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# Legal Newsletter

## *In this issue:*

AI and law firms: preparing for the future

SRA wins approval for 270% compensation fund increase

Legal aid a top priority for new government

Reasons to file your self assessment tax return early

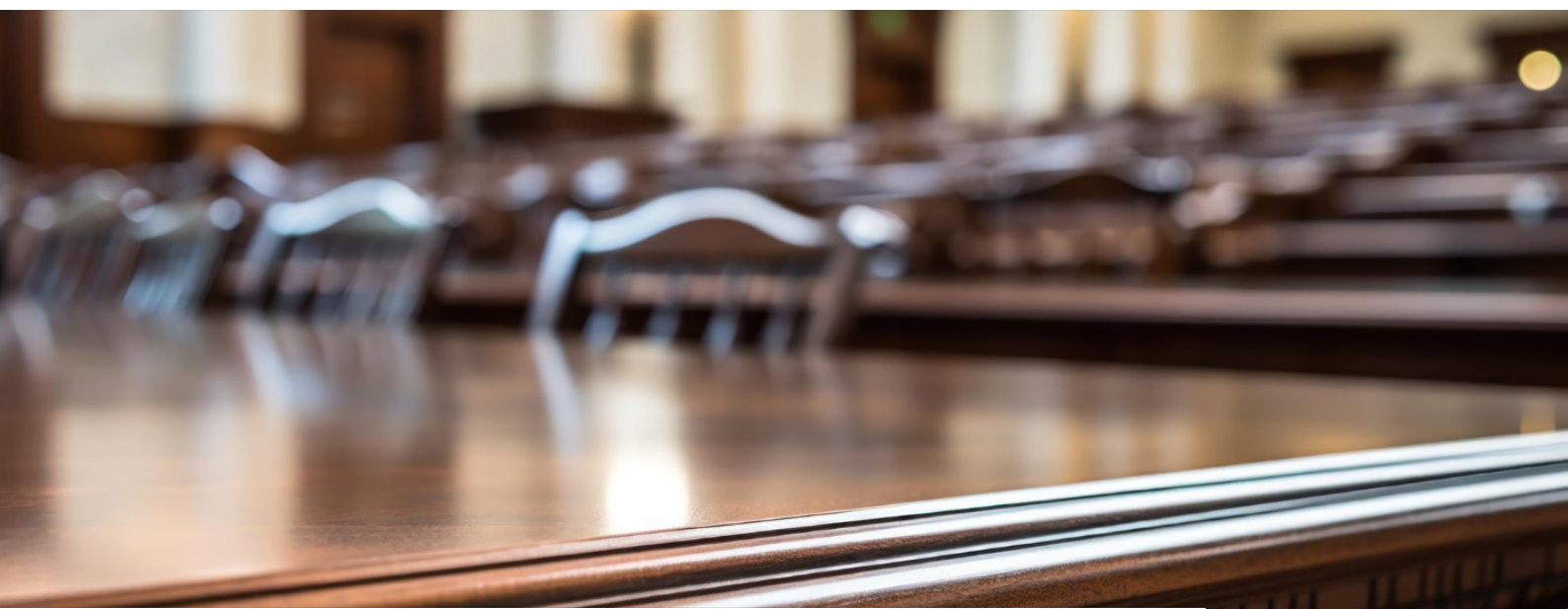


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## Simon Bladen Partner



### Introduction

Welcome to the latest edition of our legal newsletter. The upcoming Autumn Budget will likely bring changes that will affect all businesses across the UK, including the legal sector due to the recent shift in the political landscape. It will certainly be interesting to see what direction the new government will take on tax policy.

In this newsletter we discuss the following topics:

- AI and law firms: preparing for the future
- SRA wins approval for 270% compensation fund increase
- Legal aid a top priority for new government
- Reasons to file your self assessment tax return early

As always we hope you enjoy this newsletter and please do get in touch if you would like more information on any of these articles.

**Simon Bladen**  
Partner



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## AI and law firms: preparing for the future

Artificial intelligence (AI) is one of the biggest and most talked about technologies of the last 10 years. It has the ability to completely change how businesses operate, automate, make decisions and become more efficient. The legal sector, notorious for its complexity and detailed working practices, is no exception. In this article, we discuss how the legal profession can prepare themselves for mass adoption of AI and how they can use it to potentially become more efficient and improve client services.

### How is AI changing the Legal Sector?

AI is making its mark on traditional ways of practicing law, particularly on tasks that are repetitive and time consuming. Generative AI tools have the ability to automate routine tasks for example, drafting and analysing legal documents. AI also has the capability of conducting legal research, time tracking, summarising case law and more. Tasks that took hours of human effort can now be automated, freeing up time for legal professionals.

### AI to replace lawyers?

Whilst there has been much talk about AI replacing lawyers, the reality is quite the opposite. AI should be viewed as a tool that enhances legal professionals' capabilities to provide better legal services, not replace them. Lawyers will still need to guide strategy, exercise judgment and provide personalised advice – areas

where human insight is simply irreplaceable. What should be discussed in greater depth is how AI can support lawyers, so they can work more efficiently and effectively. AI systems can process vast amounts of data in a matter of seconds, so lawyers can focus on the higher-level, strategic aspects of their work whilst AI can take care of routine tasks which will save time and improve accuracy.

### AI for the Legal Sector

Beyond efficiency, law firms can differentiate themselves by focusing on areas where AI can't help, such as giving personalised legal advice, building trust and understanding the subtleties of a client's circumstances. AI can manage data but it's the human lawyer who translates data into empathy driven service so clients feel understood and looked after.

To take full advantage of these opportunities law firms need to explore and invest in legal AI tools that suit their needs. There are a range of AI tools out there that can automate tasks such as time recording, research and e-discovery. By choosing and implementing the right tools, law firms can not only streamline their operations but can also be seen as a forward thinking and tech savvy law firm.

### Continued overleaf



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## AI and law firms: preparing for the future (continued)

### Conclusion

To conclude, the impact of AI in the legal sector, as with many other sectors has real potential. AI should be seen as an opportunity to complement human expertise to provide a more efficient service and not as a replacement for lawyers. By adopting AI tools thoughtfully, law firms can thrive in this new world and stay competitive and relevant in a fast changing industry.



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## SRA wins approval for 270% compensation fund increase

The SRA has been given the go ahead by the Legal Services Board (LSB) to increase the compensation fund contribution for 2024/25 by 270%. This decision has been made partly to cover the costs of the Axiom Ince intervention.

In addition to the increased contributions, the LSB has agreed to provide the SRA with a £10m banking facility to support the fund. The intervention costs of Axiom Ince and other interventions has increased pressure on the fund. In 2022/23 the SRA paid out £41.1m in grants, up from £15m the previous year.

The compensation fund is to reimburse clients who have lost money through solicitor misconduct, resulting in SRA intervention.

In a decision notice, the LSB has approved the SRA's request to increase contributions on 27th September despite giving themselves until November to make the decision.

The timing of the approval is somewhat controversial as the LSB is currently investigating the SRA's handling of Axiom Ince's collapse and is due to report soon, after a review earlier this year. Despite the review, the LSB said the changes "do not meet the conditions for refusal" and set out its reasoning.

### What does this mean for solicitors?

The total contribution for 2024/25 is £31.6m, up from £10m in 2023/24. This means solicitors will pay £90 individually, up from £30 last year, and firms will pay £2,220, up from £660. One of the most contentious points is the apportionment of the contributions, as law firms of all sizes will pay the same flat fee. Smaller law firms have complained about this and the LSB has acknowledged this in its decision notice. The board has asked the SRA to review whether the current system is fair to law firms of all sizes.

## Legal aid a top priority for new government

The new Justice Minister, Shabana Mahmood, has said she is pledging to make public funding a priority and to smooth relations with the Legal Aid Agency. The Legal Aid Minister, Heidi Alexander admitted that the legal aid system was on life support and it would be a challenge to piece together different areas of law. Adding that she was determined to find a system where everyone has access to the justice they need. However, she did add that they are unable to conduct any discussions regarding funding ahead of the spending review later this month.

### Main challenges for legal aid

Earlier this year, a report by the National Audit Office found that the legal aid system in England and Wales was in a 'dire state'. The report found that in real terms, government spending on legal aid fell by £728 million (28%) between 2012/13 and 2022/23. One of the main challenges for legal aid is the reducing number of legal aid providers. Research conducted by Frontier's found that the number of civil legal aid providers reduced by 19% in the last five years. As expected, this has had a significant impact on the number of individuals that have access to legal aid.



## Reasons to file your self assessment tax return early

It may be tempting to put off preparing your self-assessment tax return until later in the year. However, there are many benefits of submitting your tax return early and keeping on top of your tax affairs.

### Peace of mind

Christmas can be a very busy time of year so we encourage everyone to submit their tax return before the hectic Christmas period. This will also help to avoid a stressful January as you rush to get your tax affairs in order and file your return by the 31st January electronic filing deadline. Rushing your tax return may result in mistakes and could lead to penalties.

### Avoid incurring penalties and interest

The deadline for filing is 31 January (or 31 October for paper returns); miss it and you'll automatically be fined the infamous £100 penalty. Longer delays will result in further and more severe penalties from HMRC, so filing your tax return early will ensure you do not run the risk of missed deadlines and HMRC penalties and interest.

### Know what tax you owe and plan ahead

If you file your tax return early, it does not mean you need to pay the tax at an earlier date. If you find out where you stand early, you can give yourself time to budget for paying the owed tax and to consider tax planning opportunities. For example, it may be possible to reduce your payments on account if your income has

reduced. In addition, if the return is filed early it may be possible for tax owed of up to £3,000 to be collected through the tax code operated on your salary or pension.

### Get a quick tax repayment

If you are entitled to a tax repayment, you should receive this once your tax return has been submitted and processed by HMRC. It is therefore well worth filing your tax return early if you've overpaid tax as it will enable you to receive the refund sooner. In addition, as HMRC do not deal with as many tax returns during the summer months you are likely to receive the repayment much quicker.

# Get in touch



## Our Legal Experts

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