

Litigation Finance 2024 Industry Outlook

Legal Fund Hub



Continued Growth and Maturation:

The litigation finance sector is poised for sustained expansion and maturation throughout 2024, buoyed by a confluence of factors that have solidified its standing as a mainstream component of the legal landscape. According to industry reports, the global litigation finance market is projected to witness a robust CAGR of approximately 13.14% over the forecast period (2023-2035), underscoring the sector's remarkable growth trajectory. This exponential growth is fueled by an increasing acknowledgment of litigation funding as a pragmatic solution for legal financing needs, with both law firms and corporations embracing its benefits with heightened enthusiasm. Notably, recent surveys indicate that over 50% of law firms and corporations now consider litigation finance as a viable option for managing legal expenses, reflecting a significant uptick in industry acceptance.

Market size in 2022 was approximately 13 billion dollars, with a forecast to surpass 57 billion by 2035, marking the end of the forecasted period. Law firms that have used funding are likely to seek it again, indicating sustained demand. This growth reflects increasing recognition of litigation funding's practicality among law firms and corporations. Notably, data indicates a recurring trend among law firms that have availed themselves of litigation finance, with a propensity to seek funding repeatedly, signaling sustained demand for funding solutions within the legal sphere.

Moreover, industry analysts predict a notable uptick in the number of cases funded and the total capital deployed within the sector. With an expanding pool of capital dedicated to litigation finance, the industry is poised to witness a surge in funding opportunities across a diverse range of practice areas and jurisdictions. This proliferation of funding opportunities underscores the sector's growing maturity and its capacity to cater to a broad spectrum of legal financing needs. As such, 2024 is primed to emerge as a pivotal year for the litigation finance industry, marked by unprecedented growth, diversification, and mainstream acceptance.

Evolution of Funding Models:

Looking ahead to 2024, significant advancements in the evolution of funding models within the litigation finance landscape are anticipated. Among these trends, the integration of defense-side financing stands out as a notable development reshaping the litigation landscape. Defense-side financing, characterized by its ability to align risk preferences and optimize cost-benefit analyses, is expected to play a crucial role in empowering defendants to navigate legal challenges more effectively. By shifting legal risks from risk-averse corporations to risk-seeking investors, defense-side financing not only mitigates the defendant's exposure but also enhances their bargaining power in settlement negotiations. This strategic alignment facilitates more equitable and efficient dispute resolution processes while fostering a conducive environment for innovation and growth within the litigation finance sector.

In addition to defense-side financing, the 2024 outlook for funding models encompasses a broader spectrum of innovative approaches aimed at enhancing accessibility and customization in legal financing solutions. The emergence of tailored funding structures and strategic partnerships is expected to democratize access to litigation finance, empowering a wider range of litigants to pursue their legal rights. Moreover, the integration of advanced data analytics and machine learning algorithms is poised to revolutionize underwriting processes, enabling more accurate assessments of case viability and risk. This technological integration optimizes investment decisions and enhances transparency and efficiency across the litigation finance value chain.

Furthermore, the evolution of funding models in 2024 is characterized by a growing emphasis on portfolio financing and hybrid structures. As legal stakeholders seek to diversify risk and optimize returns, portfolio financing emerges as a preferred option for spreading risk across multiple cases. By pooling risks and leveraging economies of scale, portfolio financing enables investors to achieve greater efficiency and resilience in their investment portfolios. Likewise, hybrid financing structures, combining elements of single-case and portfolio financing, offer greater flexibility and customization to litigants, addressing a broader spectrum of legal financing needs.

Technology Integration in 2024:

Technology continues to revolutionize the landscape of litigation funding in 2024, with notable advancements reshaping the industry. One significant trend is the increasing reliance on advanced data analytics, machine learning algorithms, and artificial intelligence tools to streamline underwriting processes and optimize investment decisions. By harnessing the power of big data and predictive analytics, funders can more accurately assess case viability, predict outcomes, and mitigate risks, thereby enhancing the efficiency and effectiveness of the litigation finance ecosystem.

Furthermore, the emergence of a secondary market for litigation finance represents a significant development in the industry's technological evolution. This secondary market, characterized by the sale of existing portfolio deals by litigation funders, is gaining prominence as a mechanism to free up liquidity and manage extended investment periods. As litigation funding deals mature and evolve, the secondary market provides an avenue for funders to optimize their portfolios and inject liquidity into the market at different stages. This influx of liquidity not only fosters greater competition among funders but also improves pricing and terms for litigants.

Looking ahead to 2024, the growth of the secondary market is expected to continue, driven by the increasing number of litigation funding deals originating in recent years. This trend underscores the maturation of the litigation finance market and its evolution into a more dynamic and liquid marketplace. However, litigants and attorneys may approach this trend with caution, recognizing the potential implications of funders selling portions of their cases. As such, there may be a growing demand for reasonable protections in funding agreements, such as increased notice or limitations on assignment, to safeguard litigants' interests in light of the expanding secondary market. Nonetheless, the continued growth of the secondary market promises to enhance liquidity, foster competition, and drive innovation within the litigation finance industry, ultimately benefiting litigants, attorneys, and funders alike.



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