LEGAL STRUCTURES FOR A VOLUNTARY ORGANISATION AT A GLANCE

***This is a rough guide to the legal structures most commonly associated with voluntary organisations. For more information on them see the websites listed below. For more general information about business structures, including other options such as partnerships and limited liability partnerships, see*** [***http://www.gov.uk***](http://www.gov.uk)***. However, there is a lot of law on each of the legal structures described below and you should consider seeking legal advice before your organisation adopts any of them.***

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Legal structure** | **Summary - most typical features** | **Ownership, governance and constitution** | **Is it a legal person distinct from those who own and/or run it?** | **Can it be a charity and get charitable status tax benefits?** | **Some advantages** | **Some disadvantages** | **Contact for further info.** |
| **Unincorporated association** | Informal. No general regulation of this structure and you need to make own rules. | Nobody owns. Governed according to own rules. | No. Can create problems for contracts, holding property and liability of members. | Yes, if it meets the criteria for being a charity. | * Quick and easy to set-up * No fees to pay * Easily wound up | * Can’t acquire property * Activities may be restricted * Members of the management committee can be held personally responsible for the association’s obligations and debts | www.gov.uk |
| **Trust** | A way of holding assets so as to separate legal ownership from economic interest. | Assets owned by trustees and managed in interests of beneficiaries on the terms of the trust. | No. Trustees are personally liable. | Yes, if it meets the criteria for being a charity. | * Able to manage money or property for charitable purpose * Trust Deed can give Trustees the power to raise or borrow money | * Charitable trusts must register as charities * Generally undemocratic with no membership structure with Trustees the only people with legal powers to make decisions * Trusts have no separate legal existence therefore there is a risk that trustees will be held personally responsible for trust’s obligations and debts | [www.charity-commission.gov.uk](http://www.charity-commission.gov.uk) |
| **Company Limited by Guarantee**  (other than Community Interest Company) | Most frequently adopted corporate legal structure. Can be adapted to suit most purposes. | Directors manage the business on behalf of members. Considerable flexibility over internal rules. | Yes. Members' liability is limited to amount unpaid on shares or by guarantee. | Yes, if it meets the criteria for being a charity. | * Can buy, own and sell property in its own name * Can protect individual members of the organisation from personal liability except in cases of negligence and/or fraud | * Activities are regulated by the Companies Act and are usually subject to more controls and bureaucracy * Annual returns and accounts must be submitted to the Registrar of Companies (£15 - £30 2009-10) | [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) |
| **Community interest company (CIC)** | Limited company structure for social enterprise with secure "asset lock" (cannot distribute assets to members) and focus on community benefit. | As for other limited companies, but subject to additional regulation to ensure community benefits. | Yes. Members' liability is limited to amount unpaid on shares or by guarantee. | No, but can become a charity if it ceases to be a CIC. | * Is a corporate body and therefore has the same advantages as any other company * Can usually pay their board of directors | * Regulated by the CIC Regulator as well as Companies House * Cannot be legally charitable and therefore not able to have the benefits of charitable status | www.bis.gov.uk/cicregulator |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Industrial & Provident Society (IPS)**  **(Co-operative)** | For bona fide co-operatives that serve members' interests by trading with them or otherwise supplying them with goods or services. | Committee / officers manage an IPS on behalf of its members. One member, one vote (regardless of eg sizes of respective shareholdings). | Yes. Members' liability is limited to amount unpaid on shares. | No. It would have to be constituted as community benefit type of IPS. | * Incorporated organisation which means that they can hold property. * Members are protected from personal liability under contracts and can generally only be personally liable with fraud, negligence, or breach of trust * The society can implement an ‘asset lock’ to ensure that assets are only used for community benefit | * If the organisation does not use model rules then registration can be lengthy and expensive * Annual returns and accounts must be submitted to the FSA (Financial Services Authority) | [www.fsa.gov.uk](http://www.fsa.gov.uk) |
| **Industrial & Provident Society (IPS)**  **(Community Benefit Society (BenComm))** | Benefit the community rather than just their own members and have special reason not to be companies. | Like Co-op type, but new legislation provides option of more secure form of asset lock. | Yes. Members' liability is limited to amount unpaid on shares. | Yes, if it meets the criteria for being a charity. | * See above for IPS Co-operative | * See above for IPS Co-operative | [www.fsa.gov.uk](http://www.fsa.gov.uk) |
| **Charitable Incorporated Organisation (CIO)** | First ready-made corporate structure specifically designed for charities. | Similar to company but with different terminology (eg for "directors" read "charity trustees"). | Yes. Members' either have no liability or limited liability. | Cannot be anything but a charity, and must meet the criteria for being a charity. | * Only one regulator (the Charity Commission) and a single annual return * Less onerous accounting regulations * Clear set of duties for charity trustees and members | * Submitting accounts and annual returns to the Charity Commission, regardless of income * A less flexible form of constitution | [www.charity-commission.gov.uk](http://www.charity-commission.gov.uk) |