

# Ensuring regulation supports growth

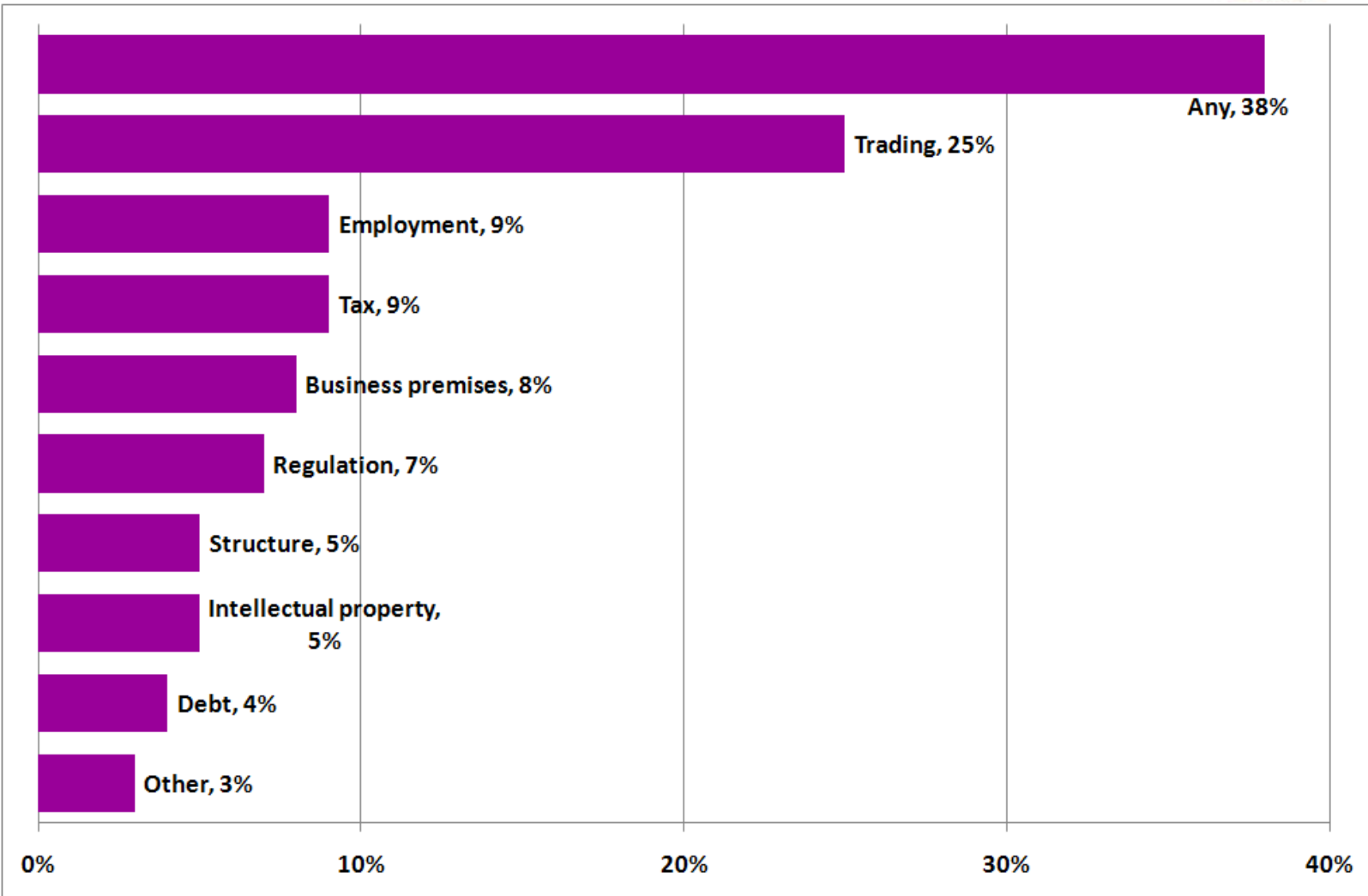
The LSB perspective

# Small Business Legal Issues

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- 2012 survey of 9.7k small businesses in England & Wales
- High rates of problem incidence
- Large economic impact: Estimated to be >£100bn p.a.
- Recognition that legal processes are essential
- High levels of handling alone - lower use of all legal services
- Problems with the biggest impacts are not associated with highest advice seeking behaviours
- Strong perception of legal services as not cost effective
- Challenge to legal service firms to offer a better proposition
- Legal retainer services associated with smaller financial impact

# Small Business Legal Issues – problem areas and annual rates of incidence



The annex contains the detailed breakdown of each problem type

# What regulators can do:

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Development of 'Retainer' style services shows benefits of competition – threat of entry stimulated new service offerings

- Ensure barriers to entry are linked to risks, otherwise remove
- Remove barriers regulation which unnecessarily restrict competition
- Remove specific rules such as 'separate business rule' which prevent entry of more innovate legal firms
- Speed up entry to market of potential ABS firms to stimulate competition

Ministry of Justice Review of Regulation should be considered in this context

# Regulatory reform: areas of agreement?



	<b>LSB</b>	<b>PBSC</b>
Need for risk based proportionate regulation		
Legislation to ensure effective LSB		
Single regulator as goal*		

\*PBSC listed two options as potential long term regulatory models

# Regulatory reform: Specifics

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- Immediate action by the LSB and existing regulators to target regulation at identified risks, rolling back rules where this justification does not exist
- simplification of the legislative framework for legal services significantly over the next 2-3 years
- better targeted and proportionate regulation
- rights for consumers of all legal services to access the Legal Ombudsman and new freedoms for the Office for Legal Complaints to develop its services, and
- the development of timetabled and costed proposals for a new framework in which a single legal services regulator unrelated to any existing regulator, including the LSB should be the core model to be tested.

# Points of discussion

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- What more can we do to alert legal firms to the market opportunities of working with small businesses?
- What immediate steps can the LSB take to reduce unnecessary regulatory burdens in legal services?
- How can we work together to develop a common view on a long-term regulatory settlement for legal services?

# Annex



# Small Business Legal Issues – problem areas: DETAIL



Trading - 25%	Employment - 9%	Business premises - 8%	IP - 5%
<b>Goods/services supplied:</b> Late/non-payment 6% Late delivery 3% Not as described 3% Other contract problems 2% Distance selling rights 1% <b>Good/services purchased:</b> Not as described 8% Late delivery 6% Late/non-payment 3% Other contract problems 2% Reg. issues re int'al trade 2% Fraudulent/wrongful trading 2% Unfair public tender 1% Supplier insolvent 1%	Staff misconduct 3% Dismissal/threat of staff 2% Making staff redundant 2% Parental rights 1% Payment of wages/pension 2% Working conditions 1% Employee injury 1% Other employment issues 2% Complaints/grievances 1% Adj't to jobs/workplace 0.4% Emp. non-EU nationals 0.3%	<b>Rented premises:</b> Maintenance by landlord 2% Terms of lease 2% Rent arrears 2% Eviction 1% Boundaries of rented premises 1% Recovery of deposit 0.4% <b>Owned premises:</b> Planning permission 1% Repossession 1% Repairs 1% Boundaries 1% Mortgage arrears 1% Conveyancing 1% Squatters 0.2%	<b>Infringement of own IP</b> Copyright 2% Trademarks 1% Design rights 1% Database rights 0.4% Patents 0.3% Disclosure: trade secrets 0.4% <b>Infringement by your business</b> Trademarks and Patents 1% Copyright 1% Design rights 0.4% Database rights 0.4% Disclosure of trade secrets 0.2%
	<b>Regulation - 7%</b> Other government regulation 1% Product safety 1% Other health and safety 1% Data protection 1% Import/export regulation 1% Mandatory insurance 1% Filing/content of accounts 1% Mandatory licenses/permits etc 1% Advertising standards 0.4% Need for/outcome of audit 0.4%	<b>Structure - 5%</b> Technicalities of business start-up 1% Change of legal status 1% Break-up of partnership 1% Partnership/shareholder disputes 1% Sale of Business/Merger 1% Take-over of another business 1% Joint venture 1%	<b>Debt - 4%</b> Unable to pay creditors 4% Insolvency 1% Bankruptcy 0.4% Receivership 0.2% Administration 0.3% Winding up order 0.2% IVA/CVA/PVA 0.4%
<b>Tax - 9%</b> Liability for tax owed 5% Errors in tax return 3% Failure to maintain records 1% Failure to report changes 1% International taxation 1%			<b>Other - 3%</b> Credit agency information 1% Defamation 1%

Weighted data against small business population