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Franchising Fact Sheet – United Kingdom (per September 2012)

1. How is franchising defined under national law?	Franchising is not specifically defined under UK law, it is a business format which is subject to general commercial and intellectual property laws. For competition law purposes it is a 'vertical agreement' as defined under the EU Vertical Agreements Block Exemption (Regulation 320/2010).
2. Are there any pre-contract disclosure requirements?	No. However, franchisors should be aware of the Common Law principle of Misrepresentation, under which a dissatisfied franchisee could sue (though successful actions are relatively uncommon). In addition, the British Franchise Association Code of Practice insists upon adequate pre-contract disclosure by its members.
3. Does the franchisor have any liability for claims against the franchisee?	No, the franchisee is a separate legal entity for whom the franchisor has no direct liability. However, franchisors may have direct liability to ultimate customers for any faulty products it delivers through the system, or if it can be said to have offered a guarantee of performance by the franchisee.
4. When can the franchisor terminate the franchise agreement?	(a) Automatically on the expiry of its term, unless there is a right of renewal. (b) By contractual notice, if contained in the agreement. (c) By reason of a material default of the franchisee.
5. Are any particular formalities required for a franchise agreement to be legally valid and enforceable under national law?	No
6. Does a foreign franchisor have to establish a subsidiary or branch in the country?	No
7. Are there any other relevant requirements/provisions?	The Trading Schemes Act 1996, which is the UK's legislation against 'pyramid selling' (where multiple layers of sub-franchisees are encouraged for the purpose of generating inflated licence fees.)

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