



State of the UK Legal Market 2025

Broad uncertainty shifts focus to
value, efficiency, productivity

Executive summary

The UK legal market is undergoing a fundamental shift driven by macroeconomic uncertainty and rapid advances in technology. In response to these twin pressures, corporate legal departments are turning their focus toward value and efficiency, pricing and billing innovation, and alternative resourcing models. Law firms must be ready to anticipate and adapt to their clients' changing needs.

This report explores the dominant forces shaping the industry in 2025 and dives into their implications for law firms operating in the UK market.

Key findings:



- **Productivity and value are top priorities:** GCs¹ are increasingly focused on driving efficiency while positioning themselves as strategic partners to the C-suite. As a result, law firms must deliver more than technical advice — they must begin to focus on offering solutions and support that deliver meaningful value to the client rather than on billable hour inputs.



- **Clients seek pricing transparency and flexible structures:** Clients are under ever-increasing budgetary pressures, putting a premium on cost certainty. Value-based pricing and alternative fee arrangements are gaining traction, especially in the UK.



- **AI and technology are reshaping resourcing strategies:** Corporate legal teams are optimistic about AI's potential to simplify and streamline processes, prompting them to reassess how — and when — they allocate work to external partners. Law firms and alternative legal service providers (ALSPs) that embrace AI stand to gain a larger share of wallet for cost-conscious clients.

Long-term growth will hinge on law firms' ability to evolve alongside their clients. Firms that are willing to adapt their approach by embracing flexible pricing, technology adoption, and client-aligned service-model innovation will be better positioned to capture the opportunities emerging in the UK legal market.

Methodology

Research for this report was compiled from a variety of primary research projects conducted by the Thomson Reuters Institute throughout 2024. Research consisted of telephone interviews with 287 UK-based corporate general counsel as well as online surveys of 94 corporate legal professionals and 77 law firm lawyers, also in the UK.

¹ For this report, general counsel or GC is intended to be inclusive of such roles such as chief legal officers or any other senior leader of a corporate legal function.

Delivering value to clients

Across the UK, corporate legal teams are re-evaluating their priorities — including how law firms fit into the picture. Amid slow economic growth and heightened price consciousness, many GCs are under pressure to stretch their resources further by controlling costs. For many clients, this may mean relying less on outside counsel. AI is accelerating this shift by offering new ways to boost productivity and drive efficiency. The convergence of economic and technological currents is forcing corporate legal departments to reassess not only where they spend their limited budgets, but also how they measure the value they get in return.²

For law firms, this represents both a challenge and a strategic opportunity. Confronted with shifting client priorities and expectations, law firms will need to adapt their business models, embrace technology, and show clients they are not just another line item on the balance sheet — but a true strategic partner that can deliver value to the business.

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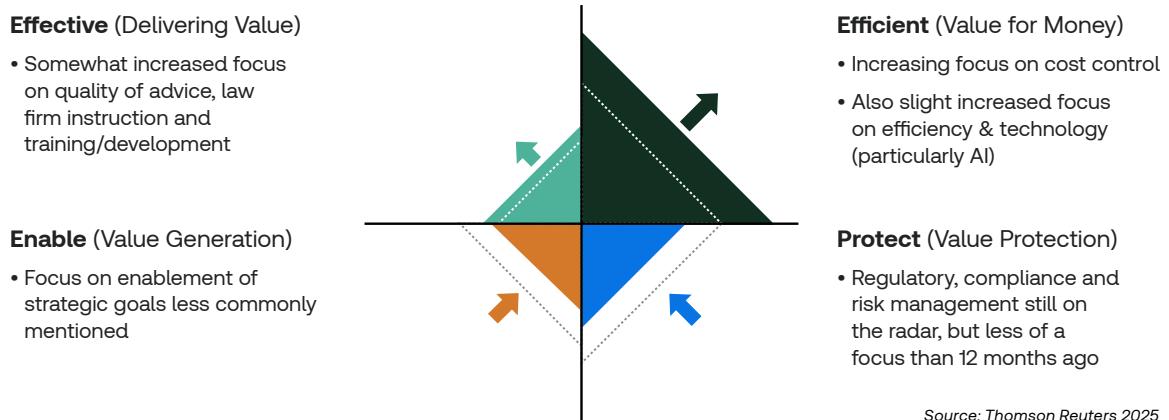
“Our job is to provide cost effective, valuable legal advice to our function teams in the next 12 months. The priority would be to find an efficient way of doing this.”

— In-house counsel, technology industry

Efficiency and the changing mindset around productivity

Efficiency and effectiveness are top of mind for UK legal departments, as GCs turn their attention toward cost control, technology adoption and building internal capabilities. With more scrutiny on the budget, many are reassessing the extent of their reliance on outside counsel and are no longer willing to pay premium fees for work that can be automated, streamlined, or performed in-house or by ALSPs. Similarly, there is a strong emphasis on leveraging technology and AI to streamline and simplify legal processes.

FIGURE 1:
The balance of GCs focus areas



Source: Thomson Reuters 2025

² 2025 State of the Corporate Law Department Report, available at <https://www.thomsonreuters.com/en-us/posts/corporates/state-of-the-corporate-law-department-2025/>.

The shift toward efficiency suggests that legal departments are concentrating on areas where they can deliver immediate financial and operational impact, while continuing to uphold their long-term strategic and regulatory responsibilities.

What would you say are the current strategic priorities for your organisation's legal department?

"We need to make sure we are aligned to the business and positively impact bottom line."

— Assistant/deputy GC, technology/media/telecommunications

"Do more with less."

— Chief counsel, business services

"Keeping an eye on external spend and ensuring that we are getting good value for money."

— Assistant/deputy GC, real estate

"Manage in difficult financial times, which means reducing costs."

— Chief legal role, manufacturing

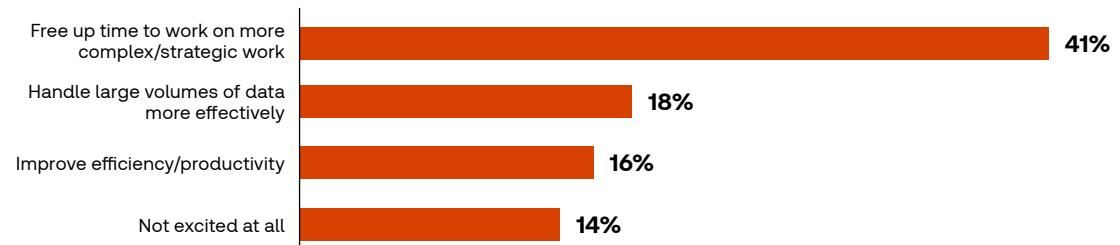
The AI advantage

With legal budgets under pressure, technological advancements, particularly in AI, promise to help corporate legal teams fulfil their mandate to do more with less.³ Firms that move quickly to harness AI will not only meet client expectations around speed, cost and value, but also stand to differentiate themselves from the competition.

The potential of AI to streamline legal processes could provide huge relief to in-house legal teams. Despite working an average of 49 hours a week, 7 in 10 in-house lawyers report not having enough time to achieve their goals. AI presents a potential solution, and many corporate teams are optimistic. They see technology as a way to free up time for complex legal work (41%), better manage large volumes of data (18%), and improve overall efficiency (16%).

FIGURE 2:
What excites GCs about AI's potential

Potential benefits of AI-powered tech that corporate legal are most excited about



Source: Thomson Reuters 2025

³ For more on how AI is reshaping the legal industry, see *The Future of the Law Firm*, available at <https://legal.thomsonreuters.com/en/insights/white-papers/future-of-law-firm-amid-ai-increasing-influence>.

Moreover, UK legal teams emphasize technology more than their global counterparts. GCs in the UK are almost twice as likely as their peers to mention technology and automation as strategic priorities — one in four UK GCs mentioned tech and automation compared to just 14% of GCs globally.

“My business is using AI extensively, but I don’t believe that law firms will deploy that in a way that’s particularly effective.”

— Chief legal role, technology/media/telecommunications

“Understanding how to use and facilitate AI for our legal department.”

— Chief legal role, business services

“Increase use of technology, specifically contract review systems and AI, to drive efficiency.”

— Chief legal role, transport/logistics/distribution

“More efficient use of technology to collaborate and tools such as AI to simplify basic tasks.”

— Chief legal role, financial services

However, optimism from corporate legal departments that AI technologies will help expand their internal capacity could hinder potential gains for law firms, particularly those that are slower to move toward increased efficiencies themselves. Firms that proactively integrate technology to optimise service delivery are more likely to secure a competitive advantage in this evolving market.

Despite increasingly clear signals from their clients, two-thirds of law firms say they will adopt AI only after they see evidence of successful implementation elsewhere or that they are waiting until technologies reach mainstream adoption with proven results. Less than 10% aim to lead the way in identifying new opportunities to use AI-powered technology.

Despite this cautious approach, many law firms are beginning to question the pace of adoption. Thirty percent of law firms believe their AI implementation is moving too slowly, and many fear that delaying adoption will put them at a strategic disadvantage. Their top concerns include loss of competitive advantage (41%), efficiency implications (31%), loss of clients and market share (23%) and quality concerns (10%).⁴

The TR Institute’s View:

The increased focus that GCs are placing on efficiency brings with it a shift in another key mindset: the primacy they place on billable hours and billing rates. While many GCs still rely on the tried and tested measure of billable hours as a way to value work, many others are redefining their view of value in light of their sharpened focus on efficiency. As a result, they are much more focused on the value received for the money they spend. In other words, they are looking at outputs much more than inputs.

continued

4 For more on the strategic application of GenAI in professional services, see 2025 Generative AI in Professional Services Report, available at <https://www.thomsonreuters.com/en-us/posts/technology/genai-professional-services-report-2025>.

With this new mindset, it will be far more likely for GCs to ponder why a particular outcome costs so much as opposed to why it took so long. For many law firms, that may seem like a distinction without a difference. For GCs, the difference is becoming increasingly clear. For law firms, this will likely translate to a much higher premium being placed on client outcomes as well. The good news is this creates incentives to capitalize on new technology advances that enable greater efficiency. The bad news is not all firms will move willingly in this new direction and the results for those that resist may be financially harmful.

Law firms that proactively adopt and embed AI into their services will be better positioned to meet clients' expectations, particularly around speed, cost and value. Conversely, bystanders who take a "wait and see" approach will lose ground in the race to deliver efficient, tech-enabled legal support.

Advice that goes beyond technical competence

Today's corporate clients say they want tailored guidance that is grounded in industry expertise and aligned with their company's broader strategic goals. Solid technical advice is no longer enough. As corporate clients push for greater efficiency, they are also raising expectations around the quality of advice they receive. In an environment where technology is handling more routine tasks, law firms can elevate their value proposition by offering high-quality, business-aligned advice.

Corporate legal teams are increasingly focused on positioning themselves as trusted strategic advisors to their C-suite, and many are looking to law firms to help support this evolution. GCs report that they appreciate law firms that are proactive, communicative and responsive, even during holidays. At the same time, corporate legal teams place more trust in firms with strong reputations and deep industry knowledge that can help them drive strategic discussions with their organisation's leaders. Publishing thought leadership content and providing training sessions and informational resources reinforce a law firm's expertise while offering value that extends beyond individual matters or engagements.

Finally, GCs emphasise the importance of simplifying complex legal advice into clear, non-technical language, making it actionable for business leaders and stakeholders without legal backgrounds. Law firms can differentiate themselves by cutting through the complexity to deliver advice that is both practical and accessible.

"The priority is to obtain a timely and responsive legal service provider that provides quality advice."

— Chief legal role, manufacturing

"Effective advice at an efficient cost, with the use of innovation."

— Assistant GC/deputy GC, natural resources (mining)

"We want to ensure that we get the best service, which means speedy responses, quality advice, and value for money."

— Chief legal role, transport/logistics/distribution

"The reliability and commerciality of the support we receive, including their understanding of the business."

— Legal role, food/farming/fisheries

Budgets and billing

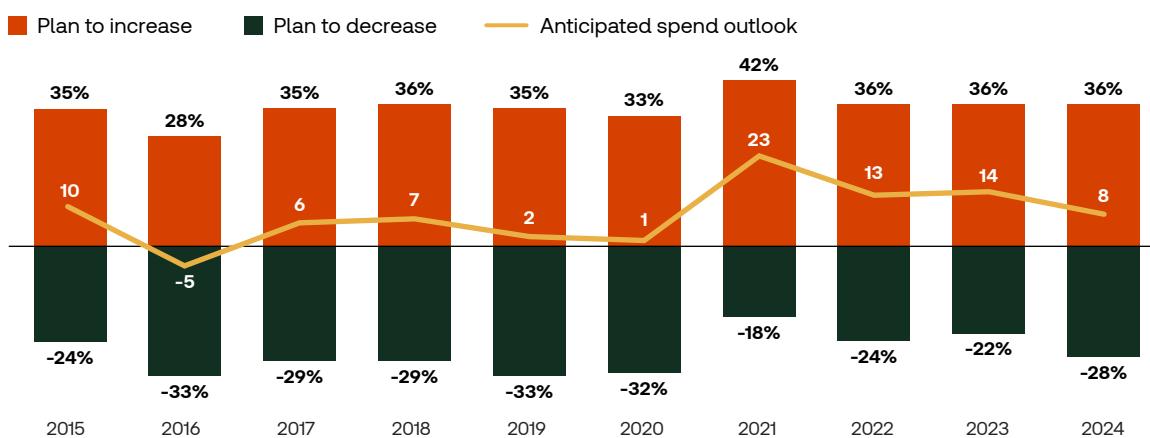
In response to growing client demands for demonstrable value and cost-effective legal support, law firms would be well-advised to take note of where and how corporate legal departments plan to allocate their spend on external counsel. In this environment, law firms face mounting pressure to reassess the traditional hourly billing model and consider more flexible, value-based pricing structures and value-based or alternative fee arrangements (AFAs) that align more closely with clients' budgets and efficiency goals.

Declining anticipated spend

While the proportion of corporate legal departments expecting to increase their total spend in the next year remains stable (36% since 2022), there's been notable growth of those anticipating decreased spend over the next year. The resulting net decline in anticipated spend outlook (ASO) marks the lowest point since we emerged from the pandemic in 2021.⁵

FIGURE 3:
UK Anticipated Spend Outlook (ASO)

Total legal spend anticipation: Global companies with £39m+ in annual revenue
(percentage of buyers planning to increase versus planning to decrease)



Source: Thomson Reuters 2025

With 28% of UK-based legal departments planning for their legal spend to decline in 2025 (up from 22% in 2024), law firms face growing pressure to demonstrate clear value for their services to maintain and develop client relationships.

The TR Institute's View:

While a declining spend outlook may signal tighter conditions, it also presents an opportunity for law firms that can deliver clear value. As corporate legal teams become more selective with their external spend, they are more likely to consolidate work among a set of trusted legal service providers — those who can demonstrate efficiency, flexibility and alignment with business priorities.

In a cost-conscious market, the question is no longer "Who can do the work?" but "Who can do it better, faster and most cost-effectively?" Law firms that proactively offer transparent pricing, alternative fee arrangements and technology-enabled service delivery will likely secure a larger share of wallet.

⁵ Anticipated spend outlook (ASO) — referred to in last year's report as 'Net Spend Anticipation' — is calculated as the percentage of clients currently planning to increase their external legal spend, minus the percentage of those planning to decrease their spend.

Variations by practice and geography

A closer look at the spend outlook across practice areas shows significant anticipated spend changes for certain specialisms. Ongoing legislation changes and shifting compliance requirements across multiple sectors are likely boosting ASO in the regulatory practice (+31). Clients also expect growing activity in banking & finance (+12) and corporate law (+13), suggesting continued growth in certain segments of transactional work despite broader economic pressures.

Conversely, disputes (-5) and insurance (-3) activity are expected to drop, potentially as organisations seek to temper litigation as an effort to reduce costs in a challenging economic climate.

FIGURE 4:

Anticipated Spend Outlook (ASO) by practice area

Practice ASO

(percent of buyers increasing spend minus those decreasing spend in each work type)

Legend
+10 change
0 to <10 change
Negative change

Work type	Global \$1BN+ companies	United Kingdom	United States
Regulatory	+31	+31	+28
Labour & employment	+17	+10	+17
Corporate	+12	+13	+14
Disputes	+9	-5	+11
Intellectual property	+7	-1	+7
Mergers & acquisitions	+1	+5	+4
Insurance	+1	-3	+5
Banking & finance	0	+12	+1

Source: Thomson Reuters 2025

The international outlook offers a contrasting picture; despite a tightening of purse strings on domestic budgets, 39% of UK external legal spend is now allocated to international work. This highlights an ongoing expansion of global business operations and the increasing complexity of cross-border legal matters in today's economy.

81%

Share of clients with needs in multiple country jurisdictions.

30

Different countries that clients have legal needs in, on average.

39%

Share of external spend that is dedicated to international work.

The TR Institute's View:

For UK law firms, the volume of UK-based clients with international legal needs presents a potential opportunity. For firms with an existing global presence, the connection to international work is obvious and part of the overall global strategy. Even firms without global offices can capitalize on the ability to serve clients in an international scope through a couple of potential options. First, many firms have sought to establish “best friends” relationships with global partner firms, creating a mutually beneficial referral system to expand global options. However, these relationships can be challenging to forge. A second option is through membership in existing global referral networks that can provide a wider variety of opportunities for global connection, but perhaps lack some of the intimate knowledge of the partner firm that a “best friends” arrangement would provide.

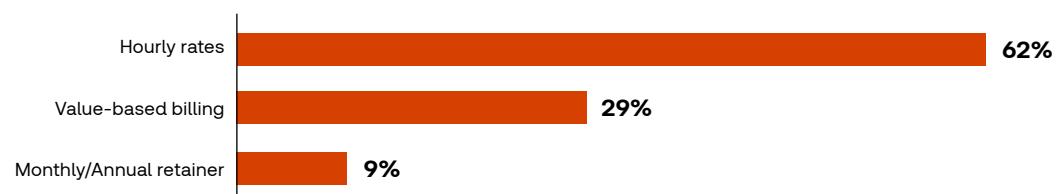
Hourly billing model under pressure

Despite decades of discussion around alternative billing approaches, hourly billing remains the foundation of law firm billing practices. Nearly 62% of UK legal work operates under traditional hourly rates — a testament to the model’s resilience. But the pressure for change may be approaching a tipping point, driven by multiple factors converging in today’s legal marketplace.

FIGURE 5:

Current billing practices

Average proportion of annual spend handled under different pricing structures



Source: Thomson Reuters 2025

“Achieve cost savings by using law firms which have better fee structures and are moving away from charging hourly rates.”

— Assistant GC/deputy GC, construction

Technological advancement is a major impetus behind clients’ growing calls for billing innovation. AI-powered tools offer efficiency gains that fundamentally challenge the economic incentives of hourly billing; what once took hours can now be completed in minutes. This, in turn, has many clients anticipating a future of much lower law firm fees when technology will be doing much of the heavy lifting.

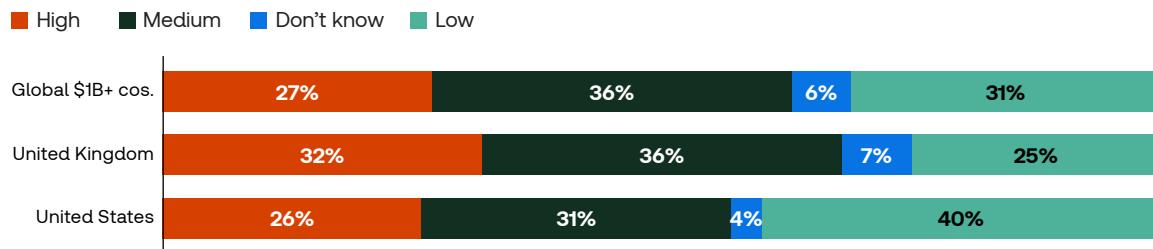
The TR Institute's View:

As AI adoption accelerates, clients expect those cost savings and productivity gains to be passed along. For law firms, this means rethinking the value they provide — not based on time spent, but on outcomes delivered. Billing models that reward efficiency, transparency and results will likely gain traction in a technology-enabled market.

This moment presents a strategic opening. Law firms that act early can help define and shape the new pricing landscape. By leading the way with creative, client-aligned fee structures, these firms can set the benchmark for value and solidify their positions as forward-thinking partners in an evolving legal landscape.

As budgets grow tighter, clients demand greater cost predictability and transparency. Slightly more than two-thirds (68%) of clients now prioritise value-based billing arrangements as a route to getting there. Compared with their US and global peers, UK-based clients are particularly vocal about moving away from hourly rates, with a greater openness to value-based billing models such as fixed fees, blended rates, or subscription-based pricing alternatives. This creates strategic opportunities for firms willing to embrace alternative pricing models tailored to client preferences.

FIGURE 6: Clients' desires for value-based billing

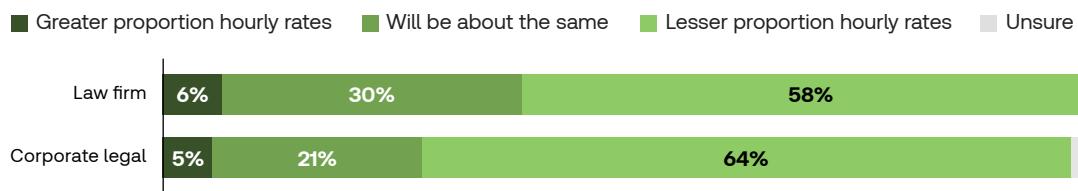


Source: Thomson Reuters 2025

Both sides of the market expect a decline in the hourly rate: 64% of corporate legal teams and 58% of law firms anticipate a smaller proportion of hourly billing within five years. This shared outlook signals a growing recognition that the billable hour is becoming increasingly misaligned with client needs and market realities.

FIGURE 7: AI's anticipated impact on law firm billing

Anticipated proportion of work using hourly rates in 5 years' time



Source: Thomson Reuters 2025

The TR Institute's View:

Although in-house legal teams may be ready to explore alternatives, they want their legal service providers to take the lead. Three in 10 believe that the onus is on law firms to develop the models for alternatives to the billable hour. In doing so, firms can demonstrate that they're listening to the market and are committed to their clients' needs, boosting their relationships and reputation in the process.

As market pressure continues to mount, billing innovation is no longer optional for long-term competitiveness. Firms successfully navigating this transition will likely emerge as preferred partners for increasingly cost-sensitive UK corporate legal departments.

This will also mean a shift in key metrics for law firms: less emphasis placed on billable hours worked and more placed on revenue generated and the profitability of work. This will not be an easy shift for lawyers who have been steeped in the culture of the billable hour to make. But it is increasingly becoming clear that productivity measured by billable hours worked may be waning as a measure of value delivered.

Resourcing gets a rethink

Corporate legal departments are reassessing their resourcing strategies, driven by tighter budgets, rapid advances in AI and technology and a focus on expanding internal capabilities. Many GCs are becoming more intentional about who they engage for different types of work, bringing more work in-house where possible and turning to ALSPs for flexible, cost-effective legal support.

This recalibration has the potential to reshape the traditional role of law firms. To stay competitive, firms must be ready to meet clients where they are by offering innovative service models that align with the evolving expectations of today's legal departments.

“Being as lean and efficient as possible in the way we use outside counsel. Doing more in-house to reduce the costs.”

— Chief legal role, automotive

“Work out what we should be doing in-house and not exporting to law firms.”

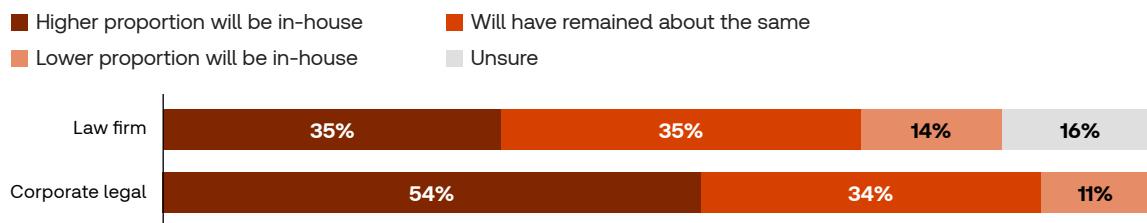
— Chief legal role, technology/media/telecommunications

Bringing work in-house

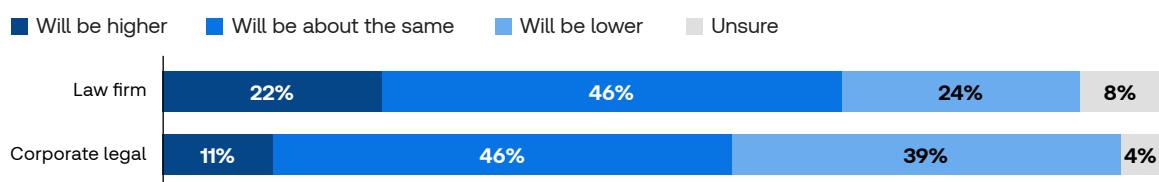
UK corporate legal departments are re-evaluating the volume of work they outsource to law firms. Over half (54%) expect to bring more legal work in-house over the next five years. Law firms, however, appear to underestimate this trend: Only 35% of firms anticipate their clients will increase the proportion of work they keep in-house, and 16% are unsure of which direction the winds are blowing.

FIGURE 8: GCs seeking to bring more work in-house

Proportion of work in-house in 5 years' time



Overall value of work available to law firms in 5 years' time



Source: Thomson Reuters 2025

This divergence has direct implications for legal spend. While 39% of corporate legal teams anticipate a reduction in the overall value of outsourced work, only 24% of law firms share that expectation, while a similar proportion of law firms (22%) foresee an increase. This lack of consensus in the industry could leave some firms unprepared for shifts in client demand.

The TR Institute's View:

Taken together, these findings highlight a need for law firms to consider new ways to demonstrate and deliver value to their clients. This could mean exploring flexible resourcing models and focusing on specialised, high-value services that complement clients' growing internal capabilities. Alternatively, it could mean structuring some of the firm's less core service offerings to more closely mimic the reasons clients seek to bring work in-house — more favourable cost structures and deeper knowledge of the business — paired with the deep bench of expertise that makes outside law firms appealing.

Rather than seeing these trends as a threat, law firms can reframe them as an opportunity to serve clients in new ways — offering strategic advisory services, embedded counsel or secondment options, or modular and on-demand legal support that align with clients' evolving needs.

ALSPs: Partners and competitors

As UK legal departments rethink their resourcing strategies, ALSPs emerge as key beneficiaries. Their value proposition — for both corporate legal departments and law firms — includes specialised expertise, tech-enabled cost efficiency and their capacity to manage high-volume tasks at scale.⁶

From a client perspective, corporate legal teams are increasing their engagement with ALSPs, particularly in areas such as legal managed services and software. The UK market is leading the way in ALSP adoption globally: 65% of UK corporate legal departments report already working with firm-affiliated or independent ALSPs, which is significantly higher than their US counterparts (52%).

For law firms operating in the UK market, this trend presents both a challenge and an opportunity. In some cases, ALSPs represent direct competition; clients are unbundling services, directing routine, process-driven work to ALSPs while reserving high-complexity, strategic matters for traditional firms. This creates room for law firms to focus on high-value advisory work while also posing an opportunity for firms to collaborate with ALSPs to deliver more integrated, cost-effective solutions. Firms that proactively shape these partnerships can enhance their service offerings and strengthen client relationships.

Generative AI (GenAI) is expected to further accelerate ALSP adoption, and ALSPs that have established themselves as AI leaders are already gaining a competitive advantage. Those specialising in AI-driven solutions — such as automated contract review, regulatory compliance monitoring and augmented legal research — have become particularly attractive partners to both sides of the market, according to 46% of law firm respondents and 43% of corporate respondents.

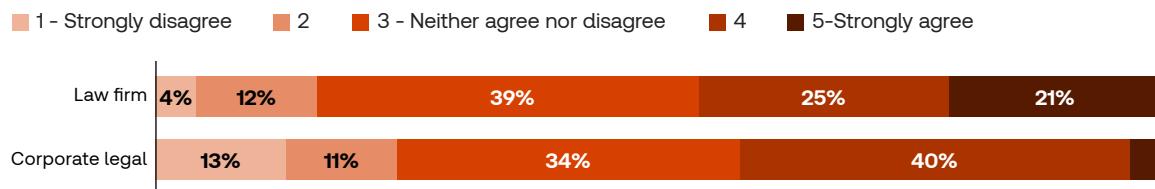
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⁶ For more on the growth of ALSPs, see *Alternative Legal Service Providers 2025*, available at <https://www.thomsonreuters.com/en-us/posts/legal/alsp-report-2025>.

FIGURE 8:

GenAI is a strong differentiator in the ALSP market

ALSPs that are leading the way in GenAI use are more attractive to clients than those who are slower to adopt



Source: Thomson Reuters 2025

This technology-driven differentiation is expected to further reshape the market, with half (49%) of firms and a third (33%) of corporate legal departments predicting that GenAI advancements will increase ALSP usage over the next three years. The ability of ALSPs to rapidly integrate emerging technologies into standardised workflows creates an advantage over traditional law firms that may face structural barriers to technology adoption.

The TR Institute's View:

The UK legal market demonstrates remarkable openness to ALSP integration. A striking 74% of UK law firm respondents indicate their firms already offer alternative legal services, either through partnerships with third-party ALSPs or via their own affiliated ALSP divisions. This contrasts sharply with US firms, where only 26% of lawyers report similar arrangements.

This high rate of integration emphasises law firms' innovative and pragmatic approach to the changing legal landscape. By developing their capabilities, these firms are positioning themselves to offer clients a broader spectrum of services while maintaining relationships and revenue streams. These affiliations also allow firms to maintain quality control and brand association while providing alternative delivery models, and to retain and acquire talent that might be more drawn to the structure or culture of ALSP models over traditional law firm career paths.

Still, the rise of ALSPs introduces competitive pressures. Their agility and tech-enabled offerings — especially as GenAI becomes more embedded — position them as credible alternatives to law firms for specific types of work. Law firms that overlook this evolution risk losing relevance in an increasingly hybrid legal services market.

Conclusion

The UK legal market is at an inflection point. As corporate legal departments face growing pressure to deliver more value with fewer resources, law firms must recognise and adapt to new realities of the sector.

Success in this shifting landscape will rely on firms' ability to meet changing client expectations by:

- 1. Delivering client-aligned value:** Amid economic uncertainty and the rise of AI, clients are looking to law firms to help them achieve their efficiency goals and position themselves as strategic enablers of the business.
- 2. Adapting to new budget realities:** With tighter spend outlooks, clients are more likely to seek out alternative billing models that offer predictability, transparency and outcome-based value.
- 3. Embracing new delivery models:** As UK legal departments bring more work in-house and expand their use of ALSPs, law firms must offer more flexible, tech-enabled service models that complement clients' evolving needs.

The law firms that thrive will be those that embrace change rather than resist it, balancing profitability with innovation and client-centric strategies to deliver meaningful value in an increasingly competitive market.

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