

# Franchising legal update: 2026 watchlist

## Board level questions for UK franchisors

### Why this matters?

*2025 marked a shift in how franchising is viewed by courts, regulators and policymakers, not because the model stopped working, but because scrutiny intensified. This Watchlist distils the issues we are seeing franchisor boards and leadership teams grappling with as they plan for 2026.*

#### People, employment & brand accountability

- Where do we influence employment practices in the network, even if franchisees are the legal employers?
- Could we clearly explain our approach if questioned by a regulator, Select Committee or journalist?
- Are we drifting unintentionally from a helpful franchisor into a controlling one?

**Watch-out:**

Employment risk often emerges indirectly through control, tone and intervention, not express legal responsibility.

#### Growth, control & mature networks

- How are we incentivising growth without increasing dependency or imbalance?
- Would our growth model look reasonable through a fairness or good-faith lens?
- Are development and performance obligations applied consistently across the network?

**Watch-out:**

Mechanisms that work in early-stage networks can create risk if not recalibrated.

#### Enforcement, good faith & discretion

- Where do we rely on discretionary powers (approvals, variations, sanctions, renewals)?
- Do we have clear criteria and records explaining why decisions were taken?
- Are similar breaches treated similarly across the network?

**Watch-out:**

Good-faith and Braganza arguments now appear routinely in pre-action correspondence.

#### Litigation strategy & mediation reality

- Is having our day in court still a credible strategy?
- Do we separate legal enforcement from commercial dialogue?
- Could disputes be resolved earlier without undermining standards?

**Watch-out:** Litigation increasingly creates platform risk, a forum for airing wider grievances.

## Franchising legal update: 2026 watchlist continued

### Termination, insolvency & step-in risk

- Are our step-in rights realistic in an insolvency scenario?
- Do termination notices preserve all available remedies?
- Would enforcement withstand scrutiny for fairness and consistency?

**Watch-out:** How termination is handled can matter as much as whether it is permitted.

### Regulation of franchising: signals for 2026

- Which aspects of our model would feel uncomfortable under public scrutiny?
- If regulation came, would it require behaviour change or structural change?
- Are we relying on self-regulation in areas Parliament is questioning?

**Watch-out:** If regulation comes, it is more likely to be targeted than a wholesale franchise code.

### The practical takeaway for 2026

The franchisors best positioned for 2026 are those who understand where they exercise influence, are deliberate about being helpful rather than accidentally controlling, and prioritise consistency, transparency and disciplined decision-making.

## Your key contacts



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