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2027
The Watershed Year

Why self-improving AI, low-fee hybrid services and the end of time-based fees make 2027 the defining year for financial advisers, accountants and solicitors

89 days for the length of task AI can do alone to double

80%+ of a leading AI lab's code is now written by AI

WHITE PAPER

Published November 2026 | 8mds.independentcheck.co.uk

Executive Summary

In early 2025, the best AI could complete, about half the time, a task that would take a skilled person an hour. By spring 2026 it could manage tasks that take sixteen hours. One of the companies building it now expects tasks that take a skilled professional **weeks** to come within reach during 2027.

Every year since ChatGPT arrived has been called "the year of AI", and most professionals have learned to nod politely and carry on. This paper argues that 2027 is different in kind, not degree. Advisers, accountants and solicitors who treat it as another year of gradual change will find their business model overtaken before they notice it moving.

Three forces converge in 2027.

First, AI has begun to build AI. At one leading lab, AI now writes more than 80% of the code merged into its products. In November 2026 an independent evaluator found that lab improving its models at around twice its previous rate, and attributed perhaps 80% of the speed-up to AI itself. Recursive self-improvement — AI improving the next generation of AI — has moved from science fiction to something that is measured.

Second, the "good enough" alternative has arrived. The FCA's targeted support regime went live in April 2026 and household names were authorised within weeks. The SRA has authorised an AI-driven law firm that sends a letter before action for £7.50. AI-native accountancy sells for the price of a phone contract. In 2027 these low-fee hybrid services move from novelty to the default for the mass market.

Third, the economics of time break. The cost of a given level of AI capability is falling about 13-fold a year. Any fee built on hours, or on a percentage of assets regardless of the work done, is now priced against a resource that is collapsing in cost. Clients have noticed: a third say they will reconsider their professional providers within twelve months.

And the threat curve steepens with it. The same AI makes cyber attacks faster, cheaper and more convincing. The UK's National Cyber Security Centre says the country "enters 2027 at a watershed moment". Standing still is not the safe option.

Yet the same evidence reveals the professions' great advantage. Only 1% of UK adults would trust AI to give them legal advice. Only 6% of people seeking financial advice want AI alone. British opinion of AI is souring, not improving. There is a large market, concentrated among older clients, that wants a human — and an organic backlash that professionals can sell to. But that backlash is a window, not a wall. Trust follows proof, as it did with cash machines, online banking and mobile apps, and as AI moves from unreliable to reliable to brilliant, the window will close faster than most firms expect.

The Argument in One Sentence

2027 is the year AI starts to improve itself, cheap hybrid services start to dominate the mass market and time-based fees stop making sense — so the firms that win will run an AI-powered back office behind a deliberately human front door, priced on value rather than time.

13x

annual fall in the cost of a given level of AI capability

Source: Epoch AI, Sep 2026

32%

of professional-services clients will reconsider their providers within 12 months

Source: Thomson Reuters, Jun 2026

6%

of UK advice-seekers would choose an AI platform on its own

Source: Unbiased, Sep 2025

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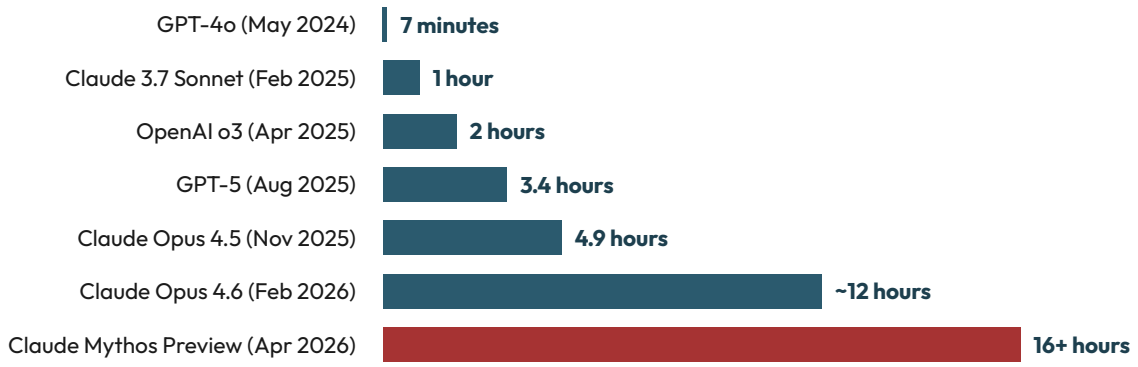
SECTION 1

The Speed of This

Human beings are poor at intuiting exponential change. We extrapolate in straight lines. That is why the professions keep being surprised by AI: each new capability looks like a modest step from the last one, until the steps compound into something that would have been unthinkable two years earlier.

The clearest measure of the pace comes from METR, an independent research organisation that tests how long a task — measured in skilled-human working time — an AI system can complete on its own with 50% reliability. In 2024 the answer was minutes. By spring 2026 it was more than sixteen hours, beyond the point METR's own test suite can reliably measure.

Length of task AI can complete unaided (50% success, in human working time)



Source: METR Time Horizon 1.1 data (metr.org, accessed Nov 2026). Linear scale. METR notes that measurements above 16 hours are less reliable.

That is more than a hundred-fold increase in under two years. METR calculates that since 2024 the length of task has doubled every 88.6 days — roughly once a quarter.

> *A task that took a professional a morning in 2025 is within AI's reach in 2026. Its developers expect tasks that take weeks to come within range in 2027.*

The same pattern appears wherever capability is measured. A test designed specifically so that AI would fail it launched in March 2025 with pure language models scoring 0%; by November 2026 the best score was 95%. Stanford's 2026 AI Index summarises it bluntly: "Evaluations intended to be challenging for years are saturated in months." On PhD-level science questions, AI passed the human-expert baseline in late 2024 and by 2025 averaged 93%, twelve points above the experts. Most relevant to this paper: frontier models now score 60–90% on evaluations in **tax, mortgage processing, corporate finance and legal reasoning**.

ARC-AGI-2: a reasoning test built so that AI would fail it



Source: ARC Prize Foundation (launch results, Mar 2025; live leaderboard, Nov 2026); Stanford HAI AI Index 2026.

The cost is collapsing as fast as the capability is rising

Capability alone would not threaten the professions if it stayed expensive. It is not staying expensive. Epoch AI's September 2026 analysis finds the price of reaching a fixed level of AI performance falls by about 47% every quarter — roughly 13-fold a year. One example: answering a PhD-level science question at 75% accuracy cost about 30 cents in January 2025 and a tiny fraction of a cent by June 2026 — a 725-fold fall in eighteen months, by Epoch's calculation.

725x

fall in the cost of PhD-level science answers in 18 months (Jan 2025 to Jun 2026)

Source: Epoch AI, "The plunging price of thought," Sep 2026

53%

population adoption of generative AI within three years — faster than the PC or the internet

Source: Stanford HAI, AI Index 2026

The money behind this is without precedent. Alphabet, Amazon, Microsoft and Meta are spending in the region of $720–740bn on capital expenditure in 2026, and Alphabet has already told investors its spending will "increase significantly" in 2027. Global corporate AI investment reached $581.7bn in 2025, up 130% in a single year. This is not a technology waiting for a business case. It is among the largest industrial investments of our lifetimes, and it is aimed squarely at knowledge work.

What This Means for the Professions

Individuals are adopting AI far faster than firms. Around 61% of US adults aged 18 to 64 now use generative AI, yet only around one in five US businesses do (34% in finance and insurance). In the UK, 94% of legal professionals use AI for legal work. Your clients and your staff are already there. The question for 2027 is whether your **business model** is.

SECTION 2

The Loop Closes: AI That Improves Itself

For sixty years, since the mathematician I. J. Good first described it in 1965, "recursive self-improvement" (RSI) has been the hypothetical at the centre of every serious conversation about AI: the point at which AI becomes good enough to improve AI, each generation building a better successor, faster than humans alone ever could. It was a thought experiment. In 2026 it became a set of measurements.

80%+

of code merged into Anthropic's production codebase written by its own AI, by May 2026 (low single digits before 2025)

Source: Anthropic, "When AI builds itself," 2026

26%

of Anthropic's model R&D now **led** end-to-end by its AI, under human supervision — up from 0% in February 2026

Source: AP, 18 Sep 2026

~2x

faster model improvement than in 2024–25, with perhaps 80% of the acceleration attributed to AI itself

Source: METR independent assessment, 5 Nov 2026

The self-improvement loop, as measured in 2026

1 — AI writes the code
80%+ of merged code at Anthropic, from low single digits in 2024

→

2 — Researchers move faster
~8x more code merged per engineer per day than in 2024

→

3 — Better models arrive sooner
Models improving at ~2x the earlier rate

→

4 — ...which are better at building AI
Optimisation speed-up rose from 3x to 52x in a year

↻ Each turn of the loop is faster than the last.

Sources: Anthropic, "When AI builds itself" (2026); METR independent assessment (5 Nov 2026).

The evidence from every frontier laboratory

- **Anthropic** reports that engineers merged around eight times as much code per day in mid-2026 as in 2024, that about 30,000 AI agents were doing research and engineering work in August 2026, and that AI-led sessions on open-ended research problems succeed 91% of the time, up from 26% a year earlier. Its own forecast: tasks that take skilled people days could come into range in 2026, "and tasks taking weeks in 2027."
- **OpenAI** set itself a public goal of an "automated AI research intern" by September 2026, and says it hit it, by its own measurement, with its research organisation using 3.1 agent-workdays for every human workday. Its next stated goal is an automated AI researcher by March 2028.
- **Google DeepMind's** AlphaEvolve found improvements to the infrastructure used to train Gemini itself — a model helping to speed up the training of its successors.
- **Independent verification:** in November 2026, METR assessed Anthropic and concluded it is improving its models at around twice its earlier rate, found, with low confidence, "no convincing bottlenecks" to rapid progress over the next twelve months, and warned of "a significant risk" of even faster acceleration in the year ahead.

> *The machines are not yet improving themselves unaided. But they now take part in almost all of the work of improving themselves, and lead a quarter of it — and the human share is shrinking every quarter.*

Why 2027 is the year this becomes real

Our view at 8MDs is that 2027 is the year RSI stops being a laboratory statistic and starts to show up in the products professionals use. Three things point that way:

1. **The compounding has already started.** When AI accelerates AI research, each model generation arrives sooner and is more capable at accelerating the next. The doubling time of AI task length has already shortened from about seven months to about three to four.
2. **Self-learning is the next frontier.** Today's models are trained, frozen and shipped. The labs' most visible research priority is "continual learning": systems that keep learning from their work after deployment. No frontier product has yet shipped it; some of the field's leading figures predicted it for 2026 and were early. When it arrives, the gap between AI that knows things and AI that **learns your practice** closes.
3. **The investment is already committed.** The data centres that will train the 2027 generation are being built now, financed on the assumption that capability keeps compounding.

What the Sceptics Say — and Why It Doesn't Change the Conclusion

The case is not unanimous. The authors of the influential "AI 2027" scenario never treated 2027 as their central forecast, and now put general AI at around 2030 to 2035. A Princeton study found a frontier AI model good at engineering but "unambiguously bad" at open-ended research, which an Anthropic co-founder called a "bearish signal on short recursive self-improvement timelines". Lab figures are largely self-reported. All of this is fair. But note what the sceptics are debating: whether AI fully replaces **frontier AI researchers** in 2027 or 2030. Few serious voices argue that AI will fail to automate routine professional work. For advisers, accountants and solicitors, the debate is about the ceiling — the floor is already here.

SECTION 3

The 2027 Collision

If accelerating AI were the only change coming, firms might absorb it gradually. It is not. 2027 is also the year in which a cluster of regulatory and tax changes lands on all three professions at once — creating a surge of demand for exactly the kind of work AI is now able to do, at exactly the moment clients are looking for cheaper ways to get it done.

6 April 2027 is the pile-up date.

Date	Change	Who it lands on
1 Apr 2027	Main-rate writing-down allowance cut to 12%; R&D claim notification removed	Accountants
6 Apr 2027	**Most unused pension funds and death benefits enter the inheritance tax estate** (~213,000 estates; ~10,500 newly liable; average bill + £34,000)	Advisers, solicitors, accountants
6 Apr 2027	**Making Tax Digital for Income Tax** extends to income over £30,000 (~970,000 more sole traders and landlords)	Accountants
6 Apr 2027	Savings and property income tax rates rise to 24% / 44% / 49%	Advisers, accountants
6 Apr 2027	Business Asset Disposal Relief lifetime limit halves from £1m to £500k	Accountants, advisers, solicitors
6 Apr 2027	Trading allowance rises to £3,000; payrolling of benefits in kind begins	Accountants
2027 (expected)	FCA final rules simplifying pensions and investment advice (CP26/10); policy statement due late 2026, start date not yet set	Advisers
2 Dec 2027	EU AI Act high-risk obligations apply (credit scoring, life and health insurance pricing, employment), after the Digital Omnibus delay	Firms serving EU clients

Sources: HM Treasury, Budget 2026 OOTLAR (28 Oct 2026); HMRC, inheritance tax on unused pension funds policy paper (Nov 2025); HMRC Making Tax Digital guidance (Mar 2026) and press release (Apr 2025); FCA CP26/10 (Mar 2026); Regulation (EU) 2026/1744.

What the collision means, profession by profession

Financial advisers

Pensions moving into the inheritance tax net rewrites decumulation and estate planning for hundreds of thousands of families. Demand rises sharply — but targeted support lets banks, platforms and pension providers meet the simpler end of that demand at scale, at little or no cost to the customer.

Accountants

Nearly a million more sole traders and landlords become quarterly digital filers. This is the most automatable compliance work in the profession, arriving at volume. Practices that service it by hand will drown; AI-native services already price it from around £10 to £20 a month.

Solicitors

Estates now hold pension wealth with IHT consequences, and personal representatives carry the liability. Probate grows more complex. Meanwhile an AI-driven law firm is already authorised for routine debt claims, and the oversight regulator has made the boundary between reserved and unreserved legal work a priority for 2026/27.

The runway: AI milestones and regulatory deadlines, 2026–2028

6 Apr 2026	Regulation and tax	FCA targeted support goes live; Making Tax Digital starts at £50,000
Sep 2026	AI capability	OpenAI says it has met its "automated AI research intern" goal
Nov 2026	AI capability	METR finds a leading lab's AI development running at ~2x, mostly due to AI
Nov 2026	Regulation and tax	NCSC: "The UK enters 2027 at a watershed moment" for cyber security
Q1 2027	Regulation and tax	FCA due to report on its second AI Live Testing cohort
6 Apr 2027	Regulation and tax	**Most unused pensions enter inheritance tax; MTD reaches £30,000; savings and property tax rates rise; BADR halves**
During 2027	AI capability	Anthropic expects tasks that take skilled people weeks to come within AI's range
2 Dec 2027	Regulation and tax	EU AI Act high-risk obligations apply
Mar 2028	AI capability	OpenAI's target date for an automated AI researcher
6 Apr 2028	Regulation and tax	Making Tax Digital reaches £20,000

AI capability Regulation and tax

> *2027 brings more work, more complexity and more regulation to all three professions — in the same year that AI becomes able to do much of that work at a fraction of the cost. That is the definition of a watershed.*

SECTION 4

The Threat Curve

The acceleration described in this paper has a dark twin. The same AI that is learning to do professional work is making cyber attacks faster, cheaper and more convincing — and professional firms hold exactly what attackers want: identity documents, financial details, sensitive personal histories and client money in transit.

The UK's National Cyber Security Centre (NCSC) does not mince its words. Its chief executive's foreword to the November 2026 Annual Review states: **"The UK enters 2027 at a watershed moment."** AI, it says, "makes cyber attacks easier, faster and cheaper to execute, and at greater scale", and "the cyber threat has increased faster than our defensive capabilities".

93%

AI agents' success rate on cybersecurity problems, up from 15% a year earlier

Source: Stanford HAI, AI Index 2026

80%+

of a state-backed hacking campaign's tactical operations carried out by AI (80–90%)

Source: Anthropic threat report, Nov 2025

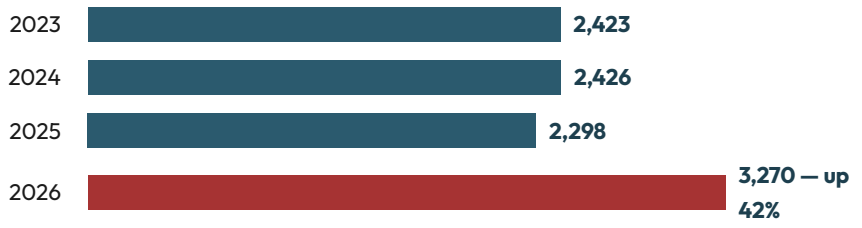
+42%

cyber-related data breach reports to the ICO, Jan–Sep 2026 against 2025

Source: 8MDs analysis of ICO data

The attackers' tools are on the same steep curve as everything else in this paper. In April 2026 one frontier AI model found thousands of high-severity security flaws across every major operating system and browser, nearly all of them entirely on its own — including a bug that had sat unnoticed for 27 years. Its developer restricted the model to defenders and warned that "it will not be long before such capabilities proliferate". The NCSC adds that the time between a flaw being disclosed and being exploited "has shrunk to days and AI will almost certainly reduce this further".

Cyber-related personal data breach reports to the ICO, January–September each year



Source: 8MDs analysis of the ICO data security incident trends dataset (Q1 2019 to Q3 2026, published Oct 2026). Same nine months each year.

The incidents are starting to follow the capability. July to September 2026 was the worst quarter on record for cyber-related breach reports to the Information Commissioner: around fifteen every day. Phishing reports rose 54% year on year, and cyber-related reports from the legal sector rose 28%. The Solicitors Regulation Authority issued a steady stream of alerts through 2025 about criminals cloning law firms' email domains to divert completion money. Not every measure agrees — other official counts are flat or falling, and the NCSC itself notes that "incident reporting does not follow a simple year-on-year trend". But the direction of attacker capability is not in doubt.

The Digital Divide

The NCSC's assessment of AI and cyber security to 2027 predicts "a digital divide between systems keeping pace with AI-enabled threats" and those that are not. That is the risk for slow-moving firms. Standing still on legacy systems is not the cautious option — it is the exposed one. Yet only 24% of UK businesses using or considering AI have any practices to manage its risks, and just 5% hold the government's basic Cyber Essentials certification.

The same technology is also the defence. "Used responsibly," says the NCSC, "AI can help us identify weaknesses faster, automate defensive actions, accelerate recovery." And the NCSC is clear about the root cause: "AI did not create these cyber security weaknesses; it revealed them." Firms that get the basics right and put AI to work on their own defences will be on the right side of the divide. And in a world of cloned emails and convincing fakes, a client relationship with a known, verifiable human becomes a security asset in its own right.

Read the full white paper, free

8MDs membership is free. Join to download the complete paper, including:

- The hybrid explosion: low-fee services that get the job done
- Why traditional fee models cannot survive
- The organic backlash — and why it won't last
- AI as concierge: who will the AI recommend?
- Human-led, AI-powered: the model that wins
- Six moves to make before 2027, for each profession

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