

Taming the future

Fiona Campbell outlines the path for a future of responsible AI deployment in the UK

Artificial intelligence (AI) is no longer a vision of the future, it is actively transforming industries in real time, from healthcare to financial services, and revolutionising how legal professionals manage data, disclosure and compliance.

As AI adoption accelerates, the UK has worked to balance innovation with accountability, embracing AI's potential whilst ensuring ethical, fair and transparent deployment.

How is the UK regulating AI?

The UK has empowered existing sectoral regulators to oversee AI within their respective domains. Unlike the EU AI Act, which introduces a legally binding risk-based approach to AI's safe and ethical use, the UK has (for now) opted for a principles-based approach, using what I like to call the Government's 'Five SMART AI Principles':

- **S – Safety, security and robustness:** AI must be rigorously tested and risk-assessed.
- **M – Mechanisms for contestability and redress:** Users must have the ability to challenge AI-driven decisions.
- **A – Accountability and governance:** Companies must clearly define responsibility for AI actions.
- **R – Reasonable and fairness:** AI systems must not reinforce discrimination or bias.
- **T – Transparency and explainability:** Users and regulators must understand how AI makes decisions.

Whilst sectoral flexibility allows the UK to adapt quickly to AI advances, it also raises concerns about regulatory fragmentation. Critics argue that businesses need clearer AI compliance rules, rather than a patchwork of sector-specific guidelines. But change may be coming.

A turning point in 2025?

Since the UK Government's AI White Paper (2023) and its Response (2024), policymakers have resisted binding AI regulation, prioritising innovation over restrictive frameworks. However, as AI adoption accelerates, momentum may be shifting towards formal legislation.

Recent developments signalling this transition include:

- The King's Speech (July 2024): Proposed new laws imposing legal obligations on AI developers, moving away from voluntary compliance.
- AI Opportunities Action Plan (January 2025): A long-term AI roadmap focusing on infrastructure, governance, and public sector adoption.
- AI Supercomputing Expansion (Spring 2025): The Government plans to increase AI compute capacity 20-fold by 2030 to support AI research, compliance, and regulatory oversight.

- **Reintroduction of the AI Bill (March 2025)**

These steps suggest the UK is edging closer to binding AI regulation, bringing it more in line with global AI governance trends. In a turn of the tide, the AI Security Institute (AISI) (currently government-led) will become an independent statutory body to ensure impartial risk assessment of high-risk AI models.

For businesses, this means AI compliance is no longer optional.

Pay attention to the EU AI Act

As the UK continues to debate the future of AI regulation, the EU AI Act is already shaping the global compliance landscape. Its impact extends beyond the EU, and UK businesses cannot afford to ignore it. The EU AI Act matters to the UK because its application applies beyond EU borders. Any UK business that operates in the EU provides AI-driven services affecting EU citizens, or uses AI models trained on EU data must ensure compliance with the following risk-based classifications:

- **Prohibited AI:** Banned applications such as social scoring and real-time biometric surveillance.
- **High-risk AI:** Systems used in finance, employment, law enforcement, and other critical sectors, requiring stringent compliance measures.
- **Limited-risk AI:** AI tools subject to transparency obligations but with fewer regulatory restrictions.

Companies that breach the EU AI Act face fines of up to 7% of global turnover (surpassing even GDPR penalties).

For UK businesses, this creates a regulatory minefield. With two AI regimes emerging, one in the UK (principles-based) and another in the EU (strict, risk-tiered enforcement), companies operating across both markets must align their AI systems with both frameworks or risk legal and financial repercussions. Companies operating in both regions must align their AI systems with both frameworks, or risk legal challenges.

AI in UK litigation

AI is also making its way into the UK legal system. Unlike TAR (Technology-Assisted Review), Generative AI has not yet been formally approved by UK courts for document review in outgoing disclosure. Judges remain cautious about:

- **Hallucinations/fabricated output:** AI generating plausible but inaccurate information.
- **Transparency concerns:** Courts demand explainability in AI-driven document review.
- **Defensibility issues:** Legal teams must be able to justify AI outputs.

Yet, AI is being used in legal workflows, particularly in early-stage case analysis, and for things like building chronologies and dramatis personae, summarising datasets for proportionality analysis, identifying patterns in disclosure materials, the review of incoming disclosure, translations, etc. TAR is already recognised in Practice Direction 57AD, but this does not include GenAI, whose use in litigation post-dates PD57AD.

Unlike litigation, arbitration provides greater procedural flexibility, making it easier to integrate AI into disclosure. Arbitrators may welcome AI-driven efficiency, particularly in large-scale commercial disputes. However, the lack of legal precedent means parties should agree on AI use before proceeding.

Beyond litigation, AI is reshaping regulatory enforcement, with regulators increasingly expecting AI-driven compliance whilst maintaining stringent transparency requirements. For instance, the Financial Conduct Authority (FCA) mandates that AI used in algorithmic trading must be free from bias to ensure fair market practices. The Serious Fraud Office (SFO) requires AI-driven tools in financial crime investigations to generate clear audit trails, ensuring accountability and traceability. The Competition and Markets Authority (CMA) strictly prohibits the use of AI to manipulate markets or distort competition. Meanwhile, the Information Commissioner's Office (ICO) guidance states that AI-driven profiling and automated decision-making must adhere to GDPR and data protection laws, safeguarding individuals' rights.

The Artificial Intelligence (Regulation) Bill (2025)

The Artificial Intelligence (Regulation) Bill [HL] (2025) represents a renewed push for binding AI legislation in the UK.

Originally introduced in the 2023-24 parliamentary session, the Bill failed to progress before Parliament dissolved ahead of the UK's general election. However, its reintroduction on 4 March 2025 reflects growing concerns over AI risks, regulatory gaps, and the need for legal oversight.

The Bill seeks to:

- Establish a UK AI Authority: A dedicated regulator responsible for AI governance.
- Introduce mandatory AI Impact Assessments: Requiring comprehensive risk evaluations before AI deployment.
- Engage the public and be transparent: Strengthening accountability in AI decision-making.

If passed, this Bill would mark a significant shift in UK AI governance, aligning it more closely with the EU's risk-based framework whilst diverging from the Government's current flexible approach.

Whether this Bill gains traction will depend on industry, government, and public support. The UK must now decide whether to maintain regulatory flexibility or introduce binding AI laws similar to the EU.

What's next?

The UK is at a crossroads. Will it introduce a formal AI law, or maintain its principles-based model? Will UK businesses be forced to align with any emerging EU AI laws, even post-Brexit? Will AI become a standard tool in the legal industry or remain a high-risk experiment?

What's certain is that AI compliance is no longer just a theoretical debate, it's a legal and regulatory necessity. The message is clear: prepare now, or risk being left behind.

- Fiona Campbell, Director, Dispute Resolution, Head of Electronic Disclosure, Fieldfisher