The new press regulator Impress has no guaranteed funding and does not represent enough newspapers, the media industry will argue this week as it mounts a legal challenge.

The News Media Association (NMA), which represents hundreds of newspapers and magazines, will lodge a judicial review against the decision by the Press Recognition Panel (PRP) to approve Impress as a regulator last November.

The move could delay any decision on press regulation for months with the government already facing a legal challenge from two phone-hacking victims and a news website about whether it should have launched a consultation at all.

It coincides with the end of the consultation period tomorrow on the government’s proposals to tighten press regulation, which has prompted thousands of submissions.

The NMA will argue that although Impress is largely funded by the former motor racing tycoon Max Mosley for about three years, there is no guarantee that this would last.

The association will also point out that the body represents only a few websites and no national newspapers, so it does not fulfil a criterion set out in Leveson’s intentions, “Lynne Anderson, the association’s deputy chief executive, said recently. “Not a single significant publisher has subscribed to it. It is not independent, being reliant for its funding on Max Mosley. It is not credible or effective, being neither supported nor funded by the press and lacking its own code of standards.”

Most papers, including The Times, The Daily Telegraph and the Daily Express, are signed up to Ipso, a self-regulatory body that has not sought state recognition.

The key element of the consultation is a proposal to implement section 40 of the Crime and Courts Act 2013, which could force papers that refuse to join Impress to pay out legal costs of hundreds of thousands of pounds even if they win a libel case.

The move, which many Tory MPs have opposed, is designed to encourage newspapers to join Impress.

John Whittingdale, the former culture secretary, says the move could push many local papers out of business.

“The principal concern about the cost provision is that anyone who wants to take down a newspaper who has a lot of money, be they Russian oligarch or aggrieved millionaire, can throw actions at newspapers with the knowledge that even if they lose it would still land newspapers with a massive bill,” Mr Whittingdale said.

Karen Bradley, the culture secretary, has signalled that she favours press freedom while also wanting to protect press victims.

Insiders suggest that she is unlikely to implement section 40 outright but she may choose partial implementation or demand a low-cost arbitration service from Ipso.

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