



IDH ACCOUNTANCY.

Forming a Company and Articles of Association

Companies registered under The Companies Act 2006 [CA2006] contain the Model Articles prescribed in the Act, and the Memorandum contains nothing more than a statement of intent to register a company.

Whilst the Model Articles now prescribed in the Act can be adopted in full, we believe this leaves much to be desired for the sake of the proper conduct and management of a company. We use bespoke Articles of Association that expand on the model articles so as to ensure all companies we register are properly equipped to benefit from the Act as far as is practicable. We use these Articles in place of the Model Articles for all our formations.

We work with Company Registrations Online, whose bespoke Articles are prepared by senior lawyers with over twenty years' experience as members of the Law Society Standing Committee on Company Law. They are approved and endorsed by The Association of Company Registration Agents Ltd (ACRA), who are the company registration industry's only formal recognised body who act regularly for the representation of the industry in conjunction with the Registrar of Companies, HMRC and HM Treasury.

Many registration agents do not offer any alternative and advise clients to register companies by adopting the Model Articles, thus saving cost and effort in producing bespoke articles. The same is true of Companies House who only use Model Articles for companies incorporated through their own service. The following highlights some of the key features:

- the Model Articles do not allow for the issue of nil or partly paid shares;
- they make no proper provision for multiple classes of shares;
- they do not contain provisions for alternate directors which could be useful for companies where directors are to be absent for extended periods;
- they contain no provisions expressly covered by the Act such as members' rights, proxies, meetings regimes, share pre-emption or directors conflicts, assuming instead that all directors have sufficient knowledge of the Act in detail – clearly an unreasonable assumption in the majority of owner managed businesses;
- they do not contain any provisions for a change of name to be effected by board resolution;
- they only allow for a Director's written resolution to be passed by a unanimous decision;
- they include no provision for the appointment of a company secretary if the company has one.

By way of comparison, the Model Articles prescribed in the Act for private companies limited by shares contain 53 paragraphs. Bespoke Articles provided by Company Registrations Online contain no less than 85 paragraphs.

We strongly believe that the Model Articles are far too simplified for practical purposes and will possibly cause potential problems in the future operation of the company. This is why we recommend that you take advantage of our company formation service to ensure that your new company will meet all your business needs now and in the future.