

Starting a Business While Under 18

Business Information Factsheet

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Introduction

Anyone who is aged under 18 can start a business in the UK, but their legal status as 'minors' creates some practical difficulties. For example, they cannot open a business bank account and apply for credit cards or loans.

This factsheet provides a summary of the main factors under-18s need to consider when starting a business.

Contracts

A contract is a legally binding agreement between two or more parties that is enforceable in law. Minors typically cannot be held legally responsible for their debts and contracts cannot be enforced against them. This means that anyone aged under 18 (16 in Scotland) who intends to start up and run a business may face difficulty when dealing with suppliers or renting premises.

However, in some cases, a person aged under 18 can ask an adult, for example a parent or guardian, to act as signatory or guarantor to a contract. Alternatively, if a person aged under 18 has set up the business with someone who is aged 18 or over (for example in a partnership), that adult will be able to sign contracts on behalf of the business.

Bank accounts

Anyone aged under 18 typically cannot open a business bank account. This is because a business bank account offers credit terms and involves a contract with the bank. Without a business bank account, a business cannot access any kind of credit facilities, and, as minors cannot be held legally liable for their debts, banks will not offer them credit cards, loans or overdrafts.

Under-18s are also unable to open business accounts with online payment systems such as PayPal, Apple Pay, Shopify and Worldpay.

Business structures for under-18s

The main legal structures for a business (whether started by an adult or by someone aged under 18) are sole trader, ordinary partnership and private limited company.

- **Sole trader:** Anyone setting up as a sole trader or as part of a business partnership is personally liable for the debts of the business, so a minor would need an adult guarantor to be responsible for any potential debts.
- **Ordinary partnership:** An ordinary partnership is a business that is owned by two or more people. A minor can be a partner. However, they cannot be held personally liable for the debts of the business, so they would need at least one adult partner or an adult guarantor.
- **Private limited company:** A private limited company has a separate legal identity to that of its owners, unlike a sole trader or a partnership, where there is no distinction. The company is managed by directors and must be registered with Companies House. Anyone aged 16 or over can become a director. However, at least one director must be aged 18 or over to be able to open a business bank account and enter into contracts on behalf of the company.

Online marketplaces

Minors are unable to open seller accounts with online marketplaces such as eBay, Etsy and Amazon.

However, some platforms and marketplaces allow minors to use accounts opened by a parent or guardian if they have permission from, and are supervised by, the account holder. Examples include Etsy, whose minors policy can be viewed at www.etsy.com/legal/minors.

Business insurance

As minors cannot be held legally liable, most insurance companies will not offer business insurance to sole traders who are aged under 18, especially cover such as professional indemnity and public liability insurance. However, a business that operates as a partnership or limited company in which one or more partners or directors is aged 18 or over will be in a better position to take out business or commercial cover.

Restricted business activities for under-18s

There are certain business activities which under-18s are excluded from by law. For example, under-18s cannot apply for a licence to supply alcohol.

Local authorities will also not issue licences to anyone under the age of 18 for certain activities such as dog walking, making or selling food or trading from a market stall.

Useful resources

'How To Start a Business as a Kid: Guide for Parents and Teenagers'

Shopify

www.shopify.com/uk/blog/48360837-how-to-start-a-business-before-you-graduate-10-kidpreneurs-to-inspire-you

'How to Start a Business as a Kid or Teen (Guide for Parents)'

Go Henry

www.gohenry.com/uk/blog/financial-education/how-to-help-your-kid-launch-their-own-business

'Being 16: the Minimum Age of a Company Director'

Companies House

<https://companieshouse.blog.gov.uk/2019/12/12/being-16-the-minimum-age-of-a-company-director/>

Related factsheets

BIF004 Writing a Business Plan

BIF006 Insurance Cover for Business

BIF015 Introduction to Income Tax, National Insurance and VAT

BIF032 Business Legal Structures

BIF145 Commercial Contracts

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