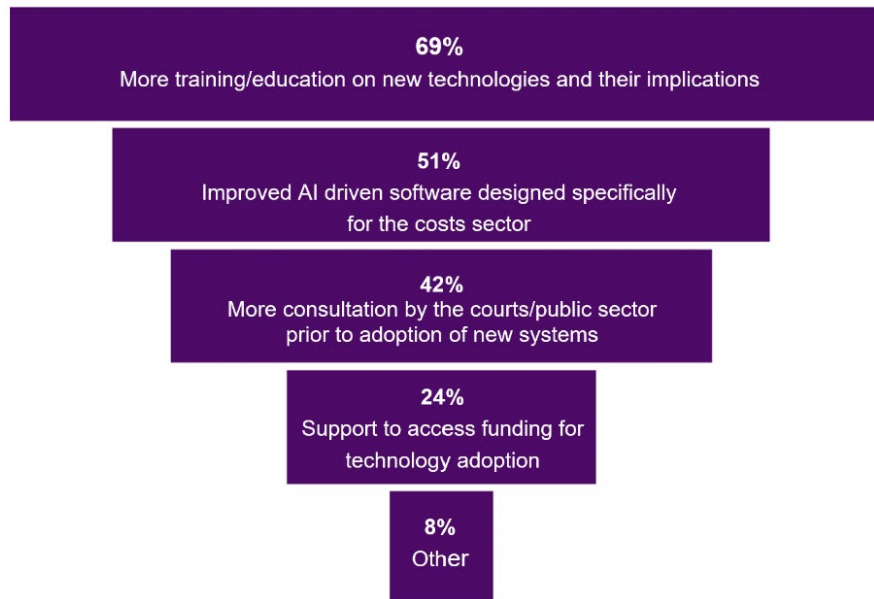
**Figure 6: Are you planning to or would you like to increase the use of technology in your Costs work in future?**



Source: Source: Survey on Technology and AI in the Costs law profession

The reason such a large proportion of Costs Lawyers in costs firms are undecided about the take-up of new technologies may be partly explained by the low levels of understanding of such technologies acknowledged in our survey. Education and training was identified as the activity that would assist future take-up to the greatest extent, followed by software designed for use in the sector and better consultation from the courts etc as they digitise.

**Figure 7: What would help?**



Source: Source: Survey on Technology and AI in the costs law profession

Overall, there was a general sense from many respondents and interviewees that AI and other new technologies would offer opportunities, as they would help to free up Costs Lawyers from repetitive, low value work and enable them to concentrate on higher-value strategic advisory activities.

## Barriers to the take-up of new technology faced by Costs Lawyers

Costs Lawyers are not alone in their cautious approach to AI. The previously cited research by the LSB has suggested that technology use among lawyers in general was not particularly advanced.

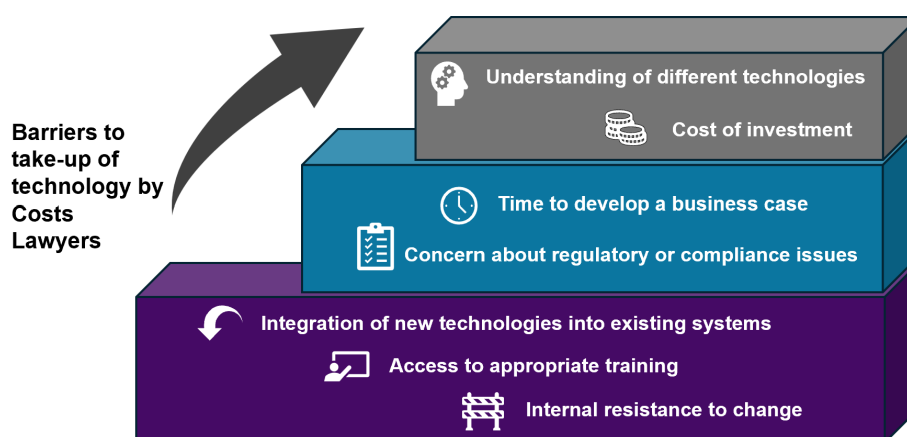
An immediate task for regulators like the CLSB is therefore to understand what might be deterring their regulated communities from adopting new technologies.

Given that the opportunities for using new technologies, and AI in particular, seem promising in the costs sector, the CLSB needs to understand the internal and external factors that might be preventing Costs Lawyers and Costs law firms from fully embracing technological innovations.

### What do Costs Lawyers think are the barriers to adopting technology?

Our survey of Costs Lawyers identified seven principal obstacles to their take-up and use of modern technologies and these are ranked in figure 8 below, according to the frequency with which they were mentioned by survey respondents.

**Figure 8: Barriers to take-up and use of technology among Costs Lawyers**



Source: Survey on Technology and AI in the costs law profession

Many of these factors are driven by the nature of the costs sector, in which costs law firms and even costs departments in larger solicitors' firms are small operations. Many of the barriers in the Costs sector are therefore not very different to those facing smaller solicitors' firms.



## ***Lack of knowledge and awareness of technologies***

The most significant barrier to adoption of new technologies among Cost Lawyers is undoubtedly a lack of confidence in their understanding of what AI and other innovations can offer now and in the future. However, this is inextricably linked to the fact that Costs Lawyers are “takers” rather than “makers” of technology development, given the size of the costs sector and its role in the market as part of the B2B supply chain.

Costs Lawyers are also dependent on how their client base is using and adopting technology. The evidence which emerged from the survey and particularly through interviews, suggests that solicitors are often not using their own case management systems in ways that would allow Costs Lawyers to use AI effectively.

The costs law sector also suffers from the fact that the focus of cutting-edge investment into the legal sector has been in language-based tasks such as drafting and legal research in recent years. Where predictive AI has been used, for example, in litigation, this has been driven by organisations with large internal datasets and has not yet achieved the kind of mainstream use of e.g. a ChatGPT. This has undoubtedly coloured the awareness that Costs Lawyers have of what AI and other new technologies could do for the costs sector.

But it is equally the case that, even if Costs Lawyers were in a position to articulate the demand for the adaptation of modern technologies to particular costs sector use cases, the market for costs specific software development is so small that significant innovation that is targeted on the sector seems unlikely in the near future.

*“Technology works if everyone using it is trained and makes the entries in a uniform manner.*

*Due to the vast number of different systems and a complete lack of uniformity between fee earners in the same firm, let alone between firms, it is going to be many years if ever that this becomes usable and reliable”*

*“(The technology) ...is only as good as the data you put in... When the data's not been put in correctly, then it doesn't matter what machine you use, it's going to be wrong because it's the data's wrong”.*

*Costs Lawyers in costs law firms*



## ***Time and resource constraints***

Smaller firms in all sectors tend to lack the financial and human resources required to invest in emerging technologies. The costs associated with identifying a need, building a business case, purchasing, implementing, and maintaining advanced technology can be prohibitive for such firms.

Around half of all survey respondents (47%) reported time constraints as a significant barrier to adoption of new technologies. Costs Lawyers often deal with heavy caseloads and tight deadlines, leaving little room for exploring and implementing new technologies. The initial phase of technology adoption, which includes research, testing and training is particularly time-consuming and can easily be put-off in favour of more urgent case-driven priorities.

For most Costs Lawyers, who are using combinations of case management and specific costs software, strung together with manual intervention, there is also the challenge of how to integrate new applications into their legacy systems.

In our survey, 56% of respondents cited the cost of investing in technology as a barrier, while 40% indicated that integrating newer technologies into their legacy or older systems was also a challenge. Most Costs law firms are small and operate on tight budgets and even where Costs Lawyers are working in larger organisations, their activities are rarely at the top of the list of priorities for internal ICT investment.

These factors therefore compound the effect of the barrier identified above – without compelling applications for Costs Lawyers, the incentive to spend time and money on more general innovation is diminished.



## ***Training***

The lack of appropriate training in new technologies and the skills required to adopt them (building business cases etc), were cited by around 70% of survey respondents. Without adequate training in what technologies can do, and an understanding of how to utilize new tools effectively, Costs Lawyers are unlikely to integrate them into their practice.

Although there are many free or low-cost information sources and training programmes available on the Internet, these have not yet been tailored for use in the legal sector, let alone in the costs sector.



### ***Concern over regulatory or compliance implications***

Concerns about compliance issues were mentioned as a potential barrier by both Costs Lawyers (48%) and costs draftsmen (33%) responding to our survey. Not surprisingly, regulation and compliance were ranked as a much greater potential concern by Costs Lawyers compared to costs draftsmen. This suggests two things:

- Firstly, there are broad and well-known issues around AI hallucinations, and data protection which we would expect any individual working in the legal sector to be aware of, regardless of whether their role was regulated.
- But there are also concerns of which regulated Costs Lawyers are much more aware. These arise from the particularly complex regulatory environment facing many Costs Lawyers. Many Costs Lawyers are business owners with the general compliance issues that this role raises, but plenty of others work in SRA-regulated firms and must therefore also be conscious of the SRA Handbook. There are also quite a few Costs Lawyers who are dual qualified and who carry the obligations of their solicitor or Chartered Legal Executive title as well.

Most of our interviewees felt that more guidance from their regulators would be helpful to provide reassurance about what the ethical use of technology might look like and the issues of which their regulator would expect them to be conscious.

Although there was little evidence emerging from our survey of any direct consumer facing technology activity in the Costs sector, there were indications that there is potential for this area to grow in future (e.g. as a result of the increasing number of Litigants in Person and greater reported awareness amongst consumers of the issue of Costs, thanks to high profile cases where legal costs had been a particular issue). This potential will, however, only be realised, if there is a much higher level of comfort amongst regulated individuals of what their regulatory obligations might be when dealing with consumers via technology, and greater clarity about the risks of getting it wrong, both from the regulator's perspective and that of the client.



## Internal resistance to change

Around 40% of Costs Lawyers identified internal resistance to change as a barrier to the adoption of technology; a much higher proportion than amongst costs draftsmen (16% cited this as a barrier). This may be explained by the fact that most costs draftsmen responding to our survey were employees and less directly exposed to organisation level discussions about investment priorities.

There was also a stark distinction between the resistance to AI adoption felt by Costs Lawyers working in solicitors' firms (51% citing this as a barrier) compared to those working in costs law firms (33%). This is interesting when set alongside the finding that 82% of Costs Lawyers working in solicitors' firms expected new technologies to have at least a moderate impact on their work within the next five years, compared to only 56% of Costs Lawyers working in costs law firms. The gap between these perceptions suggests that those working in costs departments in solicitors' firms can more readily see the transformative potential of investment but equally feel that they face a more uphill battle in getting prioritised for investment.

Costs Lawyers working in Costs law firms are also more exposed to resistance to change elsewhere in the sector. The lack of consistency in use of case management systems by solicitors, lack of common and coherent definitions used in the industry to underpin data and lack of drive from the courts were all mentioned by our interviewees.

*"Lawyers as a whole... quite a lot of them are resistant to change. It's like, 'I've got this system, it works. It's been fine for 25 years. Why do I need to change?'"*

*Costs Lawyer in an SRA-regulated firm*

*"One of the issues we have is ... that there's no real drive from anybody else ...the courts didn't even want electronic bills. ...I think sometimes funding is an issue because you need two screens really to navigate an electronic bill. There's only one courtroom in the SCCO that had two screens when the electronic bill first came out and certainly the provincial courts didn't have the technology set up to make it easy for them.*

*So you can almost understand why some judges like things in paper still, but it's a matter of having the tools and the appetite, so it is probably a combination of both of them."*

*Costs Lawyer in Costs law firm*

Overall, these various barriers can be grouped into those which are largely driven by internal organisational considerations (time and resource constraints, lack of training, and resistance to change) and those driven by external factors such as the absence of costs sector specific technology products, regulatory concerns and slow-take up of technology by clients or other relevant stakeholders, such as the courts. This distinction is relevant as it will have a bearing on what can be done to overcome or mitigate the effect of such barriers.



## Emerging risks to the Costs sector from technology and Artificial Intelligence

As the legal sector increasingly adopts new technologies and integrates artificial intelligence (AI) into its operations, there is growing awareness of the potential risks that accompany these developments.

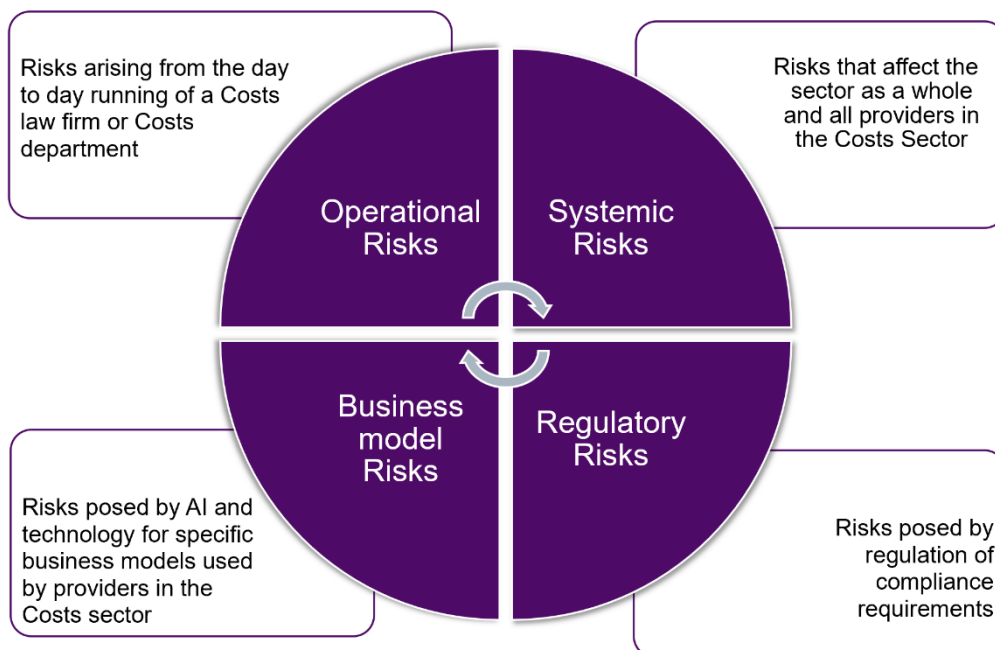
The costs sector is naturally vulnerable to most of the risks that the wider legal sector is facing, but also faces some specific risks of its own.

This section explores these risks, drawing on both the results of our survey but also on risks that have been identified elsewhere for the legal sector that will be relevant.

These risks are categorised into four types:

- Systemic risks,
- Business model risks,
- Operational risks and
- Regulatory risks.

**Figure 9: A technology risk model for the costs sector**



*Source: Survey on Technology and AI in the costs law profession*

Understanding and mitigating these risks will be crucial for Costs Lawyers but it will also be important for the CLSB to understand how it might help to support Costs Lawyers in their technology journey and ensure a stronger costs sector better equipped to address consumer needs in the medium term.



## Systemic risk

The systemic risk of technology is a factor that has been widely flagged to the legal sector for some time, although the apocalyptic picture painted for traditional law firms in Richard Susskind's 2008 book "The End of Lawyers", has more recently been replaced by a less threatening vision<sup>17</sup> in which lawyers are assisted by technology rather than replaced by it.

These two visions are also relevant to the costs sector. As already flagged in this report, there are fears in some quarters that the rapid development and adoption of AI-driven legal tools could lead to automation of many of the tasks traditionally performed by Costs Lawyers.

On the other hand, there was a common view expressed through the survey and interviews, that the level of complexity and bespoke nature of many costs cases would make AI applications challenging to use. Indeed, more than one interlocutor (see opposite) expressed the view that relying on AI might pose a bigger systemic risk to the costs profession than not using it at all.

*"AI will be seen as a quick fix to replace costs lawyers. Most firms who adopt it will have inadequate data sets for training meaning those who use AI in tandem with traditional skills will stand out from those who rely on AI alone."*

*Costs Lawyer in costs law firm*

*"I consider AI like all up-and-coming technologies may be useful in a range of areas of costs work. But at the end of the day, so much of what we do is so tailored and bespoke, it will be difficult for AI to grasp a lot of the nuance. For example, items of work/approaches we know judges/the court disapprove of, but have not been recorded anywhere or in any format that would allow AI to digest."*

*Costs Lawyer in costs law firm*

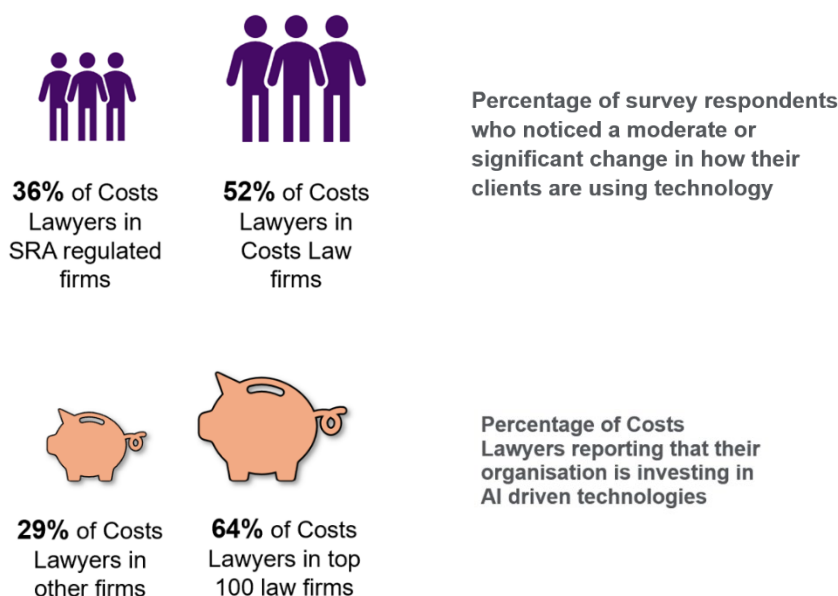
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<sup>17</sup> As set out in R Susskind, *Tomorrow's lawyers: An Introduction to Your Future* (2013) Oxford University Press, Oxford



## Business model risks

Business model risks are those risks that relate to the form of organisation through which Costs Lawyers are operating and the client base to which they are marketing their services. Our survey suggests that business model risks may impact unevenly within the costs sector.



There is a noticeable difference in the view that Costs Lawyers in costs law firms and those in SRA regulated firms have of how their clients are using technology.

Our interviews suggested that the main change that Costs Lawyers in costs law firms had noticed in their clients, was a move to the use of digital files and case management systems, away from paper time recording and information transfer. These changes seem to have been particularly noticeable only in the last five years, suggesting that a basis for using more AI may now be emerging. However, as noted previously, Costs Lawyers in costs law firms were sceptical of the immediate benefits likely to emerge from AI given that case management systems were being used in very different ways and there was no standardisation of data definitions across the sector. Client use of technology is a bigger risk for Costs Lawyers in Costs law firms compared to those in SRA regulated firms, as the former are less likely to be able to dictate what systems are to be used and how they should be used.

The survey also flagged another area of business risk, as 64% of Costs Lawyers in top 100 law firms reported that their organizations are investing in AI applications, compared to only 29% in other firms. This disparity highlights the risk that smaller firms may find themselves increasingly at risk of competition from AI-driven substitutes.

*“(AI is) ...likely to reduce number employed. Sole practitioners and small practices will not be able to afford to invest in the technology”*

*Costs Lawyer in costs law firm*



### Operational risk

The operational risks posed by AI and other technologies are the potential disruptions and challenges that they may create for current day-to-day business.

The greatest area of potential risk in this category comes from cyber and information security weaknesses. There are growing threats to all businesses of data breaches and hacking, and for those operating in the legal sector this is a particular concern for sensitive client information. Information and cyber security risks are increasingly flagged amongst the top technology concerns for the legal sector in general, but were surprisingly, not raised in our survey. Although costs law firms may to some extent be protected from the cybersecurity issues that have affected law firms because of their supplier role in the legal sector supply chain, this is a concern for the profession in future.

The risk that the technology available in the costs sector is lagging behind client expectations was flagged by at least one survey respondent. The assumption amongst firms/the courts appears to be that technology can instantaneously produce electronic bundles for costs assessment, whilst this is not the case. The risk for Costs Lawyers is that as this gap between perception and reality grows, billable time is lost as they attempt to cover up the shortcomings of the available technology.

*“Technology is useful but creates unintended consequences. An example is the need to produce full files of papers for assessment hearings in a way which assists the court and allows for speedy review. Case/document management systems are not built with assessments in mind, and it can take hundreds of hours to produce useful bundles, yet only a fraction of this time is either claimed (for fear of showing opponents how time consuming it is to support bills) or allowed by costs judges.”*

*Costs Lawyer in SRA regulated firm*

Another operational issue that was raised in our survey was the training for new Costs Lawyers. Although this was identified as a major risk, it was on the radar for Costs law firms in particular, who expressed concern that the increasing use of AI could reduce opportunities to

introduce new Costs Lawyers to entry level work. Although this is here classified as an operational risk, it is also a risk for the CLSB.

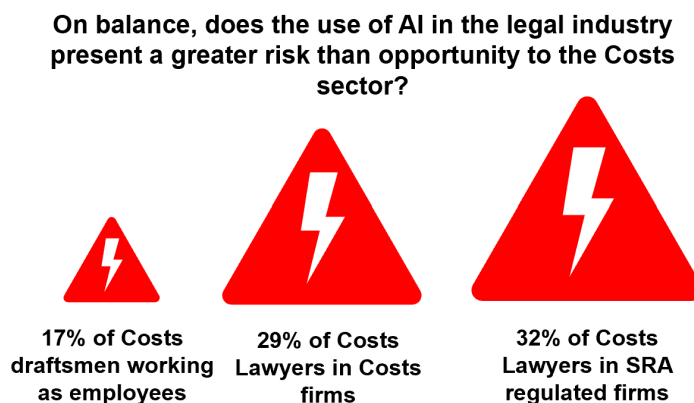


## Regulatory risks

Regulatory and compliance risks connected with the greater use of AI and other new technologies are often identified as a major concern for the legal sector. Common issues raised include: how AI applications arrive at their conclusions, the quality of training data used and risks of imported bias, the possibility of AI hallucinations in LLMs, and the risks to client confidentiality when using open-source AI software.

Our survey indicates that, unsurprisingly, the unregulated sector is less concerned about the perceived regulatory and compliance risks of AI in comparison to the regulated sector.

Around 40% of Costs Lawyers and 50% of costs draftsmen responding to the survey were still undecided as to the relative benefits, or otherwise, of AI on the costs sector. But where they did feel able to express a view, it would appear that the perception of risk correlates with the complexity of the regulatory framework that applies to individuals.



*Source: Survey on Technology and AI in the Costs law profession*

Costs Lawyers working in Costs law firms were significantly more concerned than costs draftsmen about the potential risks of AI, whilst Costs Lawyers working in SRA regulated firms were marginally more concerned than their counterparts in costs law firms.

This suggests that the sense of potential risk may be related, at least in part, to the existence of regulatory obligations. No specific regulatory obligations were identified as contributors to the perception of risk, either by survey respondents or in our interviews, which suggests that the issue is, rather, uncertainty about the ethical implications of using any AI technologies in practice. For those operating in organisations where there are different ethical codes at work, this uncertainty is increased by the concern of potentially conflicting obligations.

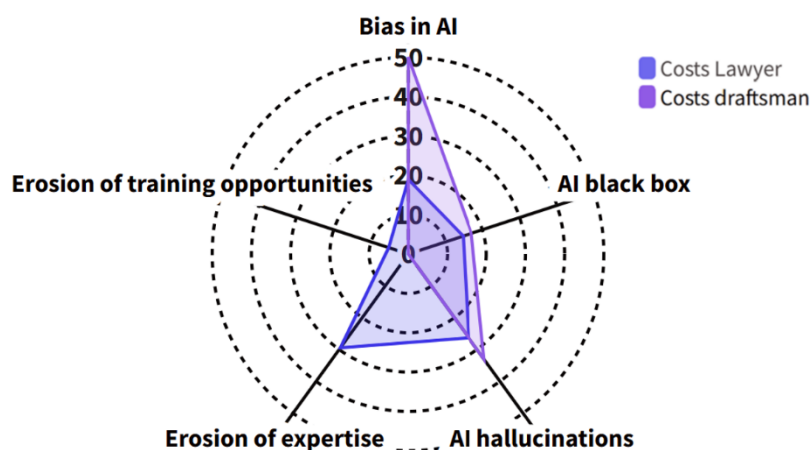
*“Any time saved in generating the documents is lost with the need to double-check the output for hallucinations and general inaccuracy.”*

*Costs Lawyer in SRA regulated firm*

### How do the views of Costs Lawyers differ from those of costs draftsmen?

There were also some interesting differences of view expressed by Costs Lawyers when compared to costs draftsmen about the nature of the risks that most concerned them.

**Figure 10: Percentage of survey respondents citing specific risks at their top concerns**



Source: Survey on Technology and AI in the costs law profession

As figure 10 shows, costs draftsmen identified fewer areas of concern with AI than Costs Lawyers and tended to cite those that are most commented on in publicly available articles. The potential for inbuilt bias in AI systems was overwhelmingly their main concern, followed by AI hallucinations.

Costs Lawyers responding to our survey shared the same general concerns as costs draftsmen but cited two additional concerns. These were the risk that the value of

costs expertise would be undermined by the greater use of AI technologies and that greater use of AI would reduce training opportunities for new Costs Lawyers.

### What role for the CLSB?

None of our survey respondents or interviewees identified any specific issues with the CLSB's regulatory approach or with the code of conduct, which might dissuade Costs Lawyers from taking up technology. But a few interlocutors with greater experience of technology did suggest that there was a positive role for the CLSB to play in preparing the sector for the greater use of technology. This role is explored in more detail in the later section on recommendations emerging from this study, but the most important role is to help Costs Lawyers understand in more detail the areas of technology use with which they need to take most care.

*"I think they (the CLSB) need to be involved because at the moment they're looking the conduct of an individual as a Costs Lawyer.*

*But this changes as soon as you start digitalising things. If you're a Costs Lawyer overseeing a costs claim, despite the fact it might be automated, at some point you might still have to go on the record ...so you have got a degree of responsibility... Then there are more risks of data protection incidents, there are more risks of data not being used correctly. There are more risks of potential mis-certification of a bill because you're relying on technology to do something for you that you've not actually seen for yourself".*

*Costs Lawyer in costs law firm*

Overall, Costs Lawyers are more likely to be optimistic than pessimistic about the expert role they play and the likelihood that AI is more likely to present opportunities than risks. However, responses to the survey and the interviews we conducted did suggest that there is a strong sense amongst Costs Lawyers that the value that they add is still not widely understood. Their concern is that this could lead some clients to make the mistake of thinking they could replace their Costs Lawyers with software. To some extent, this risk, and the risk of the erosion of entry level training opportunities for new Costs Lawyers, are already priced into the sector, as they are perceived to be more driven by the introduction of the fixed costs regime than by AI.

The CLSB could help to dispel some of the perceived risks of AI held by Costs Lawyers by clarifying its view, as a regulator, of how the use of AI technology could safely be used by Costs Lawyers. This view would ideally dovetail/complement that of the SRA, to ensure that those individuals who are in dual regulated environments do not have to contend with conflicting guidance.



## Conclusions

The legal services market is undergoing a period of significant transformation, driven by technological changes and evolving regulatory frameworks. This process is still at its early stages and the costs sector is perhaps less advanced along the adoption curve within the wider legal market, given the role that Costs Lawyers play within it. Nevertheless, this report has highlighted how Costs Lawyers, and the costs sector more broadly, are experiencing these changes so far, the challenges and opportunities that lie ahead, and what support they need to succeed in future.



### A case of cautious optimism?

The last decade, and even the last few years since COVID, have seen accelerating transformation which lays the groundwork for even more change in future. Costs Lawyers appear to be broadly positive and optimistic about the potential impact of technology on their work - perhaps because they have already adapted to the Cloud and to paperless practice. Software tools such as CostsMaster, Proclaim and other forms of costs and case management software are now ubiquitous, even if they are far from perfect. There certainly appears to be scope, based on the views of our interviewees, for AI to play a much bigger role in automating routine tasks, eliminating manual data entry, speeding up legal research and providing predictive insights. But these capabilities have not yet been fully developed for the costs market, so the greatest potential benefits remain tantalisingly out of reach.

But perhaps some Costs Lawyers are also more open to embracing technology because they recognise that the world of fixed costs is coming towards them at speed, and this compounds the argument for moving up the value chain.

Those who are anticipating a market in which the Costs Lawyer is more widely appreciated as a strategic expert in a highly complex and specialist niche area of law, rather than a post-litigation completer-finisher, are already beginning to use AI-driven tools to support their costs work. The AI embedded in Lexis Nexis, Westlaw and similar research tools will grow in use in the legal sector, so it is essential for Costs Lawyer wishing to move up the value curve that they keep pace with such developments.

*"We are cautiously positive about AI. It can significantly reduce the time spent on tedious tasks, allowing us to focus on applying our expertise to more complex issues"*

*Interview with Costs Lawyer in an SRA-regulated firm*



A subsidiary question for the wider legal sector, and perhaps something to be raised with the LSB, is the extent to which there is comfort in the oligopolistic position of such legal research suppliers, sufficient scrutiny of how their software is working for the legal sector and whether they are affordable for smaller organisations operating in the sector?

New technologies also enable the costs sector to offer more value to clients, through better resource allocation, enhanced billing practices and better engagement with clients at a far earlier stage than in the past. Indeed, a common theme among Costs Lawyers regardless of their environment for practice, was that they are being approached earlier and playing a more strategic role throughout cases, because of the greater awareness of costs issues created by costs budgeting.

*“Cost budgeting has ... allowed that interaction at a far earlier stage (between client and lawyer) .... a lot more are coming to me during case development to say, how is this going to impact me in the long run at the end of the case?”*

*Interview with Costs Lawyer in an SRA-regulated firm*

These developments have not yet had a particularly strong consumer impact, but there was some evidence from some of our interviews with Costs Lawyers that consumers were becoming more aware and more directly engaged with costs, than in the past.



## The case for more education and training

Training on technology issues was identified in our survey as a high priority for Costs Lawyers. But, at present, there is so much change in the world of costs law that it is a struggle for most practitioners to find the time to stay abreast of developing technologies on top of the other demands for continuous professional development. This is likely to remain the case until costs specific technology or clear costs sector uses have developed and it becomes essential to embrace AI tools to remain competitive. However, those who want to stand out and have the interest and capacity to engage with the latest technology developments will find that there is a growing opportunity to utilise no-code applications<sup>18</sup> or to engage with low-cost developers to support the development of bespoke costs related applications.

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<sup>18</sup> See glossary of terms – no-code applications are applications that can be used by anyone to undertake complex tasks without any computer coding knowledge (e.g. Apple was the first to introduce a visual, drag and drop approach to computing in the 1990s, compared to the Microsoft MS-DOS approach which required users to know which computer code prompts to input to undertake different tasks.

Encouraging the provision of training programmes, workshops and certifications in costs related legal technology will all help to encourage the market to keep moving in the right direction.



## Looking ahead

The future of the costs legal market is closely tied to its ability to embrace and leverage new technologies. By staying at the forefront of digital innovation, Costs Lawyers can unlock new opportunities, enhance their service offerings, and remain competitive in a rapidly changing legal environment.

The challenge of how to help the sector unlock these opportunities is significant. The costs market is small and fragmented with little buying power and, despite the broadly positive inclination of the costs sector in favour of technology, there are barriers to its adoption and dissemination. These include concerns over regulatory compliance, the cost of technology investment, and making the business case for technology investment in the costs sector.

Addressing these barriers will require a combined effort from regulators and professional bodies, the courts, and the profession. But if costs budgeting shows us one thing it is that the market can move if it is given direction. A similar effort may be needed to create an environment that supports technological innovation and adoption in costs. As the comment above, illustrates, there is still scope for some more creative design thinking in the world of costs which would help to create a better environment for the development of transformative software.

*"I still think that they could do a lot more with the process itself, you know, even without technology, because we have cost budgets that are in many ways are a bit of a light touch actually in, in terms of you have this much money to do all of this work. But we still insist on putting a detailed bill together at the end with everything in it, you know. And I think there could be more to be done around using budgeting a bit more in the whole process, to be honest."*

*In-house Costs Lawyer*

The CLSB has a pivotal role to play in guiding Costs Lawyers through this period of transition. By promoting technological proficiency, ensuring regulatory compliance, and supporting continuous professional development, the CLSB can help Costs Lawyers grasp the opportunities presented by this new technological era and to deliver more value both to their clients and to the legal sector in general.

## Recommendations for the CLSB

The guidance to legal regulators issued by the LSB in April 2024 suggests fifteen different actions that regulators could consider when addressing how they can encourage the take up of technology in their regulated communities. These recommendations are intended to meet the following three outcomes:

1. Regulation enables the use of technology and innovation to support improved access to legal services and to address unmet need.
2. Regulation balances the benefits and risks, and the opportunities and costs, of technology and innovation in the interests of the public and consumers.
3. Regulation actively fosters a regulatory environment that is open to technology providers and innovators.

The evidence gathered through our survey and interviews with Costs Lawyers, together with background information on how technology is influencing the legal market more generally, suggests that there are eight areas of activity which would help the CLSB to address the recommendations of the LSB, and support the take-up of technology by the costs sector. These are:

- i) **CPD** – Encouraging Costs Lawyers to become better informed about new technologies, through the tools available to the CLSB (e.g. competence statement, CPD requirements). It was clear from our survey that general knowledge levels in the profession about technology were low, so there is a low benchmark on which to build. The CLSB could consider, for example, making some technology related CPD a compulsory element, as some US and Canadian legal professions have chosen to do. This would, however, require the availability, or curation, of appropriate resources to support this; a task which ACL or ACLT could support?
- ii) **Guidance** – A popular request from Costs Lawyers responding to our survey was for more guidance from the CLSB on the ethical use of AI. Many of the concerns that might affect Costs Lawyers' use of AI are similar to those experienced by other types of lawyers and suggest that the CLSB should be able to use the guidance produced by others as a starting point for anything that it wishes to issue specifically for Costs Lawyers and the context in which they work. This guidance could also help to encourage Costs Lawyers to work with consumers by explaining how to manage the technology risks and opportunities arising from this type of work.
- iii) **Cyber security** – The actual level of knowledge and concern in the profession about cyber security may be higher than indicated by our survey, but it appears that Costs Lawyers do need to up their game in this

area. The CLSB could consider using the tools at its disposal – the Ethics Hub, risk outlook and other communications, as well as the annual renewal process to emphasise this area of risk to Costs Lawyers and explain how it might be mitigated.

- iv) ***Engagement with Costs Lawyers providing services to consumers*** – much of the LSB’s guidance focuses on the use of technology to assist consumers. As only a small fraction (around 10%) of an already small profession accepts direct instructions from consumers, Costs Lawyers are unlikely to move the market in any meaningful way. However, the CLSB could engage more closely with the group of Costs Lawyers who do take direct instructions, e.g. through periodic online “town hall” meetings, which would allow for open discussion on the topic of evolving technology to support consumer clients/litigants-in-person.
- v) ***Consumer facing guidance*** – Indications from some interviewees suggest that consumer awareness of costs has risen in recent years, following greater media coverage. The CLSB could work with consumer facing organisations, or others that might deal with litigants in person, to provide more detailed consumer facing guidance on costs and points for consumers to be cautious of when self-serving using technology.
- vi) ***Encourage developers to look at the Costs sector*** - An important barrier for Costs Lawyers in adopting technology is the availability of appropriate tools. The CLSB, in collaboration with ACL, could raise awareness of the gaps in the market by bringing together interested Costs Lawyers and individual developers to explore what might be possible, e.g. through a form of “hackathon”. There are a growing number of individual developers in the market with AI capability who may well be willing to work on low-cost projects to help costs law firms find solutions to their individual issues (e.g. to reduce manual inputs). The level of awareness of what is needed and what is possible on both sides is low, and there is therefore perhaps scope to raise the familiarity of both Costs Lawyers and developers in the possibilities in the sector through an online or in-person event.
- vii) ***Engage with the courts*** – Our survey and interviews produced some interesting feedback from Costs Lawyers on the impact (or lack of it) from the digitisation of the courts. This experience could be shared with the judiciary and HMCTS leadership to assist them in understanding how the processes of budgeting and e-billing could be further improved.
- viii) ***Additional website content*** – The CLSB’s website has become an extremely useful tool and contains some helpful content that could be used by consumers. There is scope for further development of this consumer facing content with additional, simple FAQs or explanations

(e.g. on how the system of costs recovery works or questions to ask about costs aspects when engaging with providers). The CLSB could also undertake SEO activity to ensure that its information is easy to find.

These recommendations are laid out in the following annex along with other lower priority activities that the CLSB could undertake in relation to the LSB's recommendations.

Despite the small size of the Costs Lawyers' profession, there are many useful things that the CLSB could do. We do recognise, however, that the CLSB has limited resources so where the above recommendations are likely to require additional resources, external funding could be sought to support its engagement in a consumer facing package of activity.

Nonetheless, even if the CLSB simply concentrates on the tools that it has most readily at its disposal, it will certainly be able to help the Costs Lawyers profession move along the AI/technology adoption curve.

Hook Tangaza

August 2024

## Annex: LSB Recommendations – Areas for CLSB Action

<b><i>Outcome 1: Regulation enables the use of technology and innovation to support improved access to legal services and to address unmet need.</i></b>		
<b>LSB Recommendation</b>	<b>Possible Action for CLSB</b>	<b>Priority</b>
a. Consult with the public to better understand their needs and obtain and act on feedback related to using technology and innovation to access legal services.	The CLSB has a survey for consumers available on its website. A more visible embedded survey (e.g. using SurveyMonkey) could be placed on the website's home page to gather views from consumers about how they would want to get introductory information about costs from e.g. chatbots or other online sources	Low
b. Promote the use of technological solutions to share information with consumers about price, quality, and routes for redress - including ensuring that consumers are aware of the redress mechanisms for legal services provided by technological solutions or service innovations.	The CLSB might also seek to obtain funding (e.g. from a future RPF or equivalent source e.g. Legal Education Foundation) for a project to develop a tool to assist litigants in person with some initial navigation based on their issues, about costs and costs risks. This would be intended to build further on the good work done with Legal Choices and add a further layer of specificity around costs issues.	Low
c. Provide information to the public to explain the benefits of using technology and innovation to access legal services in order to build and enhance public trust.	The CLSB has expanded its website to include a section of FAQs for consumers and a filter on the register which allows individuals to select only those Costs Lawyers who represent/advise individuals directly. A further evolution of the register could include embedded links to the websites of the organisations in which these individuals work. Further simple guidance on costs (e.g. fixed costs, when they apply and when they do not, avoiding nasty surprises etc) would help to build confidence and awareness amongst consumers.	Low
d. Understand the needs of different consumer groups/segments and the barriers they may face in accessing legal services provided by technology and innovation, and how these barriers can be addressed.	There is scope to look in more depth at litigants-in-person as a specific segment of the costs market, given they are likely to be most exposed to barriers in using technology to meet their legal needs. Guidance for this group might be produced jointly by the CLSB and other frontline advice providers on the costs aspects of litigation.	Low

<b>Outcome 2: Regulation balances the benefits and risks, and the opportunities and costs, of technology and innovation in the interests of the public and consumers.</b>		
<b>LSB Recommendation</b>	<b>Possible Action for CLSB</b>	<b>Priority</b>
a. Grow knowledge of technology and innovation and the potential benefits and risks to consumers related to their use in the provision of legal services.	The consumer market for costs work remains very small (only 10% of Costs Lawyers accept direct approaches from the public). The CLSB should keep this area under review, engaging directly with those Costs Lawyers who provide consumer services (see 2d below). There might be scope for the CLSB to engage directly with developers to encourage them to understand the challenges that Costs Lawyers face and which AI might help to address. This could be done by way of some kind of costs “hackathon” (see glossary).	Medium
b. Consider the risks to consumers related to the use of technology and innovation in the provision of legal services will be assessed, monitored, and mitigated,	We recommend noting that the consumer risk in relation to technology and innovation for costs is still relatively low. However, this risk may increase if Costs law firms see more direct approaches regarding Solicitor and Barrister costs, or if consumers start using Costs Lawyers to plan their litigation from an earlier stage. (Medium) The CLSB should keep the growth of consumer activity by the Costs Lawyer profession under review and consider, for example, providing more specific guidance to Costs Lawyers engaged with such clients about potential ethical risks (e.g. if developing/using costs chatbots, when using client portals, cyber/information security etc). (High)	Medium/ High
c. Use ongoing competence requirements to encourage legal professionals to stay abreast of developments in technology and other innovations in the sector and how they might be used to improve access to services.	This is one of the areas in which the CLSB can have most impact on the technological take up of the Costs Lawyer profession. The CLSB should use both its competence requirements and ongoing CPD requirements to incorporate technological knowledge and capability elements.	High
d. Monitor the impact of the use of technology and innovation on consumers and their ability to access legal services, including assessing consumer complaints to identify and track complaints related to the use of technology or innovation in the provision of legal services.	The evidence that emerged from the AI and Technology survey of direct consumer engagement with Costs Lawyers suggests that although this is a small part of costs activity, it is growing. The CLSB could seek to engage more directly with the Costs Lawyers who have indicated that they offer services directly to consumer clients, to establish how this segment of activity is changing year on year and what this might suggest for further policy evolution.	High
e. Be open to experimentation when considering new technology and innovative solutions that can provide services for the benefit of consumers.	As the CLSB does not regulate entities this may be of less immediate relevance, however the CLSB could still signal on its website that it is always interested in hearing from technology providers who have applications or the potential to develop applications that could	Medium

	improve the productivity of the costs sector. The survey suggested that there is a gap in the market for an appropriate, updated costs software. Even if this were not of immediate direct benefit to consumers, it could help to reduce with the management and reduction of legal costs in general. (see related point at 2a above)	
f. Be aware of, and use, where relevant, wider available guidance relating to current and emerging risks related to the use of technology, for example: on cyber threats and data protection regulations, as well as the use of artificial intelligence.	The apparent low level of awareness in the profession of cyber threats is an area that the CLSB could immediately address through its risk outlook and ongoing competence requirements. Although cyber risk has been flagged in previous risk outlooks, this could be given greater prominence and included as a separate topic in the ethics hub. The CLSB might also consider whether it can do anything to encourage the entities in which Costs Lawyers work to obtain the Cyber Essentials mark.	High



<b>Outcome 3: Regulation actively fosters a regulatory environment that is open to technology providers and innovators.</b>		
<b>LSB Recommendation to regulators</b>	<b>Possible Action for CLSB</b>	<b>Priority</b>
a. Collaborate and co-operate with relevant stakeholders, including, but not limited to, technology providers, innovators, other regulators, legal professionals, unregulated providers, and consumer representative organisations.	This is an area where the CLSB could potentially play a useful role in helping to raise awareness amongst developers of the Costs sector, the data that is potentially available within it and the opportunities for providers to undertake small-scale projects. This might best be organised jointly with other regulators who are seeking to encourage low cost, small-scale projects to help the take up of technology amongst smaller legal services providers. The CLSB should take steps to engage with the courts, encouraging the judiciary to gain a better understanding of how Costs Lawyers can support the adoption of e-bills and similar developments.	Medium
b. Provide those exploring innovative approaches to legal services delivery with support and information that helps identify and address both real and perceived barriers to entry.	This is less directly applicable to the CLSB as it does not regulate entities, nor does it prevent Costs Lawyers from working in any type of organisation. There might be something that could be done, however, to increase awareness amongst tech providers and developers of opportunities in the costs sector (see above e.g. in relation to engagement and outreach to include the sector and developers).	Medium
c. Review regulatory arrangements to identify potential barriers and working to address these where possible.	Costs Lawyers were unable to identify any existing regulatory barriers that prevented them from adopting technology, other than a lack of confidence. But the CLSB could, nonetheless, assist through education (working with ACLT and ACL) and by issuing more ethical guidance that builds on and dovetails with any SRA guidance.	High
d. Provide technology providers and innovators with access to relevant data where appropriate.	The CLSB already provides most of the relevant data it can via its register.	Not relevant
e. Learning from best practice in other jurisdictions and sectors related to the promotion and use of technology and innovation for the benefit of consumers and the public.	Costs lawyers do not have many direct comparisons in other jurisdictions. There are sources that may be useful for the CLSB to draw on (e.g. International Conference of Legal Regulators) to stay abreast of what more mainstream legal regulators are doing in relation to technology and innovation.	Low

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## Annex: Survey and Interview Questions

Why complete this questionnaire?

Dear costs specialist,

Thank you for opening the link to this questionnaire!

We at consultancy firm Hook Tangaza have been commissioned by the Costs Lawyer Standards Board (CLSB), to gather information from the costs profession about attitudes and usage of technology by the costs profession. The results of this exercise will help to shape the CLSB's approach to this topic going forward.

We are contacting you because you appear on the CLSB's register or because you have connected with us previously through LinkedIn or other channel on costs related matters. The answers you give to this questionnaire will only be shared with the CLSB in an aggregated form and are anonymous unless you choose to share your contact details with us. The questions should take only around 5 minutes to complete but the results will be extremely useful in shaping future policy.

Please feel free to pass this questionnaire on to other colleagues. It will remain open for responses until 6pm on Monday 10th June.

Please feel free to contact us if you have any queries or concerns at [mail@hooktangaza.com](mailto:mail@hooktangaza.com)

## About you

**Responses to these questions will help us to contextualise your answers to later questions.**

**\* 1. What is your professional role?**

- ☐ Costs Lawyer
- ☐ Costs Draftsman
- ☐ Trainee Costs Lawyer
- ☐ Other (please specify)

**2. What type of organisation do you work in?**

- ☐ Costs Law firm
- ☐ SRA-regulated firm
- ☐ In-house (eg; a bank, corporate or government department)
- ☐ Sole practice
- ☐ Other (please specify)

**\* 3. What is your role within your organisation?**

- ☐ Costs firm owner or partner
- ☐ Team or department head
- ☐ Employee
- ☐ Consultant
- ☐ Sole Practitioner
- ☐ Other (please specify)

#### For Costs firms

\* 4. What is your organisation's main costs related activity?

- ☐ High value complex B2B litigation costs practice
- ☐ High value B2B insurance litigation
- ☐ High volume B2C insurance litigation
- ☐ Legal Aid
- ☐ General costs work
- ☐ Solicitor costs
- ☐ Other costs related activity: Pricing, project management, training etc
- ☐ Other (please specify)

#### For SRA-regulated firms

\* 5. Which of the following best describes your organisation?

- ☐ Top 100 law firm/City law firm
- ☐ Large regional law firm
- ☐ High street/general practice solicitors' firm
- ☐ Specialist/boutique law firm
- ☐ In-house legal department in company/private sector organisation
- ☐ In-house legal department in public sector/local government
- ☐ Other (please specify)

### Your knowledge and awareness of technology

**This section assesses your familiarity with current technological trends and AI developments, particularly in how they influence costs and efficiency in the legal market.**

\* 6. How confident do you feel about your understanding of how the following emerging technologies can be used by the legal sector?

	Not at all confident	Slightly confident	Confident	Very confident
Generative AI (i.e. extrapolation - generation of new content from previous examples)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Predictive AI (i.e. data driven extrapolation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Smart contracts/ blockchain /DLT	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Data analytics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

\* 7. How much difference do you think that new technologies, and AI in particular, will play in your work within the next 5 years?

- ☐ **Insignificant** - I expect technologies like AI to play an insignificant role in my work over the next five years.
- ☐ **Minor** - I expect technologies like AI to affect others I deal with (colleagues and clients) but I think it will only have a marginal direct impact on my work.
- ☐ **Moderate** - I expect technologies like AI will become integrated into my existing work and I expect to use it to improve my overall efficiency and effectiveness.
- ☐ **Significant** - I expect technologies like AI to transform my role significantly.



### Your current use of technology and impact of AI on your work

**This section explores how you integrate technology and AI in your daily tasks, and their effects on productivity and overall job performance.**

**\* 8. What types of software and technologies do you currently use in your work? Select any which are applicable.**

- ☐ Microsoft Office (Word, Excel, Outlook, etc)
- ☐ Google Workspace (Docs, Sheets, Gmail, etc)
- ☐ Case management softwares (Clio, MyCase, etc)
- ☐ Accounting tools (QuickBooks, Xero, etc)
- ☐ Video conferencing tools (Zoom, Microsoft Teams, etc)
- ☐ Legal research tools (Lexis Nexis, Westlaw, etc)
- ☐ Bespoke AI tools
- ☐ Other (please specify)

**\* 9. Do you use specialist costs software in your work? If so, which?**

- ☐ CostsMaster
- ☐ Proclaim
- ☐ TimeSolv
- ☐ CLIO Manage
- ☐ Legal Costing Solutions
- ☐ In-house proprietary software
- ☐ Not applicable
- ☐ Other (please specify)

\* 10. Have you ever used a generative or predictive AI platform for your costs or related legal work? Select any that are applicable.

- ☐ ChatGPT, Bard (Large Language Models or LLMs)
- ☐ TimeSolv (AI-assisted billing based on time entries and case details)
- ☐ Zola Suite (AI-assisted billing reports and legal accounting)
- ☐ LawGeex (AI-powered contract review platform)
- ☐ Litify (Managing case costs and predictive billing)
- ☐ Premonition (Predictive case outcomes and insights)
- ☐ Clio (Billing trends and insights into spending patterns)
- ☐ ROSS intelligence (AI research assistant for case law summaries)
- ☐ Lexis Nexis and WestLaw (AI-powered case law search engine)
- ☐ None
- ☐ Other (please specify)

\* 11. Is your organisation investing in AI applications?

- ☐ Yes
- ☐ No
- ☐ Don't know

If yes, is this investment likely to impact on costs work? Comment here.

\* 12. Has digitization of the courts so far impacted your work as a Costs lawyer?

- ☐ **Not at all** - It has had no impact on my work as a Costs Lawyer yet.
- ☐ **Slightly** - I have noticed a slight impact in my work, but it has not significantly changed how I perform my duties as a Costs Lawyer.
- ☐ **Moderately** - It has moderately impacted my work including through software applications or tools that I now use regularly.
- ☐ **Significantly** - It has significantly impacted my work changing the way I used to do regular tasks. It has made information in the legal sphere much more accessible.

Any specific impact? (Please write here)

\* 13. Have you noticed any change in the way in which your clients are using technology, either in their dealings with you or in some other way that affects your work with them?

- ☐ **No, not at all** - there has been no noticeable change in how clients use technology.
- ☐ **Slight change** - Yes, but only very slightly and slowly so far.
- ☐ **Moderate change** - Yes, there is a noticeable, gradual shift towards the greater use of technology by clients.
- ☐ **Significant change** - Yes, there is a significant change in the way clients are using technology.
- ☐ **Not applicable to my work**

If yes, please give details here.

Your views on the future impact of technology on your work

**This section seeks your perspectives on how emerging technologies and AI advancements might shape your job, industry practices, and overall career landscape in the coming years.**

\* 14. On balance, do you think that the greater use of AI in the legal industry presents an opportunity or risk to Costs Lawyers?

- ☐ Opportunity
- ☐ Risk
- ☐ Don't know/undecided

Can you explain why you chose this answer?

### Risks and opportunities

\* 15. Which of the following opportunities do you think AI might present to Costs Lawyers/the Costs market? (Please rank in order of importance, 1=most important, 5=least important)

- Faster document preparation
- Assistive technology for costs budgeting
- Assistive technology for legal research
- Assistive technology for litigation strategy (e.g. through outcome simulation)
- Other (Please give details in text box below)

16. If you selected "Other" in response to the previous question, please give details here.

\* 17. Which of the following risks concern you most? (Please rank from most significant risk to lowest risk where 1=most significant risk, 6=lowest risk)

- AI hallucinations
- Ethical concerns over AI inbuilt biases
- Lack of transparency in how AI produces results
- Erosion of value to clients of expert judgment
- Erosion of training opportunities
- Other (please add details in comment box)

18. If you selected "Other" in response to the previous question, please give further details here

\* 19. Do you think that there are other technological changes/advances that might impact your work in future? (eg; insurance payouts based on smart contracts etc).

- ☐ Yes  
☐ No

If yes, which?

#### Barriers to greater adoption of technology

**This section examines the challenges and obstacles you perceive in implementing new technologies and AI in your work, including factors such as cost, training, and resistance to change.**

20. Are you planning to, or would you like to increase the use of technology in your costs work in future?

- ☐ Yes
- ☐ No
- ☐ Don't know/haven't decided

Please add any other comments you think might be useful

21. What barriers, if any, do you face in adopting technologies such as AI? Select any relevant.

- ☐ Knowledge of different technologies, such as AI and understanding of their potential applications
- ☐ Time to develop/consider a business case
- ☐ Cost of investing in technology
- ☐ Integration of new technologies such as AI into legacy systems
- ☐ Training/retraining costs
- ☐ Internal resistance to change
- ☐ Concern over regulatory or compliance implications
- ☐ I don't face any barriers
- ☐ Other (please specify)

#### Regulatory concerns

\* 22. Can you give more details of your regulatory or compliance concerns? (e.g. are these related to compliance with the CLSB's rules or the code of conduct? Or are they related to data protection? SRA rules? etc)

What might help you to increase your use of technology?

**This section explores the factors and resources that could encourage and support you in adopting and integrating AI and other new technologies into your work, such as training, funding, or organizational support.**

\* 23. What would help you/your firm to increase your use of technology in your costs work?

- ☐ More training/education on new technologies and their implications
- ☐ Improved AI driven software designed specifically for the costs sector
- ☐ More consultation by the courts/public sector prior to adoption of new systems that external parties need to interact with
- ☐ Support with accessing lower cost or grant funding to support technology adoption
- ☐ Other (please specify)

\* 24. Is there anything else that you would like to add that would help the CLSB understand how Costs Lawyers are using technology?

Would you be willing to give your views in a more in-depth interview? If so please give us your contact details below.

25. Contact Details

Email address



## About the interview:

This is being conducted as a semi-structured interview (i.e. We are asking all interviewees questions that may not be identical, but which have the same underlying information that they are trying to elicit).

Our guiding objective is to understand and delve more deeply into the experience of being a Costs Lawyer in the United Kingdom today with the overall purpose of gathering information to help us provide the CLSB with a better understanding of how technology is affecting the Costs market and whether there is anything that they can or should do in response.

Interview will be recorded for internal purposes: From this we can generate a transcript which will make it easier to aggregate views from the various interviewees we will be talking to. The video will be destroyed immediately when we have the transcript, and the transcript will be anonymized. We will not share the video, transcript, etc. We will not share the video, transcript etc. With anyone outside HT, nor attribute your views to you personally nor to your firm. Any direct quotes used in the final report will be cited as e.g. "Costs lawyer/draftsman/specialist/trainee" without any mention of your name nor your firm. Any direct quotes used in the final report will be cited similarly and double checked to make sure that your identity cannot be inferred in some way.

The interview will take about 45 minutes, and we will deal with questions covering 4 themes: ***impact of technology, barriers to technology adoption, training and education needs and the future of technology in the Costs market.***

The questions will be open-ended answers, and the interview will be conducted as a conversation, but I may need to move us to the next topic so we can cover everything. I will give you time at the end to add any further comments that you want to feed in on things we haven't covered but you feel we should have.

## Question sets (not all questions will be asked to all interviewees)

**Icebreakers: About you/About your firm:** basic info at start (age, location, how long practicing, firm size & type etc.)

- How long have you been a Costs Lawyer/Costs draftsman/ Trainee Costs Lawyer/ other?
- How did you get into it? - Was it a conscious decision to practice Costs law or did it just happen?
- What motivates you to keep doing it?
- What types of cases do you usually deal with?

- How has the landscape of Costs law changed since you started practicing?

### **Question Block 1: Impact of Technology**

**(To understand how technology is perceived by Costs Lawyers and its potential impacts on the Costs legal market)**

1. How significant is technology to your work? Does it impact your day-to-day work life and process?
2. What changes do you see in the way your clients are now using technology? Does their limited or ample knowledge of technology influence your way of dealing with them?
3. Why do you use (their chosen cost software)? Did you have to decide between (their chosen cost software) and other similar softwares?
4. How has using (their chosen cost software) impacted your work?
5. Example of a case where technology influenced the way it was dealt with (process) or the outcome of the case (eg; first time using A.I assisted research to meet a deadline, etc)
6. How do you stay updated on emerging technologies in the Costs law sector?

### **Question Block 2: Training and Education Needs**

1. You picked (webinars, in-person workshops, etc) as your educational resource of choice to help become adept to technology. Why do you feel this is the best way to train Costs lawyers on using technology?
2. How important is the cost of adopting new technologies to your workflow?
3. What do you think will make a Costs software or emerging technology accessible to you?
4. Can you recall a time or an experience where training improved the way you use technology? (eg; advanced features of Excel, SharePoint, etc)
5. Do you think it is possible to balance the time spent on learning new technologies with your responsibilities as Costs lawyer/draftsman/specialist?
6. What areas do you think you will require tech training in as a Costs lawyer?

### **Question Block 3: Barriers to technology adoption**



1. (Based on their answer to what barriers they face in adopting technology)  
Why do you think \_\_\_\_\_ is a relevant barrier when it comes to adopting technology for Costs lawyers?
2. Do you think regulatory restrictions play a role in your concerns towards technology adoption?
3. Why do you believe (their chosen order of importance eg; faster document preparation, assistive technology for legal research, etc) is more significant than their least ranked option?  
***Based on which of the following opportunities do you think AI might present to Costs Lawyers/the Costs market? (Please rank in order of importance, 1=most important, 5=least important)***
4. Can you recall or describe a situation where a barrier to adopting a new technology at your workplace affected your work?
5. Do you think A.I and A.I powered softwares are more challenging to adopt? If yes, why?
6. Do you perceive a generational difference in the way technology is adopted in the Costs legal sector?

#### **Question Block 4: Future of technology in the Costs market**

1. Are you planning to increase the use of technology in the future?
2. (Depending on their survey option) Why do you feel A.I is a risk/opportunity to the Costs legal market?
3. How do you see the role of a Costs lawyer changing with growing advancements in technology?
4. Will you personally take steps to future-proof your employment skills with technology training?
5. Do you believe there are ethical considerations to adopting increased technology in the Costs legal sector?
6. How would you assess future data privacy and security challenges when it comes to adopting new technologies?
7. What is something you would tell a new Costs lawyer or trainee starting their career in this new technological legal landscape?