

The legal needs of Small Businesses

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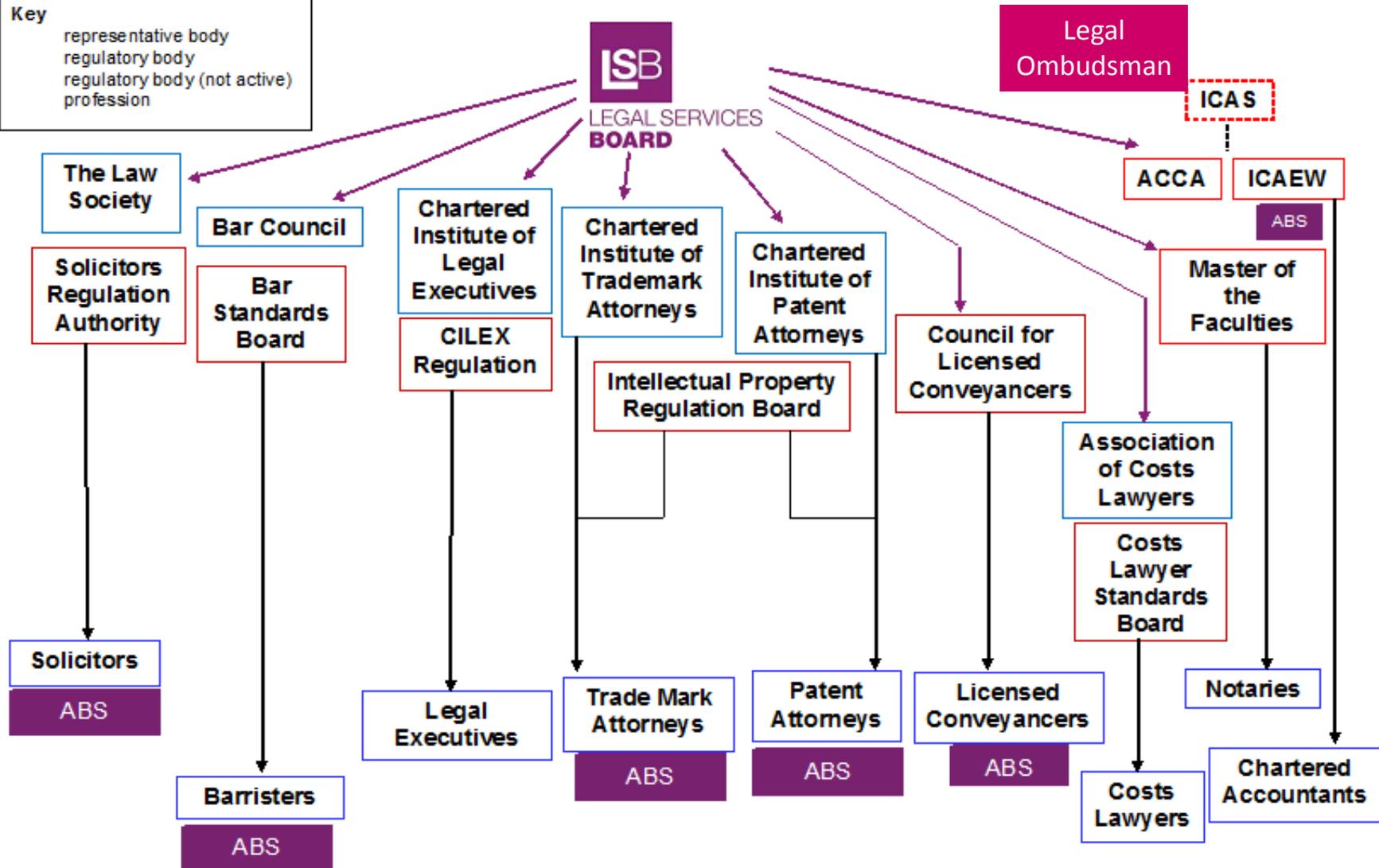
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Overview

- Context for the LSB
- Findings of the 2017 survey
- Implications for regulators

Regulatory structure

Key
 representative body
 regulatory body
 regulatory body (not active)
 profession



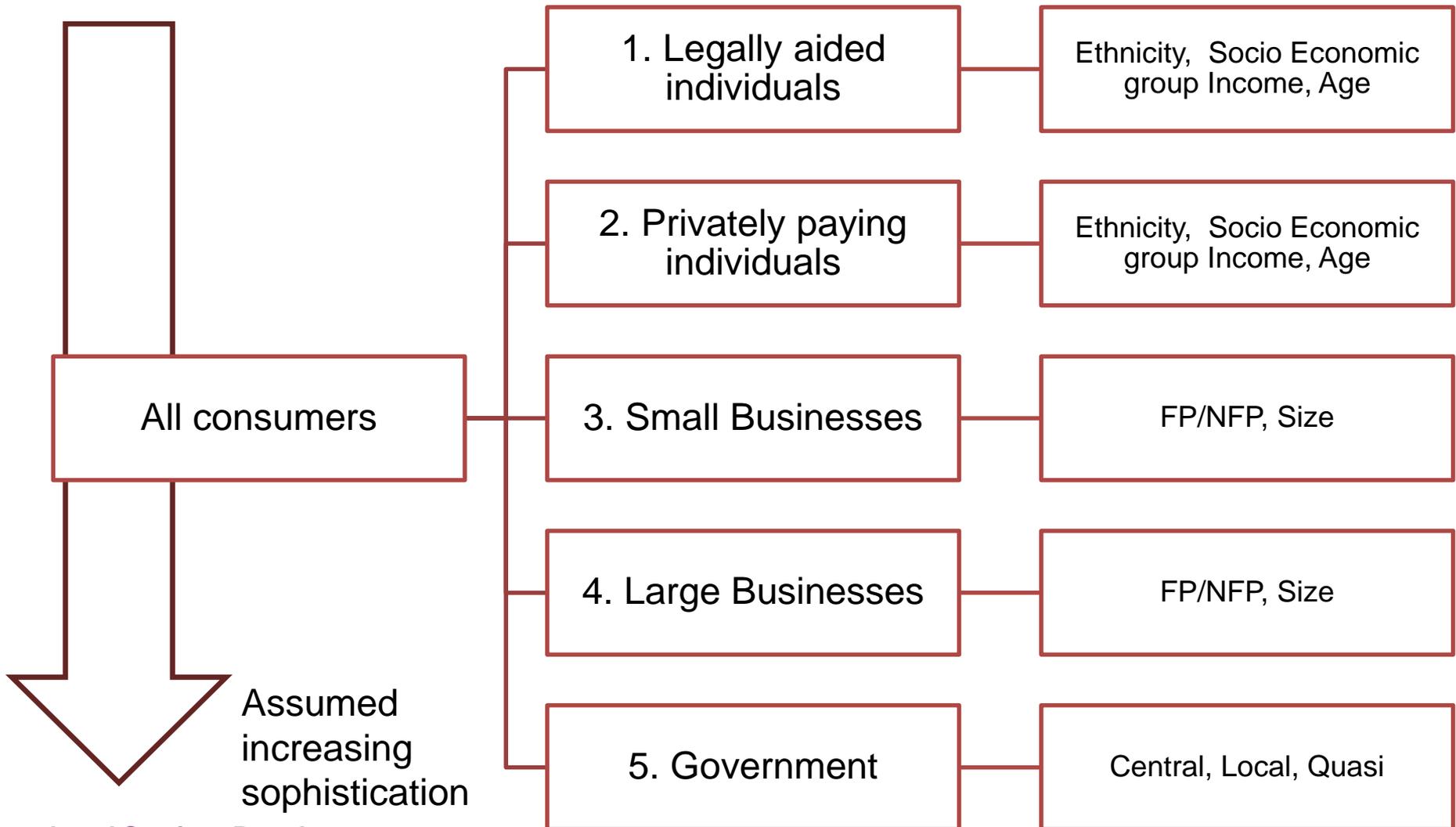
Legal duty to promote the regulatory objectives

1. Protecting and promoting the public interest
2. Supporting the constitutional principle of the rule of law
3. Improving access to justice
4. Protecting and promoting the interests of consumers
5. Promoting competition in the provision of services
6. Encouraging an independent, strong, diverse and effective legal profession
7. Increasing public understanding of the citizen's legal rights and duties
8. Promoting and maintaining adherence to the professional principles

Regulatory change 2010 onwards

Market segments	All	All	All	Conveyancing, Probate	Intellectual Property		Other (Costs litigation)	Conveyancing, Other (Notarial), Probate	Probate
Reserved Activities by Profession	Solicitors	Barristers	Legal Executives	Licensed Conveyancers	Patent Attorneys	Trademark Attorneys	Cost Lawyers	Notaries and scribes	Accountants
1. Right to conduct litigation	X	X	X		X	X	X		
2. Right of audience in the courts	X	X	X		X	X	X		
3. Probate services	X	X	X	X				X	X
4. Reserved Instrument Activities	X	X	X	X	X	X		X	
5. Notarial services								X	
6. Acting as a commissioner for oaths	X	X	X	X	X	X	X	X	
Nature of regulation									
Individual regulation	✓	✓	✓	✓	✓	✓	✓	✓	✓
Entity regulation	✓	✓	✓	✓	✓	✓			✓
ABS licensing	✓	✓		✓	✓	✓			✓

Market segmentation 2011 onwards: The types of consumer



Small Businesses in the UK

5.2m
small
businesses
(less than 50
employees)

£1.3tr
estimated
turnover in
2017

Account for
99%
of all
businesses

Account for
48%
of all business
employment

77%
are single
person
businesses

19%
are micro
businesses
with 1-9
employees

History of LSB funded research in this area

2010 – LSB Regulatory Information Review

2012 - A methodology for conducting research into SMEs' use of legal services – Pleasence, Balmer, Blackburn & Wainwright.

2015 - The legal needs of small businesses - An analysis of small businesses' experience of legal problems, capacity and attitudes, Blackburn, Kitching, & Saridakis, survey YouGov.

2011 – Legal Advice for Small Businesses - Qualitative research – AIA

2013 - In Need of Advice? Findings of a Small Business Legal Needs Benchmarking Survey Pleasence & Balmer, survey YouGov.

2017 - The legal needs of small businesses 2013-2017, Turner & BMG research, survey YouGov

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The LSB funded survey 2017

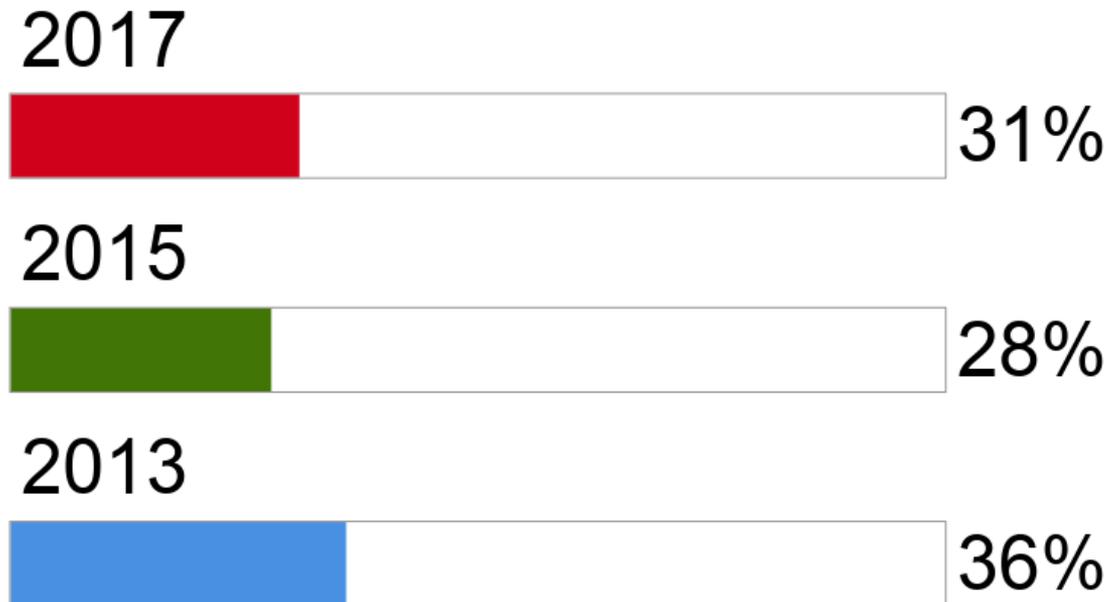
- **10,579** owners and managers participated in the 2017 survey.
- Results have been **weighted to be representative** of small businesses by size and sector.

Respondents were provided with a set problems that **can be** resolved through a legal process.



"A problem is an issue that diverted or distracted you or anybody else within your business, in a significant way, from everyday work activities or responsibilities."

Problem incidence



1. Late or non payment by a customer (**Trading**).
2. Purchases not as described (**Trading**).
3. Liability for tax (**Tax**).



Trading
 20% **
 19%
 24%



Other
 2% **
 2%
 3%



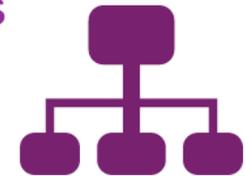
Tax
 7% **
 6%
 8%

Debt
 2% **
 3%
 3%



The survey looked at 86 different types of legal problem across 9 areas

Business structure
 3% **
 4%
 4%



Employment
 7% **
 7%
 8%

Regulation
 6%
 5%
 6%



Premises
 5% **
 5%
 7%



Intellectual Property
 3% **
 3%
 4%

Problems not uniformly experienced



Less likely to experience problems if you:

- Are a sole trader.
- Are a white owned business.
- Work in the construction or consultancy sectors.
- Have one worker.
- Have turnover of less than £50k.

More likely to experience problems if you are:

- A private limited company.
- A BME owned business.
- Run by someone with a disability.
- Have more than one worker.
- Have turnover of more than £500k.
- Have someone in the business who deals with legal issues, or a retainer for legal services.



Large societal impacts

47% of problems resulted in one or more impacts



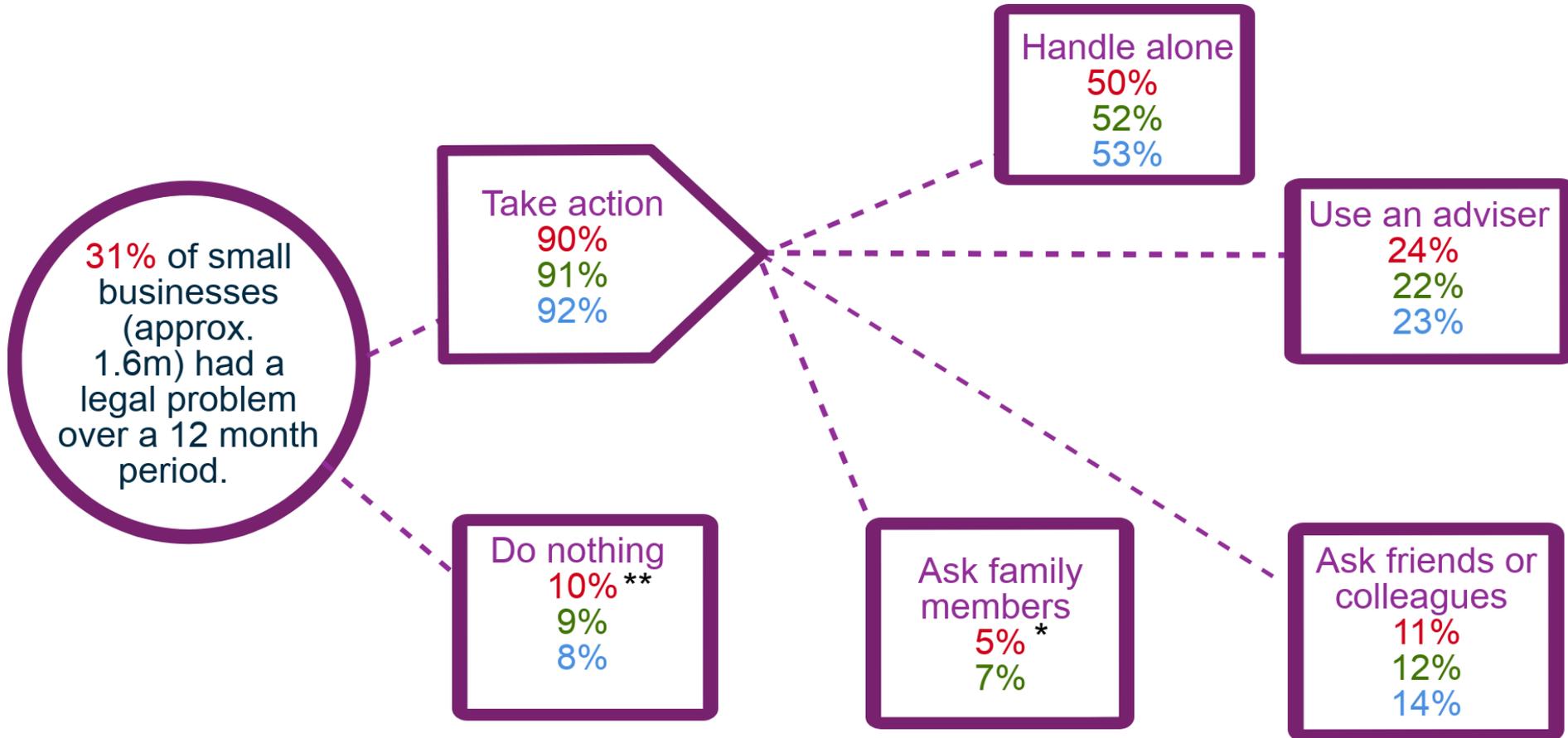
£40bn

estimated financial impact
of problems experienced by
all small businesses in
2017.

Over **1.1 million** individuals in
small business suffered ill
health as result of these
problems.



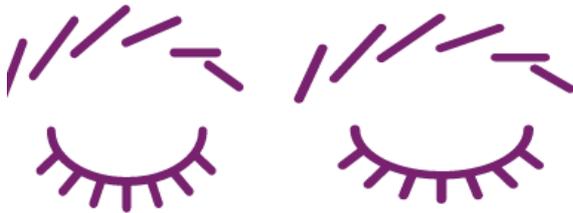
Responses to problems



'Rational inaction' but...

Doing nothing

- Have one worker.
- Have turnover of less than £50k.
- Don't have someone in the business who deals with legal issues.
- See the problem as bad luck.



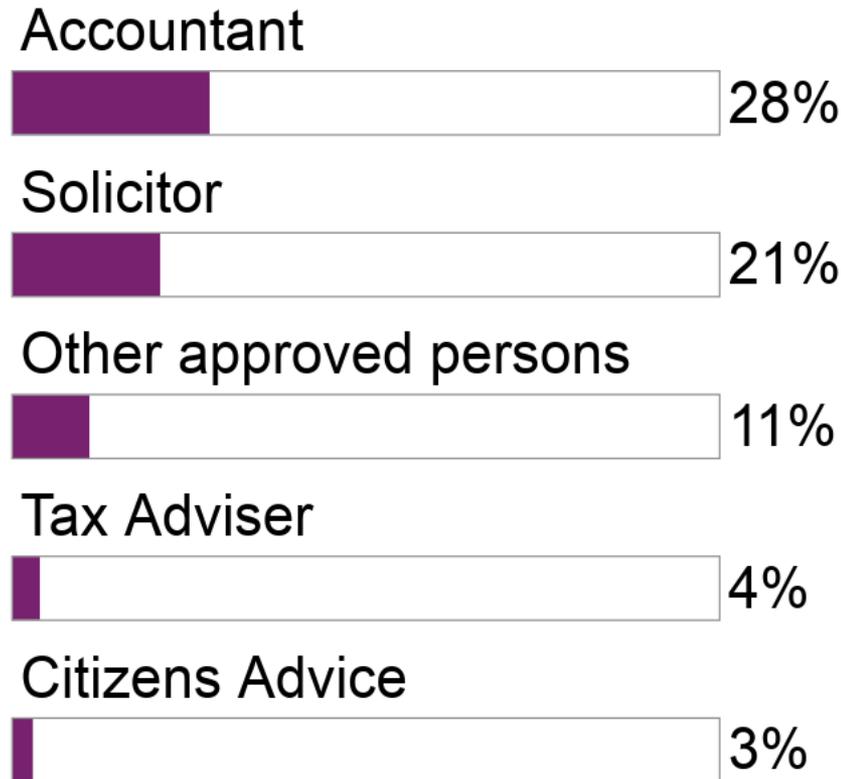
Handling alone

- Have one worker.
- Are a white owned business.
- Have turnover of less than £50k.
- Don't have a retainer for legal services.

Using advisors

Accountants were most commonly used for **tax** problems (71%) and a **regulation** problem (40%).

Solicitors were most commonly used in **business premises** (42%) and **structure** problems (34%).



3% of problems involved a court.

5% used an online dispute resolution service.

Finding advisors

- **22%** shopped around for a provider.



- **50%** of those who shopped around found it **easy to compare providers.**

The **top 5** most important factors in choosing a provider were:

Reputation



Used them before



Specialism



Cost



Recommended by friend



Views on law and lawyers (1)

"Law and regulation provide a fair environment for business to succeed"

44% agree
up from **30%**
in 2013. **

"When I need one, I find it easy to find a suitable legal services provider that I can afford"

24%
agree similar to
2015.

Views on law and lawyers (2)

11% agree down from
14% in 2015.*
This was **20%** for
those that had used
an adviser.

*"Lawyers provide a cost
effective means to resolve
legal issues"*

*"I use a legal services provider to solve
business problems as a last resort"*

49% agree
similar to
2015.

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Implications for regulators

- *“we have found that the legal services sector is not working well for individual consumers and small businesses. These consumers generally lack the experience and information they need to find their way around the legal services sector and to engage confidently with providers. Consumers find it hard to make informed choices because there is very little transparency about price, service and quality”.*
- Legal services market study Final Report 2016 – **Competition and Markets Authority**

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What are you looking for? GO

Measuring the impacts of reform

Quality of legal services

Diversity of the legal profession

Consumers' unmet legal needs

Consumer experiences of legal services

Investigating regulation

Reports

In this section, you can access all the research reports commissioned by us, or our in house reviews. Where available, you can also access associated data sets and report summaries.

You can view reports by theme, using the menu to the left, or as a single list using the button below.

There are six themes to explore in this section:

Measuring the impacts of reform – how has the legal services market changed since the introduction of the Legal Services Act 2007?

Quality of legal services – what do we know about consumers' experiences of the quality of legal services?

Diversity of the legal profession – how diverse is the legal workforce and how has this has changed over time?

Consumers' unmet legal needs – where are the gaps in the current provision of legal services?

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