



LOOSEMORES
SOLICITORS

LEGAL STRUCTURE MATRIX

MAY 2021

Gaining a better understanding of the different legal structures available to you is important to help ensure the club is structured in the best way, not just for the here and now but to support your future ambitions too. Exploring different legal structures can help determine whether your club is a separate legal entity or not, how liability sits with members and how your club is viewed by others.



LEGAL STRUCTURE MATRIX

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Disclaimer:- this document does not constitute advice from the FAW Trust. Any club seeking advice on its legal structure should seek independent legal advice.

MAY 2021



UNINCORPORATED ORGANISATION

Summary	<p>An association formed by two or more persons (known as the members) carrying on activities for a common purpose which is not for profit. An association is not a separate legal entity to its members. As such it cannot enter into contracts, employ staff, or hold property in its own name. Members would have to enter into any contracts in their own name.</p> <p>Usually governed by a set of rules (also known as the “constitution” or “byelaws”).</p>
Incorporated	<p>No.</p>
Limited liability	<p>No. Members and officers are personally exposed to the debts and obligations of the association and with no limit on their liability meaning members’ personal assets may be at risk.</p>
Regulator	<p>None.</p>
Can register as charity	<p>Yes - an unincorporated association is eligible to apply to become a charity but would need to meet certain requirements such as being exclusively charitable and for the public benefit. If successful, it would be subject to the regulation and rules of the Charity Commission.</p>
Can register as a community amateur sports club?	<p>Yes, with a written constitution and provided it meets the relevant criteria.</p>
Set up/costs	<p>Set up usually involves the founders agreeing the governing document which should include a number of areas as a minimum. No set up costs or annual registration costs.</p>



COMPANY LIMITED BY GUARANTEE

Summary	<p>A separate legal entity which is distinct from its members. Can enter into contracts, employ staff, or hold property in its own name. Owned by its members and managed by its directors. Most commonly used by not-for-profit organisations such as clubs, associations and societies that would like their members to benefit from limited liability and for any profits to be automatically ploughed back into the organisation</p> <p>Governed by Articles of Association. Regulated by the Companies Registrar at Companies House.</p>
Incorporated	<p>Yes.</p>
Limited liability	<p>Yes. Liability of the members is limited to the amount set out in the constitution (usually an initial sum of £1.00).</p>
Regulator	<p>Companies House.</p>
Can register as charity	<p>Yes - a company limited by guarantee is eligible to apply to become a charity but would need to meet certain requirements such as being exclusively charitable and for the public benefit. If successful, it would be subject to the regulation and rules of the Charity Commission in addition to Companies House.</p>
Can register as a community amateur sports club?	<p>Yes, provided it meets the relevant criteria.</p>
Set up/costs	<p>Set up involves the founders agreeing the Articles of Association, appointing at least one director, registering the company at Companies House. Relatively cheap registration fee and annual filing fee.</p>



COMMUNITY INTEREST COMPANY (CIC)

Summary	<p>A separate legal entity which is distinct from its members. Can enter into contracts, employ staff, or hold property in its own name. Owned by its members and managed by its directors. This entity is a type of limited company formed specifically for the purpose of carrying on business for the benefit of the community with the fundamental and permanent feature of an asset lock to ensure assets (including profits generated) are used for the benefit of the community.</p> <p>Governed by Articles of Association which must comply with CIC Regulations.</p>
Incorporated	<p>Yes.</p>
Limited liability	<p>Yes. Liability of the members is limited to the amount set out in the constitution for a company limited by guarantee or any unpaid amount per share held as set out in the constitution for a company limited by shares (in both cases, usually an initial sum of £1.00).</p>
Regulator	<p>Companies House and CIC Regulator.</p>
Can register as charity	<p>No.</p>
Can register as a community amateur sports club?	<p>No.</p>
Set up/costs	<p>Set up involves the founders agreeing the Articles of Association which must comply with the CIC Regulations, drawing up a community interest statement, appointing at least one director, registering the company at Companies House. Relatively cheap registration fee and annual filing fee. Slightly more expensive than a company limited by guarantee.</p>



CHARITABLE INCORPORATED ORGANISATION (CIO)

Summary	<p>A separate legal charitable entity which is distinct from its members. Can enter into contracts, employ staff, or hold property in its own name. The entity is a body corporate but not a company and members have limited or no liability. The trustees have the responsibility of managing the affairs of a CIO.</p> <p>Governed by a constitution which must comply with the Charity Commission's rules and guidance.</p>
Incorporated	Yes.
Limited liability	Yes. Liability of the members is limited to the amount set out in the constitution.
Regulator	Charity Commission only.
Can register as charity	Yes – a charitable incorporated organisation is a charity from the outset and cannot be set up otherwise.
Can register as a community amateur sports club?	No.
Set up/costs	Set up involves the founders agreeing the governing document, appointing trustees and following the Charity Commission's online application process. No registration fee .



COMPANY LIMITED BY SHARES

Summary	<p>A separate legal entity which is distinct from its shareholders. Can enter into contracts, employ staff, or hold property in its own name. Owned by its shareholders and managed by its directors. Most commonly used for profit making so shareholders may generate a return for themselves. No guarantee of profits being re-invested in the organisation.</p> <p>Governed by Articles of Association.</p>
Incorporated	Yes.
Limited liability	Yes. Liability of the members is limited to any unpaid amount per share held as set out in the constitution (usually an initial sum of £1.00).
Regulator	Companies House.
Can register as charity	Not usually. A private company limited by shares is, theoretically, eligible to apply to become a charity but this is rare and would usually require major changes to the Articles of Association. It would need to meet certain requirements such as being exclusively charitable and for the public benefit. If successful, it would be subject to the regulation and rules of the Charity Commission in addition to Companies House.
Can register as a community amateur sports club?	No.
Set up/costs	Set up involves the founders agreeing the Articles of Association, appointing at least one director, registering the company at Companies House. Relatively cheap registration fee and annual filing fee.



INDUSTRIAL & PROVIDENT SOCIETY		
	Community benefit society	Co-operative society
Summary	<p>A separate legal entity which is distinct from its members. Can enter into contracts, employ staff or hold property in its own name. The entity is a body corporate with members having limited liability. It is owned by the members who hold shares in the society. The entity is managed by its officers. Used by organisations either as a co-operative (operating for the mutual benefit of its members) or as a community benefit society (operating for the benefit of the community).</p> <p>Governed by a set of rules.</p>	
Incorporated	Yes.	
Limited liability	Yes. Liability of the members is limited to any unpaid amount per share held.	
Regulator	Financial Conduct Authority.	
Can register as charity	Yes, but rare. It would need to meet certain requirements such as being exclusively charitable and for the public benefit. If successful, would be subject to the rules and regulation of the Charity Commission in addition to the FCA.	No.
Can register as a community amateur sports club?	Yes, provided it meets the relevant criteria.	No.
Set up/costs	Set up involves the founders agreeing a set of rules which must contain certain provisions in order to be capable of registration and an application to the FCA. A registered society must have at least three members or two members that are both registered societies. Can be expensive to set up.	



	Unincorporated Organisation	Company Limited by Guarantee	Community Interest Company (CIC)	Charitable Incorporated Organisation (CIO)	Company Limited by Shares	Industrial & provident Society	
						Community Benefit Society	Co-operative Society
Summary	An association formed by two or more persons (known as the members) carrying on activities for a common purpose which is not for profit. An association is not a separate legal entity to its members. As such it cannot enter into contracts, employ staff, or hold property in its own name. Members would have to enter into any contracts in their own name. Usually governed by a set of rules (also known as the "constitution" or "byelaws").	A separate legal entity which is distinct from its members. Can enter into contracts, employ staff, or hold property in its own name. Owned by its members and managed by its directors. Most commonly used by not-for-profit organisations such as clubs, associations and societies that would like their members to benefit from limited liability and for any profits to be automatically ploughed back into the organisation. Governed by Articles of Association. Regulated by the Companies Registrar at Companies House.	A separate legal entity which is distinct from its members. Can enter into contracts, employ staff, or hold property in its own name. Owned by its members and managed by its directors. This entity is a type of limited company formed specifically for the purpose of carrying on business for the benefit of the community with the fundamental and permanent feature of an asset lock to ensure assets (including profits generated) are used for the benefit of the community. Governed by Articles of Association which must comply with CIC Regulations.	A separate legal charitable entity which is distinct from its members. Can enter into contracts, employ staff, or hold property in its own name. The entity is a body corporate but not a company and members have limited or no liability. The trustees have the responsibility of managing the affairs of a CIO. Governed by a constitution which must comply with the Charity Commission's rules and guidance.	A separate legal entity which is distinct from its shareholders. Can enter into contracts, employ staff, or hold property in its own name. Owned by its shareholders and managed by its directors. Most commonly used for profit making so shareholders may generate a return for themselves. No guarantee of profits being re-invested in the organisation. Governed by Articles	A separate legal entity which is distinct from its members. Can enter into contracts, employ staff or hold property in its own name. The entity is a body corporate with members having limited liability. It is owned by the members who hold shares in the society. The entity is managed by its officers. Used by organisations either as a co-operative (operating for the mutual benefit of its members) or as a community benefit society (operating for the benefit of the community). Governed by a set of rules.	
Incorporated	No	Yes	Yes	Yes	Yes	Yes	
Limited Liability	No. Members and officers are personally exposed to the debts and obligations of the association and with no limit on their liability meaning members' personal assets may be at risk.	Yes. Liability of the members is limited to the amount set out in the constitution (usually an initial sum of £1.00).	Yes. Liability of the members is limited to the amount set out in the constitution for a company limited by guarantee or any unpaid amount per share held as set out in the constitution for a company limited by shares (in both cases, usually an initial sum of £1.00).	Yes. Liability of the members is limited to the amount set out in the constitution.	Yes. Liability of the members is limited to any unpaid amount per share held as set out in the constitution (usually an initial sum of £1.00).	Yes. Liability of the members is limited to any unpaid amount per share held.	Yes. Liability of the members is limited to any unpaid amount per share held.
Regulator	None.	Companies House.	Companies House and CIC Regulator.	Charity Commission only.	Companies House.	Financial Conduct Authority.	
Can Register as Charity	Yes - an unincorporated association is eligible to apply to become a charity but would need to meet certain requirements such as being exclusively charitable and for the public benefit. If successful, it would be subject to the regulation and rules of the Charity Commission.	Yes - a company limited by guarantee is eligible to apply to become a charity but would need to meet certain requirements such as being exclusively charitable and for the public benefit. If successful, it would be subject to the regulation and rules of the Charity Commission in addition to Companies House.	No.	Yes – a charitable incorporated organisation is a charity from the outset and cannot be set up otherwise.	Not usually. A private company limited by shares is, theoretically, eligible to apply to become a charity but this is rare and would usually require major changes to the Articles of Association. It would need to meet certain requirements such as being exclusively charitable and for the public benefit. If successful, it would be subject to the regulation and rules of the Charity Commission in addition to Companies House.	Yes, but rare. It would need to meet certain requirements such as being exclusively charitable and for the public benefit. If successful, would be subject to the rules and regulation of the Charity Commission in addition to the FCA.	No.
Can Register as a Community Amateur Sports Club?	Yes, with a written constitution and provided it meets the relevant criteria.	Yes, with a written constitution and provided it meets the relevant criteria.	No.	No.	No	Yes, provided it meets the relevant criteria.	No
Set Up/ Costs	Set up usually involves the founders agreeing the governing document which should include a number of areas as a minimum. No set up costs or annual registration costs.	Set up involves the founders agreeing the Articles of Association, appointing at least one director, registering the company at Companies House. Relatively cheap registration fee and annual filing fee.	Set up involves the founders agreeing the Articles of Association which must comply with the CIC Regulations, drawing up a community interest statement, appointing at least one director, registering the company at Companies House. Relatively cheap registration fee and annual filing fee. Slightly more expensive than a company limited by guarantee.	Set up involves the founders agreeing the governing document, appointing trustees and following the Charity Commission's online application process. No registration fee.	Set up involves the founders agreeing the Articles of Association, appointing at least one director, registering the company at Companies House. Relatively cheap registration fee and annual filing fee.	Set up involves the founders agreeing a set of rules which must contain certain provisions in order to be capable of registration and an application to the FCA. A registered society must have at least three members or two members that are both registered societies. Can be expensive to set up.	