LEGAL SERVICES BOARD

The Fifth Wave of the
Small Business Legal Needs Survey
November 2026

2026 Small Business Legal Needs Survey

An Executive Report into the Legal Needs of Small Businesses in England and Wales



Key Findings

36%
Experience a legal issue each year

22%
Of businesses experiencing a legal issue report lost income

16 Million
Legal issues experienced annually

Foreword





Small businesses power the UK economy. They create jobs, bring new ideas to market and sustain communities in every part of the country. In 2026, the UK's 5.6 million micro and small businesses supported around 16 million jobs and generated £1.9 trillion in turnover[i]. Behind those figures are millions of people building businesses, taking risks and creating opportunities. When they succeed, the country succeeds with them.

But no business grows in a straight line. Owners must win customers and manage cashflow while negotiating contracts, employing staff, paying tax, meeting regulatory requirements and protecting their ideas. Most of the time, these are simply part of running a business. When problems arise, however, the right support can make the difference between a manageable challenge and a serious setback. Without it, what starts as a legal issue can quickly become a business problem, affecting cashflow, investment, growth and, in some cases, the longer-term viability of the business itself.

That is why this report matters to us. The Office of the Small Business Commissioner (OSBC) helps small businesses resolve payment disputes, improve payment practices and overcome barriers to success. The Legal Services Board oversees the regulation of legal services in England and Wales, with a responsibility to promote and protect the interests of consumers. That includes small businesses, which need legal support at critical points in their journey, from starting up and taking on staff to entering contracts, resolving disputes and pursuing growth.

Our responsibilities are different, but our purpose here is shared: to help create an environment in which small businesses can succeed and thrive. The evidence shows that businesses are more likely to achieve better outcomes when they recognise legal issues early, understand their options and can reach the right support. Legal problems may be an unavoidable part of business life. The harm they cause does not always have to be.

The Small Business Legal Needs Survey provides a unique picture of the legal issues experienced by small businesses and the outcomes they achieve. More than one-third (36%)

experience at least one legal issue each year, often resulting in lost income, additional costs, delayed activity and reduced investment.

One issue stands out. Late payment remains one of the clearest examples of how legal issues can become barriers to growth. Businesses affected by late or partial payment report spending time and resources chasing money they are already owed, struggling with cashflow and delaying investment decisions. More than one in five reported being unable to invest in growth or innovation as a result.[ii] The findings reinforce the OSBC's findings that late payments impact 1.5 million businesses and on average 86 hours per business is wasted chasing late payment each year. This equates to 133 million hours of staff time and costs the UK economy £11 billion annually. It contributes to around 14,000 business closures each year. It also highlights the importance of continued action to improve payment practices and reduce the harm caused by late payment[iii].

The survey also offers an encouraging message. Outcomes are not fixed. Businesses with greater legal confidence and awareness of available support are more likely to seek help and achieve positive outcomes. Better information, stronger legal capability and easier access to support can help businesses identify issues earlier and address them before they become costly or disruptive.

The way businesses access support is changing too. Digital services and artificial intelligence have the potential to make legal support more accessible and easier to navigate. Realising those benefits will require innovation alongside trust, accountability and appropriate consumer protections.

The central message of this report is simple. Legal issues will always be part of running a business, but they should not become unnecessary barriers to success. The evidence points towards three priorities:

- Continue efforts to tackle late payment.
- Build legal capability as part of business capability.
- Make legal support easier to find and use.

Taken together, these priorities can help businesses manage risk, resolve problems earlier and grow with greater confidence.

No single organisation holds all the answers. Government, regulators, business support organisations, professional bodies, technology developers and legal services providers each have a role to play. We hope this report provides a strong evidence base for that collective effort, showing where progress is being made, where significant gaps remain and where further action could make the greatest difference.

Small businesses underpin communities and local economies across the country. Helping them identify legal issues earlier, reach the right support and avoid preventable harm is not only good for those businesses. It is good for their employees, their customers, the places in which they operate and the wider economy.

Richard Orpin
Chief Executive, Legal Services Board

Emma Jones CBE
Small Business Commissioner

Executive Summary

Legal issues affect more than one third of small businesses every year

The survey found that 35.9% of small businesses[iv] experienced at least one legal issue during the previous 12 months. Across the survey sample of 10,352 businesses, 29,014 legal issues were recorded. This equates to an average of 2.8 legal issues per business each year and suggests small businesses collectively experience around 16 million legal issues annually across England and Wales.

Legal issues are therefore not exceptional events. They are a routine feature of business life.

The majority arise from everyday commercial activity. Trading issues affect 22.3% of businesses, while tax issues affect 10.2%. Employment, regulatory and intellectual property issues also affect substantial proportions of the business population.

Legal issues have economic consequences

Legal issues frequently carry significant financial and operational costs. Among businesses experiencing legal issues:

- 22% reported loss of income;
- 10% were unable to complete planned work;
- 9% incurred additional costs;
- 8% lost customers or contracts;
- 6% were unable to take on new work.

Some businesses experience substantial losses. Nearly four in ten (39%) of businesses reporting financial losses estimate these losses exceeded £5,000 and more than one in ten report losses exceeding £15,000.

These findings suggest legal issues can constrain investment, productivity and growth.

Most small businesses do not possess specialist legal capability

Only 10% of small businesses report having internal legal capability. The remaining 90% must largely rely on external advice and support when legal issues arise. Capability also varies considerably.

Some 29% of businesses have high levels of legal confidence in achieving fair and positive outcomes when facing legal issues. Conversely, 18% have low levels of legal confidence.

The picture is similar for access to justice. Sole traders and micro enterprises (under 10 staff) consistently score lower in legal confidence and perceived accessibility of civil justice than businesses employing between 10 and 49 people.

Legal capability shapes outcomes

One of the strongest findings in the survey is the relationship between legal capability and outcomes.

Businesses with high legal confidence are three times more likely to shop around for providers, significantly more likely to seek professional advice and substantially more likely to achieve positive outcomes. They are also more likely to report that legal processes are fair.

The survey therefore suggests legal capability plays an important role in shaping how businesses respond to legal issues.

Significant unmet legal need remains

Around one in nine businesses (11.2%) were identified as having a legal need requiring professional support. However, very few went on to get that need met. Just 1.7% of businesses had their legal need resolved, compared with 9.4% whose need remained unmet. Put another way, out of businesses with a legal need, more than 8 in 10 of identified legal needs went unmet.

The challenge, therefore, is not that large numbers of businesses develop legal issues requiring professional help. Rather, it is that if a small business has a legal need for professional help the chances are that need will not be met. This shows that effective and accessible legal support for small businesses remains a neglected area of public policy.

Introduction

Small businesses form the backbone of the economy in England and Wales. They account for 99% of businesses, employ 13 million people and contribute to 51% of UK turnover. Therefore, they are essential to innovation and prosperity throughout the country.[v]

Yet running a business is rarely straightforward. Alongside attracting customers, managing staff and controlling costs, business owners must navigate contracts, regulation, taxation, intellectual property and a wide range of commercial relationships. Legal considerations are embedded throughout these activities.

Legal issues can perhaps invoke images of court proceedings, formal disputes or expensive litigation. The reality faced by most small businesses is rather different. For many small businesses, legal issues emerge through ordinary commercial activity. A customer fails to pay. A supplier delivers goods late. A tax dispute arises. An employee grievance develops. Copyright is infringed. These are routine part of doing business.

This is the fifth Legal Services Board's Small Business Legal Needs Survey. Our insights are based on responses from 10,352 small businesses, from sole traders to those with 49 staff, based in England and Wales. In this report we use small businesses to refer to those with fewer than 50 full-time staff, whether they are sole traders, micro enterprises with fewer than ten, or between ten to 49 staff. In the survey we ask about the legal capabilities of each small business and the legal issues they have experienced in the 12 months prior to being surveyed. The survey also records the impact of those issues and the actions they small businesses took to deal with the issue and the help they sought. Through the survey we also identify the small businesses who have a legal need for professional help and if that need is met or unmet.

More detail on the methodology is available in Annex A.

1. Legal Issues Are a Feature of Modern Business Life

Purpose

This chapter explores the prevalence and nature of legal problems among small businesses within England & Wales.

Key findings

Legal issues are common, with more than one-third (36%) of businesses experiencing at least one legal issue each year. Most arise through every day commercial activity and can have problematic consequences that extend well beyond the legal issue itself.

Legal issues are part of the reality of running a small business

The survey demonstrates more than one-third of small businesses experienced at least one legal issue during the previous year (36%). Across the survey sample, over 29,000 legal issues were recorded, equivalent to an average of 2.8 legal issues per business. Extrapolated across England and Wales, this suggests that small businesses experience around 16 million legal issues each year. Those issues are not evenly distributed. While many businesses experience a single problem, more than four in ten experience between two and five legal issues annually (42%). Around one in ten experience six or more (9.7%).

The most common problems arise directly from day-to-day commercial activity (Figure 1). Trading issues affect more than one in five businesses, while tax, employment and regulatory issues each affect around one in ten.

Intellectual property concerns continue to grow in importance (+3%p more small businesses face this issue compared to 2021). This reflects wider changes in the economy and the growing importance of digital assets, innovation and knowledge-based business models.

It also demonstrates that while digital technologies and artificial intelligence may create new opportunities for businesses, they are also likely to generate new legal questions concerning ownership, liability, compliance and risk. These trends suggest that legal need is not static. The business environment continues to evolve, and legal support systems will need to evolve alongside it.

Additionally, concerns around tax have also grown at a similar rate (+3%p). The most frequently reported individual issues include late delivery of goods and services (9.5%), products or services not as described (9.3%), delayed payment (7.8%) and tax disputes (5.6%). Whilst these issues were the most common, the survey found that small businesses had experienced 80 different legal issues within the last year. A full breakdown of the

percentages of small businesses experiencing each legal issue asked about is given in Annex B.

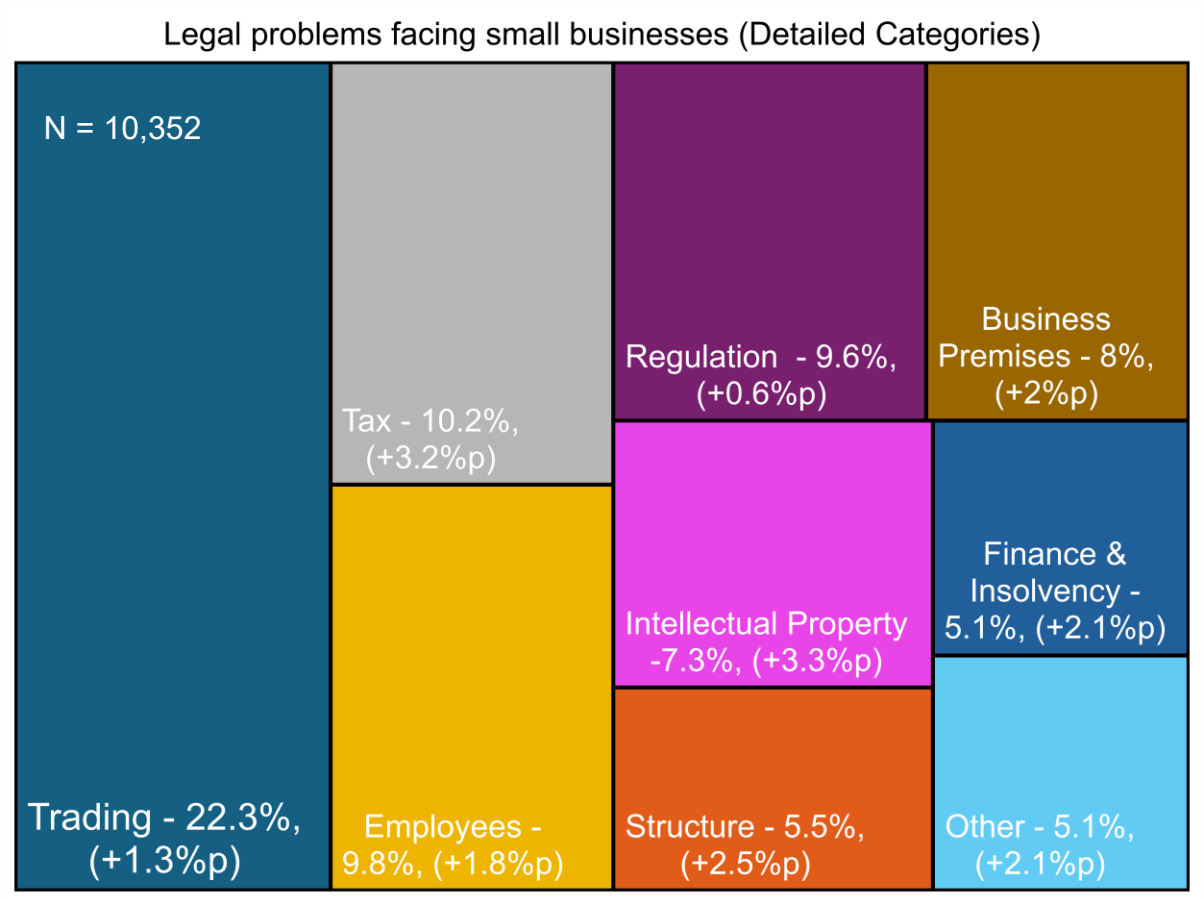


Figure 1: Legal issues facing small businesses by category

Note: the % in brackets **"(%p)"** refers to the percentage **point** change from the previous survey.

The picture that emerges is clear. Legal issues are not exceptional events affecting a small minority of businesses. They are part of the operating environment within which businesses trade, employ staff, innovate and grow.

The economic significance of legal issues

The importance of legal issues lies in their consequences.

For small businesses, legal issues are often experienced as business problems before they are recognised as legal ones. A supplier dispute becomes a cashflow issue. A contract disagreement delays a project. A regulatory issue postpones investment. An employment dispute consumes management time.

The consequences can be significant (Figure 2). Businesses experiencing legal issues frequently report lost income (22%), additional costs (9%), inability to complete scheduled

work (10%) and reputational damage (8%). Where multiple issues occur simultaneously, the burden can quickly become substantial.

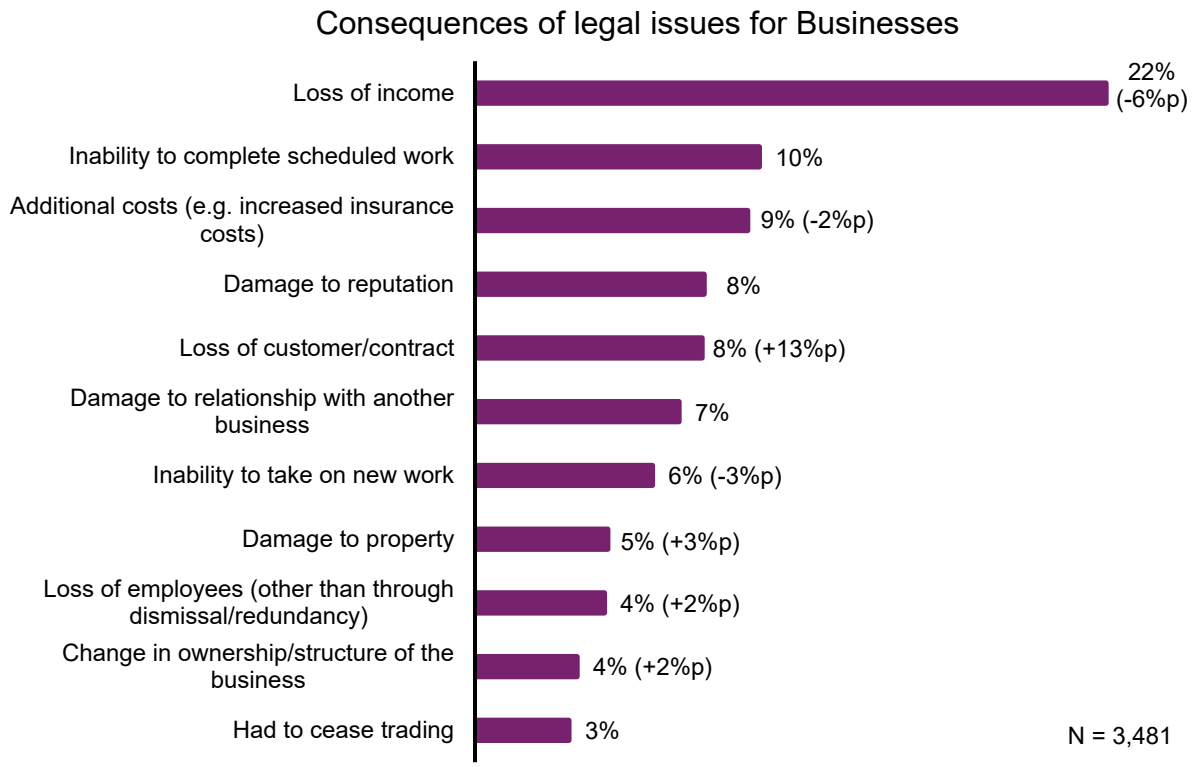


Figure 2: Consequences of legal issues for Small Businesses

Note: the % in brackets "(%)" in all bar charts refer to the percentage change from the previous survey.

Legal issues therefore can consume resources, reduce opportunities for investment, divert management attention and create uncertainty.

Why this matters

Legal issues are sometimes viewed as isolated disputes or specialist legal matters. The survey suggests something different. More than one-third of small businesses (36%) experience at least one legal issue each year, and many experience multiple issues.

Importantly, the significance of legal issues lies not only in their frequency but also in their consequences. Legal issues can reduce income, increase costs, delay planned activity and divert management attention away from growth and investment (Figure 2). Viewed collectively, they represent friction within the economy that can affect productivity, resilience and business performance.

Recognising legal issues as both a business challenge and a legal challenge provides the foundation for the rest of this report. Before considering why outcomes differ, how

businesses seek help or where unmet legal need exists, it is important to recognise that legal issues are both common and consequential. They are not simply a justice issue. They are also an important part of the environment within which businesses operate, compete and grow.

2. Not All Legal Issues Are Equal

Purpose

This chapter explores which legal problems matter most, and which businesses are most vulnerable when they occur.

Key findings

Collectively, legal issues often have significant financial impacts, something which can impact wider economic output.

Increases in specific legal issue categories reveals the growing role technology is playing in creating new legal risks.

Looking beyond frequency

The most common legal issues are not always the most important. While understanding the prevalence of legal issues is important, it tells only part of the story.

Some issues affect large numbers of businesses but are resolved relatively quickly and with limited consequences. Others affect fewer businesses but have a disproportionate impact when they occur.

To understand legal need properly, it is therefore necessary to look at their severity, complexity and consequences. The survey suggests that legal issues vary considerably across all three dimensions.

While trading issues account for the largest share of legal issues experienced by businesses, other issues such as employment disputes, intellectual property matters, regulatory disputes and debt recovery problems often generate particularly significant impacts when they arise. This distinction matters because policy responses should be informed not only by where legal need is most visible but also by where its consequences are greatest.

Some legal issues can have serious financial consequences

For many businesses, legal issues are inconvenient but manageable. For others, they carry significant financial consequences.

The survey found that among businesses reporting financial losses, more than 40% estimated losses exceeding £5,000. More than one in ten reported losses greater than £15,000 (Figure 3).

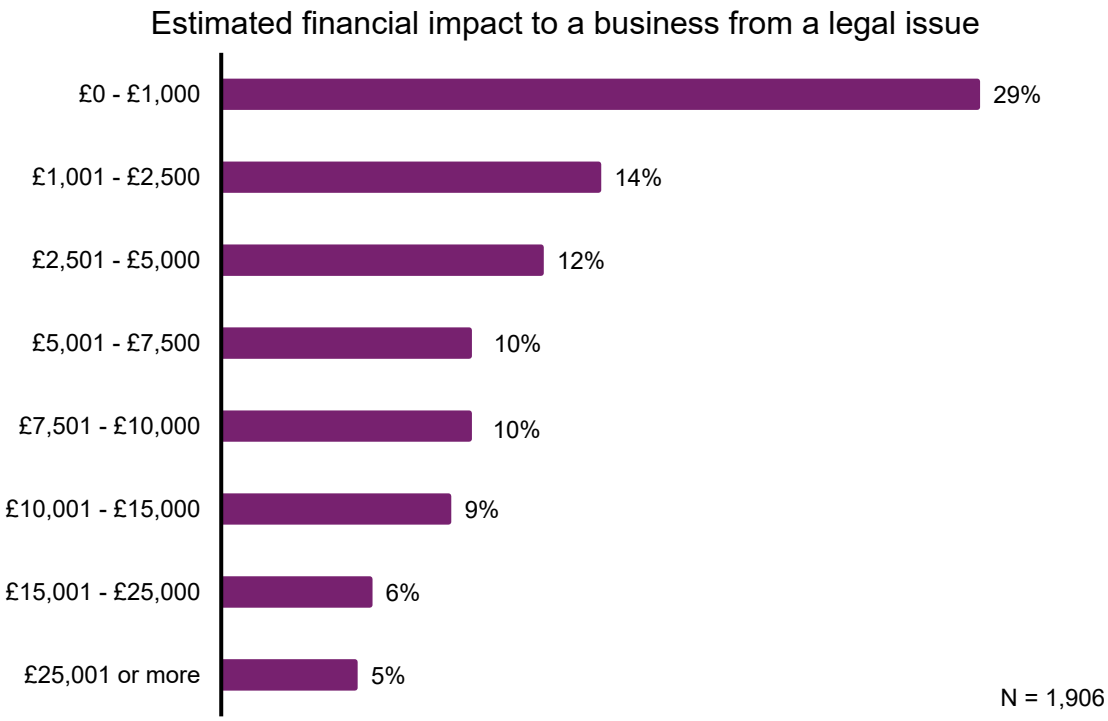


Figure 3: Estimated financial impact to a business from a legal issue

For larger organisations such losses may represent a manageable commercial risk. For a sole trader or micro business, however, losses of this magnitude can represent a substantial proportion of annual profit. Indeed, the Office of the small business commissioner has found that sole traders and micro businesses are most impacted by such losses (which are a higher proportion of their annual turnover).[vi]

The findings therefore highlight an important aspect of legal need that is often overlooked. A legal problem does not need to threaten the survival of a business to have a significant impact. It may simply result in delayed investment, forgone opportunities or a reduced ability to absorb future shocks. Importantly, this can have an impact on the wider economy.

Late payment remains a particularly important challenge

Few issues illustrate this more clearly than late or non-payment.

Late Delivery and Late payment are the most common legal issue experienced by small businesses and remains a persistent challenge across the economy (9.5% and 7.8%). Businesses experiencing late payment report a range of wider consequences (Figure 4). Many spend considerable time and resources pursuing payments (35%). Others report difficulties paying bills (28%). This takes away from resources that could otherwise be used to strengthen and grow the business. This finding is timely as the government is currently seeking to address this issue through the Late Payments Bill.[vii]

Perhaps most importantly, just over one in five (22%) businesses affected by late payment report being unable to invest in growth or innovation as a result (Figure 4). This is a striking finding. It suggests that what begins as a relatively commonplace legal issue can ultimately influence investment decisions and business performance.

Viewed in isolation, late payment is a debt recovery issue. Viewed collectively, it becomes an economic growth issue.

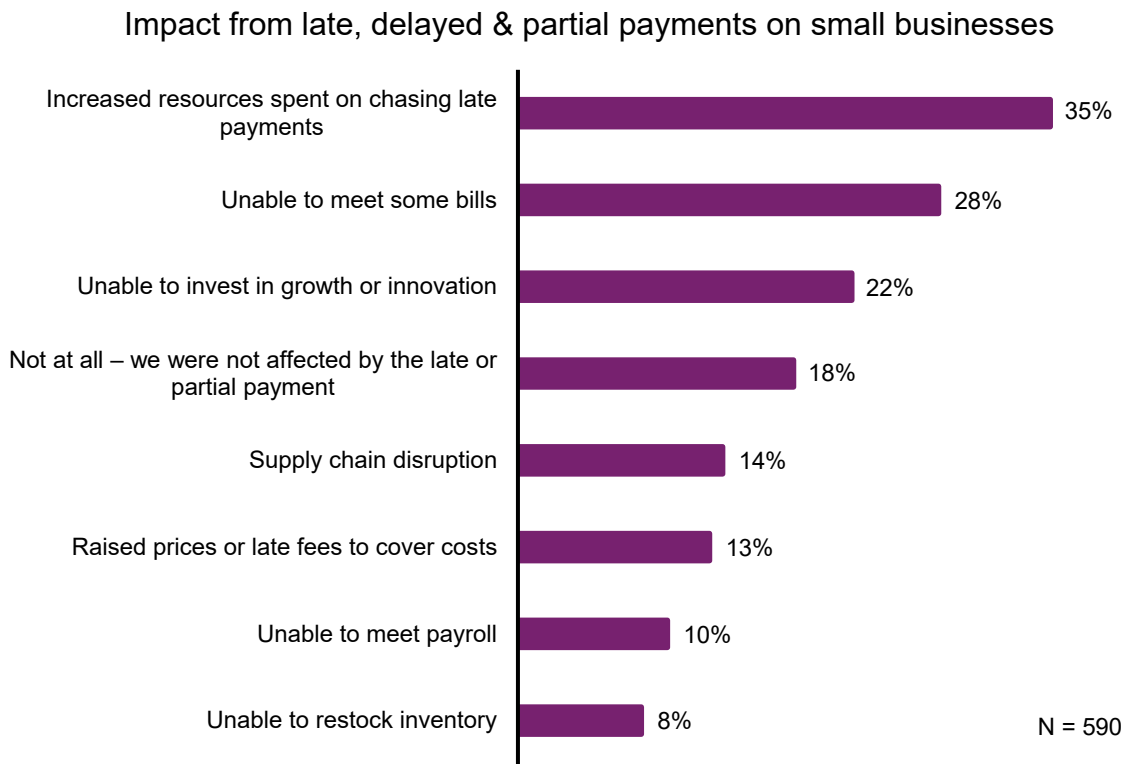


Figure 4: Affect from late, delayed and partial payments to businesses

Sole traders are disproportionally vulnerable to negative impacts

The consequences of legal issues are not experienced equally.

Being smaller, micro and sole traders are often less resilient to negative impacts than the slightly larger small businesses with 10 to 49 staff.

The survey suggests that sole traders and micro businesses are often particularly exposed (Figure 5). For example, 23% of sole traders report a loss of income and 21% of micro businesses.[viii] Yet only 10% of small businesses employing 10-49 employees reported this. This demonstrates how the economic impact of legal issues is concentrated amongst the smallest businesses. This is particularly problematic as research by the Office of the Small

Business Commissioner has found that sole traders and micro businesses are most exposed to significant disruption to their operations from these problems[ix].

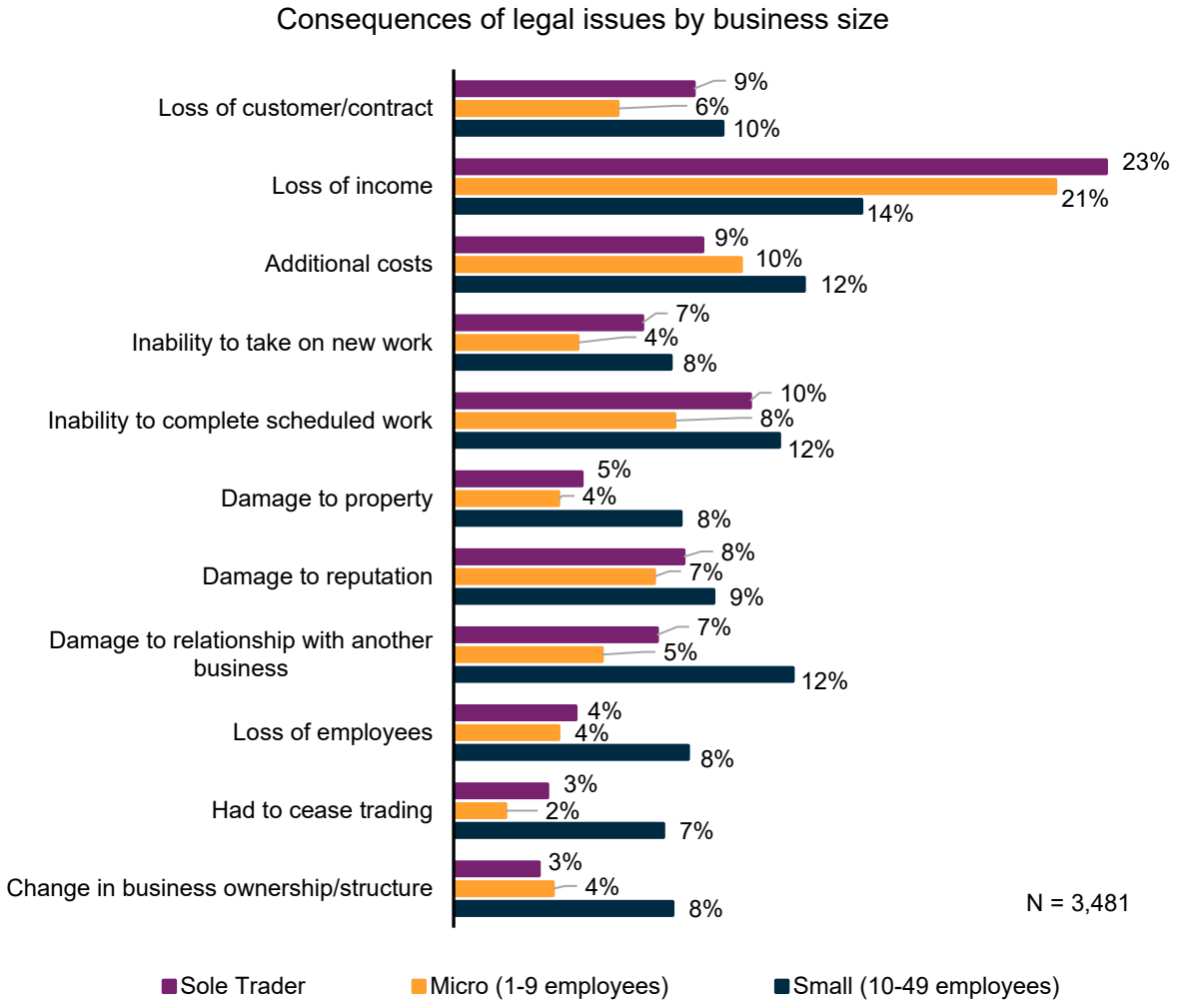


Figure 5: Consequences of legal issues by business size [x]

This finding points towards an important distinction between legal need and vulnerability. The businesses facing the greatest challenges are not always those experiencing the greatest number of legal issues. Often, they are those with the fewest resources available to deal with those problems effectively.

Why this matters

The findings in this chapter suggest that understanding legal need is not simply about counting legal issues. It requires understanding which businesses face the greatest vulnerability and where the consequences are most significant.

Some legal issues create disproportionately large financial and operational impacts. At the same time, some businesses are significantly less equipped to respond when problems

arise. The same legal issue can therefore produce very different outcomes depending on the resources, experience and support available to the business affected. For example, Sole traders are often more exposed to large financial losses than small businesses employing 10-49 people.

Recognising those differences is important because it allows policymakers, regulators and support organisations to focus attention where it can have the greatest effect. The challenge is not simply reducing the number of legal issues businesses experience. It is reducing the harm they cause when they occur.

This raises an important question. If some businesses facing similar legal issues experience very different consequences, what explains those differences? The next chapter explores whether legal capability, confidence and access to support help explain why some businesses are better able to navigate legal challenges and secure positive outcomes than others.

3. Why Some Businesses Achieve Better Outcomes Than Others

Purpose

To explore why some businesses navigate legal problems more successfully than others.

Key findings

Businesses with a better understanding of where to secure information and available support consistently report better experiences and outcomes.

High legal capability continues to be heavily associated with positive outcomes.

Small businesses face similar problems but achieve very different outcomes

Legal issues are widespread, but businesses experiencing similar issues often report markedly different experiences. Some identify problems early, understand their options and obtain support quickly. Others struggle to understand what action to take, delay seeking advice or fail to access support. These differences are visible throughout the legal journey.

Businesses vary in their confidence in identifying legal issues and understanding their rights and responsibilities. They also differ in their awareness of available support, their confidence in engaging with advisers and their ability to make informed choices.

The survey suggests these differences often matter as much as the legal problem itself.

A dispute, regulatory issue or employment problem may be challenging for any business. Yet the ability to navigate that challenge appears strongly linked to legal capability. That is explicitly the resources, confidence and knowledge that businesses bring to the process of dealing with a legal issue.

Most small businesses are managing legal issues without specialist expertise

Legal capability refers to the knowledge, skills, attributes, and resources needed to deal with legal problems as people progress from recognising issues, to seeking advice or information, to resolving them.[xi] One reason legal capability matters is because relatively few businesses possess dedicated legal expertise.

Overall, only 10% of small businesses have some form of internal legal capability. Meaning they have someone who is qualified as a lawyer or someone who has been trained to handle legal issues. However, this varies by size - from 7% of micro businesses and 9% of sole traders to 42% for those with ten to 49 staff. Some 12% of small businesses report having an

on-going contract with an external organisation to provide them with legal services. Though this also varies significantly by size. While 48% of small businesses with ten to 49 staff have an ongoing contract, only 14% of micro-businesses and 10% of sole traders also have an ongoing contract.

Therefore the majority of small businesses will not have someone who is legally qualified or trained to handle legal issues, or have an ongoing contract for legal services. Legal issues are managed alongside a wide range of competing operational responsibilities. This finding highlights an important reality. Small businesses are regularly expected to make legal decisions without necessarily possessing specialist legal knowledge.

Given that businesses experience an average of 2.8 legal issues each year, it forms part of day-to-day business management. The challenge is not simply having access to legal expertise when an issue occurs. It is having sufficient capability to recognise issues early, understand available options and know when support is needed.

Legal confidence emerges as a powerful predictor of behaviour

One of the strongest findings in the survey concerns legal confidence in achieving fair and positive outcomes when facing legal issues. Legal confidence refers to how able small businesses feel they will be able to navigate legal services. Overall, 29% of small businesses are classified as having high legal confidence, while 53% fall into a medium confidence and 18% are classified as having low legal confidence.

The distribution is significant because legal confidence appears closely associated with how small businesses respond to a legal issue. Businesses with high legal confidence are significantly more likely to agree that they know their rights and responsibilities (98%) than those with low legal confidence (80%)[xii]. Some 97% of those with high legal confidence know where to get good information and advice compared to only 68% of those with low legal confidence[xiii].

19% of small businesses with high legal confidence describe their issue as being legal in nature compared to 13% of those with medium levels and 14% with low levels of legal confidence[xiv]. Small businesses with high legal confidence are much more likely to actively seek and select legal services and support. They are more willing to seek information, compare legal services providers and evaluate their options before making decisions (Figure 6).

The contrast is striking. Two-thirds of businesses with high legal confidence shop around when seeking legal support. Among businesses with low legal confidence, the figure falls to

just over one in five. Confidence therefore appears to shape behaviour long before businesses reach the point of resolving their legal issue.



Figure 6: The importance of having high legal confidence [xv]

Capability is linked to better outcomes

Businesses with stronger legal confidence consistently report more positive experiences across a range of measures than those with lower legal confidence (Figure 6).

They are more likely to seek professional support (+10%p), more likely to regard legal processes as fair (26%p) and more likely to achieve favourable outcomes when problems arise (+19%p). Conversely, businesses with lower confidence tend to report poorer experiences and weaker outcomes. We also see a similar pattern with another measure of legal capability: perceived accessibility of civil justice. Those with high levels of perceived accessibility get better outcomes than those with low levels.

The findings suggest that capability may influence how businesses recognise problems, evaluate options, engage with legal services providers and navigate legal processes. The

result is that legal confidence appears linked not only to how businesses feel about legal issues, but also to the outcomes they ultimately achieve.

Access to justice begins before a business seeks legal help

The survey also sheds light on a broader concept: access to justice. And our findings suggest access to justice may begin much earlier. It highlights how businesses must first recognise that they have a problem, and they must understand whether it has a legal dimension. They must also know where to go for information or support and they must feel sufficiently confident to seek help. Only then do traditional questions of affordability and service availability arise.

Therefore, access to justice depends not only on the availability of services but also on the capabilities businesses possess to access and use those services effectively. The survey suggests businesses with higher perceived access to justice consistently report stronger outcomes and lower levels of unmet legal need (Figure 7). For instance, there is a 17%p gap in perceived outcome favourability and a 29%p gap in perceived fairness of the legal process. This implies that capability and access are closely interconnected. Improving one may help improve the other.

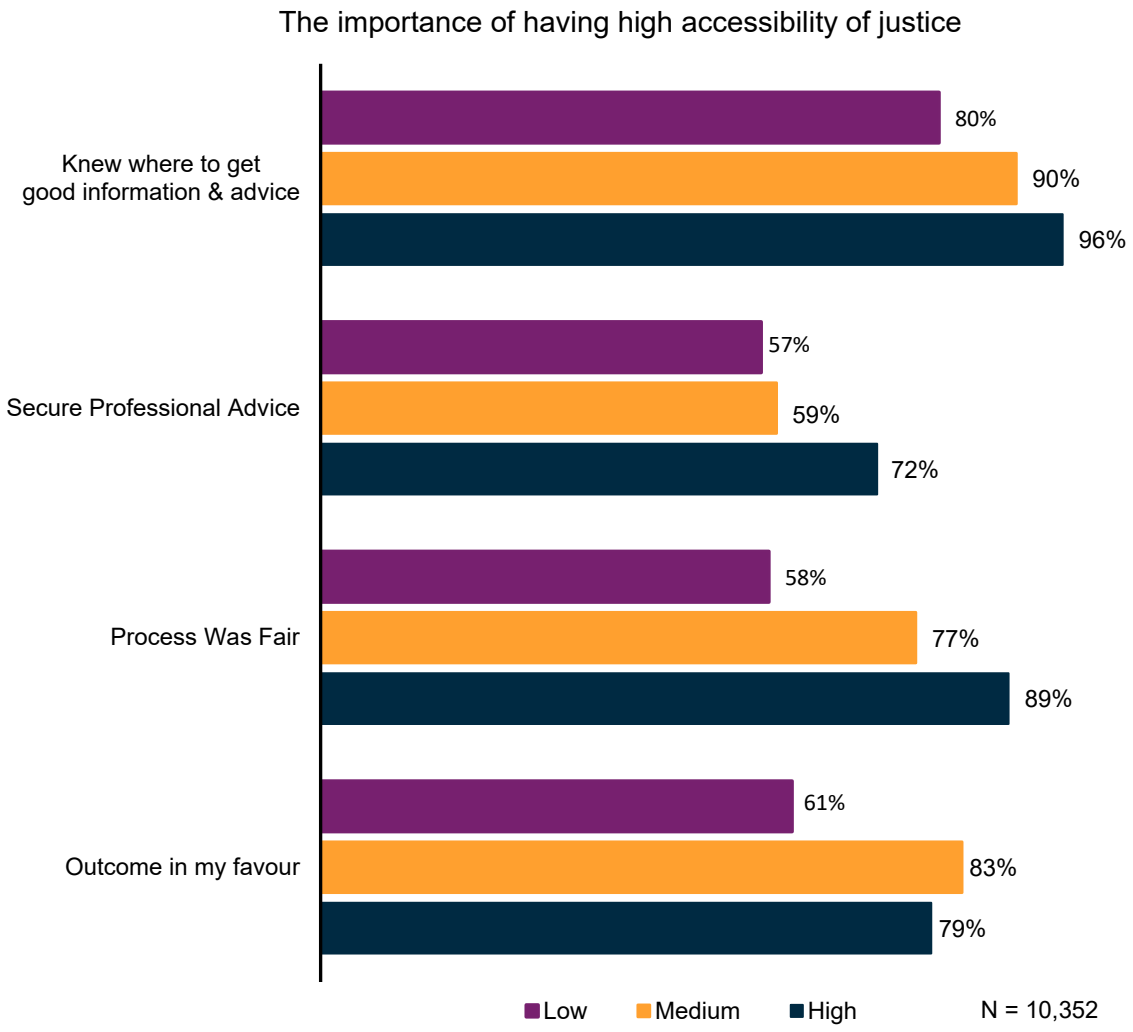


Figure 7: The importance of having high accessibility of justice [xvi]

Capability may be as important as supply

Discussions about legal support can focus on supply. How many providers are available? How affordable are services? Where are there gaps in provision? This remains important; however, the survey suggests that capability deserves equal attention. A business cannot benefit from support if it does not recognise the need for assistance, does not know where to look or lacks confidence engaging with providers.

The findings therefore point towards a broader understanding of legal need and the importance of legal capability.

The challenge is not only ensuring that support exists. It is also ensuring that businesses have the capability to identify, access and use it effectively. This is particularly important for

smaller businesses and sole traders, who often have the least internal resource available but may have the most to gain from early intervention.

Why these findings matter

The findings in this chapter suggest that legal capability is not simply a characteristic of businesses. It appears to influence how businesses recognise problems, navigate complexity in the legal services landscape, engage with support and ultimately resolve legal issues. Businesses with stronger legal confidence consistently make different choices and report better experiences and outcomes than those with lower confidence.

This has important implications for policy. Discussions about access to justice can focus on the supply of legal services: how many providers are available, whether services are affordable and where gaps in provision exist. The survey suggests that these questions are only part of the picture. Businesses cannot benefit from support if they do not recognise that they need help, do not know where to find it or lack the confidence to engage with it.

The findings therefore point towards a broader understanding of legal need and the importance of legal capability. Improving outcomes may require not only increasing the availability of support, but also improving businesses' ability to identify, access and use that support effectively. In that sense, legal capability is not simply a justice issue. Like financial capability or digital capability, it is an important component of business capability.

This raises a further question. If capability shapes outcomes, how do businesses actually navigate legal problems in practice? The next chapter explores where businesses turn for help, the role of trusted advisers and support networks, and how businesses make decisions about seeking legal support.

4. How Small Businesses Seek Help

Purpose

The purpose of this chapter is to explore the question: When legal problems arise, where do businesses turn for help?

Key findings

Businesses often do not immediately seek formal legal advice.

Shopping around is becoming more frequent & technology use is becoming more prominent. AI is beginning to change how information is accessed and understood.

Trusted advisors are often preferred to professionals. High legal capability continues to be heavily associated with positive outcomes.

Legal issues are often resolved long before formal legal advice is sought

Small businesses do not typically begin by consulting a lawyer. For some the problem resolves entirely on its own (36%) and a minority (7%) take no action. 24% get help from independent advice, 16% get help from outside business friends or colleagues and 9% turn to family. 4% seek advice on online forums, group chat or social media and 6% use an AI platform such as ChatGPT.

As discussed in Chapter 1, most legal issues arise through ordinary commercial activity rather than formal legal disputes. It is therefore unsurprising that businesses frequently seek practical solutions before exploring legal remedies.

Of independent advisors, the most common type of adviser providing help is an accountant (26%). Followed by a tax or financial adviser (21%), then a solicitors' firm (18%). 16% get help from a not-for-profit organisation, such as a Chamber of Commerce or Citizens Advice Bureau. 8% get help from a barrister and 7% from a patent or trademark attorney. 10% get help from another regulated legal professional such as a legal executive, costs lawyer, notary or licensed conveyancer. Insurance company or other legal helplines are another source of help.

For many small business owners, the immediate question is not "Which lawyer should I use?" It is: *"Is this something I can resolve myself?"* Or *"Do I really need specialist help?"*

This distinction is important because it highlights how the legal services market is often experienced through wider business decision-making rather than a purely legal lens.

Businesses rely on trusted advisers

The survey highlights the importance of trusted advisers in helping businesses navigate legal issues. While legal professionals remain important, many businesses approach advisers because they already have established relationships with them. Even when small businesses use more than one source of advice and help the sources of advice are broader than regulated legal professionals (Figure 8).

This includes accountants, tax advisers, professional networks, trade associations and business contacts. Accountants and tax advisors are the most common (35%) and not-for-profit advisors, and membership or trade bodies account for a further 17%.

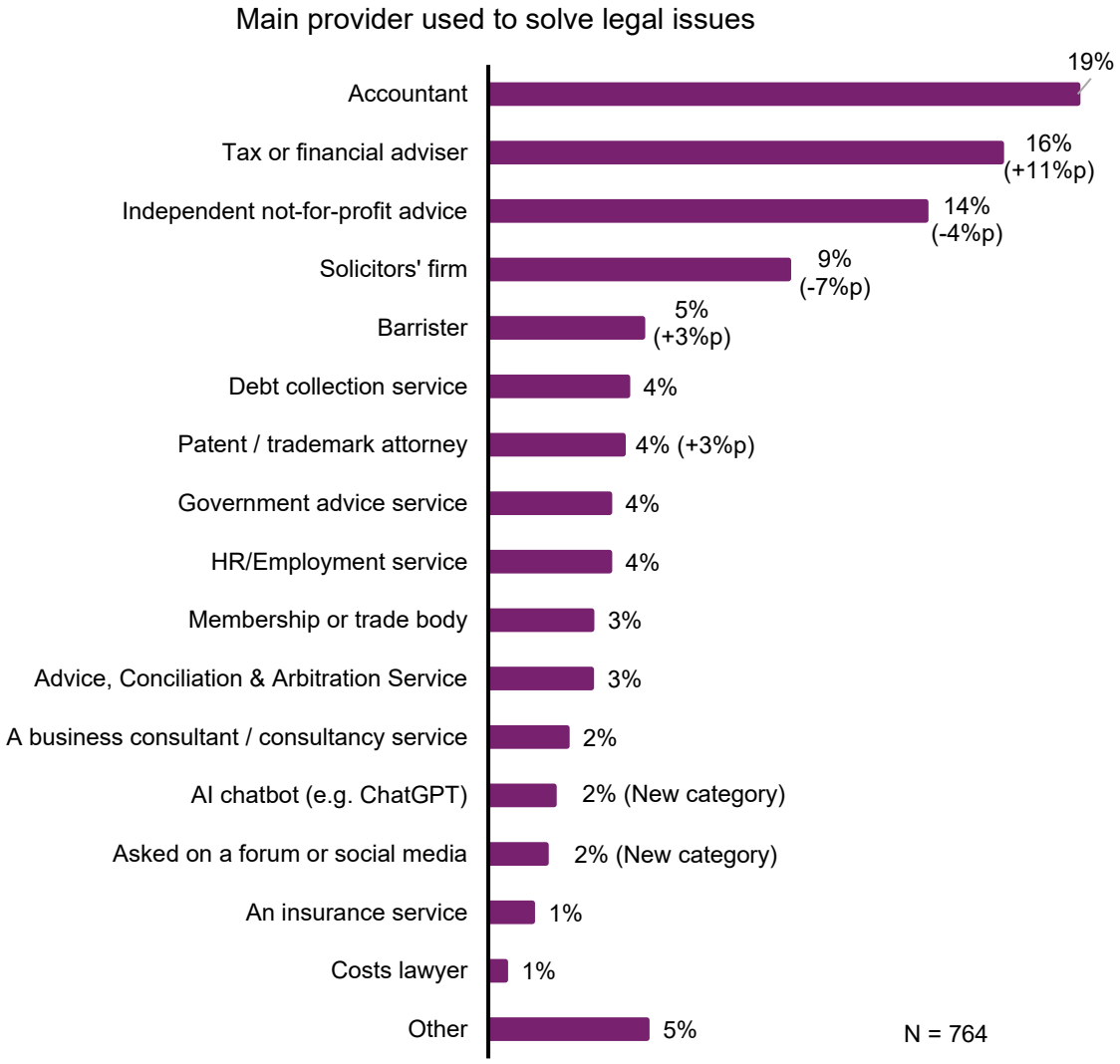


Figure 8: Main provider used to solve legal issues

Many small businesses may already have an existing relationship with an accountant. Who may therefore already be familiar with the business. A trade body may already be providing

support. These relationships often serve as an entry point into broader advice and support networks. This finding is significant because it challenges traditional assumptions about how legal support is accessed. Instead, small businesses often seek support from whichever trusted source feels most relevant and accessible at the time.

Better informed businesses behave differently

The survey also suggests that businesses are becoming considerably more active consumers of advice and support. Compared with previous surveys, more businesses now report shopping around before selecting a provider. Overall, 48% of businesses facing a legal issue reported shopping around for a provider, representing a 19%p increase since 2021. Information about expertise, cost and services appears to be easier to access than in the past. This is an encouraging development.

However, the survey also reveals that this behaviour is not universal. As Chapter 3 demonstrated, businesses with high legal confidence are three times more likely to shop around than those with low legal confidence.[xvii] This suggests that access to information alone is not enough. Businesses must also have the confidence and capability needed to use that information effectively. The challenge is therefore not simply improving transparency. It is ensuring businesses can engage with available information and make informed decisions.

Technology is changing how businesses seek support

Digital tools are playing an increasingly important role in how businesses respond to legal issues. More recently, artificial intelligence (AI) has begun to emerge as another source of information and assistance. An AI chatbot was a source of help for 6% of small businesses. Nearly all these small businesses (95%) use a generic tool (such as ChatGPT) rather than a specific legal AI tool. Some 43% of small businesses, who use them, say they mainly use AI to gather information, with only 18% using it primarily for advice. And 38% say they used AI to obtain both information and advice.

More broadly, in the year prior to taking the survey 15% of all small businesses have used an AI chatbot for legal advice. Such as to find a solicitor, or what steps to take regarding a legal issue. 17% have used an AI chatbot for legal representation, for example, to draft a letter.

While adoption remains relatively limited, some businesses are already using AI tools to understand legal issues, compare providers and gather preliminary information.

4% of small businesses with an issue used an online forum, group chat or social media for help. Amongst all small businesses, 35% have look at or asked for help on an online forum, social media or a group chat.

At present, these technologies appear to complement rather than replace traditional support channels. Trusted relationships and professional advice, particularly where issues are complex or high-impact, are still the core form of support.

Why this matters

The findings in this chapter suggest that legal support cannot be understood solely through the lens of the regulated legal services market. Small businesses often seek help through a wider ecosystem of trusted advisers, professional networks, friends and family, online information and existing commercial relationships. How businesses access support may therefore be just as important as the support itself.

This has important implications for policymakers, regulators and providers. Improving access to justice is not simply about increasing the availability of legal services. It is also about ensuring that businesses can identify when support is needed, access reliable information and navigate routes to assistance that feel accessible and relevant to them.

The findings also reinforce the importance of legal capability. Access to information alone is not enough. Businesses must be able to assess that information, understand their options and make informed choices about where to seek support. As the previous chapter demonstrated, those with higher levels of legal confidence appear better equipped to do so.

At the same time, the chapter highlights that seeking help is only one part of the journey. The more important question is whether businesses ultimately receive the support they need to resolve their issues effectively. The next chapter examines the gap between legal need and legal support, exploring the extent of unmet legal need and the barriers that continue to prevent some businesses from obtaining help.

5. The Access to Justice Challenge – Unmet legal need

Purpose

The purpose of this chapter is to ask: Are businesses obtaining the support they need to deal with legal problems effectively?

Key findings

Access to justice is closely associated with legal capability.

Most small businesses that have a legal need do not have their legal need met.

Poor access to justice and poor economic outcomes are linked.

Unmet legal need remains substantial

Using an OECD-derived legal needs framework, the survey assesses whether businesses experiencing legal issues got the support necessary to address them effectively.[xviii] A small business is assessed to have a legal need if the perceived seriousness is greater than their legal capability to resolve it without professional help. A small business then will have an unmet need if they cannot gain timely access to adequate professional help. Details of the methodology of this approach can be found in Annex A.

The results reveal a significant gap. While approximately 11% of businesses were identified as having a legal need, only a small proportion had that need met (1.7%). The majority experienced unmet legal need (9.4%). Primarily because they did not get professional help.

This finding is important because it demonstrates that the existence of legal services does not necessarily guarantee that businesses receive appropriate support. Many businesses with a legal need continue to encounter obstacles that prevent them from obtaining assistance.

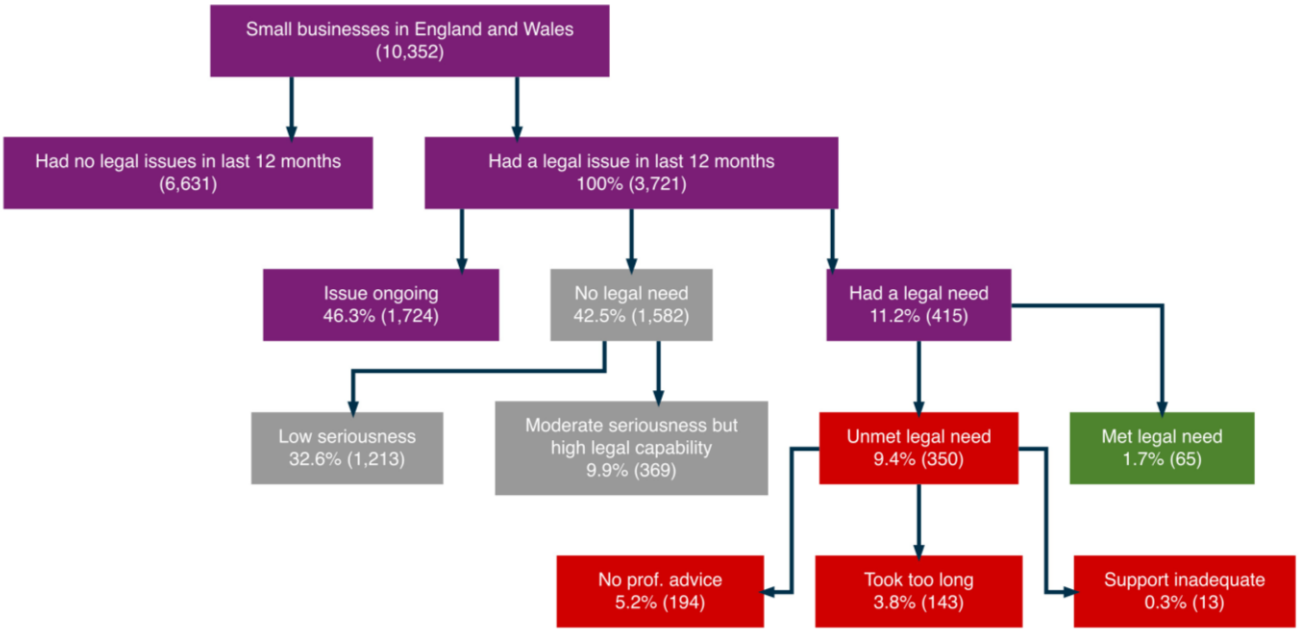


Figure 9: Legal Needs and Unmet legal need for small businesses in England & Wales

The challenge extends beyond affordability

Unmet legal need cannot be explained by affordability alone. Of those who got help, only 49% paid for all of the cost and 88% of those who paid for all or some of the cost found it quite or very easy to afford it.

Instead, there are wider factors of: failing to seek assistance in the first place, struggling to identify appropriate sources of help, waiting too long before taking action and lacking confidence in navigating available options.

This reinforces the argument developed throughout this report: improving outcomes requires more than simply increasing service provision. It also requires ensuring businesses can identify, access and use support effectively.

Capability and unmet need are closely connected

Again, the survey found a relationship between legal capability and outcomes. Lower legal capability is associated with poorer outcomes, and especially higher unmet legal need.

Amongst small businesses with a legal need, those with low legal confidence are 19%p more likely to have an unmet legal need than those with high legal confidence.[xix] A similar relationship exists for businesses reporting lower perceptions of access to justice. 91% of small businesses with low accessibility of justice scores have an unmet need. In contrast to 81% of small businesses with high accessibility of justice scores.[xx]

Small businesses with high legal capability are more likely to than those with low legal capability to have their legal needs met. Conversely small businesses with low legal capability are more likely to be left with unmet legal needs compared to those with high legal capability.

Why this matters

Where legal need remains unmet, the consequences may extend beyond the individual business, affecting employees, suppliers, customers and local economies. Resources that might otherwise be channelled into innovation and growth are forfeited to deal with the impacts of unmet need.

Therefore, unresolved legal issues can affect business confidence, reduce resilience, constrain investment and limit future growth. Therefore, it is important that small businesses can access the information and legal help they need.

6. A Changing Legal Landscape

Purpose

This chapter explores how changing technologies, business practices and consumer behaviours may shape future patterns of legal need.

Key findings

Businesses are finding it easier to search for and obtain information. Improved technologies help searching but are creating new risks.

Businesses are becoming more informed consumers

The legal services market is becoming more transparent. Compared with previous survey waves, more small businesses facing a legal issue report that they find information easier to obtain (Figure 10). It is increasingly easy to access information quickly, compare options and make informed decisions.

A large proportion reported that it was easy to identify a provider's expertise and experience, and they found it easy to identify how quickly services could be accessed (69%). A similar proportion found pricing information easy to obtain (67%). In each case, this represented a large increase since 2021, see Figure 10.

Similarly, 60% found it easy to identify whether a provider was regulated, and 53% found it easy to determine whether a provider held professional indemnity insurance. Therefore, shopping around may have improved because more small businesses feel it is easier to find such information.

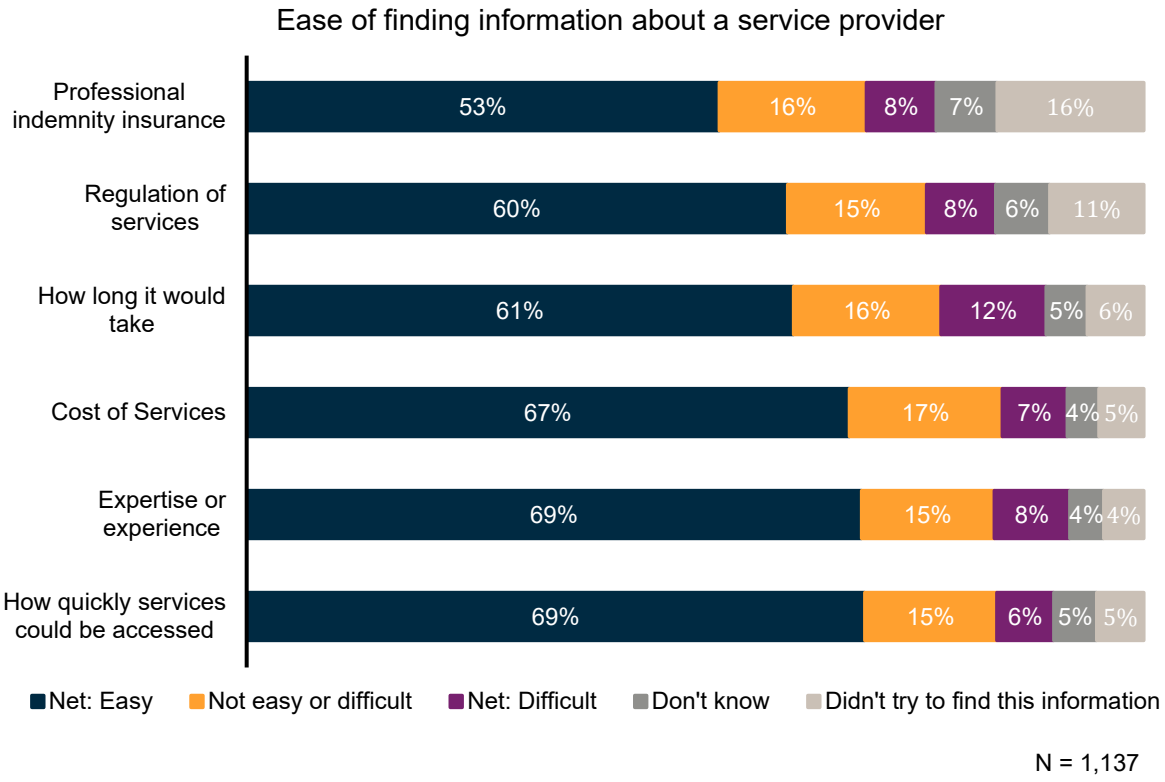


Figure 10: Ease of finding information about a service provider

This reflects broader changes in consumer behaviour across the economy. Businesses increasingly expect legal services to be accessible and transparent.

Technology is reshaping how small businesses access information and services

Digital tools continue to transform how businesses seek advice and support. Information that once required specialist knowledge or professional assistance is often available online.

This has improved access to information for many businesses. AI tools have the potential to provide immediate information and initial guidance at low cost and at scale.

Over half of the small businesses surveyed had used a price comparison website (53%). Some 35% used customer review websites, and 13% reported using AI chatbots, such as ChatGPT, to compare services. Overall, 86% of small businesses that shopped around used at least one comparison tool. The use of review websites or apps has increased by 5%p and the use of price comparison websites or apps has increased by 26%p since 2021.

Post pandemic, the use of in-person meetings has increased (by 15%p) to 31% since 2021. Email remains the most popular means of accessing legal services at 45% (-9%p), followed

by telephone conversations at 39% (-4%p). Post, at 12% (+3%p), is marginally more popular than video calls at 10% (-5%p).

For businesses, this creates opportunities to obtain information and access services more quickly and efficiently. Accessing services remotely also increases the choice of providers. However, it also raises important questions about trust, accuracy and accountability. For example, 69% of those that got help checked that their provider was regulated but 25% did not. This is an increase of 15%p of those checking and a decrease of 9%p in those who did not (and those who don't know). Among those who didn't check a third (33%) just assumed that their provider would be regulated. Another third (32%) didn't think regulation was important and 28% didn't think about regulation at all.

Why this matters

Businesses are becoming more digitally enabled, information is becoming easier to access, and new technologies, including AI, are altering how support is sought and delivered.

These developments create opportunities to improve access and reduce barriers, but they also create new challenges.[xxi] Ensuring businesses can benefit from these changes while navigating associated risks will be an important task for the sector.

We see that trusted intermediaries can play an important role in guiding towards trusted advice.

7. Priorities for Action

The survey points to a simple conclusion: legal issues are holding some businesses back. They are not rare events affecting a small minority. They are a routine part of running a business and, for some, a drag on investment, productivity and growth. The challenge is not eliminating legal issues altogether. It is reducing the harm they cause and helping businesses access support before problems escalate.

Since the previous survey, the context has changed. New initiatives have been introduced to support small businesses and improve payment practices. At the same time, businesses have navigated a prolonged period of economic uncertainty, rising costs and rapid technological change.

There are encouraging signs of progress. Businesses report higher levels of legal confidence than in previous years. More are shopping around for support. Information appears easier to find, and perceptions of access to justice have improved.

Yet many of the underlying challenges remain stubbornly familiar. Legal issues continue to be common. Most businesses that develop a legal need still do not get the professional help required to resolve it. Businesses with lower legal capability continue to experience poorer outcomes than those with greater confidence and awareness.

The encouraging message from this report is that these outcomes are not fixed. Businesses that recognise issues early, understand their options and access support effectively are more likely to achieve positive outcomes.

The survey does not point to a lack of evidence. It points to a need for action. The challenge is no longer understanding the problem. It is acting on what we know. The following recommendations outline how we and a range of bodies can work together to implement required actions.



Priority 1: Tackle the biggest barriers to growth: focus on the legal issues causing the greatest harm

Not all legal issues deserve equal attention. The greatest gains are likely to come from addressing the issues that combine high incidence with significant economic consequences.

Businesses experiencing legal issues frequently report lost income, increased costs, delays to planned activity and a reduced ability to invest. Late payment stands out most clearly. It remains common and around one in five businesses experiencing late payment report being unable to invest in growth or innovation as a result. Late payment weakens cashflow, constrains investment and reduces business resilience.

Encouragingly, action is already underway. The Fair Payment Code and proposed reforms to payment practices reflect growing recognition of the damage caused by late payment.[xxii] The findings in this report reinforce the importance of those efforts.

But late payment is not the only issue causing harm. Trading and contract disputes, problems with goods and services, and tax and regulatory issues also consume management time, create uncertainty and divert resources away from growth. These are often viewed as operational frustrations. The survey suggests they should also be seen as barriers to business performance and productivity.

The lesson is straightforward**. Effort should focus on reducing the legal issues that create the greatest economic harm. That means continuing action on late payment, improving opportunities for early resolution of commercial disputes and reducing unnecessary complexity where businesses most commonly encounter problems.**

The prize is not simply fewer legal problems. It is stronger cashflow, greater resilience and more capacity for businesses to invest, innovate and grow.

Priority 2: Make legal capability part of business capability

One of the strongest findings in the survey is that capability changes outcomes.

Businesses with higher legal confidence are more likely to seek support, compare providers and achieve positive outcomes. Businesses with lower confidence are more likely to struggle and more likely to experience unmet legal need.

We increasingly recognise the importance of financial capability and digital capability in helping businesses succeed. The evidence suggests legal capability deserves similar attention.

Most business owners do not need to become legal experts. But they do need enough confidence and awareness to recognise potential legal issues, understand the risks they create and know when support is needed. Decisions made when choosing a business structure, agreeing contracts, taking on staff, renting premises or protecting intellectual property can have consequences that emerge months or even years later.

The opportunity is not to create a standalone legal capability programme. It is to build legal awareness into the places where businesses already receive support. Startup and accelerator programmes, Growth Hubs, business support organisations, banks, accountants, trade associations and professional advisers all help businesses develop the skills needed to grow. Legal capability should increasingly form part of that broader offer.

This is consistent with the direction already being taken by the Office of the Small Business Commissioner. They have identified improving understanding of contracts, confidence in negotiating payment terms and awareness of available support as important objectives.

Professional and trade associations also have an important role to play. They can help businesses identify common legal risks, signpost information and encourage preventative approaches such as legal health checks before issues become disputes.

The lesson from the evidence is straightforward: businesses that recognise problems earlier are often better placed to avoid the most serious consequences later.

Priority 3: Make legal support easier to find, use and access.

Businesses do not usually start with lawyers. They start with people they already trust.

When problems arise, small businesses are far more likely to turn to an accountant, adviser, trade body, professional network, friend or family member than they are to seek out a legal professional. At the same time, most businesses that develop a legal need do not obtain professional legal help. This suggests that unmet legal need is shaped by more than affordability alone. Confidence, awareness, capability and the ability to navigate support all matter.

The implication is straightforward. Businesses should not need to understand the legal services market to get help.

Trusted intermediaries can play an important role in identifying problems, sharing information and referring businesses to professional legal support where appropriate. Trade associations such as the Federation of Small Businesses and the National Hair and Beauty Federation already recognise this by providing legal and business support services for their members. Legal Choices and the Law Society's Find a Solicitor are also existing resources which can help make routes into legal support clearer and easier to navigate.

Technology also has a role to play. New digital and AI-enabled services have the potential to make legal help more accessible and affordable. For example, Garfield Law uses AI to help businesses pursue debt recovery through the small claims process, offering an alternative to more traditional legal routes. As these services develop, they could help more businesses access support that might previously have been considered too costly or difficult to obtain.

However, technology should make support easier to access, not harder to trust. Research commissioned by the Legal Services Board suggests that AI systems do not always behave as users expect and may expose users to risks they do not recognise.[xxiii] Realising the benefits of innovation will therefore require appropriate safeguards, transparency and consumer protection.

The goal is simple: make it easier for businesses to reach the right support at the right time. Businesses that can access appropriate help earlier are more likely to resolve problems successfully and avoid the costs, delays and disruption that arise when issues escalate.

Annex A: Methodology

To conduct this wave of the survey, the LSB commissioned YouGov to collect data, using their online panel of 1.8m respondents. The fieldwork was run between January and March 2026. A total of 10,352 responses were collected from owners and managers of small businesses in England and Wales. As with previous waves, the survey takes each respondent through a list of 85 legal issues, to identify if they have experienced any of those issues in the 12 months prior to being surveyed. The final dataset was weighted both to be nationally representative of the population of small businesses in England and Wales and to enable comparisons with previous waves of the survey.

The LSB research team conducted the analysis and reporting in-house. The analysis was run using IBM SPSS, Microsoft Excel and R.

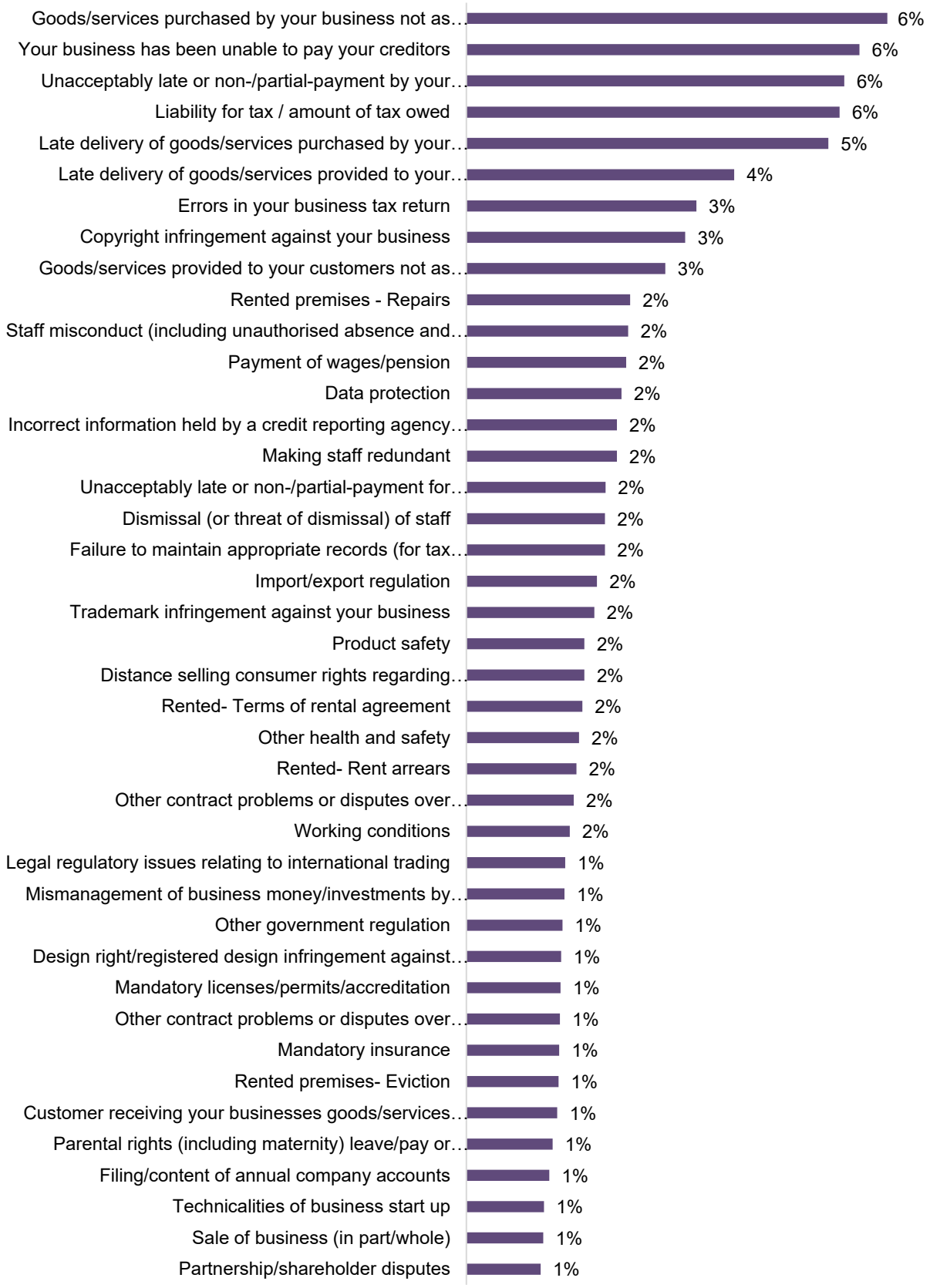
Prior to running this fourth wave, the LSB commissioned a review of the survey by Professor Pascoe Pleasence and Associate Professor Catrina Denvir. The aims of this review included incorporating measures of legal capability used in the LSB's Individual Legal Needs Survey. This uses two legal capability scales from guidance on legal needs surveys issued by the OECD: legal confidence and accessibility of justice. Our analysis also uses a model developed by the OECD to measure unmet legal need. The LSB has deployed this methodology, through the logic model below, to calculate legal needs for the purposes of this survey of small businesses.

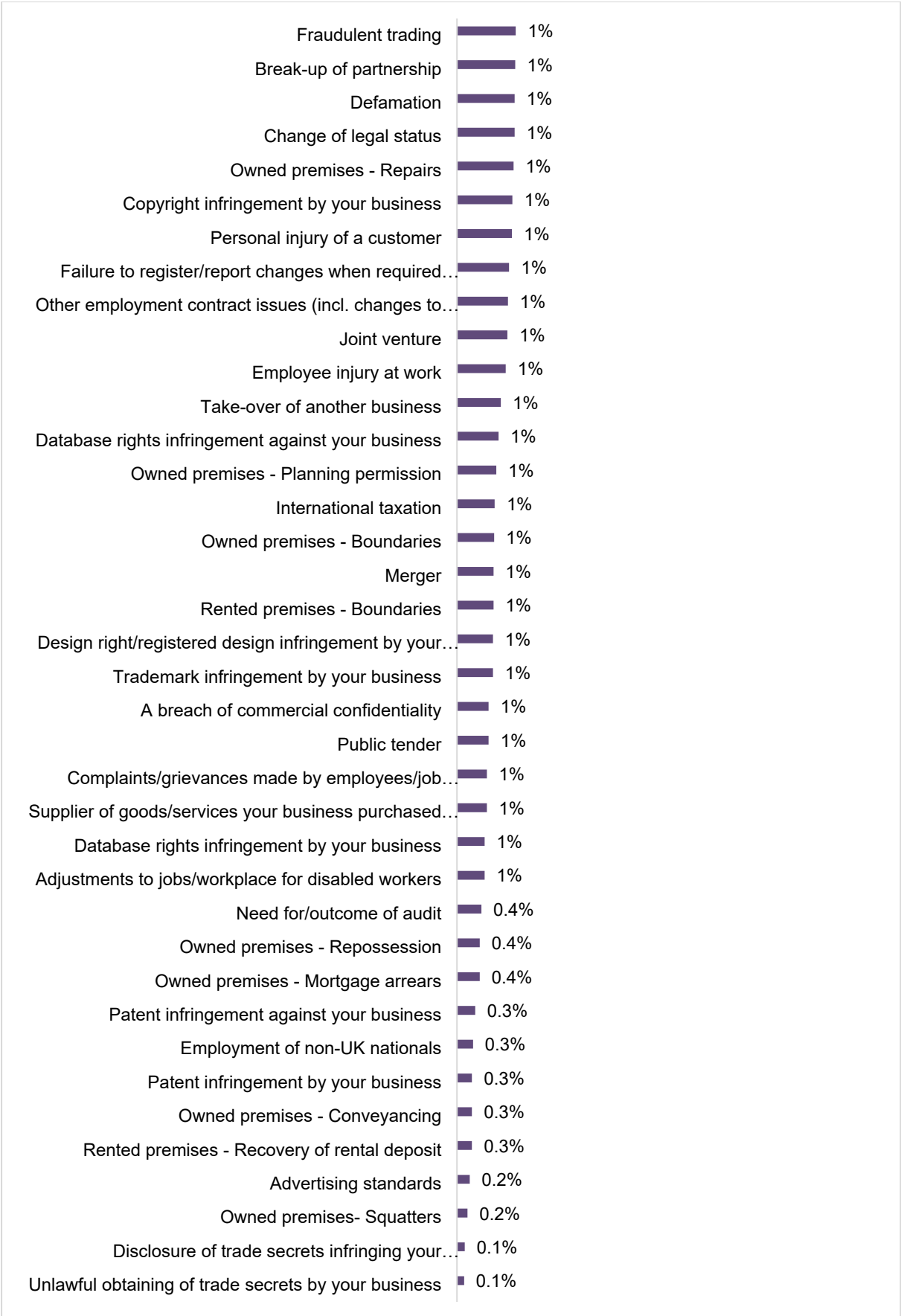
Logic model to estimate levels of legal needs and unmet legal needs

Duration	Seriousness	Legal awareness	Legal Confidence	Process Fairness	Expert Help	Adequacy of support
Long	High/Med/Low	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No
Short/ Moderate	High	Yes/No	Yes/No	Yes	Yes	Y
						N
					No	n/a
				No	Yes	Y
						N
					No	n/a
	Moderate	Yes	Yes	Yes	Yes/no	n/a
				No	Yes	Y
						N
					No	n/a
			No	Yes	Yes	Y
						N
					No	n/a
				No	Yes	Y
						N
					No	n/a
		No	Yes/No	Yes	Yes	Y
						N
					No	n/a
				No	Yes	Y
						N
					No	n/a
	Low	Yes/No	Yes/No	Yes/No	Yes/No	n/a

No legal need | Legal needs | Met legal need | Unmet legal need

Annex B: Percentage of small businesses experiencing individual legal issues




Fraudulent trading 1%
Break-up of partnership 1%
Defamation 1%
Change of legal status 1%
Owned premises - Repairs 1%
Copyright infringement by your business 1%
Personal injury of a customer 1%
Failure to register/report changes when required… 1%
Other employment contract issues (incl. changes to… 1%
Joint venture 1%
Employee injury at work 1%
Take-over of another business 1%
Database rights infringement against your business 1%
Owned premises - Planning permission 1%
International taxation 1%
Owned premises - Boundaries 1%
Merger 1%
Rented premises - Boundaries 1%
Design right/registered design infringement by your… 1%
Trademark infringement by your business 1%
A breach of commercial confidentiality 1%
Public tender 1%
Complaints/grievances made by employees/job… 1%
Supplier of goods/services your business purchased… 1%
Database rights infringement by your business 1%
Adjustments to jobs/workplace for disabled workers 1%
Need for/outcome of audit 0.4%
Owned premises - Repossession 0.4%
Owned premises - Mortgage arrears 0.4%
Patent infringement against your business 0.3%
Employment of non-UK nationals 0.3%
Patent infringement by your business 0.3%
Owned premises - Conveyancing 0.3%
Rented premises - Recovery of rental deposit 0.3%
Advertising standards 0.2%
Owned premises- Squatters 0.2%
Disclosure of trade secrets infringing your… 0.1%
Unlawful obtaining of trade secrets by your business 0.1%

Annex C: Endnotes

[i] FSB small business statistics in 2026. Available at: https://www.fsb.org.uk/media-centre/uk-small-business-statistics

[ii] The Office of the Small Business Commissioner website – headline findings. Available at: https://www.smallbusinesscommissioner.gov.uk/

[iii] *ibid*

[iv] This paper defines small businesses as firms that employ 1-49 people. It breaks these small businesses into subcategories. 1. Sole trader – a one-person small business. 2. Micro businesses employment 1-9 people. 3. Small businesses employing 10-49 people.

[v] Data obtained from the Federation of small businesses home page: Available at: https://www.fsb.org.uk/media-centre/uk-small-business-statistics

[vi] Small business commission research on the impact of late payments. Available at: https://www.smallbusinesscommissioner.gov.uk/late-payments-research-2/

[vii] The Late Payments Bill overview, House of Lords. Available at: https://bills.parliament.uk/bills/4128

[viii] Statistical significance for Loss of Income by business size: *X*-squared = 34.332, df = 2, p-value = 3.507e-08. Cramer's V = .1

[ix] Small business commission research on the impact of late payments. Available at: https://www.smallbusinesscommissioner.gov.uk/late-payments-research-2/

[x] Example of statistical significance from the graph: Damage to a business relationship by business size. *X*-squared = 34.332, df = 2, p-value = 3.507e-08, Cramer's V = .1

[xi] The Victoria Law Foundation definition of legal capability. Available at: https://www.victorialawfoundation.org.au/resources/understanding-legal-capability)

[xii] Statistical strength reporting: *X*-squared = 630.77, df = 6, p-value < 2.2e-16, Cramer's V = .29
[xiii] Statistical strength reporting: *X*-squared = 577.14, df = 6, p-value < 2.2e-16, Cramer's V = .27
[xiv] Statistical strength reporting: *X*-squared = 51.88, df = 2, p-value = 5.424e-12, Cramer's V = .11
[xv] Statistical significance in the graph. Legal confidence by shopping around: *X*-squared = 199.02, df = 6, p-value < 2.2e-16, Cramer's V = .26. Process was fair: *X*-squared = 207.33, df = 2, p-value < 2.2e-16, Cramer's V = .23. Concluding in my favour: *X*-squared = 101.3, df = 8, p-value < 2.2e-16. Cramer's V = .15.

[xvi] Statistical significance in the graph. Access to Justice by knowing where to get good information and advice: *X*-squared = 93.513, df = 2, p-value < 2.2e-16. Cramer's V = .15. Process was fair: *X*-squared = 191.32, df = 2, p-value < 2.2e-16, Cramer's V = .22. Outcome concluded in my favour: *X*-squared = 68.77, df = 8, p-value = 8.631e-12. Cramer's V = .13.

[xvii] Legal confidence by shopping around: *X*-squared = 199.02, df = 6, p-value < 2.2e-16, Cramer's V = .26.

[xviii] The OECD guidance report: https://www.oecd.org/en/publications/legal-needs-surveys-and-access-to-justice_g2g9a36c-en/full-report.html

[xix] Significance report for legal confidence and unmet legal need: *X*-squared = 1641.6, df = 4, p-value < 2.2e-16,. Cramer's V = .28.

[xx] Significance report for Access to justice and unmet legal need: *X*-squared = 1187, df = 4, p-value < 2.2e-16, Cramer's V = .24.

[xxi] The legal services board's research into the potential risks of AI for the legal services sector. Available at: https://legalservicesboard.org.uk/research-2/ai-in-legal-services-consumer-expectations-and-existing-standards

[xxii] The current fair payment code based on the Office for small Business commissioner's guidance. Available at: https://www.smallbusinesscommissioner.gov.uk/fpc/about/

[xxiii] The LSB's research into consumer's expectations into AI standards within the legal services sector. Available at: https://legalservicesboard.org.uk/research-2/ai-in-legal-services-consumer-expectations-and-existing-standards