

LBCA Chartered Accountants Guide to Directors Responsibilities

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Company directors' responsibilities

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Introduction

Shareholders own limited companies but they don't run them. That job is given to the **directors**. All limited companies must have at least one director.

Directors have many **business responsibilities** for ensuring the success of their company, in areas such as health and safety, employment law and tax.

You run the risk of serious penalties if you don't ensure that key information is sent to Companies House. You must also ensure that the company produces annual accounts.

Until recently the role and responsibilities of company directors was defined by case law. The Companies Act 2006 confirms existing case law and requires company directors to act in a way which is most likely to promote the success of the business. This guide tells you what you're responsible for **under company law**.

Appointing new directors

Every limited company must have at least one director. If a limited company has only one director, that director must be an actual person - as opposed to another company. A public limited company (or plc) must have at least two directors.

In general, it's up to shareholders to appoint whom they want as director. But there are **restrictions on candidates**, namely:

- they must not have been disqualified by a court from being a director - if

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- they have, court permission is needed
- they must not be an undischarged bankrupt - if they are, court permission is needed
- they must not be under the age of 16

In addition, at least one director must be an individual. Companies who had only corporate directors on or before 6 November 2006 have until 1 October 2010 to appoint such a director.

The appointment of directors must also comply with the company's Articles of Association. These set out rules for how the company is to be run. They may include:

- how many directors there should be
- how long they can serve
- what happens at the end of their term

For example, in many companies directors are required to **retire** after a set term - eg three years. They can offer themselves for re-election at the shareholders' annual general meeting.

The Companies Act 2006 introduced separate and more straightforward model Articles of Association for private companies. [Find the model Articles on the Companies House website - Opens in a new window.](#)

A director may be involved in day-to-day management, but doesn't have to be. These **non-executive** directors still have the same legal responsibilities as other directors.

You must tell Companies House within 14 days when:

- you appoint a new director - using

- either form AP01 or AP02
- someone stops being a director - using form TM01
- there's a change in a director's details - name or address, for instance - using form CH01 or CH02

For more information, see our guide on [company changes you must report to Companies House](#).

Summary of company directors' responsibilities

Directors have a responsibility to prepare and deliver documents, on behalf of the company, to Companies House as and when required by the Companies Act. These include, in particular:

- the annual return - see our guide on the [Companies House annual return](#)
- the annual accounts - see our guide on how to [file accounts at Companies House](#)
- notification of any change in the company's officers or in their personal details - see our guide on [company changes you must report to Companies House](#)
- notification of a change to the company's registered office - see our guide on [company changes you must report to Companies House](#)
- allotment of shares - see our guide on [shares and shareholders](#)
- registration of charges

Directors' powers and financial liabilities

The company's Articles of Association limit

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what directors can do. Although they usually give you a great deal of freedom, you must check them. For example, you might:

- be restricted by the company's objectives to running a particular type of business - for instance, an IT consultancy
- not be allowed to borrow money

The Companies Act 2006 introduces separate and more straightforward model Articles of Association for private companies. [Find the model Articles on the Companies House website - Opens in a new window.](#)

The role of the company director has until recently been defined by case law. The Companies Act 2006 confirms previous case law and requires company directors to act in a way most likely to promote the success of the business.

You must exercise a degree of **skill and care**. You must:

- show the skill expected of a person with your knowledge and experience
- act as a reasonable person would do looking after their own business

You must act in **good faith** in the interests of the company as a whole. This includes:

- treating all shareholders equally
- avoiding conflicts of interest
- declaring any conflicts of interest
- not making personal profits at the company's expense
- not accepting benefits from third parties

You must obey the **law**:

- company law requires you to produce proper accounts and send various documents to Companies House
- other laws include areas such as health and safety, employment law and tax
- you may be responsible for the actions of company employees

If in doubt, take professional advice. Acting improperly can lead to fines, disqualification from being a director, personal liability for the company's debts or a criminal conviction.

Responsibilities not relating to Companies House

Directors have other legal duties besides those relating to Companies House.

For example, you must comply with employment law in all dealings with employees or you may be found personally liable for unfair dismissal, racial or sexual discrimination or unfair work practices. You should also ensure that the company complies with all employment law changes.

There are also health and safety responsibilities that you must follow. You must ensure that you carry out a risk assessment and put a health and safety policy in place. If you employ more than five people your health and safety policy must be in writing. You can [read guidance on directors' responsibilities for health and safety on the Health & Safety Executive \(HSE\) website - Opens in a new window.](#)

As a company director you also have a responsibility to check that the correct amount of tax, VAT and National Insurance contributions are paid and on time.

Failure to carry out some of these duties, such as where health and safety is concerned, can result in a criminal conviction.

As a director you also have responsibilities to Companies House. To find out more, see the page in this guide on [sending documents to Companies House](#).

Sending documents to Companies House

Company law makes you responsible for sending various statutory returns to Companies House.

Even though companies may delegate these tasks to other organisations or individuals, eg the company secretary, you are still responsible for filing documents at Companies House. For more information, see our guide on [company secretaries' responsibilities](#).

Late filing of accounts leads to an automatic civil penalty, in the range of £150 to £1,500 for a private company, and £750 to £7,500 for a public company. [Read about late filing penalties on the Companies House website - Opens in a new window](#). Failing to file accounts or the annual return on time, or not at all, is also a **criminal offence**. If you are prosecuted and convicted you could end up with a criminal record and a fine of up to £5,000. You may also be disqualified from acting as a director.

What you must tell Companies House

- Complete and submit the annual return. This shows the information that Companies House has on your directors, shareholders and so on. For more information, see our guide on the [Companies House annual return](#).
- Ensure the company produces and files an annual report and accounts. For more information, you can [read guidance on accounts and accounting reference dates on the Companies House website - Opens in a new window](#).
- Advise if you change your registered office address, using form AD01.
- Advise of the appointment of a new director or company secretary using either form AP01 or AP02 for a director or form AP03 or AP04 for a company secretary.
- Send notification when the appointment of a director or the company secretary ceases, using form TM01 for a director or TM02 for a company secretary.
- Advise of any changes to their personal details such as name or address, using either form CH01 or CH02 for a director or form CH03 or CH04 for a company secretary.

For details of other information you must send to Companies House, see our guide on [company administration: the basics](#).

For information on when you need to contact Companies House, see our guide on [company changes you must report to Companies House](#).

How to send documents to Companies House

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The safest and most secure means of sending statutory information to Companies House is to use their online filing services.

For more information, see our guide on [using WebFiling on Companies House](#).

Disqualification of directors

Potential causes of disqualification include:

- allowing the company to trade while insolvent
- not keeping proper accounting records
- failing to prepare and file accounts
- not sending returns to Companies House
- failing to send tax returns and pay tax

In some cases, you could also face **criminal charges, fines** or being made **personally liable** for the company's debts.

Disqualification proceedings are handled by the **courts** or the Insolvency Service. If they find against you, you'll be disqualified for between two and 15 years.

While disqualified, you must not:

- be a director of any company
- act like a director - even without being formally appointed
- influence the running of a company through the directors
- be involved in the formation of a new company
- act in a way that promotes a company

Ignoring a disqualification order is a criminal offence. You could be fined and sent to prison for up to two years.

Even if you have not been disqualified, rules introduced on 6 August 2007 may prevent you from becoming a director of another company. The rules prohibit directors of insolvent companies from becoming the director of another company with the same or a similar name (known as a 'prohibited name') for 12 months. The rules also prohibit directors of insolvent companies from acting in a way to promote, form or manage a company with a prohibited name.

For more detailed information, see our guide on [director disqualification](#).

Related guides on businesslink.gov.uk

[Manage your personal list of starting-up tasks with our Business start-up organiser](#) | [Company secretaries' responsibilities](#) | [Company administration: the basics](#) | [File accounts at Companies House](#) | [Set up and register a limited company \(private or public\)](#) | [Enrol for WebFiling with Companies House](#) | [Get started with company incorporation for agents](#) | [Company and LLP strike-off, dissolution and restoration](#) | [Company changes you must report to Companies House](#) | [Companies House annual return](#) | [Shares and shareholders](#) | [Directors' loan accounts and Corporation Tax explained](#) | [Use our interactive tool to find out about the main online transactions you can make with government](#) | [Using WebFiling on Companies House](#) | [Preparing accounts for Companies House](#) | [Director disqualification](#) |

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Complain against an undischarged bankrupt or disqualified company director |

Related web sites you might find useful

Company directors and secretaries guidance from Companies House - Opens in a new window

Model Articles on the Companies House website - Opens in a new window

Downloadable forms from Companies House - Opens in a new window

Directors' health and safety responsibilities advice on the HSE website - Opens in a new window