



COMMUNITY ACTION
Bradford & District
Making a Positive Change

Choosing a Legal Structure

The first question to ask when choosing a legal structure is *corporated* or *unincorporated*?

Unincorporated groups have no legal status so cannot sign contracts in the name of the group. Instead, the individual committee members or trustees have unlimited liability and can be taken to court, for example if there is an employee or creditor dispute.

Incorporated groups have a legal status so they can sign contracts in the name of the group. Committee members or trustees have limited liability and in most cases it is the group that would be taken to court, for example in an employee or creditor dispute.

Your group is incorporated if it is officially registered as:

- A company limited by guarantee - registered at Companies House
- A charitable company - registered at Companies House and the Charity Commission
- A charitable incorporated organisation - registered at the Charity Commission
- A Community Interest Company (CIC) - registered at Companies House by the CIC Regulator
- A cooperative society or community benefit society - registered by the Financial Conduct Authority

Limited liability does not start until the group is officially registered. You cannot call your group a limited company, charitable incorporated organisation or community interest company before it is registered.

Only organisations that are charitable can call themselves a charity. A CIC is never a charity and should never be described as one.



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Social Enterprise

Social Enterprise is not a legal status. Think of it as an activity instead. The enterprise part is trading. Are you going to sell a service, charge people or organisations, get contracts or investments? If you're not, and you want to be 100% funded by grants, then that's not enterprise, it is being a charity.

In fact many charities are enterprising, trading and are funded by a mixture of different types of funding (not just grants!). This mixture of funding and increase in selling services or goods has been driven by a reduction in public funding and high competition for grants. It is very unusual to find a community group of any kind that is 100% funded by grants and it isn't a realistic ambition for a new organisation.

Groups that trade for social benefit (social enterprises) can use any kind of legal structure. The choice depends on what kind of trading you want to do and who you want to have power and be involved in making decisions.

Social Enterprise UK has guides to [starting a social enterprise](#).

Additional legal status to consider:

[Community Amateur Sports Club status](#)



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