

## UK Private Limited Company FAQs

A private limited company is the most commonly used form of company structure in the UK, accounting for 96% of all corporate bodies. They are relatively straightforward to set up and offer many key advantages. A UK limited company is regarded as a well respected corporate structure.

Below are some of the most frequent questions we are asked:

### What is the basic information we need to provide to incorporate a new UK private limited company?

Details of company name, registered office, articles of association, directors, share capital, initial shareholdings, persons of significant control and a memorandum of association, must be delivered to the Registrar of Companies.

### What requirements are there around selecting a limited company name?

Companies may generally select any name as long as it:

- ends with the word, "Limited" or "Ltd"
- is not the same as or too similar to a name already on the index maintained by Companies House
- does not contain certain restricted or sensitive words, symbols or expressions
- does not give the impression of being connected with the British Government or with a local authority

### Is there a minimum capital requirement on incorporation?

There is no minimum capital requirement on incorporation.

### Are shareholders & directors liable for the debts of the company?

The principal of the corporate veil means that the company is a separate legal entity and shareholders and directors are not liable for debts of the company.

### Must the officers and/or the shareholders be British?

No, there are no nationality or residency requirements for shareholders, directors or officers.

### Must we have a local physical presence?

Yes, there must be a registered office in the UK to which all communications and notices may be addressed. Certain company records (such as the statutory books) must also be kept available for inspection there or at a 'Single Alternative Inspection Location' (also in the UK). Registered office services are frequently provided by third party professional services firms.

### Are there any additional business registration filing requirements?

No, as a general rule there are no separate business registration or general business license requirements. The exception may be if the company is operating in a regulated sector or plans to undertake certain activities in specific industries.

### Is there a requirement to hold shareholder meetings?

A general meeting of shareholders must be called upon the request of shareholders representing at least 5% of the paid-up share capital of the company. Certain key decisions also require shareholder approval, but this may be obtained by written resolution. Other than this, there is no statutory requirement to hold shareholder meetings (subject to any express provision in the company's articles).

### Is there a requirement to hold directors' board meetings?

There is no statutory requirement to hold board meetings. The articles may specify matters which require board approval. Best practice suggests that regular board meetings should be held and articles will commonly make provision for quorum and voting requirements.

### Is there any requirement to minute board meetings?

Most decisions of the board happen informally and without the need for a formally called board meeting. Decisions are made day-to-day and are frequently not formally scheduled or documented.

However, it is best practice to keep a record of key decisions that are made and it is mandatory under s248 of the Companies Act 2006 ('the Act') for a company to document and keep a record of all the minutes of board meetings.

If a company fails to comply with the Act, each officer could be liable on conviction to a fine.

### What are the main statutory corporate filing requirements?

The company must prepare annual accounts covering the previous financial year and deliver these to Registrar of Companies House within 9 months of the end of the financial year. There may be a requirement to have these audited, depending upon the size of the wider corporate group. In that case, the company must appoint an independent auditor who is a member of a recognised supervisory body in the UK.

The company must file a confirmation statement at least every 12 months confirming various information about the company and its officers or otherwise, setting out details of any changes.

There is also a requirement to create and maintain statutory registers and to make event driven filings (for example to reflect changes in the registered office location, share capital, directors and beneficial owners of the company).

## What are the main responsibilities for directors & shareholders?

Directors are responsible for the day-to-day management of the company. They owe fiduciary duties to the company, including a duty to promote the success of the company for the benefit of the shareholders as a whole, and these are outlined in the Companies Act.

Shareholders generally only exercise an indirect influence over the management of the company through their power to appoint and remove directors. Material decisions (such as a change to the articles of association, the issuance of shares or the declaration of dividends) require shareholder approval. The level of shareholder approval required is dependent upon the type of decision being made.

## Is the identity of directors, officers, shareholders & beneficial owners public?

Yes, the identities of directors, company secretary and shareholders (together with details of their respective shareholdings) are publicly available.

Every company is also required to produce, keep and maintain a dedicated register of people with significant control over that company (a PSC register) and this is also publicly disclosed.

## How can we remove a director or officer?

Shareholders always have the power, by a majority vote, to remove directors of a company. The articles of association also usually give authority to the board of directors to remove and appoint directors.

## Is there a quorum requirement for shareholder & board meetings?

In the case of a shareholders' meeting, the minimum number that must be present to make the proceedings of that meeting valid is two (or one in the case of a company with a single member). There is no statutory requirement concerning quorum at board meetings. However, a company's articles will normally stipulate a quorum of two (unless there is a sole director).

## What if we need to increase the share capital?

For companies with only one class of share, further shares may be allotted by the board of directors (if permitted by the articles). Otherwise, allotment of further shares requires the approval of a majority of the shareholders. Capital contributions are not formally recognised under UK law.

Raising capital from the public is prohibited. In order to do this, the company would first need to convert to public limited company (a PLC).

## Are there restrictions on transferring the shares already issued?

Shares are generally capable of being freely transferred, subject to any restrictions contained in the company's articles. These usually take the form of pre-emption rights for existing shareholders and a right of the directors to refuse registration.

## Will we need to change the structure if the business expands?

No, there is no requirement to change the corporate structure or the company registration as the business expands.

## What if we need to exit the UK?

A voluntary strike-off is commonly used where assets and liabilities are negligible.

Liquidation is a more involved alternative which may be needed when debts cannot be paid.

*Updated June 2018. The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.*

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