



A Guide to Legal Structures for SACU Clubs

Introduction

This guide has been created to help SACU clubs determine the most appropriate legal structure to support their organisational structure, governance and activity.

Within the guide, the following legal structures will be explained:

- Unincorporated Association
- Company Limited by Guarantee (CLG)
- Company Limited by Shares (CLS)
- Community Interest Company (CIC)
- Scottish Charitable Incorporated Organisation (SCIO)

It is important that clubs are set up within an appropriate legal structure for the activities they are carrying out as it can have a huge impact on their financial position and the personal risk of their committee members.



Unincorporated Association

An Unincorporated Association is a group of individuals who are bound together by a constitution and/or set of club rules who have not taken action to set up as company or charity. The club is not a legally recognised entity.

Benefits	Limitations
<u>Reduced Admin</u> No requirement to submit accounts, annual returns etc.	<u>Committee Liability</u> If the club breaches a contract with a rider or a *claim is made against the club, the members of the committee could be personally liable.
<u>Flexibility</u> Members create and amend club rules within themselves.	<u>Ownership of Assets</u> The club cannot own assets or land in its own name. Assets would need to be held by a member on behalf of the club and transferred to another member if they leave.

*SACU permitted events provide clubs with insurance coverage



GOVERNING DOCUMENT: Constitution

REGULATORY BODY: n/a

Company Limited by Guarantee (CLG)

A Company Limited by Guarantee is a legal identity owned by its members. Rather than holding shares, each committee member guarantees to pay £1 if the club becomes insolvent. Profits cannot be shared amongst members but their liability is limited to a small amount.

Benefits	Limitations
<p><u>Reduced Liability</u> If the club becomes insolvent or a claim is brought against them, committee members are only liable for the amount they have guaranteed to pay, e.g., £1.</p>	<p><u>Admin</u> The club will have to file annual accounts, an annual return and update Director's details annually with Companies House. Clubs will be charged if they fail to file information on time.</p>
<p><u>Ownership of Assets</u> The club can own assets and land in its own name.</p>	<p><u>No Profit Sharing</u> All profits must be reinvested back into the club. Members cannot share profits for personal gain.</p>



GOVERNING DOCUMENT: Articles of Association

REGULATORY BODY: Companies House

Company Limited by Shares (CLS)

A Company Limited by Shares is a legal identity owned by shareholders rather than committee/club members.



GOVERNING DOCUMENT: Articles of Association

REGULATORY BODY: Companies House

Benefits	Limitations
<p><u>Reduced Liability</u> If the club becomes insolvent or a claim is brought against them, shareholders' liability is limited to the amount unpaid on their shares.</p>	<p><u>Admin</u> The club will have to file annual accounts, an annual return and update Director's details annually with Companies House. Clubs will be charged if they fail to file information on time.</p>
<p><u>Shares and Investors</u> Shares can be bought and sold, and dividends can be paid to shareholders. Investors can invest easily in the club.</p>	<p><u>Governance</u> If an individual owns 50% of shares in the company, they govern the Board of Directors. If they own 75%, they can take complete control and change the constitution.</p>
	<p><u>Tax</u> Tax will have to be paid on profits</p>

Community Interest Company (CIC)

A Community Interest Company (CIC) is a club or organisation which exists to benefit the community by reinvesting their assets and profits for public good. It is set up in the same way as a limited company with additional Community Interest status.

Benefits	Limitations
<p><u>Reduced Liability</u> If the club becomes insolvent or a claim is brought against them, committee members are only liable for the amount they have guaranteed to pay (CLG) or shareholders to the amount of their shares (CLS).</p>	<p><u>Admin and Regulations</u> The club will have to file annual accounts, an annual return and update Director's details annually with Companies House. Clubs will be charged if they fail to file information on time. Clubs will also have to be reviewed and approved by the CIC Regulator following their admin processes.</p>
<p><u>Access to Funding</u> Community Interest status will open clubs up to funding opportunities such as donations, grants, investment etc. from various bodies.</p>	<p><u>Funding</u> Some types of funding are only available to clubs with charitable status.</p>



GOVERNING DOCUMENT: Articles of Association

REGULATORY BODY: Companies House

Scottish Charitable Incorporated Organisation (SCIO)

The Scottish Charitable Incorporated Organisation (SCIO) is a legal form unique to Scottish charities and is able to enter into contracts, employ staff, incur debts, own property, sue and be sued. It also provides a high degree of protection against liability.

Benefits	Limitations
<u>Reduced Liability</u> Liability of charity trustees is limited, and members are not liable to contribute to the assets if the club becomes insolvent	<u>Status Changes</u> Once SCIO status is in place, clubs cannot convert to another legal form or combine with a non-SCIO organisation. If a SCIO ceases to be a charity, it must be dissolved – funds and assets can be transferred to another charity with similar purposes.
<u>Funding</u> Charitable status will open clubs up to funding opportunities such as donations, grants, investment etc. from various bodies.	<u>Admin</u> Clubs have a duty to keep registers of members and charity trustees, and to make these publicly available in certain circumstances. They will also have to submit accounts and report to OSCR.
<u>Ownership of Assets</u> The club can own assets and land in its own name.	



GOVERNING DOCUMENT: Constitution

REGULATORY BODY: OSCR

Contact Us

If you have any questions or would like to speak to a member of staff about the structure best suited to your club, please reach out to the Development Team.

Gillian Sefton

National Development Manager

E: gillian.sefton@sacu.co.uk

M: 07468481757

Shabaz Khan

National Development Officer

E: shabaz.khan@sacu.co.uk

M: 07470743088

