



# Creating a charitable company

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A 'charitable company' is an organisation that has first become an incorporated organisation and then has registered as a charity.

An incorporated organisation (usually referred to as a company) is recognised by law and has special functions, rights, duties and liabilities. There are several legal structures for a company, but the most common in the voluntary sector is a **private company limited by guarantee**.

A charitable company must have entirely charitable objects and may only undertake work that is compatible with those objects.

### Why create a charitable company?

For most organisations, the main advantage of incorporation is limited liability. Limited liability means that all members agree to pay a small amount (usually £1) if the company becomes insolvent.

When an organisation incorporates it has a legal personality so it can enter into contracts, rent or own property, sue or be sued in its own right. It is considered to be a 'legal person' and within the bounds of common sense can do anything that a human person can do. There is no need to transfer leases, contracts or other legal agreements to new signatories whenever the person who signed them ceases to hold their position in the organisation.

An incorporated organisation is liable for its own debts. If it does not, or cannot, pay its bills, the people to whom it owes money can take legal action against the organisation. Very occasionally legal action can also be taken against the members of the governing body, but not against the members of the organisation.

Members of a **private company limited by guarantee** make no contribution to the capital during the lifetime of the company because they do not purchase shares. Members' liability is limited to the amount that they each agree to contribute to the company's assets if it is wound up. This amount, known as their guarantee, is typically £1.00.

The process of creating a charitable company (in brief)

1. Prepare the memorandum and articles of association of the private company limited by guarantee
2. Register the organisation as a company with Companies House (see **How to register a company** below)
3. Register the company as a charity with the Charity Commission (see **Charity registration** below)

### How to register a company

Any company registration agent and most solicitors offer a company registration service. Charges vary, but a company registration agent is likely to be cheaper. We recommend that you always ask for an estimate of the cost before agreeing to pay for any professional service.

We are happy to recommend Incorporation Services Ltd for company registration. Incorporation Services Ltd can also provide the memorandum and articles if required. The company's website gives detail of the process, including prices, and lists other services it can provide after registration of the company (see **Contact details** below).

It is possible to register the company yourself. Unfortunately NCVS is unable to offer help with this process. You will need to complete and send three documents, together with the registration fee, to Companies House: a memorandum of association; articles of association, form IN01- Application to register a company. Form IN01 can be downloaded from the Companies House website. After registration you will receive a certificate of incorporation from Companies House, which will include your registered company number.

### **Charity registration (after the company has been registered)**

Once the certificate of incorporation has been received the company can then be registered as a charity.

Charity registration is not difficult and you can certainly do it yourself. All the forms can be downloaded from the Charity Commission website, which also contains good guidance notes. Complete and return them, with any other requested information, to the Charity Commission. Try to reply quickly to any queries raised by the Commission or your application may be delayed. Please feel free to contact NCVS for our advice.

When the charity has been registered you will receive a registered charity number and a printout showing the details that will be included on the online Register of Charities, which is available to the public.

### **Contact details for organisations mentioned in this information sheet**

#### **Charity Commission Direct**

PO Box 1227, Liverpool, L69 3UG  
Phone: 0845 300 0218 (local rate charge)  
[enquiries@charitycommission.gsi.gov.uk](mailto:enquiries@charitycommission.gsi.gov.uk)  
[www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)

#### **Companies House**

Phone: 0303 1234 500 (contact centre, national call rate)  
[enquiries@companies-house.gov.uk](mailto:enquiries@companies-house.gov.uk)  
[www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

#### **Incorporation Services Ltd**

Jim Lowe, 1 Saville Chambers, North Street, Newcastle upon Tyne, NE1 8DF  
Phone: 0191 261 5545  
[info@incorporationservices.co.uk](mailto:info@incorporationservices.co.uk)  
[www.incorporationservices.co.uk](http://www.incorporationservices.co.uk)

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