

Lamont
Pridmore

A guide to **Becoming a Franchisee**

lamontpridmore.co.uk



Contents

Introduction.....	3
How to find the right franchise opportunities.....	4
Can you afford to be a franchisee?.....	5
Tax liabilities and business structure.....	8
How franchisees can build wealth.....	9
How is a franchise audited?.....	10
Planning for growth and exit.....	11
Questions to ask yourself before becoming a franchisee.....	12
How we can help you become a franchisee.....	14



Introduction

If you are considering becoming a franchisee, you'll know that it is an opportunity that gives you a way to get the independence of running your own business, while having access to the systems, support and an operating model that have already been tried, tested and proven to work.

Before you make any big decisions about becoming a franchisee, it helps to understand what you should think about before committing and how the financial side of franchising works.

Our expert team has put this guide together to give you a full breakdown of what you need to think about, so you can make your next move with confidence.

Is becoming a franchisee a good fit for you?

You might make an ideal franchisee if you:

- Want the backing of a recognised brand.
- Are comfortable with the initial and ongoing financial investment.
- Are motivated to run your own business but still seek guidance.
- Can commit the time and energy needed to grow the operation.
- Believe you can effectively manage people, customers and day to day operations.

If these qualities resonate with you, keep reading to find out how to become a franchisee.

How to find the right franchise opportunities

You can see the franchise opportunities using dedicated online directories. Many of the sites available will break down the opportunities by sector and the amount you need to invest, making it easier to locate the one for you.

To find the franchise that suits, start by exploring a range of franchise opportunities and concentrate on sectors that match your interests, experience, skills and budget. As you narrow down your choices, make sure to look closely at the following areas:



Brand reputation: Does the brand have a solid track record? Do customers recognise and trust it? Are there positive reviews? Do customers keep coming back?



Market demand: Is there demand in your area? Are people already buying similar products or services? Is the market already saturated?



Financial performance: Is the franchise financially stable? How much profit does it turnover? Can the franchisor provide performance figures?



Fees and royalties: What are the total costs involved? How much will you pay upfront and on an ongoing basis? Will you still make a good profit after paying the relevant fees?

This background research on the franchise is important and will help you assess whether the opportunity makes sense for you and your finances.

Can you afford to be a franchisee?

Opening a franchise isn't something you can do on a whim, especially if you don't have the personal finances or funding to back the investment. There are a variety of costs involved in setting up a franchise, some of which will be one-offs, and others involve long-term, ongoing investment.

The initial costs to become a franchisee

The first cost is the franchise fee. This is a one-off payment for the right to operate under the brand, access its systems and receive training.

Costs vary depending on the sector and brand strength, but the average setup cost is around £40,000, according to the Quality Franchise Association.

The franchise you choose to join could come with a fee much higher or much lower than this, so make sure to check first before committing.

A well-known name with a proven model will usually have a higher fee, though that often comes with established processes, a stronger brand and additional support.

You will also need to cover the setup cost of your franchise, which includes premises purchase or fit-out, initial stock or materials, equipment and technology, branding, signage and insurance.

These costs are often set by the franchisor, leaving little flexibility.



Working capital

Working capital covers the day-to-day running of the business before it becomes consistently profitable. This includes:

- Staff wages.
- Rent and utilities.
- Supplier payments.
- Marketing and local promotion.
- General operating expenses.

Many franchisees underestimate how long it takes to build reliable income from their franchise.

Contingency plans, such as maintaining a cash buffer, can help cover these costs while you find your feet.

Ongoing fees and commitments

Franchise agreements usually include ongoing payments. These are typically:

- Royalty fees based on turnover.
- Marketing contributions.
- Software or system fees.

The franchise you choose to go with should outline these costs for you so you can prepare your budget and plan how you will cover these regular costs.

A percentage-based fee will rise as your revenue grows, which can affect margins if not planned for properly.

Fixed monthly charges should also be reviewed carefully, especially during quieter trading periods.

Like with the working capital costs, it can be useful to have a cash buffer to provide that reassurance that you can still make these payments, even if business slows.

Financing your franchise

Some franchisees are able to finance their franchise using the money they have saved in their personal accounts. However, we understand that this is not a viable option for everyone.

Those who are unable to finance it themselves rely on funding from external sources, including:

- Commercial bank loans.
- Government-backed start-up schemes.
- Support from family or private investors.

Lenders typically prefer to see detailed financial forecasts and understand the business model before they agree to loan you the money.

A well-prepared business plan and detailed financial report significantly improve your chances of securing the funding you need.

It's also best practice to ensure all agreements relating to financing your venture are officially documented, so everyone understands where they stand and there's little room for dispute.

Pricing up professional advice

Professional advice is an essential part of the process and should be factored into your budget. This may include:

- Legal advice on the franchise agreement.
- Accountancy support for forecasting and planning.
- Ongoing compliance and reporting.

Cutting corners here can lead to costly mistakes, particularly when dealing with complex agreements or financial commitments.

Financial forecasting and planning

Before you sign any agreement, make sure you have outlined all financial projections, including:

- Cash flow forecasts.
- Profit and loss projections.
- Break-even analysis.

These reports help you understand how the business is expected to perform over time and when it is likely to become profitable and financially sustainable.

They also provide reassurance to lenders and help you stay on track once trading begins.



Tax liabilities and business structure

The way your franchise is set up will affect how profits are taxed and how you take income from the business.

How are franchisees taxed?

As a franchise owner, you are responsible for all tax obligations, not the franchisor. This includes:

- Submitting your annual tax returns on time.
- Keeping financial records for a minimum of six years.
- Ensuring all taxes are paid on time.
- Accurately documenting licence fees and any payments related to intellectual property.

Your franchisor may offer guidance, training and support to help you stay compliant, but this is not guaranteed.

How your business structure affects your tax position

Your franchise business structure affects how you're taxed and your responsibilities.

Sole traders have simple accounting requirements but also face full personal liability. All profits are taxed through Self-Assessment, and as the business owner, you're accountable for every element of the operation, including meeting the terms of the franchise agreement.

Partnerships divide profits between partners, with each individual paying Income Tax on their own share. This arrangement can be efficient from a tax perspective, though it still exposes the partners to unlimited liability.

Limited companies provide greater opportunities for tax planning and protect your personal assets. Many franchisees choose this route because it allows them to manage how they take income, balancing salary, dividends and pension contributions to suit their financial goals.

Limited Liability Partnerships (LLPs) blend aspects of partnerships and companies, offering flexibility in how profits are shared while also providing a degree of liability protection.

Decisions around operating as a sole trader or limited company should be made early, as they have long-term implications.

If you are not sure which of these structures best fits your circumstances, talk to our franchising experts.

Tax planning can help you make use of available reliefs and reduce unnecessary liabilities later on.

How franchisees can build wealth

Before you launch your franchise, it's natural to think about how you'll actually make money from it.

Franchisees build wealth by running a business that produces steady, reliable profits and by using those profits strategically.

Strong margins and healthy cash flow give you options. You can pay yourself a consistent income, build up retained profits or reinvest money to strengthen the business.

Many franchisees choose to reinvest early on, putting profits into better premises, increased marketing, additional staff or even a second location when the time is right.

Once you understand what drives success in one site, you can often replicate that elsewhere. That's why multi unit ownership becomes a major wealth building step for many franchisees.

It also pays to think about the long term value of the business itself. A franchise with solid financial records, stable operations, and strong profitability will be worth more if you decide to sell.

Keeping accurate accounts and reviewing performance regularly helps you spot opportunities to increase that value.

Some franchisees use business profits to support personal financial goals, build savings, contribute to a pension or investing in other assets.

The key is to see your franchise as a long-term asset, not just a source of regular income. Taking this approach can create greater opportunities to grow lasting wealth over time.

How is a franchise audited?

Franchisees are treated as separate legal businesses, so audit requirements sit with the individual company rather than the franchise network as a whole.

If a franchisee operates as a limited company, audit requirements depend on UK thresholds.

Requirement	Threshold
Turnover	≤ £15m
Total Assets	≤ £7.5m
Number of employees	≤ 50 employees

Most small franchise units fall below these limits, so a full statutory audit is not usually required, reducing the administrative burden.

If the business growth exceeds those thresholds, an audit becomes mandatory in the same way it would for any other company, franchise or not.



Franchisors may still need regular financial reporting, management accounts and/or independent verification of figures as part of their franchise agreement, but this is not the same as a statutory audit.

Planning for growth and exit

A franchise should be viewed as a long-term investment.

Consider how you will improve profitability over time, expand into additional locations if the opportunity arises, build value in the business or prepare for a future sale or exit.

All of these areas rely on keeping a close grip on the numbers and understanding what is really driving the performance of the business.

Exiting a franchise

There are different ways to exit a franchise agreement, however the options and timing will depend on what the terms of the franchise agreement say.

Unlike a standard business owner, a franchisee's ability to sell, transfer or close the business is usually more controlled. Most agreements include specific rules around how and when an exit can take place.

Selling the business

If you want to sell your franchise to a new owner, you may have to request the franchisor's approval and consent first.

They will often want to ensure the incoming franchisee meets their standards and is suitable to operate the business under the brand.

Selling is typically an ideal option if you want a clean exit and recoup some, if not all, of your original investment.

Terminate agreements

Franchise agreements are typically fixed-term contracts. Ending early is often possible, but it often comes with some strings attached.

It may be possible to negotiate with the franchisor about ending your contract early, but it often comes with some strings attached.

For example, you may have to cover the payment of any fees until the end of the original agreement.

If you choose to simply abandon the franchise, you will be in breach of your contract which will likely result in being taken to court.

Letting the term run its course

If the contract does have a fixed term, then another option to exit would be to wait until the contract runs out and inform the franchisor that you will not be renewing the franchise.

Questions to ask yourself before becoming a franchisee

1. Am I comfortable with limited control and following an established system?

Franchising works best for people who are happy to follow proven processes rather than reinventing them. If you prefer full creative control, an independent business might suit you better.

2. Do I fully understand the financial commitment and can I afford it?

Remember to factor in the upfront franchise fee, ongoing royalties, marketing contributions, equipment, premises, staffing and working capital when you are budgeting. Ask yourself whether you can comfortably fund both the startup and the early months of operation before the business becomes profitable. Success doesn't happen overnight.

3. Does this franchise align with my skills and interests?

You don't necessarily need to be an industry expert for every franchise, but you do need to enjoy the work and be motivated by the day to day responsibilities if you want your venture to be a success.

4. Have I completed a background check on the franchisor's track record?

Look into their success rates, franchisee satisfaction, financial stability, negative and positive reviews and how long they've been operating. A strong brand doesn't automatically mean a strong support system, so it's always worth doing your research.

5. What level of support will I receive and does it match what I need?

Levels of training, marketing, operational guidance and ongoing mentorship vary widely between franchises. Make sure the franchisor's support aligns with what you need from them based on your experience level and knowledge of the industry.

6. Am I prepared for the time commitment?

Many franchises require long hours, especially in the early stages. Consider how this fits with your lifestyle and family commitments.

7. Have I spoken to existing franchisees?

They can offer honest insight into what the business is really like. Ask questions about the challenges, the culture and whether the franchisor delivers on its promises. Their answers will give you a clearer picture of what day-to-day life is really like and help you decide whether to move ahead or step back if it does not feel right for you.

8. Have I spoken to an adviser to ensure I'm making the right decision?

Meet with an accountant and/or a solicitor to ensure thorough due diligence. They can walk you through the legal and financial obligations of becoming a franchisee.

An accountant can assess your budget, explore financing opportunities, conduct competitor analysis, develop an effective tax plan and provide outsourced financial director support. Without the expert insight from professionals, your chances of making mistakes or missing out on tax-saving opportunities are higher.

Our franchise expertise

Running a franchise is a unique business challenge. You have the backing of an established brand, but you also carry the responsibilities of an independent business owner.

At Lamont Pridmore, we understand the distinct pressures franchisees face and help franchise owners protect and grow their businesses.

We have worked with many major franchised brands, bringing that depth of experience to every client relationship.

We take time to understand your franchise, your goals and your financial position before offering any advice.

Supporting you all the way

Joining a franchise requires significant financial and personal commitment.

Our starting point is always to help you extract maximum value from that investment.

That means working with you on identifying commercial opportunities, tax-efficient profit extraction and ensuring you are well-positioned before making any major business decision.

We go way beyond straightforward number preparation and by analysing your financial position in detail, we can also help you spot emerging trends or anticipate potential challenges in advance.

Where a business needs to improve its profitability, we can help identify the right mechanisms to improve your margins and support you throughout the process.

Improving profitability also directly enhances the overall value of your franchise, this matters at every stage from refinancing to resale.

Many business owners focus almost entirely on their company while giving too little attention to their own personal financial position, so we also help you look at the wider picture by helping you build a life wealth plan.

A long-term relationship

From the moment you consider joining a franchise through to exit, our experienced team are here to support you at every stage of your journey.

Whether you are an established franchisee looking to grow or someone taking their first steps into franchise ownership, we provide the advice and expertise to help you build a successful, sustainable business.

Speak to our team and find out how we can help you to become a franchisee



0800 234 6978 • info@lamontpridmore.co.uk • lamontpridmore.co.uk

Barrow Office

☎ 01229 840261

Carlisle Office

☎ 01228 520118

Carnforth Office

☎ 01524 732988

Kendal Office

☎ 01539 732377

Keswick Office

☎ 01768 772182

Penrith Office

☎ 01768 800380

Whitehaven Office

☎ 01946 550300

Workington Office

☎ 01900 65955

Chartered Accountants, Tax and Business Advisers



For information of users: This material is published for the information of clients. It provides only an overview of the regulations in force at the time of publication (June 2026), and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.