



Legal Structures for Organisations

This information sheet provides advice about different legal structures for community groups and social enterprises.

It covers:

- Key questions to consider when selecting a legal structure
 - An overview of different legal structures
 - Pros and cons of each option
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Legal Structures – What to Consider

When choosing a legal structure, ask yourself:

1. Do you want to be incorporated?

- **Incorporation** means your organisation becomes a single legal entity, separate from the individuals involved.
- Incorporated organisations can enter contracts, own property, and employ staff in their own name. Debts belong to the organisation, not the individuals, though directors/trustees remain liable for negligence or poor management.
- **Unincorporated organisations** are legally just a collection of individuals. Debts and obligations fall directly on trustees or committee members. This can be risky if the group takes on financial commitments, though many small groups operate safely without incorporation.

Pros of incorporating:

- Protection for trustees/committee members
- Suitable for organisations with larger risks

Cons of incorporating:

- More regulation and reporting requirements
 - Longer set-up process
 - Higher costs (e.g. accountancy, legal services)
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Disclaimer

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2. How will your organisation be funded?

- Some groups rely on grants and donations.
 - Others generate income by selling goods or services.
 - Certain structures are more attractive to funders, so funding plans should influence your choice.
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3. Will your organisation have voting members?

- Membership organisations allow individuals to vote on leadership and decisions.
 - Larger organisations often use members mainly to elect trustees or directors.
 - Smaller organisations may involve members more actively.
 - Membership structures increase accountability and democratic control.
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4. Will your organisation be charitable?

- A charity is defined in law as an organisation with exclusively charitable purposes, regulated under charity law.
 - Charities must prove they exist for public benefit.
 - “Charity” is not a legal structure itself — you must still choose an appropriate form (e.g. trust, CIO, company limited by guarantee).
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Helping to Decide on a Structure

Decision tools are available from independent resource centres and regulators. These ask key questions and suggest suitable structures based on your answers.

Types of Legal Structure

Unincorporated Structures

Unincorporated Association

- Informal membership organisation.

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- Easy, quick, and cheap to set up.
- No external approval required.
- Suitable for small groups such as arts clubs, campaigning groups, or play schemes.
- Can register as a charity if income exceeds £5,000 and aims are charitable.

Advantages:

- Simple and flexible
- Democratic constitution
- Low cost and minimal reporting

Disadvantages:

- No separate legal identity (cannot own property or enter contracts)
- Committee members personally liable for debts or obligations
- Some funders prefer more formal structures

Charitable Trust

- Established by a trust deed.
- Trustees manage assets for charitable purposes.
- Not a membership organisation.
- Trustees make all decisions and carry responsibility.

Advantages:

- Cheap and simple to establish
- Provides continuity and reassurance to funders
- Suitable for managing property or funds

Disadvantages:

- Trustees personally liable (unincorporated)
- Annual reporting obligations

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- Cannot carry out political or campaigning activities
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Incorporated Structures

Charitable Company

- Limited company with charitable aims.
- Separate legal identity; can own property and enter contracts.
- Members are named and listed in the Company Register.
- Directors act as trustees.
- Must register with both Companies House and the Charity Commission.

Advantages:

- Suitable for larger organisations with assets and staff
- Legal protection for members
- Viewed as stable by funders

Disadvantages:

- Expensive and time-consuming to run
 - Dual regulation (Companies House and Charity Commission)
 - Cannot have political aims
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Charitable Incorporated Organisation (CIO)

- Introduced in 2013 as a charity-specific incorporated structure.
- Two models: Association (membership) and Foundation (trustee-led).
- Registered only with the Charity Commission.

Advantages:

- Incorporated status without dual regulation
- Simplified reporting compared to charitable companies

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**Disadvantages:**

- More regulated than unincorporated structures
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Community Interest Company (CIC)

- Limited company designed for community benefit.
- Must include an “asset lock” to protect community assets.
- Regulated by the CIC Regulator.
- Cannot register as a charity, but charities may set up CIC subsidiaries.

Advantages:

- Lighter regulation than charitable companies
- Asset lock ensures community benefit

Disadvantages:

- Often ineligible for charitable grant funding
 - Cannot become a registered charity
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Community Benefit Society

- Owned by members, but must primarily benefit the wider community.
- Democratic control (one member, one vote).
- Profits reinvested for community benefit.
- Can apply for statutory asset lock.
- May register as a charitable society with the Financial Conduct Authority.

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