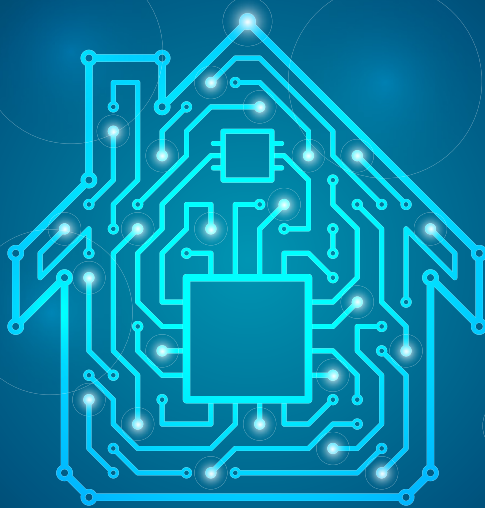


Industry Report

Is Conveyancing Finally Going Digital?



thirdfort

The new standard in legal security

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Introduction

Innovation is being prioritised...but why?

Over two weeks in August 2020, we surveyed 155 professionals in the legal industry about the adoption of technology within conveyancing. We heard from a cross section of industry players including:

- Managing Director/
Partner
- Head of Conveyancing
- Partner or Director
- Conveyancing Fee Earner
- Paralegal or Assistant

The legal sector is embracing technology at an increasing rate and certain developments mean that this trend is likely to continue apace. The HM Land Registry recently announced that they are now accepting digital signatures, and the Ministry of Justice temporarily accepted video witnessing of wills during this year's lockdown. At the same time, firms have had to digitalise their approach to client due diligence due to social distancing and lockdown restrictions. Against this backdrop, we asked respondents 'is conveyancing finally going digital?' and, as expected, the majority agreed it had.

With clients becoming accustomed to the benefits of this new, remote way of dealing with their solicitor, more and more firms are prioritising innovation in 2020. Aside from client satisfaction, the common consensus is that going digital means giving your firm an edge; but what exactly does this 'edge' look like? Are firms driven by the need for compliance, efficiency, or the desire to stay competitive in a market where consumers increasingly 'shop around'? What can we learn from legal professionals who've already adopted technology in their firm?

Conveyancing is changing, and it seems like there's an easy answer as to why: COVID-19. And yet, innovation within the legal industry has been growing since before the UK's lockdown. So, what has pushed legal professionals to take the leap into digitalisation? We at Thirdfort love legal, and we really love making legal better, so we wanted to understand why members of the industry want to see change, what they'd like to change and, crucially, what's stopping more firms from making the change?

About Thirdfort

Thirdfort are security specialists with one goal in mind: massively improving the legal process for both lawyers and clients. The legalities of the home-buying process are outdated, opaque and a source of stress for all involved. Until now. We're changing the way lawyers onboard clients, as we believe lawyers should be able to focus on their business, and that their clients should be free to enjoy Big Life Moments.

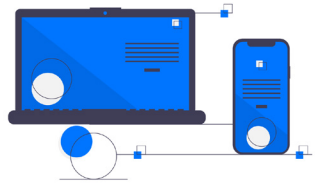
The industry's reponse

Firms are turning to technology for reasons beyond Covid-19

Digitalisation is a priority

92% of firms agreed that digitalisation was a priority for the future of conveyancing

Firms with 11-100 employees prioritise digitalisation more than smaller/larger sized firms



Firms made the leap to tech due to:

12%

Covid-19
(lockdown)

26%

Risk and
compliance

29%

Increase
efficiency

But there are still barriers to digitalisation



Cost, Clients and **Integration** with existing systems are the most common barriers to digitalisation in firms

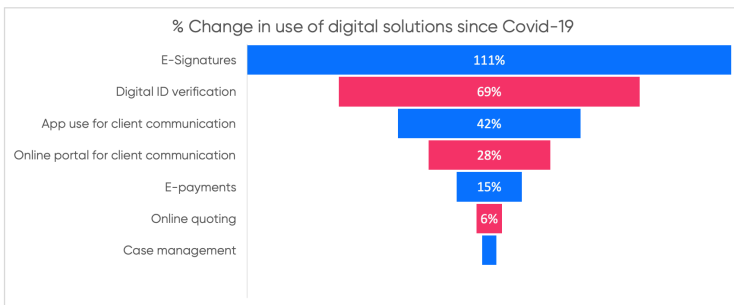
The Future of Conveyancing

What does the future of conveyancing look like and what does this mean?

The majority of conveyancers surveyed agreed that digitalisation will be key for the future of conveyancing. This is largely to be expected, with 'lawtech' and 'legaltech' commonly used buzzwords throughout the industry- even more so in recent months following the Covid-19 pandemic. Uptake of digital solutions has been heralded by industry bodies such as The Law Society as a central factor in firms' ability to recover from the impact of Covid-19 (something we'll touch on later in this report).

To anyone within the industry, it's clear that conveyancing is evolving. We wanted to look beyond the buzzwords and past the relative 'hype' surrounding digitalisation and delve deeper into what exactly the 'future of conveyancing' will look like.

Which areas of conveyancing are being digitalised already?



We asked the conveyancers who responded to our survey the technology they were using both before and after Covid-19, to gauge which digital solutions are already being embraced in conveyancing.

We found that while pre-Covid-19, Case Management Systems were the digital solution most commonly used by respondents, Open Banking tools (a relatively new technology) were used by the fewest. Digital Case Management Systems streamline a firms' processes and free up conveyancers' time, to allow for a timely and efficient client experience (a common theme we also found in respondents' motivations for digitalisation).

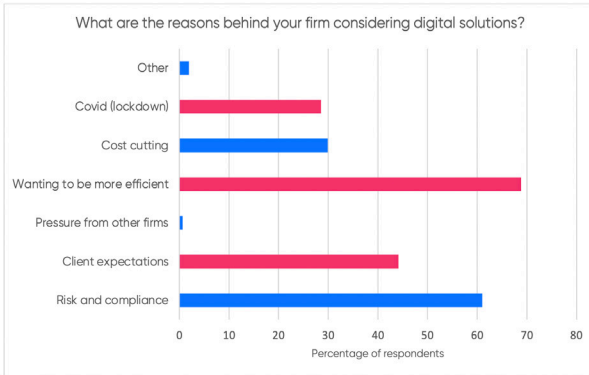
While Electronic CMS remained a popular digital solution post-Covid-19, it was narrowly overtaken by Digital ID Verification, which has the benefit of allowing firms to onboard clients remotely, while maintaining efficiency and mitigation of risk (particularly pertinent amidst the uncertainty of working from home).

In the following sections, we'll delve deeper into the driving force behind conveyancing's changing landscape, beginning with the not-too-easy question: how has Covid-19 changed the future of conveyancing?

Conveyancing & Covid-19

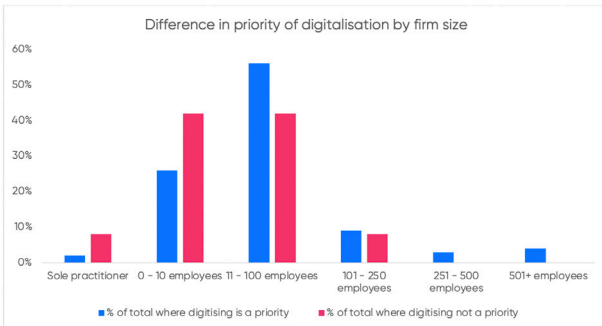
From the virtual witnessing of wills being sanctioned by the Ministry of Justice, to Government-issued guidelines for firms to switch to remote working, the pandemic has forced firms to adapt at least somewhat to keep their business functioning.

No one can argue that the pandemic hasn't set in place some key changes- but was it the catalyst for change the industry has labelled it as? How much did COVID-19 affect law firms' decision to embrace technology?



Covid-19, though not necessarily the sole driving force behind the uptake in legal tech of late, has been a clear consideration for firms when deciding which areas of their business require more urgent digitalisation, and which aren't as much of a priority.

We found that just 12% of our respondents listed Covid-19 (or lockdown) as a reason behind their firm considering digital solutions, falling behind both Risk and Compliance (26%) and Efficiency (29%).



Do you think Covid-19 was the catalyst for digitalisation of the industry it's been labeled as?

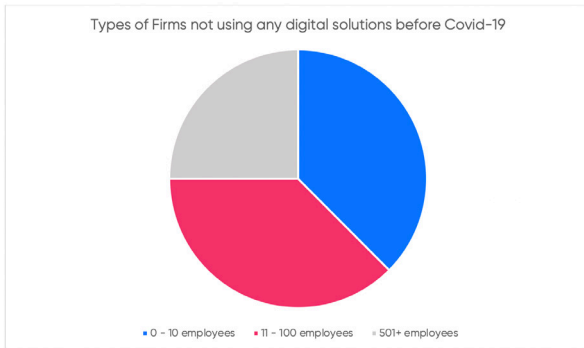
"Covid has certainly caused a pause for thought, and some firms have recognised that there is likely to be a financial consequence leading them to focus on efficiency, on being competitive, and on making sure that compliance risks are minimised. There is also the pressure from the PII market to ensure firms aren't exposed to claims during the disruption, which means compliance is higher up on the radar."



Amy Bell
Director, Teal Compliance

The data from the survey also showed us that the few firms where digitalisation is not a priority are on average smaller.

Another factor seemingly at play is firm size. Interestingly, the majority of firms reporting that they were using no digital solutions pre-Covid-19 were those with 0-10 employees. This could be as simple as smaller firms not having a need for, or not having the resources to implement, new technology. The benefits are still there, however, for smaller firms. Not only could adoption of tech allow smaller firms to 'cast a wider net' and broaden their potential client base, but its scalability could facilitate faster growth and allow them to compete with their larger, more established peers in the industry.



Covid-19 may not be the biggest motivator for firms adopting digital solutions, but the current climate has forced the industry to rethink the way they handle issues such as compliance and risk management.

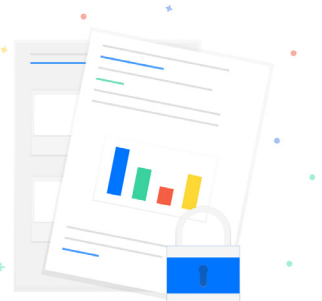
To summarise, Covid-19 may not be the biggest motivator for firms adopting digital solutions, but the current climate has forced the industry to rethink the way they handle issues such as compliance and risk management. What's more, the uncertainty of ever-changing Government advice has made keeping property transactions efficient more difficult than ever.

Risk & Compliance

Restrictions put in place at the start of lockdown meant firms had to reconsider their attitude to digital solutions if they wanted to remain compliant with AML/KYC regulations while maintaining social distancing.

When surveyed, 26% of firms surveyed named managing risk and staying compliant as the key motivator for them adopting digital solutions.

It's no secret that fraud is growing ever-more sophisticated. It's even less of a secret that conveyancers are massively at risk of becoming a target for scammers, in their role acting as the 'gatekeepers' to property transactions and the responsible party for combating fraud. It's unsurprising, then, that



firms are rushing to digitalise their practice in the wake of legislation such as SMLD. The 5th EU Money Laundering Directive places a focus on how digital solutions such as Electronic Identity Verification can protect firms when carrying out Client Due Diligence.

While most of the industry know eIDV de-risks processes such as client onboarding, we wanted to delve into how other areas of legal are being digitised to facilitate compliance and mitigate risk in the current, uncertain climate.

In a huge leap for the legal industry, the Government announced that video witnessing of wills was to become law in September 2020 and backdated to January 2020. This will be in force for two years and can be extended or shortened as necessary. For those wanting to create wills who were self-isolating during the coronavirus pandemic, it was difficult for their solicitor to remain compliant due to the legal requirement for wills to be witnessed in person by at least two individuals, so digitalisation of this process provided an essential service in allowing solicitors to manage risk virtually.

Similarly (as mentioned earlier in this report), HM Land Registry recently announced their decision to accept electronic signatures in conveyancing transactions. Simon Hayes, Chief Executive and Chief Land Registrar, said of e-signatures: *'it is also a keystone of a truly digital, secure and more efficient conveyancing process that we believe is well within reach. The more sophisticated qualified electronic signatures are a part of that vision and encouraging those is where our attention will be directed next.'* We explore what this decision means for the efficiency of property law next.

Efficiency

29% of the firms surveyed named efficiency as the driving factor in their digitalisation.

Traditionally, the administrative, clerical tasks associated with conveyancing are known to be cumbersome and inefficient, and a source of frustration for both client and lawyer. Manual onboarding of clients, for example, can take on average 20 days, and cost around £150 per client for firms.

The adoption of digital solutions for CDD has been shown to improve firms' efficiency, and not just by reducing the onboarding process to minutes. Successful eIDV solutions, for instance, will produce a clear report compiling a client's data in a helpful PDF format, removing the inconvenience of having to deal with physical documents/ correspondence/ postage that can often hold up the process.

Traditional methods just "aren't actually safe anymore". They are like "papering over cracks rather than dealing with the issues... and technology is essential for that"

Partner & Head of Risk and Compliance, full service law firm

"Using e-IDV means onboarding happens 4 times faster."

Head of Operations, conveyancing practice

If staff are no longer encumbered by the chasing of clients for CDD, they're free to focus on generating revenue for the business, a prospect that's no doubt even more attractive to firms considering digitalisation.

More currently, property conveyancers are also turning to technology to deal with the growing backlog of house purchases as the post-lockdown housing boom continues to gather pace. Recent reports suggest that, despite homes going under offer at the fastest rate in the past decade, property exchanges are taking up to a month longer because of backlogs and delays in the conveyancing process. Conveyancing firms are dealing with increasing amounts of compliance and red tape, in line with anti-money laundering legislation, and aspects such as checking source of funds and ID verification are taking longer than ever. Buyers/sellers often have to provide ID in person – taking up to 3 weeks – and source of funds checking can drag on well into the transaction.

The recent decision of HM Land Registry to accept e-Signatures in property dealings has not only relieved the immediate problem of conveyancers working away from the office and needing to progress transactions but has created an opportunity for the industry to transform in terms of efficiency. Robin Malpas, Deputy Director of Central Legal Service at HMLR, noted that, 'removing the need for paper deeds and post from the conveyancing transaction speeds up the process and is a vital component of the increasingly online process of buying property.' With the backlog of property transactions placing incredible pressure on conveyancers, this advancement will save both lawyer and client valuable time, so it's unsurprising that the majority of feedback HM Land Registry received for this decision was welcoming the change, 'acknowledging it is a positive step for the sector'.

Are there any key takeaways for firms to consider when looking to digitalise their processes

"Take the time to map your current process and make sure that you know what can be digitalised, and what cannot. It is likely the technology can improve compliance but we need to make sure that it complements what lawyers do regarding CDD rather than replace it. CDD will always need the person with the client relationship to consider the output from the technology, and ask themselves 'does this make sense?'"



Amy Bell
Director, Teal Compliance

So, what's holding firms back?



Conclusion

What's next...?

In the course of our survey, our respondents were given the opportunity to share which areas of conveyancing they're most keen to see digitalised. These provide an interesting snapshot of which changes are being pushed for the most within the industry. The responses range from the 'labour intensive' process of opening a new matter, to a streamlining of conveyancing when handling crypto currencies. Our respondents said they'd find value in the digital solutions for the following:

"It appears clear that while Covid-19 has been the matter on the industry's mind of late, the potential for increased efficiency is still the siren-call of digital solutions for firms."

- *"The opening of a new matter is still very labour intensive due to the amount of compliance tasks, so anything that can assist in reducing that time would be very welcome."*
- *"Data collection. All searches to be available digitally including local searches etc to enable AI to screen information."*
- *"Land Registry Forms"*
- *"The proposed ARTL system allowed steps to be undertaken by the respective agents and passed back - a digital portal similar to that would be great to exchange letters and revise deeds between the firms in a transaction file. This would save on postage and would create one place where the current status of the conveyancing aspects could be checked."*
- *"Go to blockchain type of conveyancing"*
- *"Source of funds is a continuous problem"*

From looking at the above, it appears clear that while Covid-19 has been the matter on the industry's mind of late, the potential for increased efficiency is still the siren-call of digital solutions for firms. Efficiency adds value and allows fee-earners to return to fee-earning.

In light of this, it seems that conveyancers are hungry for the innovation likely to follow.



Olly Thornton-Berry is the MD and co-founder of Thirdfort. Previously, he worked in software investment before setting up Thirdfort after a friend was defrauded out of £25k on a house purchase.



Thirdfort

About Thirdfort

Thirdfort are security specialists with one goal in mind: massively improving the legal process for both lawyers and clients. The legal process is outdated, opaque and a source of stress for all involved. Until now. We're changing the way lawyers verify client identity, as we believe lawyers should be free to focus on their business, and that their clients should be free to enjoy Big Life Moments.

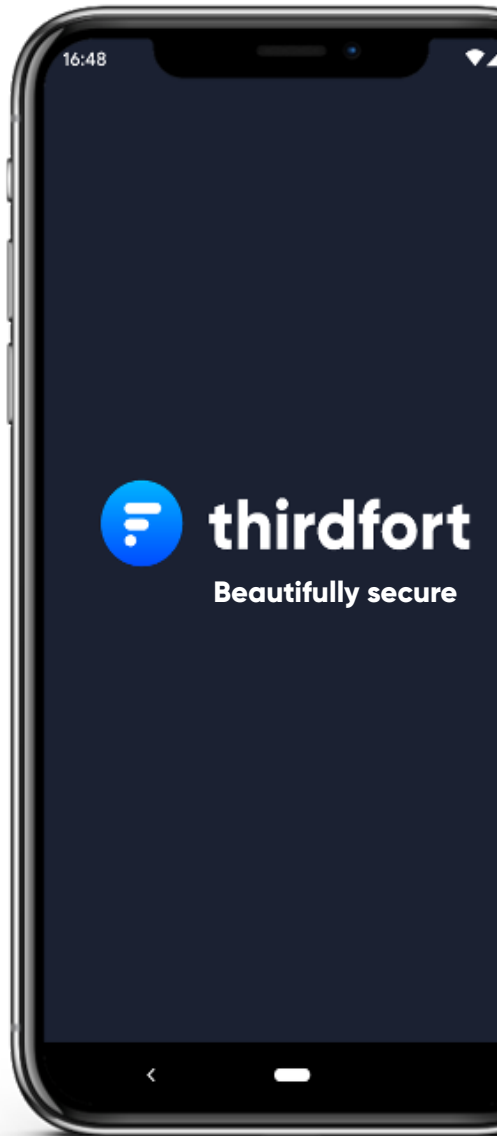
Technology is key for firms facing the constant anxiety of staying compliant with AML regulations. Fraud is, quite simply, too sophisticated to spot consistently with the human eye (and is constantly evolving to evade detection), so to truly mitigate risk lawyers should take advantage of the tech.

Thirdfort combines ID scanning technology and a selfie video liveness test to verify a client's identity, as well as Government-backed Open Banking software to allow lawyers to verify source of funds. The app's smooth client journey allows users to securely share documents and progress their transactions while keeping the process frictionless for everyone. Our passion for keeping legal pain-free extends to our specialised Support Team, who ensure clients are never out of the loop. Lawyer and client experience go hand in hand with security, as when your clients feel secure, you can focus less on admin, and more on fee-earning.

We believe we can transform the way solicitors connect with their clients. We are backed by industry leaders including Alex Chesterman (Founder of Zoopla), Mishcon de Reya and HM Land Registry, with over 500 clients across the UK.

We are FCA regulated, fully insured and use end to end encryption to make sure your data and information are always secure.

Thirdfort: the new standard in legal security.



If you'd like to learn more about how Thirdfort can help you carry out safer, faster identity and source of funds checks, get in touch at contact@thirdfort.com



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