

Directors' Responsibilities

The position of director bestows a certain status upon an individual.

Whether you are appointed to the Board of the company you work for or you are involved in establishing a new business and take on the role of director you will feel a sense of achievement.

However the office of director should not be accepted lightly. It carries with it a number of duties and responsibilities. We summarise these complex provisions below.

Please contact us if you would like more information or guidance.

Companies

You can undertake business in the UK as either:

- an unincorporated entity, i.e. a sole trader or a partnership or
- an incorporated body

An incorporated business is normally referred to as a company. Although there are unlimited companies the vast majority of companies are limited by shares. This means the liability of shareholders is limited to the amount unpaid (if any) on their shares.

A limited company can be a private or public company. A public company must include 'public' or 'plc' in its name and can offer shares to the public.

The responsibilities and penalties are more onerous if you are a director of a public company

A company has a 'memorandum', and 'articles' which constitute its rules and will contain specific regulations regarding the duties and responsibilities of the directors.

Directors

When you are appointed a director of a company you become an officer with extensive legal responsibilities. You are normally appointed by the Board and the appointment is confirmed by the shareholders. You can usually resign as a director at any time, but can only be removed by the shareholders.

The rules of the company may vary these procedures.

There are two separate types of responsibility:

- common law - here decided legal cases have established that your position as director is similar to that of a trustee and an agent
- statute - here company law imposes a large number of duties upon you

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Common Law Duties

Fiduciary duty

As a director you should:

- act in good faith
- act in the best interests of the company
- avoid conflict between personal and company interests
- not make any personal gain from opportunities which arise by virtue of your position.

The law recognises that your position as director is similar to that of a trustee; i.e. the shareholders have 'entrusted' the company assets to you and you must act in their best interests.

Skill and care

The courts have established that you must exercise due skill and care when acting as a director. Although this is a subjective matter you cannot accept appointment as a director and then do nothing.

Breach of duty

Failure to fulfil these duties can result in an action by the company against you for damages. As many private companies are owned by their directors such actions are rare in these circumstances.

Indemnity insurance may be available if you consider it necessary.

Statutory Duties

Accounting

Directors of a company are required by law to produce accounts. The law specifically covers the following matters.

Accounting records

Proper records must be maintained as defined by the Companies Act. We can of course help you with this.

Accounts

You are required to prepare accounts for each year to a date which is registered at Companies House. The accounts must give a true and fair view and must comply with the form and content prescribed in the Companies Act.

A copy of the accounts must be provided to each shareholder.

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Handley Evans & Co. Chartered Certified Accountants, Tax Consultants & Business Advisors

For more related information, please visit the following website:

<http://www.companieshouse.gov.uk>

To find out how Handley Evans & Co can help you keep on the right side of the law and meet your directors responsibilities, [contact us](#)

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