Professional Services in the UK

Financing challenges in 2025 and beyond

A research note from Siemens Financial Services in the UK

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Professional services firms in the UK such as accountants and lawyers are facing significant challenges: Downward client pressure on fees, seasonality and uneven income, client requests for deferred payment, skills shortages, employee burnout, wage inflation, digital transformation and automation, competitive positioning and the pressure to grow by acquisition.

These factors are being amplified by economic uncertainty among the client community, driven by inflation, interest rate hikes, recessionary fears and global geopolitical instability.

This short research note from Siemens Financial Services (SFS) gives an update on these increasing financial management challenges, provides regional estimates from around the UK about the size of some of those challenges, and suggests the kind of solution that professional firms might consider deploying.

Accountancy firms feel **the financial heat**

The current economic environment is presenting accountants and accountancy businesses with a number of pressures and challenges.

Many of the challenges of 2024 are far from over and continue to affect their client base: global supply chain disruption, geopolitical conflict, fuel prices, and recent dips in business confidence[1], (particularly SMEs[2]). In 2025, they have been joined by others. The sector's skills shortage is increasing[3], causing staff wages to rise and heighten cash flow pressures. The effect on the accountancy profession is profound, with many experiencing growing workloads, leading to undue levels of stress, lack of sleep and impaired work-life balance[4]. All of which may increase the likelihood of professional errors occurring along with the accompanying legal liabilities.

Over half of respondents to an industry survey reported 'fee pressure' from clients, driving fees down as the clients themselves experienced revenue and margin pressure[5]. This phenomenon is likely to persist as interest rates in the UK remain high and increase the cost of debt for clients. Alongside these economic pressures, there is also a need for accountants to modernise and digitalise their practices (in the widest sense – not just Making Tax Digital or MTD[6]). This is a further investment requirement to stay competitive.

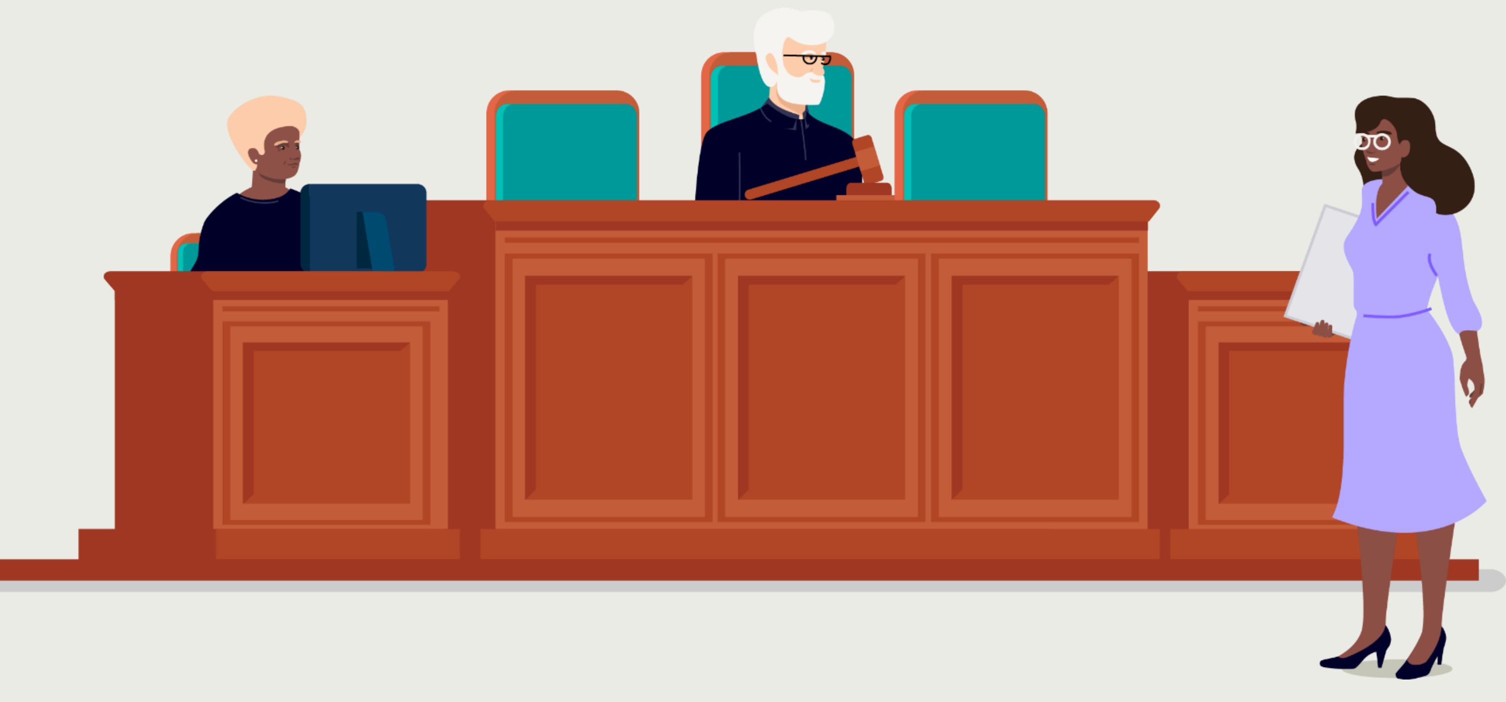
Lawyers face financial challenges

Similar pressures are emerging for legal firms. According to one, study[7] clients are being tougher in fee negotiations , calling for greater price transparency as economic pressures force General Counsel to drive a harder bargain for legal advice. The report notes that "law firms are starting to see requests from clients for deferred payments [with]...companies looking at their costs across the business and seeing what can be slowed down or paid at a later date (legal services included)."

If both effects come into play – fee reductions and continuing requests for deferred payments – there will be considerable pressure on cash flow for law firms. Alongside these challenges, the sector is experiencing high burnout levels which has the effect of heaping additional workload stress for remaining professionals. One study finds legal professionals are twice as likely to work on days off than employees in other sectors[8].

The Law Society has called for a 'change of culture' to fix the legal sector's mental health crisis[9]. Another survey shows that while law firms have experienced a boom in demand for legal services since the pandemic, that boom has ramped up work for lawyers, with a labour shortage forcing those still in the sector to take on more cases.

Investment in automation is one of the areas that can help reduce those pressures[10]; yet it also adds another financial pressure on firms grappling with downward fee pressure, deferred payment requests, rising staff costs, and employee turnover. Nevertheless, such investment cannot be ignored, especially since legal processes and drafting are now being automated effectively[11]. Failing to move with the times either puts a firm behind its competition, or will see it failing to meet new price/cost points.



Common financial challenges
For professional services firms

In short, the growing financial pressures noted above have combined to make it often necessary for professional services firms to seek specialised cash-flow financing tools and techniques. The most effective financing products for professional services firms tend to come from specialist financiers. These specialists deeply understand the sector(s), how they work, how to appraise lending risk, where flexibility can be offered, and other key factors. Their specialist knowledge allows such financiers to accurately and expertly assess risk, financing levels and terms in a way that is not widely offered by generalist lenders. This is important as many sources attest the obstacles that professional services firms face accessing cash-flow and capital financing. One source, for instance, notes that professional firms, "do not usually have a lot of assets.... [that] can be used as collateral on the loan[12]." In addition, specialists will be able and willing to vary financing terms and periods to fit the firm's cash flow needs, as well as wrapping a variety of financing requirements (e.g. cash flow lending, deferred tax payments, spread professional indemnity premiums, asset finance, etc) into a single agreement.

Typically, professional services firms such as accountants and lawyers face a number of common financing challenges to their healthy cash-flow:

1. Uneven income flows

Revenues from major cases and transactions for lawyers, or seasonal income peaks for accountants, do not match the cash flow cost profile of running a business, where bills have to be met and staff must be paid on a regular monthly basis. Solution: specialist financiers like Siemens Financial Services will offer a variety of cash flow financing solutions, revolving facilities or receivables-based financing options.

2. Growth costs

Professional services firms tend to grow by acquisition. It is hard to grow a partnership-structured firm of accountants or lawyers rapidly and organically because credible service excellence usually requires long training and deep experience. Raising capital to acquire another firm or a specialist unit is hard to come by without diluting ownership value with a private equity provider. Solution: SFS has a range of structures for financing acquisitions without the acquirer having to give up equity value.

3. Technology investment

Digital transformation (and its associated investment in software and systems) is a clear, present and urgent challenge for professional services firms if they are to remain competitive. Solution: specialists not only provide a variety of asset financing options to acquire the relevant hardware and software, they will also be able to wrap all of these key requirements into a single, easily administered and easily extended financing plan.

The scale of the financing challenge – **a starting point**

Finally, to illustrate just some of the financing requirements faced by professional services firms around the UK, Siemens Financial Services (SFS) has constructed an estimate model[13] covering three areas:-

Professional indemnity insurance (PII)

PII is a mandatory requirement for both accountants and lawyers. The sums involved are often considerable, amounting to several percentage points of fee income every year.

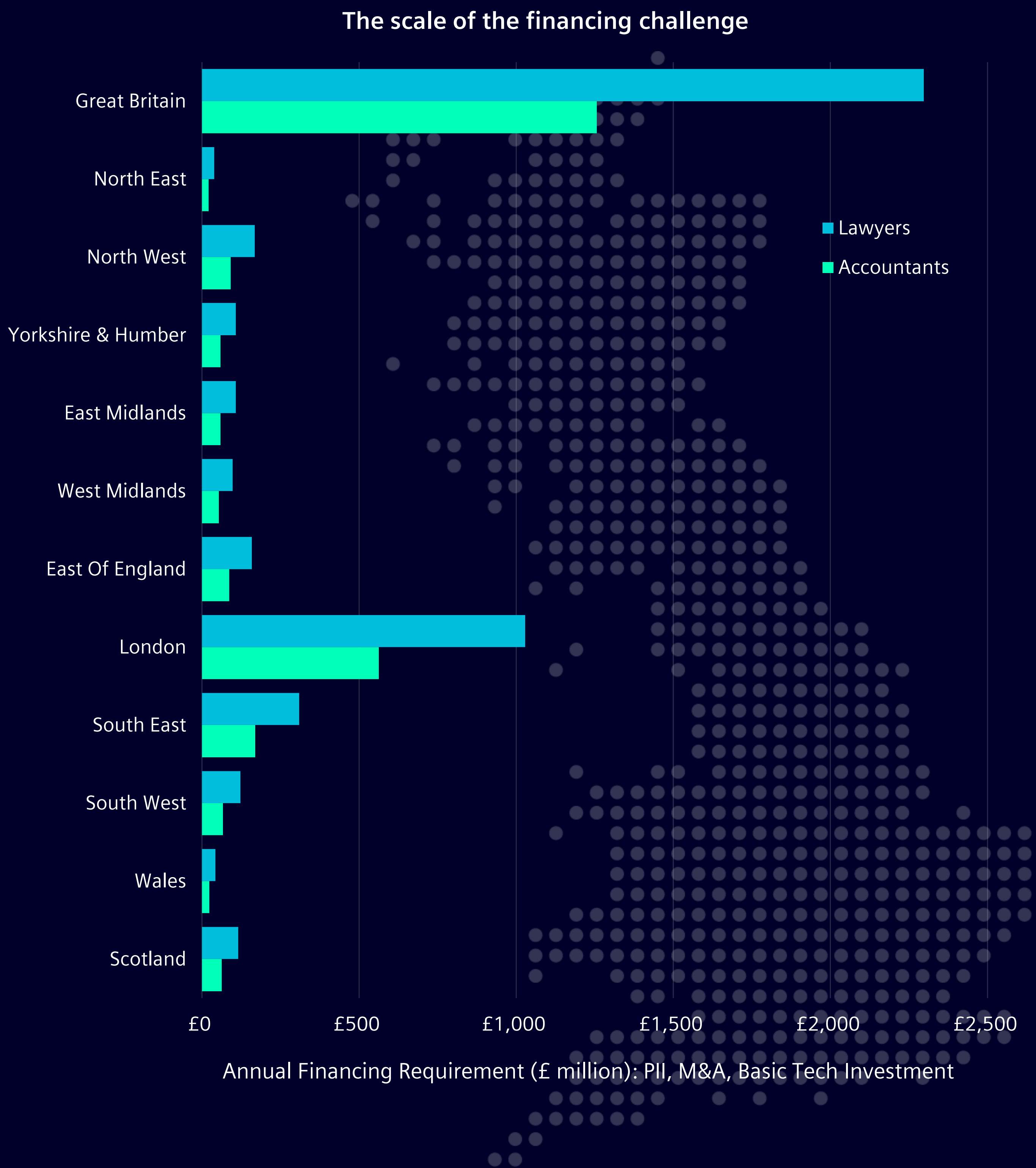
Mergers and acquisitions

Both accountants and law firms – professional services in established markets – often grow by acquisition. On the one hand, this might be to increase scale and coverage, but equally it could be to add legal or financial specialisms to the firm.

Technology investment

This short paper has already mentioned the need for lawyers and accountants to digitalise their businesses. The objectives are: to improve operating efficiency; to develop digital products that keep the firm competitive; and to comply with emerging regulation and legislation concerning digital business standards.

Covering just these three areas, SFS estimates that the following sums (£million) are required from specialist financiers per year to help lawyers and accountants manage the particular cash flow challenges typically faced by their businesses.



If you would like to discuss your financing requirements with specialist provider Siemens Financial Services, please contact: professionsfinance.gb@siemens.com

For further information visit: siemens.co.uk/finance

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Methodology: Official data on professional firms' revenues and demographics were combined with typical professional indemnity, business investment and acquisition finance data. The lowest end of any estimate scale was chosen in each case, to ensure that the estimates resulting in this short study would very much err on the conservative side and avoid any possible over-estimation. Sources included: Office of National Statistics; various professional indemnity underwriters and brokers; Law Society Gazette; Hazelwoods; International Accounting Bulletin; Accountancy Age; ICAEW; Journal of Accountancy; Deloitte