



CMA Legal Services
Qualitative Research Report
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Prepared for:

The Competition and Markets Authority

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CONTENTS

1. Background and Research Requirement	3
2. Research Methodology and Sample	4
3. Executive Summary	9
4. Main Findings	13
4.1 Small business commercial and employment legal issues	13
4.2 Non-use of legal service providers	15
4.3 Small business use of the legal service provider marketplace	17
4.4 How do small businesses choose between providers?	25
4.5 How do small businesses assess information about price and quality?	43
4.6 Do small businesses find it difficult to assess price and quality?	51
4.7 Satisfaction with the quality of legal service providers	52
4.8 Do small businesses seek redress?	53
5. <u>Appendices:</u>	
A. 'Review the market' topic guide	58

1. Background and Research Requirement

1. Legal services are particularly important to the UK economy for two reasons. First, the sector is significant in its own right with a UK turnover in the £billions. Second, the provision of legal services to both individuals and businesses underpins the wider UK economy by helping consumers access and enforce their rights under the law.
2. Only 13% of small business respondents surveyed in 2015 said they viewed lawyers as cost-effective, and around half strongly agreed or agreed that they used legal service providers as a last resort to solve business problems.¹
3. The Competition and Markets Authority (CMA) is conducting a market study into legal services. The purpose of this market study is to examine whether competition in the legal services market in England and Wales is working effectively for consumers and small businesses, and – if not found to be working well – how it might be improved.
4. The CMA commissioned Research Works – an independent market research agency – to conduct qualitative research with micro² and small businesses³ in England and Wales. The research was undertaken to inform the CMA’s understanding of the consumer side of the legal services market, in particular whether consumers can drive competition (market study Theme 1) and whether information failures result in consumer protection issues that are not being adequately addressed through existing regulations and/or redress mechanisms (market study Theme 2)⁴.

¹ Source: LSB (2015), <https://research.legalservicesboard.org.uk/wp-content/media/PUBLISH-The-legal-needs-of-small-businesses-20-October-2015.pdf>

² Micro businesses are those with between 0 and 9 employees and a turnover ≤ €2million

³ Small businesses are those with between 0 and 49 employees and a turnover ≤ €10million; the research described here focused on small businesses with up to 30 employees.

⁴ The CMA’s Statement of Scope for the legal services market study may be found at: https://assets.publishing.service.gov.uk/media/56962803e5274a117500000f/Legal_services_market_study_statement_of_scope.pdf

5. The specific objectives of this research are based on the following questions:
- How do small businesses decide between legal service providers?
 - What is the current level of small business awareness of information about quality and prices?
 - What factors do small businesses use to judge quality?
 - Do small businesses find it difficult to compare quality and/or prices?
 - How accurate are initial fee estimates?
 - Do small businesses receive the quality and level of service that they expect?
 - Do small businesses receive legal services they later believe are unnecessary?
 - Were there additional charges?
 - Are small businesses aware of redress mechanisms?
 - Do small businesses use redress mechanisms when they have a problem?
 - Are redress mechanisms effective?

2. Research Methodology and Sample

Methodology

6. The research was a qualitative study, conducted via a series of one-to-one depth interviews of, on average, 45-60 minutes' duration. A qualitative 'deep dive' approach was required because the CMA wanted to explore the full range of small business views about legal service providers, and to understand why these views were being expressed. The result is a rich and detailed data set that describes the experience of a broad cross-section of small businesses.

Sample Structure

7. In total, 100 individual depth interviews were conducted with small businesses (including 16 pilot stage interviews).
8. The focus of the research discussed in this report was commercial- and employment-related legal issues (although the type of legal issues considered to be 'commercial-related' and 'employment-related' were interpreted broadly)⁵.
Therefore:
 - All respondents were key decision-makers in relation to commercial- and employment-related legal matters for their business;
 - All represented small businesses that had a current commercial and/or employment legal need, or had had a previous commercial/employment legal need (i.e. within the past 12 months).
9. The research quota was segmented by employer size and by the use/non-use of legal service providers, as described in more detail in the tables below.

Pilot stage:

10. In early March 2016, 16 pilot stage interviews were carried out amongst small business employers. The sample focused primarily on small businesses who had used a legal service provider because the CMA wanted to understand how they used information to identify and compare providers. A detailed breakdown of the sample breakdown of the pilot stage interviews is shown below:

⁵ The CMA's market study focuses on all legal issues with the exception of criminal law.

	Have used a legal provider/are using a legal provider	Had/have legal need and have not/are not using a legal provider
Micro employers (0 - 3 employees)	4 interviews (2 x employment need and use, 2 x commercial need and use)	1 interview
Micro employers (4 - 9 employees)	4 interviews (2 x employment need and use, 2 x commercial need and use) 1 x made a complaint	1 interview
SME employers (10 - 20 employees)	2 interviews (1 x employment need and use, 1 x commercial need and use)	1 interview
SME employers (21 - 30 employees)	2 interviews (1 x employment need and use, 1 x commercial need and use) 1 interview had made a complaint	1 interview
Total	12 user interviews	4 non-user interviews

11. Following these interviews, the sample breakdown for main stage interviews was revised as follows:

- The main stage sample included a higher number of respondents that had reviewed the legal services sector when experiencing a legal need, i.e. had assessed more than one legal service provider. This decision was made in response to the pilot stage finding that most of the small businesses interviewed for the pilot stage had followed a recommendation to use one particular legal service provider, rather than assessing a number of legal service providers themselves. Although the CMA wanted to explore how the use of recommendations might be driving competition, the CMA also felt that it would be most informative for the research to primarily focus on understanding what information was available to those who had reviewed the legal services sector and how this information was used to compare providers.
- This revised sample also included a lower number of respondents who had experienced a legal need without using a legal service provider than had been originally planned. This sample adjustment reflected a decision to focus the research on the experiences of small businesses that had used legal service providers. Again, this related to the CMA's focus on

understanding whether consumers are able to drive competition, and on potential consumer protection risks.

Main stage:

12. A detailed breakdown of the full sample (pilot and main stage) is set out in the table below:

	Have used/are using an LSP	Had/have legal need and not used an LSP
Micro employers (0 – 3 employees)	22 interviews	4 interviews
Micro employers (4 – 9 employees)	22 interviews	4 interviews
SME employers (10 – 20 employees)	21 interviews	3 interviews
SME employers (21 – 30 employees)	21 interviews	3 interviews

13. Overall, the sample included:

- A range of small businesses in terms of age, turnover and legal status (i.e. limited partnerships, limited companies, partnerships and sole traders);
- A mix of male and female respondents;
- Small businesses from a mix of industries including, for example, building and construction, catering, security, technology, telecommunications and property;
- Those with experience of a range of legal issues which included:
 - Contentious commercial issues, e.g. non-payment of money owed, disputes with customers;
 - Non-contentious commercial issues, e.g. drafting of contracts with clients, company formation contracts;
 - Contentious employment disputes, e.g. employee dismissal, claims of unfair dismissal and discrimination, employee pay disputes, theft
 - Non-contentious employment issues, e.g. drafting of employment contracts

- Both users of regulated providers such as solicitors and barristers, as well as users of unregulated providers such as Citizens Advice Bureaux, trade organisations and ACAS⁶.

13. Within the sample:

- Around half the sample were white collar and half blue collar organisations;
- Around half the sample had experienced employment issues, and around half had experienced commercial issues in the past 12 months (although over a longer period, many had experienced both types of legal issue);
- Nine respondents had complained about a legal service provider in the past;
- A very small group (see paragraph 17) were using legal service providers for the first time when facing non-contentious issues involved in the setting-up of their businesses;
- In addition, another very small group of established businesses were facing their first contentious legal issue which they felt necessitated the use of a legal service provider.

14. Interviews were conducted in Central London, Hertfordshire, Bedfordshire, Birmingham, Leeds, Wales, Newcastle, Brighton and Bristol during March/April 2016.

Recruitment

15. All respondents were 'free found' by Market Research Society trained recruiters. Recruiters used a recruitment questionnaire agreed with the CMA to identify relevant potential participants by approaching small businesses (either face-to-

⁶ ACAS (Advisory, Conciliation and Arbitration Service) is an organisation devoted to preventing and resolving employment disputes. It provides free and impartial information and advice to employers and employees on all aspects of workplace relations and employment law.

face or by telephone). Respondents were encouraged to participate by the use of a cash incentive.

Limitations of the sample

16. It should be emphasised that qualitative research samples are purposive and quota-driven in nature; they do not attempt to have any statistical validity or reliability. The purpose of qualitative research is to give generalisable indications of the drivers underlying behaviour and attitudes, by exploring responses in greater detail and depth.
17. The findings in this report are therefore described in qualitative terms. As a purely indicative guide: terms such as 'a small group' indicate a number in the region of 5-10 respondents; terms such as 'a very small group' indicate a number less than 5. 'A large group' refers to a group of 30+ respondents.

3. Executive Summary

18. The level of exposure to commercial- and employment-related legal issues varied by industry: for example, small businesses involved in property (purchase or management) had gained experience of conveyancing and contract-related issues; larger, blue collar small businesses had gained experience of employment-related issues.
19. A small group experienced recurring commercial- or employment-related legal issues. Amongst this small group, most dealt with any recurring issues without seeking help from legal service providers (i.e. by resolving the issue themselves), based on previous experience. For this group, saving legal costs was clearly a motivation for not using legal service providers. However, wherever a legal issue was novel or complex, this small group (along with small businesses from across the sample) consistently sought help from an external legal service provider.

20. The small business sample used a range of different types of legal service provider for both commercial and employment-related issues. However, of these different types of legal service provider, solicitors⁷ were the most frequently used for both commercial and employment-related issues by most SME employers across the sample.

21. The small business sample did not spontaneously express any pre-formed concerns about the current operation of the legal service provider market place. Awareness of the breadth of legal service providers within the marketplace was limited and there was a strong reliance on using solicitors to address their commercial- and employment-related legal issues. Overall, the number of those using legal service providers (broadly defined as anyone providing legal advice) other than solicitors (e.g. ACAS, trade organisations, insurers, CAB, out-sourced HR services, accountants and support for start-ups) was very small.

22. Small businesses adopted three broad strategies in how they went about finding appropriate legal help and advice (although there was evidence of overlap between the 'Ask a Contact' and 'Review the Market' groups):

a) **Make a single contact:** this was a very small group of respondents who tended to approach a non-solicitor legal service provider which had already been paid for, such as an insurer or a trade body.

b) **Ask a Contact:** this large group sourced recommendations from contacts for specific legal service providers who were either members of the legal profession, or business peers who had encountered legal issues and thus had experience of seeking and receiving professional legal assistance. These contacts became a filter on the legal service provider market since most followed the recommendation that they had been offered.

⁷ Although none explicitly reported using legal executives, it is possible that respondents made an assumption that anyone working for a firm of solicitors was a solicitor.

- c) Professional legal contacts were able to help small businesses gauge the severity of their legal issue and then decide whether the issue was something they could handle themselves, or whether they needed to use a legal service provider. Those who were advised that they required a legal service provider received guidance on what type of legal service provider to use: for instance, whether they could be helped by someone within the contact's firm, or whether they needed to seek advice from another legal service provider. A conversation with a professional legal contact might include an outline of the potential costs involved in resolving their legal issue – a 'ballpark figure'. This group also felt that a recommendation from a professional contact gave them an assurance of quality.

- d) Professional peer contacts made recommendations based on personal experience. A recommendation from a contact with experience of using a specific legal service provider was felt to provide an assurance of quality. The information received about quality included both the perceived quality of the service experienced as well as whether the legal service provider had achieved a positive outcome.

- e) **Review the Market:** this large group of respondents went online and used the telephone and/or face-to-face meetings to seek information to inform their choice of legal service provider. Within this group was a mix of those conducting more and less sophisticated assessments of legal service providers. The key difference between these two degrees of sophistication was the amount of time which they were prepared to dedicate to assessing legal service providers.

23) The larger, less sophisticated 'Review the Market' group based their choice on a limited number of factors: location, the provider's specialism/expertise/experience and perceptions of quality. Perceptions of quality were based on subjective judgements, such as the look of the website. The smaller, more sophisticated 'Review the Market' group based their choice on the

same factors, but also included price and customer service in their assessment, as well as a more robust assessment of quality, for example, by looking at qualifications, quality marks, reviews and client testimonials.

24) Therefore, it was small businesses from the smaller, more sophisticated 'Review the Market' group who had the most experience of conducting robust searches for information about legal service providers. They reported a lack of consistency in the information provided online – both in terms of costs and quality – making it more difficult to compare different providers. They reported that legal service providers offered a range of pricing options and that the way in which pricing structures were presented was inconsistent. For example, some only offered hourly rates, whilst others offered fixed rates; and in addition, some offered a free hour's consultation.

25) In order to make price and quality comparisons, the more sophisticated 'Review the Market' group found that they needed to devote time to telephone or face-to-face conversations about the specific legal need and the costs involved. However, small businesses adopting other approaches to sourcing a legal service provider (i.e. those who 'Asked a Contact' or those conducting less sophisticated searches amongst the 'Review the Market' group) demonstrated less willingness to invest this amount of time in sourcing a legal service provider.

26) Small businesses' dissatisfaction with their experience of legal service providers tended to focus on issues about quality rather than cost. Perceived errors on the part of legal service providers emerged as the main cause for concern e.g. inaccuracies, oversights. However, it was a very small group who reported seeking redress since many assumed that this process would be costly and time-consuming. Where individuals did report seeking redress, it tended to be on a matter in their personal life (unrelated to their business), or regarding a business experience from a long time in the past.

27) Overall, there was little awareness of specific redress mechanisms. There was an assumption that redress mechanisms existed, which was strongest in relation to solicitors and barristers, but these were not at the front of small business owners' minds as they searched for legal service providers.

28) Suggestions about how to improve the experience of searching for a legal service provider within the current marketplace included:

- Ideally, a comparison website, similar to GoCompare or Trip Advisor. However, respondents making this suggestion often noted that creating this type of resource would be extremely problematic in reality, because of the difficulty of commoditising legal services;
- Standardised information to be provided by legal service providers regarding costs, quality and whether the provider is regulated/unregulated;
- A fact sheet offering advice about where to seek help regarding a range of legal issues (e.g. on gov.uk or from the Law Society).

4. Main Findings

4.1 Small business commercial and employment legal issues

29) This section describes the type of regularly occurring commercial and employment issues faced by the small business sample. Over time, small businesses with repeated experience of certain types of legal issue tended to feel more confident about managing these specific issues themselves without the support of a legal services provider. None employed in-house legal specialists, although a small number employed people with a limited amount of legal knowledge.

Commercial issues

30) Where regularly occurring commercial issues were reported, these tended to include: creating and maintaining contracts with clients, as well as conveyancing and general property issues, such as creating and updating leases. Small businesses working in the property market, or dealing with property or tenants, had a particularly high volume of this type of legal need:

“There are always disputes, there are always people not paying their rent. I dread to think of how many hours I am spending on it and how much it costs in legal fees.” (Owner, property management company, micro business)

31) Other businesses with ongoing commercial legal needs included:

- Those working internationally (and thus needing to make different agreements in different countries): *“When you take a company global, you have to make sure you have the legal provisions in place.”* (Owner, car leasing, small business)
- Those monitoring their professional indemnity (i.e. their risk of being sued). For example, one start-up small business was developing a personal technical device. They assessed the risks posed by the use of the product on an ongoing basis. Therefore, consideration of how to protect themselves from legal challenges on safety grounds was part of their development process.

Employment issues

32) Where regularly occurring employment-related issues were reported, these tended to include: creating and/or maintaining contracts for employees; dismissal processes; and unfair dismissal challenges. Blue collar small businesses appeared to have a particularly high volume of this type of legal need, for example, those working in catering or childcare. These types of employers tended towards employing larger numbers of semi-skilled employees:

“The most common legal issues would be to do with employee unhappiness. We have had a constructive dismissal, one complaining about treatment of a specific manager that caused her to be off work with stress.” (Owner, childcare provider, small business)

4.2 Non-use of legal service providers for commercial and employment legal issues

33) All the non-users in the sample were non-users of legal service providers for recurring commercial issues. Non-users fell into two broad groups:

- a) The first group all had experience of dealing with recurring legal issues specific to their business. Examples included: the director of a recruitment agency updating new client contracts; the manager of a pub chain creating franchise agreements; and a lettings manager dealing with tenancy issues:

“If we can deal with the issue internally, we will. But if we feel we can’t cover it all or need more help, then we will seek advice from outside help. Internally we would deal with letters that outline basic agreements. But when it gets more complex we will seek advice.” (Owner, finance company, micro business)

“We draw up all contracts in house, but if a landlord or client requests something unusual, or we may need a legal letter to back us up, we reach out to our out-of-house solicitor.” (Owner, property management company, small business)

- b) The second group comprised a very small group of small businesses using the small claims process to chase money owed to them. Those using the small claims process reported that they did not want to incur the costs of using a solicitor to reclaim money owed. Interestingly, members of this small group had all been signposted towards this process by a contact (e.g. a personal

legal contact); otherwise, they said they would have been unaware of this channel as a way of recovering debts.

34) The strengths of using the small claims process were: firstly, that small business owners were able to follow the process themselves, and the costs involved were largely the business owners' time (which was sometimes considerable). Secondly, outcomes in pursuing this approach were generally positive. However, in one case the advice of a solicitor was required, and in one other case, with hindsight, would have been preferred to help the respondent with the process.

35) Overall, those adopting a 'DIY' approach expressed confidence in pursuing these specific legal issues themselves, based on their previous experience. However, they were equally clear that they would use a legal service provider if facing a new type of legal issue.

36) Saving legal costs was clearly a motivation for not using legal service providers:

"If you go to a lawyer to have a lease checked out, it would cost £2,000-£3,000. If we messed it up, it was going to cost us less than that, so why have the aggravation of going to the lawyer and incurring the cost that I might not have had in the first place." (Owner, recycling company, small business)

37) It was those with most experience of using legal service providers who were most concerned about costs – due to previous experience:

"When you go to the solicitors, they don't tell you about the maximum amount of money you'd pay. They don't even mention money. They won't tell you about how much it's going to cost. If the case is ongoing, you pay the bill when it comes. You know that each letter and phone call will cost you money – if you speak to the solicitors, their time is money." (Owner of a furniture delivery company, sole trader)

Case Study 1: Small Claims Process

The small business involved worked in the financial services industry. The firm had 4 employees. The proprietor experienced ad hoc legal issues in recovering fees. He was owed a substantial amount of money by a client who refused to pay. A friend recommended using the small claims system via the government website. The defendant contested the claim, so went to court. Ultimately, though, the respondent recovered the fees that they were owed.

✓	For small businesses and up to £10k	✗	Website found to be confusing and difficult to use
✓	Price outlined for each scenario	✗	Online process found to be lengthy and complicated
✓	Perceived this to be a less costly alternative to a solicitor	✗	Respondent reluctant to use the process again

“For lay-people like me, who are not used to using these services, it was really unpleasant for me, and I just wish ... everything was in layman’s terms.” (Owner, financial services, micro business)

4.3 Small business use of the legal service provider marketplace

38) The small business sample used a range of different types of legal service provider for both commercial- and employment-related issues, although solicitors were the most commonly used type of legal service provider for both commercial- and employment-related issues.

39) Overall, the numbers of those using legal service providers (broadly defined as anyone providing legal advice including ACAS, trade organisations, insurers, CAB, out-sourced HR services, accountants and support for start-ups) other solicitors was very small.⁸

40) General awareness of the range of different types of legal service provider within the marketplace was limited, and there was a strong reliance on using solicitors to address both commercial- and employment-related legal issues.

⁸ Although there were examples of larger SMEs using barristers on high value commercial cases, solicitors were by far the most commonly used across the sample.

41) Small businesses tended to associate solicitors (and barristers) with higher costs and other legal service providers other than solicitors (and barristers) with lower costs. Therefore, those needing to address commercial- and employment-related legal issues either:

- Chose to use a solicitor (and incurred costs);
- Or sought legal advice from services they had already paid for through membership subscriptions, policy premiums etc. (i.e. trade organisations, insurers, outsourced HR services);
- Or sought free legal information/sign-posting services (e.g. from ACAS, CAB, the Law Society).

42) Sometimes a discussion with a non-solicitor legal service provider helped small business owners to decide whether they needed to contact a solicitor.



43) As described above, although the main legal service provider used by respondents for legal issues were solicitors, there was some use of other legal service providers, as described below.

44) Of the providers described below, ACAS and CAB were sometimes used as a 'sounding board' (i.e. a channel for discussing a legal issue) before seeking advice from a solicitor. Other non-legal service provider sources were also used as 'sounding boards': the Law Society (discussed in paragraph 80ff) and online sector-specific forums (discussed in paragraph 59).

- a) **ACAS** – used by a small group of largely blue collar small businesses for advice about ad hoc, general employment issues (e.g. maternity-related questions, pay for apprentices, employing someone outside the UK). ACAS was also used as a 'sounding board', i.e. have I done the right thing? ACAS was expected to offer information or signposts to further advice, rather than to provide legal advice itself:

"Well as they are free, I might start with ACAS so I don't go in blind to a law firm." (Partner, recruitment, no employees but about to recruit)

- b) **Trade organisations** – used by a very small group on an ad hoc basis for day-to-day, sector-specific issues (either employment or commercial). The strengths of this legal service provider were that they were accessible by telephone and already paid for (via membership fee), as well as being perceived to have sector-specific knowledge:

"If we have a simple legal question, just a quibble, then we would go to the industry body and they provide us as part of our membership with some free legal advice." (Owner, retailer, micro business)

"With the industry body, what I'll do for more ad hoc questions rather than a serious ongoing matter, we can ask, 'are our contracts right in this sense' ... it would then be a case of phoning them and asking if I can speak to X or Y in their legal department ... it's quite alright from our point of view, we trust that they vet the people that they are putting us on the phone to at the end of the day." (Owner, retailer, micro business)

- c) **Insurers** – used by a very small group on an ad hoc basis for advice about either employment or commercial issues. The strengths of this legal service provider were that they were accessible by telephone and already paid for (via premium). Respondents therefore felt they were getting ‘value for money’ by using this legal service provider:

“The company provides us with legal advice covering everything legal associated with business. If I’ve got a specific issue, I can phone them and say that I have a specific problem with that employee. This takes away all issues related to thinking about decision-making in that area of legal rules that we might come across. As long as I follow the rules and regulations that they provide, it takes all responsibility away from you.” (Owner, manufacturer, small business)

- d) **Support for start-ups** – used by a very small group of start-ups. This support included:

- **A graduate programme** – which allowed the small business to connect with a cohort of other start-up businesses and access free legal advice.
- **A charity advice centre for start-ups** – which helped a small business find a suitable legal service provider.

- e) **Accountants** – the small business sample did not use their accountants for support about commercial- or employment-related legal issues, other than: a very small group of small business owners asking their accountants to recommend a legal service provider, based on the accountants’ broad experience of working closely with small businesses.

- i) After this finding emerged, a small number of remaining respondents were asked why they had not approached their accountant for advice about either commercial or employment issues. This small group felt that they would ask their accountant for legal advice related to finance issues, for example, tax or property purchases.
- ii) The finding that very few small businesses asked their accountants for advice about other legal matters therefore seems likely to reflect the focus

of the research on commercial and employment issues and therefore the sample design.

- iii) The only times that accountants were consulted about commercial issues were in relation to the financial aspects of these issues, e.g. the financial implications of setting up as a sole trader or limited company, and a decision about whether to change the name of the company:

"We used (our accountants) a couple of times a year to update the final year accounts ... We also approached them to change the company's name. We asked them because they were already running the accounts for us. We only asked them because we were already in the middle of a meeting with regards to the current state of our accounts." (Company director, arts company, small business)

- f) **CAB** – used by a small group from across the sample (from those looking for support about how to tackle a legal issue, to those reviewing the market in a sophisticated way using CAB as a 'sounding board' for their plan to address their legal issue). CAB was expected to offer signposts to further advice, rather than legal advice per se. The strengths of CAB were felt to be that it is free and a good 'starting point':

"The Citizens Advice Bureau could not do nothing for you, but at least they can put you on the right path." (Owner, logistics, small business)

- g) **Outsourced HR function** – used by a very small group who experienced higher volumes of employment issues due to higher employee turnover (e.g. childcare providers). This legal service provider provided support for small businesses to keep up-to-date with procedures, as well as help with specific legal issues:

"We have decided to go for this company as it helps us employ people correctly. It is cheaper than an HR Manager." (Owner, security company, small business)

Case Study 2: ACAS

The respondent was a business owner working in personal services. They were a sole trader with 5 employees and an annual turnover of £40,000. The business had been running for 3 years. The legal need was an employment issue relating to the payment of an apprentice.

The respondent informed the apprentice that she would not be continuing her employment and explained that she would be paid for one week's notice. However, the apprentice left on the spot and so was not paid for this notice period.

The respondent contacted her payroll provider, to check that she would not have to pay an employee who did not work their notice period. However, the apprentice's family insisted she should have been paid, and that she was also entitled to holiday-pay.

The respondent contacted ACAS, who confirmed that she had not acted incorrectly. However, ACAS could not help her legally, so she contacted a solicitor (recommended by a client), to give her peace-of-mind:

"I would always use ACAS first because they provide free legal advice, but I'd also use a solicitor that was recommended to me, even if I had to pay a bit extra." (Owner, personal services, micro business)

Case Study 3: Trade Body

The respondent was a business owner and administrator of an independent motor trader. It was a family-run business with 5 employees. The business had been purchased from another family member 3 years previously. The owner used a motor industry trade body for advice about legal issues.

Experience of employment issue:

- Phoned **motor trade industry body** for legal advice around dismissing their apprentice in early 2014
- The **helpline provided template letters** that could be used for this process
- She then **sought advice from the same helpline about creating an employment 'agreement'** so that they would be covered if they needed to dismiss another apprentice/employee in the future
- This was seen as a way of 'covering their backs'
- Dissatisfied with elements of customer service, but considered their advice to be 'fine' considering the helpline was free

Experience of commercial issue:

- Customer's car damaged whilst in their care
- Dispute between their business and the customer – neither party felt that this damage was their fault
- **Phoned the motor industry body** again who advised them that the vehicle would need to be independently assessed to establish whether her business was at fault
- **The helpline signposted her on to 2 associated bodies that could do this independent assessment by an engineer** - meaning that they would have an independent report that would stand up in a court of law
- They used one of these companies to have the vehicle inspected by an independent engineer - paying £300

Case Study 4: Insurer

The respondent was a business owner working in care services. The business had 20 employees and had been running for 12 years. She experienced ad hoc legal needs about once a year, on average. She saw the use of a legal provider as a last resort, and all issues were dealt with internally until absolutely necessary.

The legal needs were usually employment issues, including a claim for constructive dismissal, and an employee grievance.

The respondent used a free legal expenses helpline provided through her insurance provider. This service had previously been used several times. However, the advice given was found to be too generic and vague.

“Coverage on some of our insurance was for a free legal helpline, but we found, to be quite honest, the person over there might have been qualified in some legal way, but they came up with generic answers which were nothing more than we could have looked up online.” (Owner, care services, small business)

Case Study 5: CAB

The respondent was a business owner, working in the cleaning industry. It was a limited company with 8 full-time employees and an annual turnover of £800,000. The business had been running for 16 years.

The legal need that arose was an employment issue: dismissal of the company's co-owner. The respondent wanted to dismiss the co-owner without revealing the actual reason for doing so, in order to protect his colleague's privacy. He was concerned about the possibility of being counter-sued for unfair dismissal.

He contacted CAB, who signposted him on to a Law Centre. The Law Centre were unable to help him due to the nature of his business contract, but provided him with a list of solicitors dealing with employment issues. He used online research to gather more information about the solicitors on the list, and chose a solicitor specialising in employment law. His final choice was based on the solicitor's location and the quality of information presented on their website.

Case Study 6: Outsourced HR Function

The respondent was director of a business within the electrical industry. It was a limited partnership with 22 employees and an annual turnover of £1.2 million, and the company had been trading for over 30 years.

The respondent experienced legal needs relating to both employment and commercial issues on an ad hoc basis. However, he was able to call on an out-sourced 'business solutions' company, one used to handling employment issues. They were '*always there in the background*' for a fixed monthly cost. This company had been recommended by a business contact in his industry.

The specific legal need was an employment issue relating to employee dismissal. An employee had been long-term sick and, despite reasonable adjustments being made to the workplace, refused to return to work. The HR company advised that the employee would have to be dismissed.

Subsequently, there was a 4-day employment tribunal process (with the ex-employee claiming unfair dismissal). The business solutions company sent a legal person to advise, and the respondent won the case (at no extra cost):

"Employment law is a minefield and ... if you were to do something incorrectly, then you would be dragged over coals the way things are in this country, so I use [my business services provider] to aid myself." (Director, electrical industry, small business)

4.4 How do small businesses choose between providers?

45) Four groups emerged from the small business sample, three using different approaches to sourcing a legal service provider and one using a combination of two of these three approaches.



46) Small businesses' choice of approach to sourcing legal service providers tended to remain consistent, regardless of the type of legal issue being encountered or the perceived severity of the legal issue (i.e. they did not adopt different approaches depending on the issue). Over time, non-contentious, frequently experienced legal issues tended to be handled by some of the small businesses without a legal service provider.

47) Both the 'Ask a Contact' and 'Review the Market' groups were confident in their approach to sourcing a legal service provider:

"I would phone somebody who knows more than I would know to put me in touch with the right people. If I went on Google, I would be reading lots and maybe not knowing where to go. I would not be sitting on the internet and searching for it." (Owner, retail, micro business)

“I wouldn’t really rely on recommendation unless from an individual who has used a specific provider before, but I still wouldn’t just take the provider on without looking them up thoroughly.” (Owner, retail, small business)

Ask a Contact

48) The largest group in the sample tended to ask a contact when they encountered a legal issue and/or required a legal service provider. The contact was either someone they knew with experience of working in the legal profession, or a contact (such as a friend, relative, professional peer or accountant) with experience of using a particular legal service provider. If respondents knew a legal professional personally – and most in this group did - they were likely to ask them for guidance; however, even if a professional legal contact was available there were some cases where the view of a business peer was prioritized (e.g. if the legal need was sector-specific).

49) Most took the recommendation they were offered:

“Our first step will be to pick up the phone and talk to other business colleagues and ask them if they have had this problem and who they went to about it. I will then go and talk to their people and see if I get on with them and if I did then we would pass the business onto them.” (Co-Director, recruitment company, small business)

50) For this group, the contact became a filter on the legal service provider market. Typically, respondents from the ‘Ask a Contact’ group relied on their contacts to signpost them towards an appropriate legal service provider.

51) This finding resonates with those from a range of other research projects conducted by Research Works Limited amongst the small business sector that indicate how informal networking is a common way of working for small businesses.

52) Recommendations based on previous relationships were very much valued (i.e. the length of the relationship with either a professional or non-legal professional peer), as well as recommendations from contacts perceived to understand the small business owners' business (e.g. owners of other small businesses in the same sector, or legal professionals who know the small business owner personally or have worked with the small business before):

"I check in with two solicitors: one is a family lawyer who came through personal connections; the second specialises in property law and was recommended by someone I met at a business dinner." (Owner, property, micro business)

"They could have the best website or brochure but that's not as good as talking to someone who has used them" (Director, manufacturer, small business)

Legal professional contacts

53) For respondents whose contact was a legal professional, the advantages were:

- Firstly, that professional legal contacts were able to help small businesses gauge the severity of their legal issue and then decide whether the issue was something they could handle themselves, or whether they needed to use a legal service provider. Professional legal contacts were therefore able to provide guidance about whether respondents would require a legal service provider. For example, a small group of respondents were signposted to the small claims court online.
- Secondly, those who were advised that they required a legal service provider received guidance on what type of legal service provider to use: for instance, whether they could be helped by someone within the contact's firm, or whether they need to seek advice from another legal service provider:

“I know they have different departments and I have a point of contact, who is a senior partner – he will point me in a right direction, so there is a trust there.” (Owner, manufacturing and engineering company, SME)

- 54) A conversation with a professional legal contact might include an outline of the potential costs involved in resolving their legal issue – a ‘ballpark figure’.
- Compared to contacts without experience of working in the legal service provider marketplace, it was clear that legal professional contacts had an overview of the market:

“I would advise small businesses to speak to friends in the industry. If you know any lawyers, accountants, debt collectors, then ask them.” (Introducer, micro business)

- 55) This group also felt that a recommendation from a professional contact gave them an assurance of quality:

“I would always say people should go with a recommendation. I wouldn’t go to a solicitor without a recommendation, so I wouldn’t advise somebody else to do differently. The organisation would need to be very professional. The costs should be compared.” (Owner, exhibition company, small business)

Case Study 7: Ask a Contact (where the contact is a legal professional)

The respondent was the director of a business within the construction industry. The company had 10 employees, an annual turnover of between £450,000 and £1.2 million, and had been running for 22 years. This respondent experienced a variety of legal issues on a regular basis.

“It’s a mixed bag on what legal issues come up – it be could financial, criminal and employee-related, but all on an ad hoc basis.” (Director, construction industry, small business)

The respondent’s social network included individuals working in the legal profession, making the legal services sector easy to navigate. An initial conversation with these contacts enabled him to establish whether he needed to use a legal service provider, and if so, what type would be required; and potential costs associated with the legal need (a factor which he considered to be of paramount importance).

“I use my network of contacts – it’s not what you know but who you know.” (Director, construction industry, small business)

The respondent experienced an employment issue where an employee was involved in a criminal issue involving company property. He needed to understand what the implications of this would be for him and his business. He contacted a family member who is a criminal barrister for advice.

“I would have been extremely irritated if he had charged me anything!” (Director, construction industry, small business)

Peer contacts

56) This group’s choice of legal service provider reflected the recommendation by a business peer (who was not a legal professional) of a specific legal service provider. A recommendation from a professional peer was typically based on personal experience:

“When I chat to my friend, who went to use a certain solicitor who was brilliant, then I would ask for their number and I would go for it, because it’s

the recommendation – my friend had a similar problem and it worked for him.”

(Owner, cleaning company, micro business)

- 57) This group typically felt that a recommendation from contacts with experience of using a specific legal service provider gave them an assurance of quality. The information they received about quality included both the contact’s assessment of the quality of service they themselves had received from the provider, as well as whether the legal service provider had achieved a positive outcome:

“I approach (finding a legal service provider) like my clients approach getting builders – you ask people who have used builders, because you trust that person and you trust their experience. I wouldn’t feel confident going through any sort of website or pamphlet. I like to deal with people and have a history behind it ... like if you’ve had a plumbing issue, you’d ask, ‘who were they, and were they any good?’” (Owner, construction, small business)

- 58) For this group, information about costs was addressed during a follow-up telephone call or meeting with the legal service provider:

“With the legal side we go for word-of-mouth. If someone has worked well with someone we know and they have had the right advice. So really it’s referencing people who are in our business and we have worked with in the past.” (Co-Director, recruitment company, small business)

“He said that the best solicitors in the town are this company.” (Owner, food retail, micro business)

Case Study 8: Ask a Contact (where contact has experience of using an LSP)

The respondent was the director of a telecommunications company. The company had 1 employee and an annual turnover of £300,000, and had been running for 5 years.

He experienced legal needs on an ad hoc basis, on average every couple of years. These might include reviewing changes to legislation, and reviewing or revising terms and conditions. He used a network of other business people working in his industry to find out which legal service providers they had used, and to take recommendations. His social network also included legal professionals.

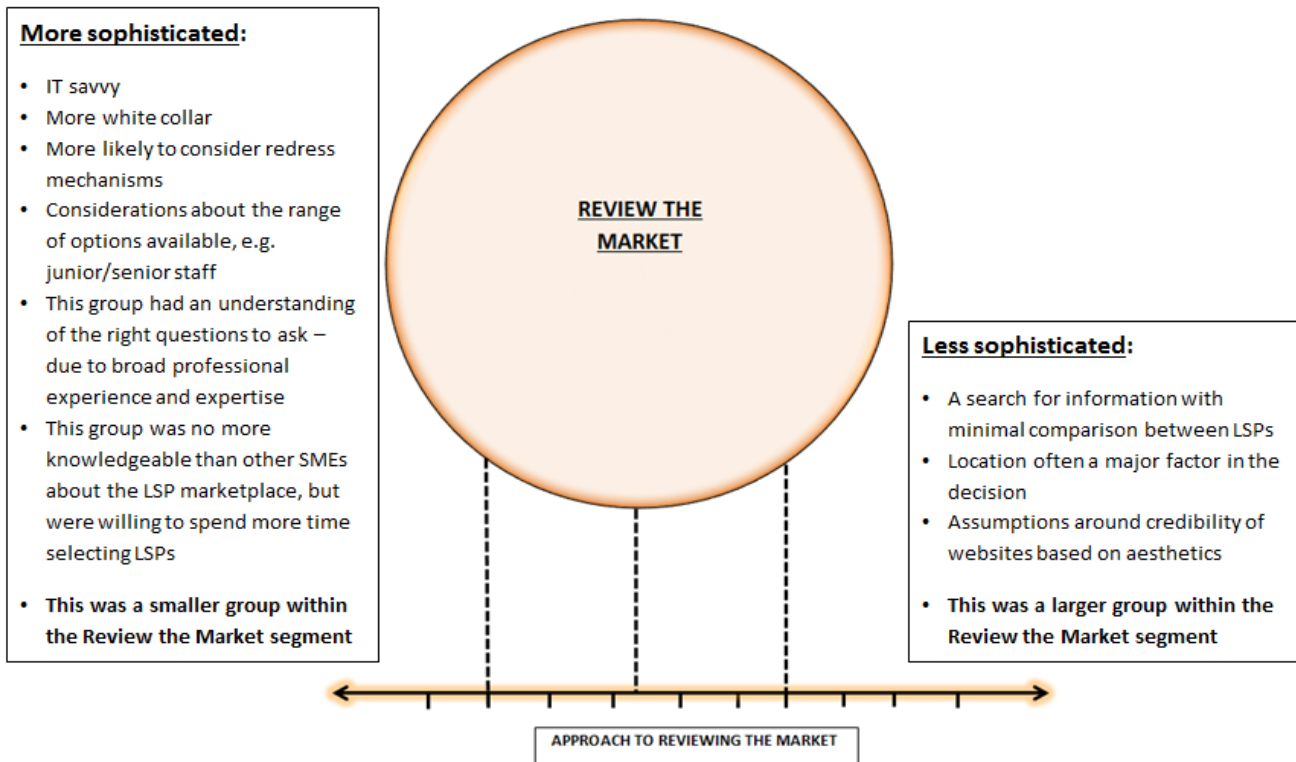
He had experienced a legal need relating to reviewing his terms and conditions and changing the name of the business involved. He instructed a solicitors' firm specialising in agreements. He had prior experience of using this legal service provider, which had initially been recommended by a friend.

"I would speak to friends who are in business to see who they have used. I use my networks to find out someone they have used." (Director, telecommunications business, micro business)

Review the Market

- 59) Those reviewing the market typically accessed information online (e.g. via a Google search). However, some used an intermediary as a 'sounding board' to help them decide what to do. Examples of such sounding boards included:
- a) **CAB:** signposting to relevant information sources (e.g. the Law Society, or a list of approved service providers for a specific legal issue, typically backed up with Google searches);
 - b) **Online sector-specific forums:** discussion of specific legal issues. This information was valued, despite good awareness among respondents that the information might not be accurate and that it should perhaps be taken 'with a pinch of salt'. For example, one small business online retailer asked an online forum comprised of other online retailers about whether they had experience of the particular legal issue he was facing.

60) The group of respondents who reviewed the market typically compared individual solicitors, but with differing degrees of robustness. More and less sophisticated approaches are described in the following sections.



Less sophisticated

61) Those conducting searches at a ‘less sophisticated’ level looked for two key pieces of information: solicitors located near to their business/home and solicitors who specialised in the relevant area of law.

62) At the less sophisticated end of the ‘Review the Market’ group, the information found about solicitors – and used as a basis for decision-making – was limited to location and specialism, as well as perceptions of professionalism:

“I think that I would search online to find help. I would only look at the first page of search options, rarely to the second and I would still go back to my friend for advice.” (Owner, financial services, micro business)

“Because I work in a digital industry, I have a certain amount of spider-sense about what websites look trustworthy and reputable, whether they have got good contact information, whether they seem like a really good company ... ”
(Owner, digital marketing company, no employees)

63) Typically, this group accessed information about solicitors either online (via the solicitor’s website) or by telephone, and prioritised making a decision rather than spending time on information gathering. The need for haste was sometimes driven by anxiety about the legal issue that needed to be addressed.

Location

64) In terms of location, two factors emerged. Local solicitors were typically preferred, with respondents believing that proximity would be useful if and when documents needed to be signed or face-to-face meetings required. It is possible that small businesses were deriving other benefits from searching for local legal service providers: limiting their search reduced the number of providers they needed to review; and identifying a local provider may have been experienced as reassuring:

“I did not spend a long time on searching for a solicitor. When searching for those operating in my local area, four solicitors came up. One of them was my personal solicitor – I did not want to go with him, so I checked the websites of the other three. I read through who is going to deal with my case and then looked at reviews of the individual companies.” (Owner, stable yard, micro business)

“It did make sense to use them, because they were close to my home and close to work. I could just walk to their office on my way to work” (Owner, retail outlet, micro-micro)

65) Equally, when it was felt that a high-end solicitor was required (typically for small businesses with higher turnovers and higher value cases), big city legal service providers were preferred:

“Some might question why they would pay the highest rates [for a high-end provider], but sometimes when you pay peanuts, you get monkeys. In other cases, you might not need to go that heavy.” (Owner, property management company, small business)

High-end solicitors were perceived to provide:

- Greater resource (such as back office function) that could enable work to be completed more quickly
- Brand recognition which inspired confidence
- Services covering multiple aspects of law

“If I am using a certain recognised company, I know exactly who they are and what they do. They are very well respected.” (Owner, entrepreneur, micro business)

Cases that were not perceived to be complex were not perceived to require high-end solicitors.

Case Study 9: Review the Market (less sophisticated)

The respondent was a business owner working in leisure services. She was a sole trader, who had been in business for 20 years; she had 4 employees and an annual turnover of £100,000. She rarely experienced legal needs, but had done so twice in the last year.

The example issue was a commercial need related to changing the lease terms on premises. The solicitor in charge of her case left the firm, having failed to pass information about the case onto another colleague. All relevant documentation had been temporarily lost (for 3 weeks), resulting in a loss of trust between the respondent and the firm. She resolved to find another solicitor to represent her; yet, despite her dissatisfaction, she took no further action against the first firm.

She performed an introductory Google search aimed at finding solicitors in her local area, and found five different solicitors based locally. She arranged a meeting with the first solicitor she found and did not follow up on the other four. The solicitor she had chosen successfully finalised the process of reviewing the lease agreement.

“My main concern when finding a solicitor is travel. I don’t have time to travel too far, and I don’t like to deal with someone via email or phone. I’d rather talk to someone face-to-face to tell them what I want and what I require in my contract.” (Business owner, leisure services, micro business)

Specialism/area of expertise

66) This less sophisticated group felt that specialism was a good indication of whether the firm of solicitors was able to handle the type of legal issue they were facing, or had previous experience of doing so. Consequently, examples of similar types of cases being managed successfully were positively received:

“They are two different types of solicitors, doing two different jobs. You would not go to a solicitor specialising in road traffic if you wanted to sell a business - and vice versa. They all specialise in different areas.” (Owner, delivery company, micro business)

“I would go to the same type of solicitors I always go to, because they know the business inside out. He deals primarily with theatre companies – I did not think there was another person specialising in theatre production working within my locality. Most people in my industry are working with the same

solicitor. I have not heard of anybody else using another company.” (Company director, arts company, small business)

Perceptions of professionalism

67) Qualitative assessments about solicitors’ degree of professionalism were used to support decision-making. The less sophisticated approach relied on assessing whether the provider contacted ‘sounded’ like they knew what they were talking about:

“I would Google a specific issue such as ‘how to collect a debt’. Then I would call the provider, explain the issue and see what they suggest. I always want to be able to speak to someone, for the personal service and in case I have a problem. Easy navigation of their website is also important. And the personable support has to be there.” (Introducer, micro business)

“I would say my first response from a legal professional is usually gut instinct based on the level of service they offer, if they answer the phone, and if they do what they say they will. If they say they will ring back and they do, it’s an indicator as to how they will deal with your problem.” (Owner, leisure services, micro business)

More sophisticated

68) This group was no more likely than the less sophisticated group to have knowledge about the legal service provider marketplace, but were likely to invest more time and effort in researching and selecting a legal service provider. They tended to be more IT savvy, and were more likely to represent a white collar business. This group was also more likely to be confident that they knew the right questions to ask:

“I wanted to look for a legal firm that had experience with small businesses and worked under a fixed price. I also wanted someone with experience in my

area of business. We didn't want a big company who were very well-known. Instead we wanted someone with a good reputation and the right qualifications." (Business owner, finance business, micro business)

"I did an enormously long Google search to see if there are any complaints or bad reviews that re-occur. I found one company had three dissolved companies in the past, which suggests they aren't competent, so I ruled them out."
(Owner, property management company, small business)

- 69) Typically, this group accessed solicitors online (via the solicitor's website), by telephone, or through face-to-face contact. The decision to opt for a particular solicitor often followed a conversation, either by telephone or face-to-face. Typically, small businesses would speak to solicitors for 10-15 minutes, although there was also some evidence of small businesses using a free hour of a solicitor's time.
- 70) The factors influencing choice for this more sophisticated group reflected the factors prioritised by the less sophisticated group (i.e. location, specialism and perceptions of professionalism). Therefore this group also looked for two key pieces of information: solicitors located near to their business/home and solicitors who specialised in the relevant area of law; but also for information about quality, price and pricing structure, as well as the customer service offering, as described below:

"When assessing their reputation, I do all the searches beforehand. I look at the website and check reviews. If I don't find any bad reviews and they have the right qualifications, I'll work with them that's fine." (Owner, leisure services, micro business)

"If they don't publish their cost then I would ask, per consultation, call, letter, and meeting, early on. The last meeting we set up we had a figure from them of about £240 and then £110 for the letter that was written. On this occasion when we phoned them, we asked what the costs would be for the hour."
(Owner, exhibition company, small business)

Location

71) Once again, location was an important factor for this group; a local firm tended to be chosen if face-to-face meetings were required and a big city firm (often a London firm) tended to be chosen if the respondent represented a larger business with a higher value case:

“Sometimes you may need a heavyweight firm just to scare the living daylights out of the other.” (Owner, property management company, micro business)

Specialism/area of expertise

72) This group also looked for (and found) evidence of experience in the relevant specialism. It was also possible to find out about the degree of experience with the encountered legal issue (this information could be found via conversation and/or website content). Some respondents were offered a portfolio of relevant and successful case studies, and this was viewed positively. Others found that relevant case studies could be requested over the telephone, or identified online:

“When I first met with them they showed me a portfolio of case studies of everything they had won ... I made my final choice based on those case studies they discussed with me and their professionalism.” (Owner, technology consultancy, micro business)

“They had great case studies to show me and talked me through past situations.” (Chairman, finance company, micro business)

Perceptions of professionalism

73) As with the less sophisticated group, in many cases the decision to use a particular legal service provider was also influenced by ‘gut feeling’, e.g. perceptions of the ‘look’ of the website or how their query was met and handled over the telephone:

“Reviews, recommendations and reputation are very important in the decision-making process, but there is also an element of gut feeling.” (Business owner, technology consultancy services, no employees)

74) Once again, these ‘softer’ factors often engendered a sense of trust (*“hard for me to describe, but I trusted them”*). In some cases, the professionalism and communication skills of the receptionist were enough to create a sense of trust:

“I would say my first response from a legal professional is usually gut instinct based on the level of service they offer, if they answer the phone, if they do what they say they will, if they say they will ring back and they do ... It’s an indicator as to how they will deal with your problem. If I get an unprofessional response I don’t use the business. It’s the initial contact that will tell me if I will use them. As it goes on there are other things to look at.” (Owner, leisure services, micro business)

Quality

75) Quality assurance was another important factor for this group. Typically, they were interested in the qualifications and experience of the solicitor, particularly in relation to the legal issue involved. There were individuals amongst this group who checked on the range of partners working for their firm, as well as their specialisms. There was also interest in certificates and quality marks (although there could be uncertainty or scepticism about what these marks represented):

“Assessing their qualifications is very important – almost critical – which is why I look at the partners and where they specialise.” (Owner, property management company, small business)

“I’d take a quality mark with a pinch of salt. It doesn’t matter and doesn’t show how good they are.” (Owner, engineering, small business)

76) This group were also more likely to turn to reviews, external recommendations and client forums to assess the quality of the solicitor in question:

“When you can go back and ask questions, you get good answers and good advice back, then you have confidence that they know their stuff.” (Co-Director, recruitment company, small business)

77) As with the less sophisticated group, the more sophisticated group also assessed whether the legal service provider demonstrated an understanding of the prospective client's business. More sophisticated respondents also wanted to know if the legal service provider understood their legal issue involved and could formulate a plan for resolving it:

"A lot of people within my industry had problems with their contractors, because their contracts were prepared by people who really don't understand their business. It also takes them longer to understand the business. I would need to spend time to explain the nature of the business to somebody. I want to work with somebody who knows exactly what I am talking about and what I want from them." (Company director, arts company, small business)

"You need to deal with a provider that is used to dealing with your size of business or else they don't understand how your business works." (Co-Director, recruitment company, small business)

"The company that I found had a great background with small businesses. They had great case studies to show me and talked him through past situations. We wanted to make sure the firm really understood his business and what my business wanted." (Owner, finance business, micro business)

Price

78) Consumers in this group who were more likely to ask about price structures, as well as price. For example, some asked about a fixed rate price structure rather than an hourly rate (in an attempt to establish a fixed rate with a clear price cap). The more sophisticated group were typically keen to establish clarity regarding price:

"You need to feel you have had good value for money, which is assessed on a case-by-case assessment and is very subjective." (Co-Director, recruitment company, small business)

"If they don't publish their costs then I would ask, per consultation, call, letter, and meeting, early on. The last meeting we set up we had a figure from them

of about £240 and then £110 for the letter that was written. On this occasion when we phoned them, we asked what the costs would be for the hour.”

(Owner, exhibition company, small business)

Customer service offering

79) The more sophisticated group sought clarity regarding the level or type of service that would be provided and responded positively to legal service providers who offered access to support (e.g. emergency helplines) and a good level of responsiveness e.g. follow-up phone calls, and where queries were documented by email that included the discussion area, questions and outcomes:

“I would assess their quality based on customer service, speed and efficiency of offered service, the fact that I can contact them with any issues, that I am always able to phone them and leave a message – so the solicitor will call me back. If I could not talk to them right now, I will talk to them in ten minutes, so my issue is being solved quite quickly.” (Company director, arts company, small business)

“I would judge quality of advice on how they present themselves, if they are thorough, pay attention to detail, and competitive, I believe this is needed to give you confidence in them.” (Owner, company providing installation services, small business)

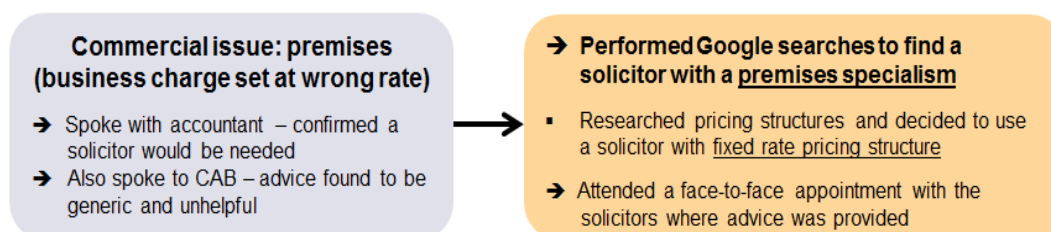
“They kept us updated and gave us a rapid report every month, I went to see them quarterly, but if I needed to see them more they were very contactable. I could contact them via phone or email, if I couldn’t get through I would leave a voicemail and they would call me back within half an hour ... it’s so important, I feel like I’m not just a number and they want to take my money, I feel like a valued customer” (Information Officer, IT company, small business)

Case Study 10: Review the Market (more sophisticated)

The respondent was the information officer for an IT company with 21 employees and an annual turnover of £1.2 million. The company rarely needed external legal advice. However, some smaller internal issues were ongoing (largely employee-related). These issues – usually related to workplace disputes or sick pay – were handled by line managers.

Having experienced both a commercial and an employment issue, they visited the Law Society website for market guidance including advice about charging structures for legal services. Equally, information on the different practice areas of law was available for market familiarisation. They also found links to information including official Government websites, court and tribunal fees, CAB and Legal Aid agencies – professional bodies were also listed, with information on what they were.

In both instances they used online searches to find suitable legal service providers. For example:



“I went to the Law Society website as well; they gave us advice on how to pay for legal services and what to look out for. It was more to do with the charges and if I’m not happy with the charges what to do and who to go for. It was all about legal professionals as well, like who does what, it gave you advice on what legal professional deals with what thing” (Information Officer, IT company, small business)

The Law Society

80) The Law Society was typically used by more sophisticated individuals within the ‘Review the Market’ group (although there was some evidence of less sophisticated individuals being referred to the Law Society, for instance, by the CAB). Businesses typically used the website, although some contacted the Law Society by telephone.

81) Respondents used the Law Society for two main tasks. First, when trying to assess new solicitors in terms of their legitimacy and reputation; this was typically done

through the “find a solicitor” search mechanism. Secondly, respondents turned to the Law Society when trying to familiarise themselves with the law; for instance, in trying to understand “practice areas”.

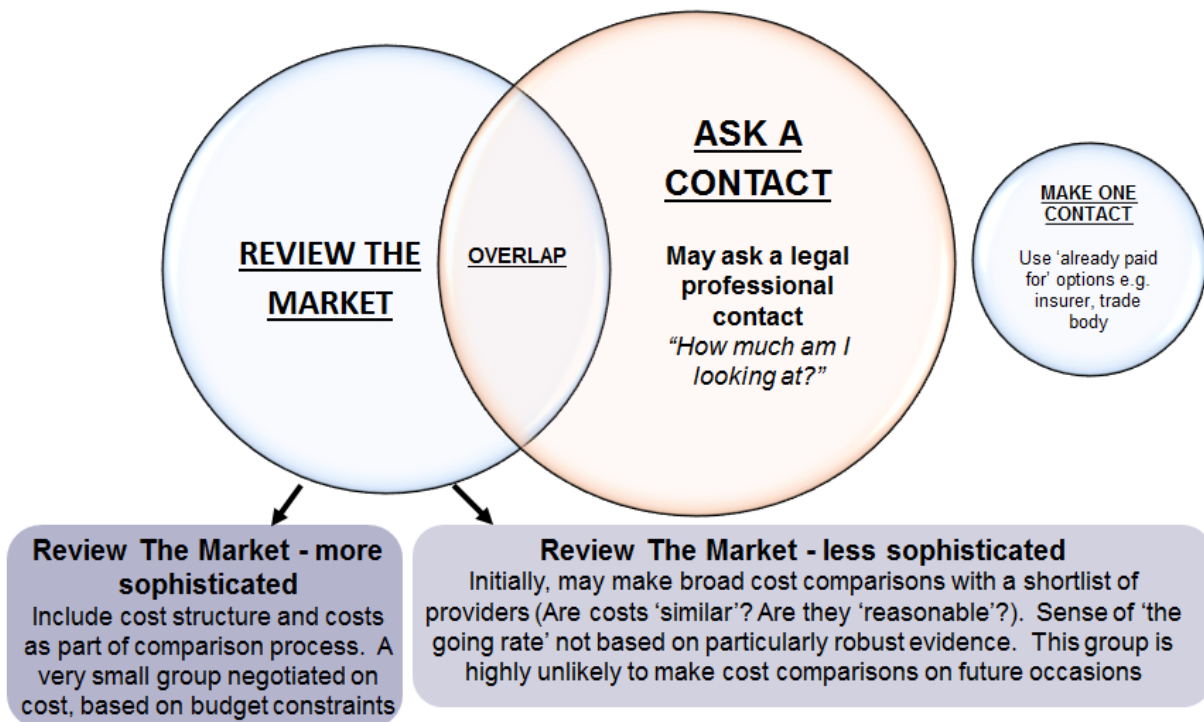
82) The more sophisticated amongst the ‘Review the Market’ group viewed the Law Society as a means of support to identify their law issue and its place within the practice of law; equally, it was perceived as an official link to reputable professionals, and to solicitors in the right practice area.

4.5 How do small businesses assess information about price and quality?

83) This section of the report describes how different groups of respondents assessed information about price and quality: firstly, the ‘Ask a Contact’ group; secondly the ‘Review the Market’ group; and thirdly the ‘make one contact’ group. Overall, those more likely to make cost comparisons (from the more sophisticated ‘Review the Market’ group) were also more likely to assess quality proactively at the point of choice.

How small businesses assess cost

84) A very small number of respondents tended to use 'already paid for' options, including trade bodies or insurers



85) Amongst the 'Ask a Contact' group, those whose contact was a legal professional typically asked for a 'ballpark figure'. Those who asked a professional peer for a recommendation, rather than a legal professional contact, did not ask this question: they did not expect their non-legal professional contact to have this type of knowledge.

86) Amongst the 'Review the Market' group, those adopting a less sophisticated approach tended to make broad cost comparisons between short-listed solicitors. Their judgements tended to be based on very broad perceptions: were the costs quoted 'similar', were the costs 'reasonable'? It was clear that this group did not have an objective sense of a 'going rate' for different legal activities:

“It’s a bit like you get what you pay for, so saying that you go for the higher guy than someone else ... if I need this sorted I might as well pay and know it’s going to get done” (Owner, retail outlet, micro business)

87) Having assessed cost when using a legal service provider for the first time, and having established a relationship with a firm of solicitors, individuals from amongst this less sophisticated group were unlikely to make cost comparisons on future occasions. The ongoing relationship with a provider tended to be perceived as a way of saving time and cost in future.

88) Amongst the ‘Review the Market’ group, those adopting a more sophisticated approach included cost structures as well as costs as part of their comparison process (as discussed in paragraph 78).

89) This group reported that legal service providers offered a range of pricing options, and that the way in which pricing structures were presented was inconsistent, making it difficult to compare prices between different providers. For example, some only offered hourly rates, whilst others offered fixed rates; and in addition, some offered a free hour’s consultation:

“The thing is that actually it’s a little bit of a minefield. Some (will give you their price) per hour, but they don’t tell you how many hours it is actually going to take ... Then there are others that just say ‘we will do this for you and this will be the figure’. But they charge for every other phone call. None of it is like-for-like, or that’s what it felt like”. (Owner, financial product, SME)

90) Typically, respondents reported receiving a forecast of the likely time and, in turn, the likely costs involved. Some respondents reported rather variable time estimations (weeks, months, years). A few respondents amongst this more sophisticated ‘Review the Market’ group negotiated with solicitors on cost, based on budget constraints.

91) This more sophisticated group tended to assess cost in very broad terms: some legal service providers were perceived to be 'very expensive', while others were perceived to be 'too cheap'. Once again, there was little sense that perceptions of cost were based on objective price benchmarks. There was some evidence of small businesses opting for the middle ground, or a service that appeared more 'affordable':

"When I was doing my initial research on Google, I found a few solicitors that were quite cheap in terms of their hourly rate. I started wondering whether they were cheap because there were not that many people who would go to that solicitor. So I decided to for the slightly higher end prices rather than the lower end." (Director, education company, micro business)

"I was very wary of anything which said 'free online legal help' – it just makes me suspicious, nothing is free in life and you have no idea where you will end up or whether it's a con; I didn't even consider them." (Director, accountancy company, small business)

How small businesses assess quality

92) Overall, those more likely to make sophisticated cost comparisons (from the more sophisticated 'Review the Market' group) were also more likely to assess quality proactively at the point of choice.

	Review The Market – more sophisticated	Review The Market – less sophisticated	Ask A Contact
At the point of choice	Those reviewing the market sought information about quality (e.g. hints and tips) from ‘official sources’, e.g. The Law Society, Chamber of Commerce, industry trade bodies, as well as customer reviews found online	At the point of choice, quality based on perceptions of the LSP, i.e. judgements made about their professionalism when met face-to-face.	Those who Ask a Contact felt that this recommendation gave them an assurance of quality. Quality has been assumed as the basis for the recommendation.
Throughout	Judgements about quality were also based on perceptions of good service, e.g. were they sufficiently responsive? Did they understand my legal issue?		
At the end	And finally, judgements about quality were based on the outcome, as well as whether cost estimates were accurate		

93) As discussed in paragraph 48ff, respondents from the ‘Ask a Contact’ group tended to feel that the recommendation they had sought – either from a legal professional or a non-legal professional peer – gave them an assurance of quality. At the point of choice, quality was therefore assumed.

94) As discussed in paragraph 59ff, the more sophisticated amongst the ‘Review the Market’ group sought a wide range of evidence to assist them in assessing quality (e.g. certificates, quality marks, qualifications, reviews, external recommendations, client forums). By contrast, the less sophisticated amongst the ‘Review the Market’ group were more likely to assess quality largely based on their perceptions.

95) Regardless of the level of information collected, quality assessments were not always particularly robust. For example, providers were sometimes rejected based on subjective, qualitative judgements about quality, for instance, not ‘sounding’ sufficiently professional. Although there was interest in quality marks, there was sometimes uncertainty or scepticism about what these marks represented:

“The letters after the names? I don’t understand them.” (Owner, cleaning company, micro business)

“Are they genuine quality marks or are they the lowest common denominator to give someone a ticked box? (Owner, telecommunications, micro business)

96) The small business sample continued to assess quality throughout their experience of liaising with a legal service provider. During the process they assessed quality based on perceptions of good service, e.g. responsiveness and understanding. At the culmination of the process small businesses assessed quality based on the outcome of their legal issues, as well as whether original cost estimates were accurate. Across the sample, cost estimates had been accurate.

Factors influencing the level of assessment

97) It was common for smaller and/or less experienced small businesses in either the ‘Ask a Contact’ or less sophisticated ‘Review the Market’ groups to feel anxious about their legal need (regardless of the seriousness of the legal issue). These groups were more likely to feel vulnerable and anxious and therefore prioritized getting their legal issue ‘sorted’. As a result, they were unlikely to devote significant time to making comparisons at the point of choice:

“The cost difference is marginal and not worth the time we would need to spend comparing. If you are happy with the service then you wouldn’t change it based on cost.” (Co-Director, recruitment company, micro business)

98) It was small businesses with less experience of legal issues or using legal service providers who were most likely to be feeling out of their depth. This group lacked experience of sourcing a legal service provider (hence why some resorted to asking a contact). Respondents in this group clearly lacked knowledge about how to source a legal service provider (when compared to those in the more sophisticated ‘Review the Market’ group), for example, what questions to ask or what information to look for.

- 99) As discussed earlier, respondents who were more likely to review costs and quality included the more sophisticated amongst the 'Review the Market' group, and the overlap group, who decided to either 'Review the Market' or 'Ask a Contact', depending on the perceived need.
- 100) Overall, respondents from these groups were less likely to be feeling anxious about their legal need, and more likely to be making a decision about the legal problem encountered based on business factors (e.g. whether the cost of addressing the issue made pursuing it worthwhile).
- 101) While they were no more likely to know much about the legal service provider marketplace, they tended to feel more confident in their own ability to make good comparisons. This group tended to be more IT savvy, and therefore felt comfortable and confident in using online resources. Importantly, they were also more likely to be willing to invest time in making their decision, particularly in comparison with respondents from the 'Ask a Contact' group or less sophisticated respondents from the Review the Market group:

"Obviously, if I'm being owed thousands I would look at it differently, and would want to pursue it pretty hard ... it depends on how much money is involved, because if I'm going to spend ages on this and having to substantiate it, and go to court, you've got to decide whether it's worth it or whether you would rather be working and earning money elsewhere" (Sole trader, business consultancy, micro-micro)

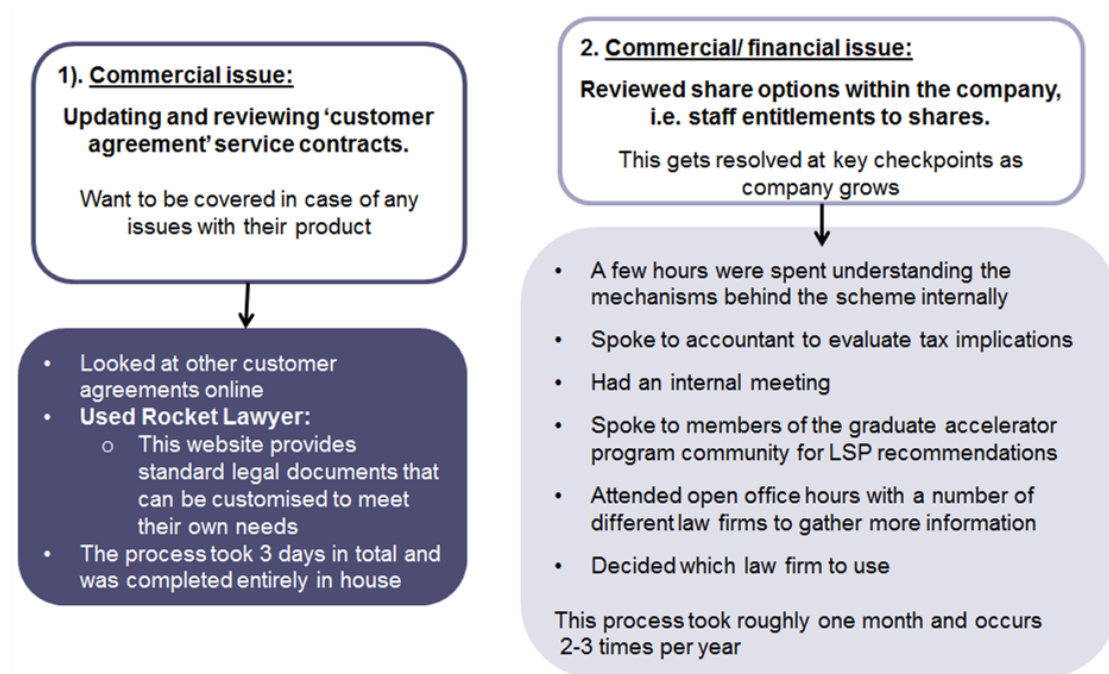
Case Study 11: Review the Market/Ask a Contact

The respondent was an entrepreneurial business owner. The company had 5 employees, an annual turnover of £5.1 million, and had been running for 5 years. The company has had some ongoing legal needs. They have tried to solve issues internally in the first place (often using free support/online resources), especially during set-up.

“There is a big community there. I could chat to the group when I need some legal help, and find out who they used when they performed a certain legal activity.”
(Owner, entrepreneur, micro business)

Now they typically bring issues to a firm of solicitors that covers a broad range of specialisms and types of legal issues. However, they are not wedded to this particular firm, and would go elsewhere if they got a better price, or if the other firm seemed like a better service for resolving an issue. Each legal issue is taken on its own merits, but they have clearly acclimatised to the convenience of using a firm that understands their business.

“We are part of ... a graduate programme. Through that we have a few different partners. We end up going to them first because they tend to offer us a lot of free advice.” (Owner, entrepreneur, micro business)



4.6 Do small businesses find it difficult to assess cost and quality?

102) It was small businesses from the more sophisticated 'Review the Market' group who had the most experience of conducting robust searches for information about legal service providers.

103) This group reported that they did not find information available online that would help them make price or quality comparisons at the point of choice. They reported a lack of consistency in the information about cost and quality provided online. In order to make price and quality comparisons, this group of small businesses had found that telephone or face-to-face conversations about the specific legal need and the costs involved were required. From experience, small businesses knew they could obtain price estimates from legal service providers:

"I guess the bottom line with solicitors in particular is that fees are fairly opaque until you are actually talking to someone there. If there was a more transparent fee structure in the market, you could go and shop for someone who was skilled in your area and also better value. That would encourage me to go and look." (Owner, leisure company, micro business)

104) By comparison, those amongst the 'Ask a Contact' and the less sophisticated 'Review the Market' groups were not likely to invest much more time comparing prices or quality as soon as they had invested time in explaining their issue to one legal service provider – and the legal service provider concerned had said that they could handle the issue and provided a cost estimate:

"Life is too short to waste my time. If it's £1100 or £900, £200 is not going to make too much difference to my business." (Owner, telecommunications, micro business)

"It is not easy to make an informed choice, it takes a lot of time which is money." (Owner, events management, small business)

105) This was particularly true of those feeling anxious about their legal issue and wanting their legal issue 'sorted'. Amongst this group, there was evidence of some intent originally to review several providers, but this was subsequently abandoned:

"Some solicitors I came across wouldn't provide costs online, and not even once in a face-to-face meeting. After searching online, I think it would be helpful for companies to clearly advertise on their website if they offer upfront costs and maybe offer a menu of costs available on their website." (Owner, finance business, micro business)

106) Regardless of approach, small businesses all used telephone and/or face-to-face channels to discuss their legal issues. Not only did they receive information via the telephone, but small business owners also derived a sense of reassurance from speaking to a legal professional. Feeling reassured by a legal service provider was particularly important for those feeling anxious about their legal situation, as described in paragraph 97.

4.7 Satisfaction with the quality of legal service providers

107) When small businesses expressed dissatisfaction with their experience of legal service providers, this tended to be around issues of quality rather than cost. Perceived errors on the part of legal service providers emerged as the main cause for concern. Property transactions and conveyancing were a source of dissatisfaction for some, for example:

- A solicitor failed to conduct accurate checks;
- In another property sale, a solicitor forgot to exchange contracts;
- A solicitor lost paperwork relating to a lease agreement.

108) In one case, a small business owner had been dissatisfied with the performance of his solicitor across a range of conveyancing issues over an

extended period. However, he had decided not to take action, preferring to take the 'devil you know' approach.

109) This approach was not untypical: those who felt dissatisfied with their legal service provider tended either to use an alternative provider, or to remain with their legal service provider and not voice their dissatisfaction or seek alternative forms of redress.

110) Other examples of dissatisfaction with service included:

- Frustration with poor service (four cases of solicitors perceived to be too slow);
- Doubts about the quality of advice about the way an employee share allocation was set up;
- Dissatisfaction with a solicitor after an employment tribunal was thrown out.

4.8 Do small businesses seek redress?

111) For most, making complaints about legal services was perceived to be time-consuming. Small businesses from across the sample were concerned by the prospect of spending more time and money on this process.

112) Further, there was a general lack of clarity about what complaining would achieve. Most of our sample of small businesses did not believe that complaining would necessarily be worthwhile. There was little expectation that redress would be of direct benefit; most assumed it would take the form of 'an apology' or a 'rap over the knuckles'.

113) Overall, small businesses tended to take what they felt was a business decision, weighing up the time and effort they envisaged they would need to spend pursuing an issue with the expected outcome which, it was typically assumed, would be of little consequence:

"I could have complained but I did not have the time or the information on how to do it. Besides I needed to focus on the day-to-day running of my businesses." (Owner, independent retailer, micro business)

"I did not complain, because I was not going to get anything other than a letter of apology – so it would not have been worth the time and effort I would need to invest in chasing it." (Owner, leisure company, micro business)

"I have looked up ways of complaining about current solicitors, but did not think the cost would be worth the outcome. Taking on a solicitors' firm is not worth it as they are too hard to beat." (Private landlord, no employees)

114) Where respondents did report making complaints, these tended to relate either to personal legal issues that small business owners had experienced (i.e. unconnected to their business) and/or business issues from a very long time ago. A few examples include:

- A small business owner who felt that she had been 'lied to' by a solicitor on a personal matter. She threatened to take the firm to the Ombudsman, but the matter was resolved internally.
- A small business respondent who felt that she had been poorly advised regarding her divorce. She complained to the Law Society and the solicitor was reprimanded.
 - This respondent felt dissatisfied with the outcome of her complaint:
"It was not followed by any compensation. They got a smack on the wrist. I was very bitter about that. All the boys got in together and they backed each other up. I was very disillusioned". (Owner, transportation company, SME)
- A small business owner who felt that their solicitor had involved his firm in 'unnecessary litigation' (20 years ago). The complaint was handled by the Law Society and the small business owner received compensation.

- This respondent felt that by making a complaint, he had been able to follow a formal procedure where everyone acted appropriately. However, the process was felt to be time-consuming, and he believed that everything should have moved more quickly.
- A small business owner complained to the Law Society when his solicitor failed to exchange contracts (18 years ago). He, too, received compensation.

115) Most respondents were not only unaware of the regulatory status of their chosen legal service provider, they were also unaware of the implications for them as consumers of using regulated or unregulated providers. Conversations about regulation were typically limited, due to this lack of knowledge. However, it was clear that respondents became alerted to their lack of knowledge during the interview.

116) Users of unregulated legal service providers (including ACAS, CAB and trade bodies) were unclear about what this status meant for them as consumers and – if needed – their options for seeking redress.

117) Generally, this small business sample were not aware of specific redress mechanisms. Most assumed that such mechanisms existed, but these were not at the front of small business owners' minds as they searched for a legal service provider. There was an assumption that redress mechanisms existed, which was strongest in relation to solicitors and barristers:

"People have to have some kind of accreditations to set up so I would assume there is some form of protection. There is usually something in the contracts."

(Partner, recruitment company, no employees)

"I would almost assume that all solicitors are regulated. There is always someone that you could complain to if things go wrong." (Owner, catering, micro business)

"I have to say there is a dreadful assumption on my part that the people that you use are covered in the right way. If you use a solicitor you make the assumptions that if something goes wrong, a, they will sort it and b, that you are covered as a small business if they were to give you the wrong advice."

(Owner, leisure services, micro business)

- 118) There were also perceived to be additional barriers to seeking redress (although time was the most important barrier). The prospect of taking legal action against legal service providers was perceived by many as 'intimidating':

"You would be fearful. If I have got to take a law firm to court because they have provided poor service or because they have caused me further legal issues because of the way that they have handled my specific issue, you would be fearful about how an independent company could go up against a legal firm that has solicitors." (Owner, digital marketing company, no employees)

"When I think of solicitors and lawyers I know that they know the law inside out. I would not have a chance to win a case against them." (Business owner, motor trader, micro business)

"I don't think that the average Joe could beat them." (Private landlord, no employees)

- 119) Moreover, respondents from across the sample claimed that they did not know where to look for redress mechanisms. Only a very small group recalled redress mechanisms being communicated by legal service providers, although many more made an assumption that this information would have been made available at the time:

"I could have complained but I did not have the time or the information on how to do it. Besides I needed to focus on the day-to-day running of my businesses." (Owner, independent retail store, micro-micro)

“Although I was unhappy with the service, as it has taken them the best part of a year to sort out my case, I did not complain – I also didn’t take any action against the company as I was unaware of any options for redress.” (Owner, company providing installation services, small business)

- 120) For a minority of respondents, the assumption that redress mechanisms existed extended across unregulated provider types; this was due to the nature of ‘law’ services (i.e. *“if it’s a law industry service, it must be regulated”*):

“I would think that everyone in the legal profession is regulated as a whole, you can’t just rock up and say ‘I am a lawyer, here’s some advice’. That’s pretty much what I thought, that covers who I thought would be regulated.” (Owner, leisure company, micro business)

“I would assume they are all regulated within their professional field.”
(Chartered accountant, no employees)

Research Report Appendices

Appendix A:

Three topic guides were generated for the pilot stage. In each interview, moderators asked a series of initial key questions in order to establish which segment the respondent fell into ('Review the market', 'Ask a contact' or 'At a loss') so that the appropriate topic guide could be used.

A.1 'Review the market' topic guide

Moderator note, **the aim of the interviews is to explore experiences of accessing legal services amongst micro and small businesses**, and the CMA is seeking information in the following areas:

- To explore attitudes towards accessing and using legal advice. How do SMEs decide whether or not to seek legal advice? If they do seek advice, how do they decide between providers? Do they understand the implications of using different providers?
- To explore, more generally, experiences of accessing and using legal services (in particular access and use of information). Are SMEs aware of information on quality and prices? What factors do SMEs use to judge quality? Do SMEs find it difficult to compare quality and/or prices?
- To explore specific instances of using legal services. Do SMEs receive the quality and level of service that they expect (and how do they gauge this)? Do SMEs receive legal services they later believe are unnecessary? Were there additional charges?
- To explore satisfaction with, and likely future use of legal services. Are SMEs aware of redress mechanisms? Do SMEs use redress mechanisms when they have a problem? Are redress mechanisms effective?
- To explore potential improvements to the marketplace for SME legal services.

Introduction and background information – 5 minutes

- Introduce self and **Research Works Limited**, an independent market research agency
- We will be discussing their needs and experiences when it comes to a legal issue that affects their business. **The research is being conducted on behalf of the CMA**
- Explain **confidentiality** (DPA and MRS code of conduct) and ask permission to record the interview

Background

- Respondent's role in the business
- Type/sector of business
- Form of the business entity (e.g. limited company, sole trader, partnership, other)
- Size (no. of employees and turnover)
- How long the business has been in operation.

Overview of Business Dealings with Legal Issues – 5 minutes

Warm-up section, reference the respondent's pre-task to recap business history with legal issues

- In general, what types of legal issues are most common in the business – and why is this?
- In general, how often do you have a legal need? *Probe: is it ad hoc or are some issues ongoing or frequent requirements?*
- In general, how much time does respondent/do respondent's colleagues spend working on issues around legal problems for the business? What factors shape this – and how does it affect core business processes?

Moderator note: key question for establishing which segment the respondent falls into (alongside recruitment criteria to indicate if 'review the market' or not):

- **In general, how does the business decide when and how to seek advice on a legal issue?**
Probe: where do you go for information? What factors are taken into consideration?
- Sources of legal capacity: do they use external providers and/or in-house resource? Also explore the role of ad hoc or ongoing relationships with external advisers (e.g. accountant, financial adviser, tax adviser, solicitor)
- Do they see legal service providers as an option of last resort? If so, why is this? If not, why do they think other SMEs might see them so?
- From a business perspective, how do you view the legal services market? How does it compare with other business services you use? How easy is it to navigate the market and make an informed choice?

MODERATOR: IF RESPONDENT IS A 'REVIEW THE MARKET', CONTINUE
IF RESPONDENT IS AN 'AT A LOSS' OR AN 'ASK A CONTACT', USE APPROPRIATE TOPIC GUIDE

Accessing, assessing and searching for information - 10 minutes

I'd now like to discuss accessing and searching for information about legal service providers

- Availability of helpful information - where have they looked for information about legal service providers and how easy was this/is this to find (probe: on the internet (general search or specific sites), local or national advice centres, trade or professional organisations such as FSB or IOD, word-of-mouth or recommendation). Do you feel well-informed about the range of legal service providers?
 - Recommendation or referral from a third party, such as an accountant? How successful was this? What information was offered/how was any recommendation given?
 - If so, is your accountant basing his/her recommendation on evidence (if so, what evidence) or just gut feel?
 - Recommendation from family or friends?
 - Do you trust their recommendation (e.g. just because "they're family" or because they also are a qualified LEGAL SERVICE PROVIDER, they run their own business and have experience of a lot of Legal service providers)?
 - Internet search using a search engine?
 - If aware, what sources provide LEGAL SERVICE PROVIDER recommendations, which do you trust vs not trust and why?
 - How do you choose an LEGAL SERVICE PROVIDER (does search ranking drive decisions?)

- What search terms would you/did you use – would you include your local area as a term?
- How easy was it/is it to compare different types of legal service provider (LEGAL SERVICE PROVIDER), both to decide BETWEEN types (which type of LEGAL SERVICE PROVIDER is the most appropriate for your particular issue) and WITHIN type (of all the Legal service providers of a particular type, which one should you work with)? What information is/should be available about providers? Why are these factors/would these factors be important?

Overview of how SMEs make decisions about using legal service providers – 10 minutes

Thinking broadly about your business decision-making when dealing with a legal need/issue

- How easy is it for SME businesses to make an informed choice of legal service provider?
- How easy is it for SME businesses to judge the likely quality of service offered before making contact or receiving the service? What information/ “evidence” have you used/do you use to gauge likely quality? *Probe around qualifications, regulated vs unregulated, previous cases undertaken by the provider, recommendation etc.*

I’d now like to discuss what factors are taken into consideration in the company’s decision-making when dealing with a legal need. How does the business decide on whether to use a legal service provider and what legal service provider to use? *Discuss the decision-making process when choosing a provider using the following as prompts:*

- Qualifications, accreditation, quality mark – which ones are they aware of and which are taken into consideration
 - Reputation – how is reputation judged? *Probe: word of mouth, advertising, specialism of provider, length of time in business*
 - Success rate – how do you judge if a provider is successful? *Probe: advertising, word of mouth, other*
 - Regulation – would you consider if a legal provider is regulated or not? What does regulation potentially mean for a business?
 - Time involved in identifying correct provider - how much time was involved and why was that? Did you compare between different providers? If yes, what did you compare?
 - Costs: views about costs of legal services - do they see the costs as high and why is that? What factors shape a perception of value and why is that?
 - Time potentially involved in resolving the issue
 - Whether the business can seek redress from a legal service provider in the event of a complaint relating to poor service
 - Website: was any decision on whether to contact a provider based on information that was included or excluded from website? (prompt on price list, not clear on qualification etc.)
- Overall, how can an SME business judge (1) the **quality of service** it has received (in terms of customer service elements such as communication, meeting agreed timetables, professionalism and costs) AND (2) the **quality of advice** it has received? *Probe: can an SME business judge the quality of advice it has received? How?*
- Over the years, have you ever switched providers? Why? Is the process of switching providers easy for small businesses?

Stimulus with list of providers (regulated and unregulated)

- What is the difference, if any between, different legal service providers? I’m specifically interested in the differences in consumer protection from using these providers? *If the respondent is aware of differences discuss: what are they? How were they made aware? If not aware, discuss: is it important to know differences? What would help a business understand and become aware?*

Most recent experiences of service received from a provider for commercial or employment issue OR legal need but did not use a provider - 10 minutes

Users in past year: Have used a legal provider/are using a legal provider for a commercial or employment issue

I would now like to focus on the specific problem you have had in the past year which involved using a legal service provider for a commercial or employment issue:

- Map out the detailed causes of the requirement and any attempts to solve these without recourse to law, such as correspondence or meetings. Is this a common issue?

Moderator note:

- *make sure not to encroach on confidential aspects of the issue e.g. names of people involved in the problem*
- How did you decide on the provider you used? *Probe: reputation, relationship and success rates etc.*
- Did you consider price and cost? What information was available about price and cost (e.g. fee structure, a fixed fee, an hourly fee, other). What were their views on the fee structure?
- Was price and cost information readily available (or readily supplied)? *Probe: how did they find it – through meetings, phone calls and/or online searching?*
- Did you make a comparison between more than one provider before choosing? Why/why not? What factors made the difference? *Probe around: price, reputation, qualifications, success rate etc.*
- Did speed/timing of need to appoint someone affect your situation? If so how?
- Did you consider if the legal provider is regulated or not? To what extent were you informed about what your options were?
- How would you rate the service you received? *Probe elements that were good/satisfactory and elements that could have been better*

Non-users in past year: Had/have legal need and have not/are not using a legal provider

- Map out the detailed causes of the requirement or legal need for the business. *Moderator make sure not to encroach on confidential aspects of the issue e.g. names of people involved in the problem*
- How did you address the issue? *Probe: The eventual approach to solving the legal issue, including whether the business ultimately:*
 - Did nothing
 - Used internal resources
 - Used a combination of internal and external resources (including accountant etc.)
- Discuss why they didn’t use a legal service provider in this instance – what factors influenced this decision? Did speed/timing of need to resolve the issue affect your situation? If so how?
- What type of legal service providers do you think you could have used to help with your issue? To what extent were you informed about what your options were?
- Overall, were you satisfied with your decision not to use a legal service provider? Why?

Dissatisfaction, Complaints and Redress Mechanisms - 10 minutes

- Did you think about whether you were protected if you were given advice and subsequently something went wrong? How would this affect your choice of legal service provider?
 - Would you consider the level of training or expertise that the LEGAL SERVICE PROVIDER had?
 - Would you consider if the LEGAL SERVICE PROVIDER has professional indemnity insurance?
 - Would you consider if the LEGAL SERVICE PROVIDER has legal professional privilege?
 - Would you consider if the LEGAL SERVICE PROVIDER service allows the client access to the Legal Ombudsman (**only for business with less than 10 employees**) or a regulator in case they need to make a complaint?

Ask those who were dissatisfied and took action

Moderator note: Check the extent to which they pursued their complaint e.g. complained only through the supplier's process or used the supplier's process and then followed this with action/complaint to e.g. Legal Ombudsman

- If they did use a redress mechanism: Why did you decide to take action? Where did they go? What were their reasons? What were they expecting? Who, if anyone, advised them on making a complaint? How satisfied were they with the outcome of the complaint and why was that? What could have been done better or improved?

Ask those who were dissatisfied but did not take action

- If they did not use a redress mechanism: Why didn't you take action? Are there any different circumstances in which they would have taken action?
- If you were dissatisfied with a legal service you used, how could you complain and look for redress? How well understood are these, what specifically might they do if they were unhappy?
- What redress options are available? Probe is it the same for all legal service providers? Or does the type of redress available depend on the type of provider?

Ask those who were not dissatisfied/did not take action

- If you were dissatisfied with a legal service you used, how could you complain and look for redress? How well understood are these, what specifically might they do if they were unhappy?
- What redress options are available? Probe is it the same for all legal service providers? Or does the type of redress available depend on the type of provider?

Moderator reference stimulus only showing differences Regulated vs Unregulated Legal service providers. Moderator to use as a reference

Moderator note: There are differences between regulated and unregulated providers across a number of areas: information handling, standards of conduct, financial protection arrangements (that include professional indemnity insurance, compensation fund), standards of training/qualifications/professional development, complaints handling including the legal ombudsman

Moderator read out: *There are differences between regulated and unregulated providers. One difference that is likely to be important is that a business engaging with a regulated provider can have certainty around access to compensation if there are problems with the advice given. This is because regulated providers must have professional indemnity insurance. In addition, micro businesses have a clear route to redress through the Legal Ombudsman and all businesses are protected by regulations around conduct, sanctions, training requirements and what happens in the event of closure of the legal service provider while a matter is ongoing.*

- What are your thoughts, knowing that there are potential differences between providers?
- Is this important information for businesses to know?
- How should it be communicated to business decision makers?

Summing-up – 5 minutes

- Any other comments on the legal service provider market for small businesses?
- How could the legal service marketplace be improved to help small businesses make well-informed decisions when choosing a legal service provider?

Following the pilot stage of interviewing, a second topic guide was developed for the respondents who approached the legal services sector place by asking a contact - (e.g. a peer, or contact working in a legal profession). The questions within this guide covered the same topics as those found in the 'Review the market' topic guide. However, questions were reordered to ensure that:

- a) priority questions about their approach to the legal services market were asked up front and
- b) questions about reviewing the market were posed rhetorically (i.e. how they would advise another SME to choose a legal services provider).

We have included a summary of key questions in the relevant order below:

A.2 'Ask a contact' topic guide:

- **Introduction and background information**
- **Background**
- **Overview of Business Dealings with Legal Issues**
 - *key question for establishing which segment the respondent falls into: **In general, how does the business decide when and how to seek advice on a legal issue?***
Probe: where do you go for information? What factors are taken into consideration?
- **Most recent experiences of service received from a provider for commercial or employment issue OR legal need but did not use a provider**
 - Did you use your typical source of advice, or was it any different on this occasion, and if so, why?
 - [additional question from CMA] How did you initially establish your relationship with the LEGAL SERVICE PROVIDER that you use

- **Dissatisfaction, Complaints and Redress Mechanisms**
- **Accessing, assessing and searching for information**
 - Moderator: *'I'd now like to discuss accessing and searching for information about legal service providers. I understand that you have a trusted source of advice about legal service providers. I'd like you to think about how you would advise another SME to choose a legal service provider'.*
- **Overview of how SMEs make decisions about using legal service providers**
 - Moderator: *Thinking broadly about your business decision-making when dealing with a legal need/issue. I'd like you to imagine that you did not have a trusted source of advice about legal issues.*
- **Summing up**

Following the pilot stage of interviewing, a third topic guide was developed for the 'At a loss' segment. Once again, the questions within this guide covered the same topics as those found in the 'Review the market' topic guide. However, this was tweaked to acknowledge the limited sophistication when reviewing the market and explore perceptions of how the might approach the market in future terms.

Note: *this topic guide was discontinued during main stage interviews. Further analysis suggested that separating out a segment as 'At a loss' was unnecessary, instead we established a spectrum of sophistication within the 'Review the market' segment with these types of businesses at the bottom of the spectrum.*

We have included a summary of key questions in the relevant order below:

A.3 'At a loss' topic guide

- **Introduction and background information**
- **Background**
- **Overview of Business Dealings with Legal Issues**
 - *key question for establishing which segment the respondent falls into: **In general, how does the business decide when and how to seek advice on a legal issue? Probe: where do you go for information? What factors are taken into consideration?***
- **Most recent experiences of service received from a provider for commercial or employment issue OR legal need but did not use a provider**
- **Dissatisfaction, Complaints and Redress Mechanisms**
 - *I'd now like to discuss accessing and searching for information about legal service providers. If respondents have previous experience of searching for a provider, please ask them about that experience. If respondent does not have previous experience of searching for a provider, please ask them what they would do in future.*
- **Overview of how SMEs make decisions about using legal service providers –**
- **Summing up**