

### **What is a company director?**

Directors are appointed to manage a company.

### **Who can be a company director?**

Almost anyone can be a director of a limited company, providing they are aged 16 or over, have not been declared bankrupt and are not legally disqualified from being a director.

### **How many directors do I need to form a company?**

The Companies Act 2006 requires a minimum of 1 director for limited companies. There is no limit to the number of directors permitted.

### **Do I have to live in the UK to become a director?**

No, you do not have to be a UK resident to be a director of a limited company.

### **Can a director be another company?**

A corporate body or company can be a director of another company, but it cannot be the only director – there must be at least one other director who is a ‘natural’ person.

### **Does a director have to be a shareholder in the company?**

Directors are not required to own any shares in the company they run, but they are permitted to. Similarly, a shareholder is not required to be a director, but they are allowed to be.

### **What are the main responsibilities of a director?**

Directors are responsible for running a company lawfully and trying to make it successful. They must follow company rules, make decisions for the company’s benefit, maintain records, and file accurate accounts and returns on time. The 2006 Companies Act contains a Statutory Statement covering director’s duties – however this list is not exclusive:

#### **Duty 1.**

To act within powers – laid out in the Memorandum and Articles of Association – and where silent laid out in the Companies Act 2006; acting outside of powers – i.e. Ultra Vires – could result in the director being personally liable for such decisions:

**Duty 2.** To promote the success of the company taking into consideration the following:

The likely consequence of any decision in the long term;  
The interest of the Company's employees  
The need to foster the Company's business relationships

The impact on the community  
The need to foster a good reputation  
The need to act fairly between all the members of the Company

**Duty 3:**

To exercise independent judgement. The cornerstone of the duties of a director and their judgement must not be fettered.

**Duty 4.** To exercise reasonable care, skill and diligence – the Act requires: “the director owes a duty to his company to exercise the same standard of care, skill and diligence that would be exercised by a reasonably diligent person with – a) the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as the director in relation to that company (an objective test) and -:b) The general knowledge, skill and experience that the director actually has (subjective test)

**Duty 5**

To avoid conflicts of interest

**Duty 6**

Not to accept benefits from third parties

**Duty 7**

To declare interests in proposed transactions with the Company so as to avoid conflicts of interest – Duty 5

The above are the main duties but is not an exhaustive list.

**Eligibility**

You must be over 16 years of age to be a director.

**Can I appoint a new director after company formation?**

Shareholders can add a new director at any time after formation.

**Can I remove a director from my company?**

A director can be removed from a company by a majority vote from the shareholders, or disqualified by a court or governing body. If the terms of the director's contract or a shareholders' agreement are breached, a director may be entitled to damages