

The legal needs of small businesses – summary

briefing for regulators

About the research

- Analyses the experiences of small firms in today's economy, showing the origin of legal problems that they face and their strategies for dealing with these problems, including where they seek advice and their experiences of doing so
- The largest ever survey of small firms' interactions with the legal sector – an online survey of 10,528 respondents, including 1,463 also interviewed in 2013

Key findings

- **The number of legal problems faced by small firms reduced significantly over the last two years** - reflecting better trading conditions. The most common problems related to trading, employment and taxation. Other businesses were the main source of problems. Larger small businesses, and businesses with BME and disabled business owners-managers, were most likely to experience problems
- **The large majority of firms had little contact with legal advisers.** Less than 1 in 10 either employed in-house lawyers or had a retainer with an external provider. Over half of firms experiencing a problem tried to resolve it by themselves. When advice was sought, accountants were consulted more often than lawyers
- **Only 13% of firms viewed lawyers as cost effective** – little improved since the 2013 survey. Microenterprises were the least likely to view lawyers as affordable
- **Half of firms reporting a legal issue said it had a negative impact;** one-quarter of them reported loss of income and one-fifth reported health related problems. Total annual losses to small firms due to legal problems is estimated at £9.79bn
- **Satisfaction that law and regulation provide a fair trading environment increased from 30% in 2013 to 45% in 2015** – improving economic conditions as well as improvements in the regulatory environment may explain this change.