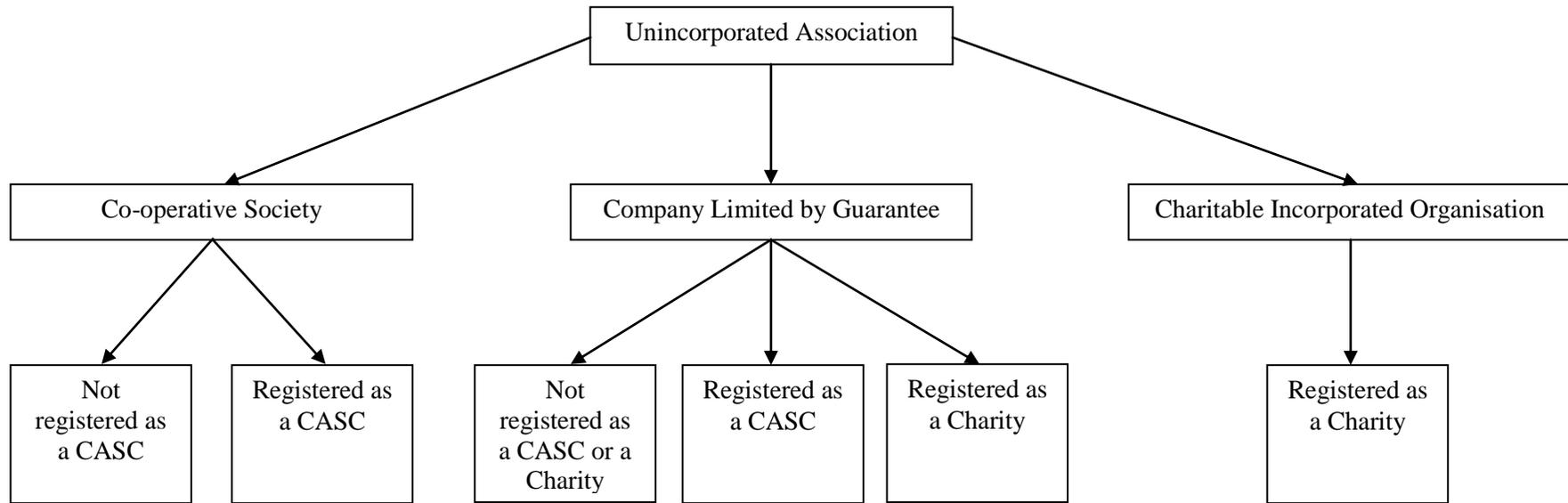


RUGBY FOOTBALL UNION

Incorporation

Choice of Structure



Choice of incorporated structure for your club

1. Background

The most important point is that each of a company limited by guarantee (referred to below as a CLG), a co-operative society (referred to below as a co-operative) and a charitable incorporated organisation (referred to below as a CIO) will all achieve the same key objectives of incorporation.

If your club incorporates as either a CLG, a co-operative or a CIO, this will mean:

- (a) the club is a legal person in its own right and can therefore sue and be sued in its own name;
- (b) the liability of the club's members is limited (usually to £1);
- (c) the club can protect committee members who are directors of a club constituted as a CLG, co-operative or CIO from liability to third parties and they will only be liable to the club if they personally commit some wrongdoing or if the club continues to trade when it is insolvent; and
- (d) the club will be able to hold property in its own name.

You will need to consider which incorporated structure is most appropriate for your club. This document gives an overview of these structures which will help make that decision. For further detail, you can view the detailed guidance on each of these structures, available here: Please click on the relevant title below, and/or speak to a solicitor.

2. Company limited by guarantee

2.1 Introduction

A company is the most common type of corporate structure. Most companies in the UK are companies limited by shares. Amateur rugby football clubs, however, are generally best constituted as companies limited by guarantee (which have members), as opposed to companies limited by shares (which have shareholders). This is because membership of companies limited by guarantee is not usually intended to be transferable (unlike shares, which are often sold or otherwise transferred). Members of a company limited by guarantee can simply join the company and resign their membership at a later date.

2.2 Principal benefits

As set out above, a company is the most common type of corporate structure. It is also the most commonly understood structure. Counterparties (such as trading partners, banks etc) will easily understand a company structure.

A CLG offers the most flexibility for the club's structure. It is the easiest structure to have different classes of members (e.g. voting, non-voting or honorary), or more complicated decision making processes (e.g. special majorities for certain matters, or only selected classes of members being able to decide certain matters). This will be particularly important for clubs that are, or have ambitions to be, semi-professional where there may be a need to have a more complicated structure.

2.3 Principal drawbacks

Incorporating as a CLG is more complicated than incorporating as a co-operative. More documentation is required.

2.4 Who this is suitable for

A CLG can be suitable for any club. It is likely to be the best structure for:

- clubs that are, or have ambitions to be, semi-professional;
- clubs with more complex trading operations; or
- clubs with a large and diverse membership.

3. Co-operative Societies (co-operatives)

3.1 Introduction

The RFU is a co-operative and a number of rugby clubs have chosen to incorporate as co-operative. A co-operative is normally used by organisations acting in a co-operative manner e.g. a trade union. A co-operative must also be "**mutual**", meaning that any profits of the co-operative are ploughed back into the organisation for its benefit.

3.2 Principal benefits

The advantage of incorporating as a co-operative is that the procedure for transferring assets is usually simpler.

3.3 Principal drawbacks

A co-operative is less flexible than a CLG. There can, broadly, be only one class of member (although it is possible to have a form of associate member with no voting rights). This is explained in more detail in the guidance note on co-operatives.

While a co-operative is usually cheaper and more straightforward to incorporate, registering as a co-operative is expensive where a club has a more complicated constitutional structure. The Financial Conduct Authority (FCA), which is the registration body for co-operatives, charges significantly more fees if a club makes amendments to the model rules (the standard constitution which the RFU has agreed with the FCA) for rugby clubs.

3.4 Who this is suitable for

A co-operative will be most suitable for:

- clubs with a smaller and/or more straightforward membership; or
- clubs with more limited resources.

4. Charitable Incorporated Organisations (CIOs)

4.1 Introduction

The CIO is a new corporate structure specifically designed to offer charities the benefits of incorporation. It provides an alternative to structures such as the CLG and co-operative, neither of which was created with charitable status in mind. The CIO is only available for clubs that wish to register as charities and so you should read our detailed guidance on [charitable status](#) before deciding to incorporate as a CIO.

CIOs are registered with and regulated by the Charity Commission but not Companies House, thereby avoiding the dual regulation imposed on charitable companies. CIOs need only file information (such as the annual return) with the Charity Commission.

4.2 Principal benefits

CIOs are subject to the accounting and reporting requirements set out in the Charities Act 2011, which is less onerous than the Companies Acts accounting regime. Unlike Companies House, the Charity Commission does not currently charge for registration or the filing of information; nor does it levy late filing fees. This may change in the future in line with CLGs and co-operatives.

4.3 Principal drawbacks

The legal framework for CIOs is new. As such, it may take some time for clubs and other parties (such as funders and lenders) to understand with the various requirements. There are no plans to maintain a searchable register of charges over CIO assets comparable to that maintained for companies by Companies House. This may discourage some lenders.

Many of the rules governing CIO administration are similar to those that apply to CLGs which are charities. In particular, if the club has significant trading income, such as from a bar or clubhouse, it may need to set up a trading subsidiary to run this operation. This will require increased administration.

4.4 Who this is suitable for

A CIO will be most suitable for a club with access to detailed professional advice. As this is a new structure, and the law around this is not yet clear, clubs should take their own detailed advice before embarking on this structure.

In particular, there are question marks around the ability of CIOs to give security for borrowing, so it may be unsuitable for clubs wishing to obtain loan finance.

In addition, a CIO must be able to show that it will have an income of at least £5,000 in its first year (although some or all of this may be a donation from the previously unincorporated club).

Further advice

This publication is a general summary. It should not replace legal advice tailored to your club's specific circumstances. Please note the importance of seeking legal and tax advice when deciding how best to use the template documents for incorporation.