

Unincorporated associations

Unincorporated association status is usually chosen when a number of individuals agree or "contract" to come together for a common purpose - which may be of a social nature.

How unincorporated associations operate

Unincorporated associations are run informally. They are relatively straightforward and cost nothing to set up. They make their own rules for running the organisation and set these down in a democratic constitution. A management committee is elected to run the organisation on behalf of the members.

Unincorporated associations do not need to register with or be regulated by either Companies House or the Financial Services Authority. They enjoy greater freedom of operation than a company. For example, they don't have to submit annual returns.

If an unincorporated association has **charitable objects** (or aims), it can apply to the Charity Commission for charitable status. Upon approval it will have to comply with the Commission's regulations

Unincorporated associations may also have trading or business objectives or carry on commercial activities.

Although an unincorporated association cannot own property, it may be able to set up a trust to legally hold ownership of property and assets for the community they are intended to benefit.

Personal risk

Unincorporated associations have **no separate legal identity**. This means that their members will have to sign loans and contracts as individuals and carry the risk of personal liability.

This form is unlikely to offer a long-term solution if you intend to sign contracts or expand the enterprise. You should consider incorporation if you intend to:

- take on employees
- raise finance, apply for grants or open bank accounts
- issue shares
- enter into large contracts
- take on a lease or buy freehold property

This should help you to gain access to a wide range of financing sources that will not put your personal assets at risk.