

<b>To:</b>	Legal Services Board	
<b>Date of Meeting:</b>	24 January 2018	<b>Item:</b> Paper (18) 04

<b>Title:</b>	Small business legal needs research
<b>Workstream(s):</b>	Tackling unmet legal need
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<b>Status:</b>	Unclassified

<b>Summary:</b>
The paper is an opportunity for the Board to provide strategic insight on how we can maximise the impact of our small business legal needs research.

<b>Recommendation(s):</b>
The Board is invited to: <ul style="list-style-type: none"> <li>(1) note the research findings and the event planned to launch it</li> <li>(2) advise on any organisations/contacts who could assist in maximising the impact of the research and suggest possible areas for follow up activity</li> </ul>

<b>Risks and mitigations</b>	
<b>Financial:</b>	N/A
<b>Legal:</b>	N/A
<b>Reputational:</b>	This is a flagship research report with wide policy implications for stakeholders inside and outside the legal sector.
<b>Resource:</b>	The consultation on draft 2018/19 business plan includes the possibility of a small follow-up policy project.

Consultation	Yes	No	Who / why?
<b>Board Members:</b>		X	
<b>Consumer Panel:</b>		X	
<b>Others:</b>	No		

<b>Freedom of Information Act 2000 (Fol)</b>		
Para ref	Fol exemption and summary	Expires
Annex 1	S22, S22a - Draft due for future publication	

## LEGAL SERVICES BOARD

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### Small business legal needs research

#### Background / context

1. The small business legal needs survey is a large scale quantitative survey of the experiences of 10,579 small businesses, showing the origin of the legal problems that they face and their strategies for dealing with these problems, including where they seek advice and their experiences of doing so. A draft infographic summarising the key findings is provided in **Annex A**. The full research report is available on request.
2. We are preparing to publish the research in February and hold a launch event. Plans for the event are well developed; Paul Uppal, the newly appointed Small Business Commissioner, is confirmed as the chair. The purpose of this paper is to benefit from the insights of Board members so that we can maximise the impact of the research beyond the immediate launch period, in particular by reaching out to stakeholders beyond the legal services regulatory framework. Further, the draft 2018-19 business plan includes the possibility of a small follow-up policy project flowing from the research. We wish to explore with the Board what this work might involve, should such a project be included in the finalised plan.

#### Implications of key findings

3. The small business legal needs research, which is now in its third wave, is a key input for our triennial market evaluation exercise. The focus of this work aligns closely to our vision, strategic aims and regulatory objectives, in particular as these relate to access to justice and competition. Overall the findings of the new research are consistent with the first two waves in relation to unmet need. One in ten businesses take no action in response to a legal problem. Of those taking action, half handle alone while one quarter use a professional adviser. Consistent with previous waves, accountants are used more than solicitors.
4. The survey findings are more reassuring in relation to professional standards since 83% of SMEs were satisfied with their legal services provider.
5. Horizon scanning suggests that the research findings will be of interest to a range of stakeholders, for example:
  - a. HM Treasury/BEIS – access to legal services helps SMEs to start up, invest, innovate, grow and employ people. Our research shines a light on the financial and health impacts of legal problems. The attitudinal section of the survey provides insights for these departments on the better regulation agenda. Providing support for small businesses is a key element of the Industrial Strategy, in particular via the appointment of a new Small Business Commissioner (see below).
  - b. Ministry of Justice – as above in relation to unmet need. In addition, our research shows a trend away from use of courts towards more informal

methods of dispute resolution. Relevant context here is the launch of the Business and Property Courts in July 2017.

- c. Small Business Commissioner (SBC) – the SBC’s role is to provide general advice and information to small businesses on matters such as resolving disputes, including signposting small businesses to existing support and dispute resolution services. The SBC will have a focus on late payments – our data shows this is the second most frequent legal need, experienced by 12% of SMEs in the last 12 months.
  - d. Intellectual Property Office (IPO) – an independent review of the patent system commissioned by the IPO found low levels of patenting by SMEs with the high cost of legal advice seen as a key barrier. It was suggested that increasing understanding of the role of patent attorneys and the wider benefits of patenting would support SMEs in their usage of the patent system. Our research confirms low levels of patenting.
  - e. CMA – we added new questions to take account of the findings of the legal services market study. The findings indicate quite low levels of shopping around (22%) and high search costs to find price information. This evidence should help frontline regulators to shape their proposals on improving transparency of price, service, redress and regulation.
  - f. Financial Conduct Authority – it has used the research previously and plans to use the new data for a project on access to redress for SMEs.
  - g. Legal services businesses – new market entrants have told us that they have used the data to develop business plans and services.
6. The list above, which is not exhaustive, demonstrates the relevance of our research for stakeholders both inside and outside the legal services regulatory framework. We are planning tailored communications for these audiences. Identifying the strategic context in which this research sits will help us maximise its impact. The Board’s insights will be particularly valuable in this respect.

#### **Follow-up work in 2018-19**

7. The draft business plan for 2018-19 states that ‘we expect to undertake some targeted policy work on themes uncovered by the research’. The Board will be asked to finalise the business plan at its March meeting.
8. Should this project go ahead, there will be an opportunity to use the research in other planned work, for example monitoring and engaging with the regulators on progress implementing action plans produced following the CMA’s market study.
9. We are keen to hear the Board’s ideas for targeted follow up work. For example, there is an opportunity to drill deeper into the data to produce fresh analysis that would be useful to specific stakeholders. Alternatively, raising awareness and information provision is a recurring theme in relation to stakeholder activity and may offer opportunities for collaborative working with the regulators and others.

#### **Next steps**

10. The Board’s discussion will help us to maximise the impact of the research when it is launched and in the period afterwards. It will also help us to scope the planned project in the 2018/19 business plan should this proceed.

15.01.18