



LEGAL SYSTEM IN THE UK FOR BUSINESSES

This information sheet provides a summary of the legal system in the UK for businesses. The topics covered are:

1. An overview of the UK legal system
2. An international comparison of the UK legal system
3. Legal requirements for businesses in the UK
4. Further information

It is essential that businesses take appropriate legal advice when operating in the UK. For more information on obtaining professional legal advice, please see Appendix A.

1. AN OVERVIEW OF THE UK LEGAL SYSTEM

In the UK, constitutional law consists of two key aspects, specifically:

- a) *Statute law:*
This is developed and passed by the Houses of Parliament (which consists of the House of Commons and the House of Lords).
- b) *Case law:*
This is developed when judicial precedent is applied in the courts by judges interpreting statute law.

Within the UK, there are three distinct legal jurisdictions, with each having its own court system and legal profession. These jurisdictions are:

- England and Wales,
- Scotland, and
- Northern Ireland.

For detailed information on each jurisdiction, please see Appendix A or: www.direct.gov.uk/en/Gtgl1/GuideToGovernment/Judiciary/index.htm

As a member of the European Union, the UK also incorporates European legislation into UK law. For further information about European Union law, please see: <http://curia.europa.eu/en/>

2. AN INTERNATIONAL COMPARISON OF THE UK LEGAL SYSTEM

The UK has one of the most supportive legal systems in the world for businesses. In an assessment of 178 countries, the World Bank ranked the UK sixth globally for “ease of doing business”, a factor which covered several legal issues, including:

- ability to enforce contracts,
- labour flexibility,
- regulations to start a business,
- regulations related to closing a business,
- ease of registering a property, and
- overall protection for businesses.

Figure 1 shows the comparative position for the UK against selected countries.

Figure 1: Ease of Doing Business

Global Rank	Country
1	Singapore
2	New Zealand
3	USA
4	Denmark
6	UK
8	Ireland
12	Japan
14	Sweden
19	Belgium
20	Germany
21	The Netherlands
31	France
38	Spain
53	Italy
83	China
120	India

Source: World Bank, 2007

The UK is regarded as one of the leading global centres for legal expertise. Four of the top six largest global law firms are headquartered in London, which is also home to over 200 foreign-owned law firms, including over 100 US law firms (Source: IFSL, 2007).

3. LEGAL REQUIREMENTS FOR BUSINESSES IN THE UK

The key areas where it is important for businesses to take legal advice include:

a) *Company structure*

Companies must ensure that they have the appropriate structure and that they have met the necessary legal requirements for establishing and operating in the UK. For further information, please see the UK Trade & Investment information sheet entitled "Forming a Company" at www.uktradeinvest.gov.uk

b) *Employment law*

Businesses in the UK must meet their legal obligations to their employees. There are several key aspects that should be considered, including:

- terms and conditions of an employment contract,
- the Working Time Directive,
- work permits,
- health and safety,
- equal opportunities,
- paternity and maternity leave,
- pay (including the minimum wage),
- holiday allowances,
- notice periods, dismissals and redundancies, and
- pensions and retirement.

For further information, please see the UK Trade & Investment information sheets entitled "The UK Labour Environment" and "Entry into the UK for Business and Employment" at: www.uktradeinvest.gov.uk

c) *Liability insurance*

Businesses have a legal responsibility towards employees, customers and the public, and will require liability insurance in order to meet any legal actions brought as a result of negligence. For further information, please see:

www.businesslink.gov.uk/bdotg/action/layer?topicId=1074299774&r.s=s
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d) *Contract terms and service levels*

Businesses have legal responsibilities to both customers and suppliers and should, therefore, take legal advice on issues such as terms and conditions of contracts, obligations and service levels. Please see Appendix A for further information on obtaining professional legal advice.

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- e) *Protecting intellectual property*
Businesses should ensure that they have the appropriate intellectual property rights for their products and services, and that they are not infringing upon the rights of other businesses. For further information, please see the UK Trade & Investment information sheet entitled "Intellectual Property Rights" at: www.uktradeinvest.gov.uk
- f) *Regulations*
In the UK, companies must adhere to *general* operating regulations (such as the Data Protection Act) and *specific* regulations that apply to an industry sector or proposed business activity. For an initial check-list of regulations, please see:
www.businesslink.gov.uk/bdotg/action/prgl?r.li=1078550609&r.s=a
- g) *Health and safety*
Employees, customers and suppliers must be able to operate safely when interacting with all aspects of a business (for example, workplaces must meet minimum health and safety standards). For further information, please see: www.hse.gov.uk/
- h) *Real estate*
There are several important legal issues that companies must address when buying or leasing property or land. A solicitor who specialises in property law will typically advise on issues such as ownership, negotiating the best terms (for a lease or purchase) and will also carry out "searches" to check if there are any problems with the site or building. For further information on real estate in the UK, please see the UK Trade & Investment information sheet entitled "Property: Commercial & Industrial" at www.uktradeinvest.gov.uk
- i) *Environmental requirements*
Environmental regulations in the UK are dependent upon various factors including the type and size of the business, the industry sector and the specific processes being undertaken. For further information, please see www.netregs.gov.uk or the UK Trade & Investment information sheet entitled "Environmental Regulations in the UK" at:
www.uktradeinvest.gov.uk

For additional information on legal requirements for businesses in the UK, please see:

- www.lawsociety.org.uk/documents/downloads/CCG_eng_business.pdf

- www.businesslink.gov.uk/bdotg/action/detail?r.l1=1073858805&r.l3=1073969106&type=RESOURCES&itemId=1073791782&r.l2=1073859125&r.s=sc

4. FURTHER INFORMATION

This information sheet was updated in November 2007.

As information changes from time to time, please contact the organisations listed or UK Trade & Investment to confirm any item that you intend to rely on.

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APPENDIX A: Key legal organisations in the UK

England and Wales	<p>The Law Society of England and Wales is the organisation responsible for the regulation of all aspects of the legal system. For further information, please see: www.lawsociety.org.uk/home.law</p> <p>To find a solicitor in England and Wales, please see: www.lawsociety.org.uk/choosingandusing/findasolicitor.law</p>
Scotland	<p>The Law Society of Scotland is the governing body for Scottish solicitors. For further information, please see: www.lawscot.org.uk/</p> <p>To find a solicitor in Scotland, please see: www.lawscot.org.uk/find/</p>
Northern Ireland	<p>The Law Society of Northern Ireland is responsible for the legal system in Northern Ireland. For further information, please see: www.lawsoc-ni.org/</p> <p>To find a solicitor in Northern Ireland, please see: www.lawsoc-ni.org/cgi-bin/findafirm</p>
UK	<p>For a listing of the top 500 legal firms in the UK, please see: www.legal500.com/index.php</p>