

Business bootcamp #4: get legally literate

Want to start a business? The internet is full of advice for entrepreneurs, whether that's detailing the lifecycle of a startup, how to raise investment, how to manifest success and which 'meal in a can' is best for those on the go. Here is part 4 of 10 in your business's 10-day bootcamp.

Temps de lecture : minute

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We've ticked off *validating your idea*; mastering the *business plan*; and *the art of networking*. Now, on day 4 of our 10-day business bootcamp, let's look at your business and the law.

Ah, the law. Not something you can really 'feel' your way around, you need to know what you need to know and you need to act in line with this. Anthony Rose of SeedLegals offers some key points of consideration.

'When you create a company on Companies House, that's when the clock starts for your business. The first set of legals you want are going to be between the founders or directors and the company.

'The second set of legals you need is between the company and anyone the company employs, such as a consultant, a designer, or an outsourced developer. In every case, you want to make sure that you always have a contract that specifies the work to be done and the payment to be made, and importantly, that any work done is assigned to the company. Be mindful that if you don't have this contract in place, the person doing the work might one day leave and say that they own the intellectual property.

Then you're in for a giant dispute, the company can't continue and your company becomes uninvestable.

'The next set of legals is between the company and investors. If the company is raising money, you will need to issue shares and you'll need the documentation.'

'Outside the founders, employees and investors, you need to make sure you adhere to employment law, consider if you're employing people you need to make sure you have insurance that covers them, or if you have a workplace, you need to make sure you have suitable workplace insurance. Be also mindful of things like websites - you need to have a privacy policy and terms and conditions.'

When you're bootstrapped, it can be easy to imagine that a Google search will cover your back, though you won't necessarily find the right answers for your business specifics. That's where out-of-the-box solutions like SeedLegals come in or, more traditionally, a lawyer. And, whilst expensive, Anthony says, a lawyer is essential if you outgrow a legal platform or there's litigation, including the sale of your company. But we get ahead of ourselves here, don't we?

The most damaging mistake new startups can make in the legal space, Anthony says, is not having those initial founder agreements in place.

'Sometimes things don't workout and founders split up. In these cases, if you don't have founder agreements in place you can have a dispute over who owns the intellectual property, and then end up with a company that can't even continue with business.'

'The next one is giving away shares informally. Sometimes investors are raising funds and agree in a pub to give X amount of shares. Splitting shares before the cash is received is a no-no, because if the deal falls through it can become a mess to fix this situation afterwards. Similarly, if you promise an investor SEIS or EIS tax benefits and then fail to and things haven't been done in a particular way, they can lose those benefits and you'll have an awkward conversation.'

Useful links:

- [How to register your business in 13 relatively easy steps \(Maddyness\)](#)
- [Startup guides \(SeedLegals\)](#)
- [Running a limited company: your responsibilities \(GOV.UK\)](#)
- [The Law Society](#)

Next time we'll take a look at how and when to set your accounting wheels in motion.

Can't wait? Read the whole bootcamp in full [here](#).

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Read also
[The ten commandments for launching a startup](#)

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