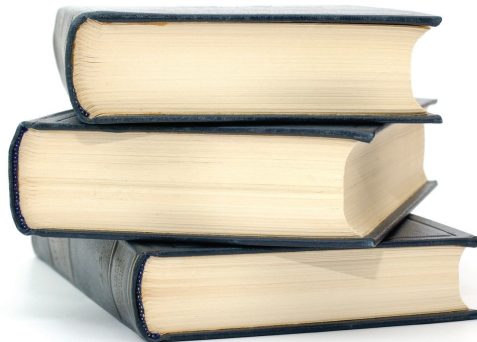


## Legal status



In England voluntary organisations can choose what type of legal status to adopt. In law an organisation is one of the following:

- an unincorporated association – a collection of individuals working together
- a corporate body (a limited company) – separate from individuals belonging to it.

### Unincorporated associations

Most community groups start as an unincorporated association. The officers and committee members have to do things as individuals. If the organisation ends up owing money they could be held liable to meet any debts from their own pocket. This is called unlimited liability.

### Trusts

A charitable trust is a special kind of unincorporated association set up to administer money or property (or both), usually registered with the Charity Commission. Trustees are personally responsible for its actions and liable if it runs into debt. It is advisable to seek legal advice.

### Companies limited by guarantee

A company limited by guarantee does not have shares or shareholders and cannot distribute profits. Members pay a subscription and are liable for a limited sum if the company is wound up (the guarantee). The amount can be £1, £5 or £10. They have to register with Companies House.



## Industrial and provident societies

These include co-operative societies for the mutual benefit of members but also non-profit making organisations for the benefit of the community if they are carrying out an industry, business or trade. The organisation has corporate status, and can have share and loan capital, but must pay only moderate interest on any loan capital. They have to register with the Registry of Friendly Societies.

## Incorporated charities

These have a separate legal identity and existence from their members. They are also charities. They can own property, employ people, enter into contracts, and sue/be sued in the courts. They are bound by the Charities Act and Companies Act.

## Social enterprise

It has social aims and objectives, and is a business that benefits the community and/or the environment. It reinvests its surplus funds/profits into the business. They provide jobs, income and social contact within communities. They are democratic, accountable, value led and market driven. They have a management committee/board of directors.

## Community interest company (CIC)

It has been available since 1 July 2005 and is registered at Companies House. It is a form of limited liability company for social enterprise. It has access to funding sources for social enterprises. It can have shareholders, but the number of shares and share prices are capped. Profits and assets can only be used for the benefit of the community. CIC cannot be a charity and tax benefits do not apply.

## Charitable incorporated organisation (CIO) - available in 2011

A new legal structure specifically designed for charities meeting the needs of those that wish to benefit from incorporation and limited liability. There is no charge for registering and filing information with the Charity Commission. Changes are being made to legislation and model constitutions to complete its legal framework.

## Find out more

Download our full toolkit and find details of organisations that can support you at [www.wakefieldvcs.org](http://www.wakefieldvcs.org) | Telephone: 01924 367418 | Email: [ask@vawd.org.uk](mailto:ask@vawd.org.uk)

*Publication date: December 2010*



**Providing services and support for voluntary and community groups**