

Model constitutions for community interest companies: introductory information

The model constitutions for community interest companies have been prepared with the assistance of lawyers experienced in the social enterprise sector. A range of different constitutions has been produced, so as to cater for different types and sizes of community interest company.

Each model constitution consists of a template memorandum and articles of association, and incorporates all the provisions required by the community interest companies legislation.

Every effort has been made to draft the model constitutions in plain English, and to make them as simple, concise and user-friendly as possible. The Regulator would welcome feedback from users as to whether the model constitutions and the explanatory notes meet applicants' needs.

It is not possible to produce "off-the-peg" constitutions which will suit every conceivable type and size of potential community interest company. Before using one of the model constitutions as the basis of your company's memorandum and articles, you will have to make sure that it fulfils all your requirements - if it does not, you will need to amend it.

If you are considering amending any of the model constitutions, or if you are unsure about its suitability for your company, the Regulator recommends that you take independent legal or other professional advice.

In any case, you will need to "fill in the blanks" left in the model constitutions for relevant details such as the company's name, objects, share capital or guarantee details, quorum for directors' and general meetings, and the name of any asset-locked body which is to be a recipient of the company's assets in the context of uncapped dividend payments or the company being wound up. The spaces for these details are marked by square brackets in the text of the model constitutions.

If you have not used one of the model constitutions as a precedent for your company's memorandum and articles, or if you have used one of the model constitutions as a precedent, but have made significant changes to it, the Regulator requests that you confirm when you make your application that you have not followed, or have amended, one of the model constitutions. Where you have amended the model constitutions, it would greatly assist the Regulator's Office if you were to use an appropriate word processing tool to show what changes you have made to the model constitution concerned.

Links to the model constitutions, with brief descriptions

Please note

- 1. No liability for any loss or damage arising from the use of any of the model constitutions will be accepted by the Regulator, her staff or her legal advisors**
- 2. All clauses highlighted in red within the model constitutions are statutory and MUST be included**
- 3. The version of the model constitutions which you should download if you intend to use one of them as the basis for your company's memorandum and articles are the ones without explanatory notes.**

Company limited by guarantee with a small membership (model constitution no. 1)

Model constitution no. 1 is designed for use by private companies limited by guarantee, all of whose directors are members of the company and all of whose members are directors of the company. It assumes that the directors will take most important decisions as directors rather than as members, and that directors may hold office continuously for long periods of time without offering themselves for re-election. It also allows, subject to certain minimum procedural safeguards, for relatively informal decision-making by directors (including by exchanges of e-mail).

Memorandum of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

Articles of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

Company limited by guarantee with a large membership (model constitution no. 2)

Model constitution no. 2 is designed for use by private companies limited by guarantee, which have more members than they have directors. Although it assumes that the directors will take most day to day decisions about the company's business, it also gives the members a strong role in controlling the overall governance of the company. It includes provision for some of the directors to retire and offer themselves for re-election each year. The procedures for decision-making by directors are more formal than in the other model constitutions.

Memorandum of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

Articles of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

Private Schedule 2 company limited by shares with a small membership (model constitution no.3)

Model constitution no. 3 is designed for use by private companies limited by shares, all of whose directors are members of the company and all of whose members are directors of the company. It assumes that the directors will take most important decisions as directors rather than as members, and that directors may hold office continuously for long periods of time

without offering themselves for re-election. It also allows, subject to certain procedural safeguards, for relatively informal decision-making by directors (including by exchanges of e-mail).

Please note: A schedule 2 company limited by shares is only permitted to pay dividends to specified asset locked bodies, or other asset locked bodies with the consent of the Regulator.

Memorandum of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

Articles of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

Private Schedule 2 company limited by shares with a large membership (model constitution no.4)

Model constitution no. 4 is designed for use by private companies limited by shares, which have more members than they have directors. It assumes that the members will delegate most the decision-making within the company to the directors, but gives members a significant role in relation to the overall governance of the company. It includes provision for some of the directors to retire and offer themselves for re-election each year. It also allows, subject to certain procedural safeguards, for relatively informal decision-making by directors (including by exchanges of e-mail).

Please note: A schedule 2 company limited by shares is only permitted to pay dividends to specified asset locked bodies, or other asset locked bodies with the consent of the Regulator.

Memorandum of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

Articles of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

Private Schedule 3 company limited by shares with a small membership (model constitution no. 5)

Model constitution no. 5 is designed for use by private companies limited by shares, all of whose directors are members of the company and all of whose members are directors of the company. It assumes that the directors will take most important decisions as directors rather than as members, and that directors may hold office continuously for long periods of time without offering themselves for re-election. It also allows, subject to certain procedural safeguards, for relatively informal decision-making by directors (including by exchanges of e-mail).

Please note: A schedule 3 company limited by shares is permitted to pay dividends to shareholders who are not asset locked bodies, including private investors, but the payment of a dividend to a private financial investor is subject to a dividend cap. The dividend cap does not apply to dividends paid to named asset locked bodies in the Memorandum and Articles of Association or asset locked bodies the Regulator has consented to receive the payments. In addition, the raising of finance by means of shares issues is subject to a number of overlapping schemes of regulation and should never be undertaken without professional advice. For further information please see chapter 7.1.7.

Memorandum of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

Articles of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

Private Schedule 3 company limited by shares with a large membership (model constitution no. 6)

Model constitution no. 6 is designed for use by private companies limited by shares, which have more members than they have directors. It assumes that the members will delegate most the decision-making within the company to the directors, but gives members a significant role in relation to the overall governance of the company. It includes provision for some of the directors to retire and offer themselves for re-election each year. It also allows, subject to certain procedural safeguards, for relatively informal decision-making by directors (including by exchanges of e-mail).

Please note: A schedule 3 company limited by shares is permitted to pay dividends to shareholders who are not asset locked bodies, including private investors, but the payment of a dividend to a private financial investor is subject to a dividend cap. The dividend cap does not apply to dividends paid to named asset locked bodies in the Memorandum and Articles of Association or asset locked bodies the Regulator has consented to receive the payments. In addition, the raising of finance by means of shares issues is subject to a number of overlapping schemes of regulation and should never be undertaken without professional advice. For further information please see chapter 7.1.7.

Memorandum of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

Articles of Association

[<Without explanatory notes>](#) [<With explanatory notes>](#)

PLC (public company limited by shares)

The Office of the Regulator of Community Interest companies has not prepared model constitutions for businesses wishing to become or convert to a community interest company opting for Public Limited Liability (PLC) status. Businesses wishing to become or convert to a community interest company with Public Limited Liability (PLC) status are advised to obtain independent legal advice.

The Companies Act 2006 further stage implemented on 01 October 2007 and 01 April 2008

The above models have been updated to adhere to the parts of the Companies Act 2006 that were implemented on 01 October 2007; 01 April 2008; and 1 October 2009 and to comply with the Community Interest Company (Amendment) Regulations 2009, which came into force on 1 October 2009.

For further information about the Companies Act 2006 changes , including frequently asked questions, please refer to the Companies House website: www.companieshouse.gov.uk

The Community Interest Company (Amendment) Regulations 2009 introduced the following relevant changes:

- The right of a chairman to have a second or casting vote in the case of an equality of votes at a board meeting; and the right of an alternative director, in the absence of his appointer, to have a separate vote on behalf of his appointer in addition to his own vote, were removed.
- The restrictions on giving powers to persons who are not members of the community interest company to appoint and remove directors were removed.