

RESEARCH SUMMARY

FEBRUARY 2018



THE LEGAL NEEDS OF SMALL BUSINESSES

1. About the research

i The **research examines how small businesses respond when experiencing legal issues**, covering how often different types of issues are encountered, strategies to handle these issues, perspectives on lawyers and satisfaction with services accessed.

This analysis is based on an online survey of **10,579 owners and managers** of small businesses who experienced at least one of 86 different legal problems in the last 12 months. The survey was undertaken by **YouGov** and the analysis undertaken by **BMG Research**. Previous waves of the research were conducted in 2013 and 2015.

2. Key findings

- i** *Business problems have declined in incidence*
- Around a third of small businesses had a **legal problem in the preceding 12 months**. This has **fallen significantly to 31% down from 36% in 2013**. The most frequent issues across the three waves of the survey are: late or non-payment for goods or services provided; goods and services not as described; and liability for tax owed.
 - Around half of small businesses reporting a legal issue said it had a negative impact. **Total annual losses to small businesses due to legal problems is estimated at £40bn, and over 1 million individuals in small businesses suffered ill health.**

Engagement with legal service providers remains limited

- **A significant increase in the proportion of small businesses doing nothing when experiencing a problem (10%)**, but proportions adopting strategies including handling alone (50%) or using an advisor (24%) have changed little between 2013 and 2017.
- Less than one in 10 either employed in-house lawyers or had a retainer. **When advice was sought, accountants were consulted more often than lawyers.**
- In 2017, for those that did use a lawyer, 22% shopped around to find a provider. 50% of those who shopped around found it easy to compare different providers.

Views on cost effectiveness of lawyers have not improved

- **Just 11% of small businesses agreed that lawyers provide a cost effective means to resolve legal issues** - this is down from 14% in 2015.
- Satisfaction that law and regulation provide a fair trading environment increased from 30% in 2013 to 44% in 2017.

3. Regulatory insights

i The findings of this research **highlight the continued perception of legal services as expensive – whether or not that perception is accurate**. Work by regulators and others to implement the CMA recommendations should help to address this over time.

There are opportunities for legal service providers to expand their business if they can tailor their services to what this group of consumers need, and overcome perceptions of high cost.