

Incorporated Organisations

The most common incorporated organisation is known as a company limited by guarantee. A company, unlike other structures, exists as a legal entity, in its own right. They can hold property, borrow money and carry out many of the functions of any person.

A company's governing document is called the Memorandum and Articles of Association. Like an association, a company is formed by a group of people coming together to achieve the objects specified in the Memorandum of Association. The members then elect the board of directors. Companies that carry out charitable activities can register as charities with OSCR, and become known as charitable companies. This is the preferred structure for most voluntary organisations/charities that employ staff and enter into agreements or contracts.

Pros

- Having legal status means actions are taken in the company's name, and not those of the individual members. This means that there is no need to change signatories when trustees change, making ownership of property and contracts clearer.
- Companies are allowed to limit the liability of members to a nominal sum (usually one pound), if the company equires to wind up and has debts.
- BUT directors would be held personally liable for any losses/debts if they;
 - Have acted fraudulently
 - Have acted in 'breach of trust', (against the objects of the company or fail to take due care when making decisions).
 - Continued to run the company when they know, or ought to know, it has no reasonable chance of remaining solvent
- Companies are democratic, but membership can be restricted
- Easier to borrow money (but banks could ask for personal guarantees)

Cons

- Companies must follow the Companies Act and if a charity must also follow all Charities Law, increasing administrative work
- If the Company winds up, all members are required to pay the sum listed in the Memorandum of Association to contribute to any liabilities or debts
- There is a £20 administration fee from Companies House, to set up a company and it is the witnesses needed on the forms may charge a fee for the service

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