Directors' Duties and Responsibilities

If you are currently a director, or are considering becoming one, it is important to understand that being a company director carries significant legal responsibilities. While accountants and other advisers can help you meet many of your obligations, ultimate responsibility for the management and compliance of the company remains with its directors.

General Duties of Directors

The Companies Act 2006 sets out a number of general duties that all directors must follow. In summary, directors must:

1. Act within their powers and ensure the company operates in accordance with its Articles of Association and governing documents.
2. Promote the success of the company for the benefit of its shareholders as a whole, whilst having regard to matters such as:
   - employees;
   - customers;
   - suppliers;
   - the wider community;
   - the environment; and
   - the long-term consequences of business decisions.
3. Exercise reasonable care, skill and diligence when performing their duties.
4. Exercise independent judgement and make decisions in the best interests of the company.
5. Avoid conflicts of interest, or situations where personal interests may conflict with the interests of the company.
6. Declare interests in transactions or arrangements where appropriate.
7. Not accept benefits from third parties which could compromise their duties as a director.
8. Act honestly and with integrity at all times.
9. Monitor the company's financial position and take appropriate action if the company experiences financial difficulties. Continuing to trade when there is no reasonable prospect of avoiding insolvency may result in personal liability.
10. Comply with the Companies Act 2006 and all other applicable legislation and regulations.

Personal Liability

Directors can, in certain circumstances, become personally liable for their actions or decisions.

Examples include:

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- Wrongful or fraudulent trading under the Insolvency Act 1986.
- Breaches of Health and Safety legislation.
- Environmental and waste management offences.
- Breaches of company law, tax legislation or other regulatory requirements.

Serious breaches may lead to financial penalties, criminal sanctions, personal liability and/or director disqualification.

Company Records

Directors are responsible for ensuring that the company maintains accurate and up-to-date records.

This includes both statutory company records and accounting records.

Statutory Records

The company must maintain records relating to:

- Directors and officers.
- Shareholders and Persons with Significant Control (PSCs).
- Share allotments and share transfers.
- Charges, mortgages and security granted by the company.
- Shareholder resolutions and decisions.
- Certain company agreements and indemnities.

Directors must ensure that information held by Companies House remains accurate and up to date.

Accounting Records

Directors must maintain adequate accounting records that show and explain the company's transactions.

These records should include:

- Money received and paid by the company.
- Assets owned by the company.
- Debts owed by and to the company.
- Purchases and sales.
- Stock and inventory where applicable.
- Supporting documentation such as invoices, receipts and bank statements.

Directors must also retain any records, calculations and supporting information required to prepare company accounts and Corporation Tax returns.

Record Retention

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Company records should normally be retained for at least six years from the end of the accounting period to which they relate.

Records may need to be retained for longer where:

- transactions span more than one accounting period;
- assets have been purchased with a useful life exceeding six years;
- tax returns have been submitted late;
- HMRC has opened an enquiry or compliance check;
- another legal or regulatory requirement applies.

Failure to maintain adequate records can result in penalties, criminal sanctions and, in serious cases, director disqualification.

Confirmation Statements

All limited companies must file a Confirmation Statement (CS01) with Companies House at least once every 12 months.

The Confirmation Statement confirms that information held at Companies House is accurate, including:

- Registered office address.
- Directors and officers.
- Shareholders and PSCs.
- Share capital.
- SIC codes.

Failure to submit a Confirmation Statement can result in Companies House taking action against the company, including prosecution and the eventual striking-off of the company from the register.

Companies House Identity Verification

Under the Economic Crime and Corporate Transparency Act, Companies House is introducing identity verification requirements for directors and certain other individuals.

Directors should ensure they understand and comply with any applicable identity verification requirements and filing obligations.

Displaying Company Information

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The company must display its name and required statutory information in accordance with company law requirements.

This includes business correspondence, invoices, websites and other official communications.

Generally, these should include:

- The company name.
- Company registration number.
- Registered office address.
- Country of registration.
- The fact that the company is a limited company (e.g. Limited or Ltd).

Changes That Must Be Reported

Directors are responsible for ensuring that Companies House and HMRC are notified of relevant changes within the required statutory deadlines.

Examples include:

- Changes to directors.
- Changes to PSCs.
- Changes to the registered office.
- Changes to company officers.
- Certain changes to share capital.
- Changes to where statutory records are maintained.

Timescales vary depending on the type of change.

Data Protection and Cyber Security

- Directors should ensure the company has appropriate arrangements in place to:
- Protect personal and business data.
- Comply with UK GDPR and data protection legislation.
- Protect systems from cyber threats.
- Safeguard confidential information.

This responsibility cannot be delegated entirely to advisers or software providers.

Anti-Money Laundering and Regulatory Compliance

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Directors are responsible for ensuring that the company complies with all relevant legal and regulatory obligations applicable to its activities, including anti-money laundering requirements where applicable.

In Summary

As a company director, you are responsible for:

- Acting in the best interests of the company.
- Maintaining accurate records.
- Ensuring compliance with company law and tax obligations.
- Filing information with Companies House and HMRC on time.
- Managing company finances responsibly.
- Protecting company assets and information.
- Monitoring the company's solvency.
- Ensuring the company operates legally and ethically.

While Caroola Accountancy can assist with many administrative, accounting and compliance requirements, the legal responsibility for the company and its affairs always remains with its directors.

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