

### 1.9.3. Company Limited by Guarantee

The information below is an overview of requirements and for further more detailed information, support and guidance plus associated templates etc please contact the BVA Group Development Team via telephone 01256 423816 or email [admin@bvaction.org.uk](mailto:admin@bvaction.org.uk) (please quote "BVA Group Assistance" on title). [www.bvaction.org.uk](http://www.bvaction.org.uk)

A charitable company limited by guarantee is a limited company with charitable aims. It is an incorporated organisation, which means that it has a legal identity separate from its members. In law, a limited company is considered to be a person and it can therefore own land or enter into contracts. The directors are agents of the company and are not personally liable for its debts.

Establishing a charitable company currently involves registering with both Companies House and the Charity Commission.

There are two types of limited company:

- **Company limited by guarantee**  
There are no shareholders and any surplus is reinvested in the company. This type is recommended by the Charity Commission.
- **Company limited by shares**  
This type of company is more usually found in the commercial sector, where its members (shareholders) are investing money in the hope of gaining a profit. However, there are some organisations in the community which are set up as companies limited by shares.

If your group is an unincorporated association which is already registered as a charity, there may come a point when you wish to become incorporated. This is done by forming a charitable company to take over the affairs of the unincorporated charity. The Charity Commission now has an application pack, together with advice and guidance, on its website which makes the process quicker and easier.

The directors of a charitable company are also its trustees and perform the role of the management committee.

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#### Advantages of a Company Limited by Guarantee

- ✓ It is very suitable for a larger organisation which has considerable assets (e.g. equipment, a building) and employs more than a few staff.
- ✓ The company can take on legal obligations and buy property in its own name. The organisation and not its members is responsible for any debts. However directors do have a legal duty to act prudently and to ensure that the company manages its finances carefully.
- ✓ Many funders regard this structure as more stable, as they know the company will continue to exist even if there is a change of people involved. This increases your chances of success if you are applying for larger sums of money. Some funders will give grants only to registered charities.

#### Disadvantages of a Company Limited by Guarantee

- ✓ It is expensive to set up.
- ✓ It is time consuming to run and annual accountancy fees can be high. A charitable company is regulated by both Companies House and the Charity Commission. You have to notify them of every change of directors/trustees and draw up a particular form of annual accounts and reports.
- ✓ A charitable company cannot have political or campaigning aims, but you can have educational ones.

#### USEFUL LINKS:

[www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)

[www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)