

## Companies Act 2006

### *What is it?*

The Companies Act 2006 (the Act) is a wholesale revision of company law with virtually no area left untouched.

### *What does it do?*

The Act replaces (with a very few minor exceptions) the Companies Act 1985 – the current “rule book” for companies and their operation.

The aim of the Act is to enhance shareholder engagement and promote a long term investment culture, to ensure better regulation and to make it easier to set up and run a company and to provide flexibility for the future.

A summary of some of the most prominent practical changes in the Act is contained at the foot of this note.

### *How will it affect you?*

Anybody who holds shares in, is a director or secretary of or is in any way responsible for the operation of any corporate body within the UK is likely to find that some aspect of what they do or the documents that they refer to is changing as a result of the Act.

### *How can we help?*

Our aim is to make the transition from old to new as smooth as possible for our clients. We will be keeping you updated as and when relevant parts of the Act are due to come into force and will provide details of the practical implications of the changes. When the relevant provisions come into force, we will also ensure that any newly incorporated companies are compliant with the Act.

We are here to help – if at any time you have any questions or require any information please contact either [Alexia Rock](#) or [Kelly Whitfield](#).

## Summary of Changes

The table below highlights in brief some of the most notable practical changes to be implemented by the Act. If there is any area which is of particular concern to you (whether or not it appears below) please get in touch with us and we will let you know how it will affect you and what you need to do.

| <i>Area of Change</i>            | <i>Details and Impact of Change</i>   |
|----------------------------------|---|
| Directors' Duties                | The Act stipulates certain factors which directors <u>must</u> consider, and must <u>evidence</u> that they have considered, when making decisions. This issue has received significant press coverage and will be the subject of a specific update prior to the relevant provisions coming into force. |
| Minority Shareholder Rights      | Existing company law gives shareholders the right to bring actions on behalf of a company against directors where there has been a breach of duty – the Act extends this right and makes it more accessible.  |
| Electronic Communications        | The Act encourages the greater use of Electronic Communications in order to promote communication between shareholders and companies. It is also anticipated that this will result in cost savings for companies. This will be the subject of a specific update within the next few weeks.              |
| Company Constitutional Documents | The form and content of a company's main constitutional documents - the Memorandum and Articles of Association - is to change.  |
| Company Secretary                | The requirement for private companies to have a Company Secretary will be removed.  |
| Written Resolutions              | Written Resolutions will no longer require unanimity - the relevant majority depending on the type of resolution being passed (ordinary, special etc) will be all that is required.   |