



Services Limited  
*helping you work*

*helping you work*  
*series*

# 7 Duties of a Company Director

Companies House

**All the most important  
detail all in one place**



45 East Street, Blandford Forum, Dorset DT11 7DX

[www.cba-services.co.uk](http://www.cba-services.co.uk)

01258 840306

## Contents

- Being a director
- The 7 duties:
  - Your company's Constitution
  - Promote the success of the company
  - Independent judgement
  - Exercise reasonable care, skill and diligence
  - Avoid conflicts of interest
  - Third party benefits
  - Interests in a transaction
- Keeping a record
- Useful Links



Companies House

As a director you are legally responsible for running the company and making sure information is sent to Companies House on time, including:

- The Confirmation Statement
- Annual accounts
- Any change in your company's officers or their personal details
- A change to your company's registered office
- Allotment of shares
- Registration of charges (mortgage)
- Any change in your company's people with significant control (PSC) details.

## **The 7 Duties**

As a director you must perform a set of 7 duties under the Companies Act 2006:

1. Company's constitution
2. Promote the success of the company
3. Independent judgement
4. Exercise reasonable care, skill and diligence
5. Avoid conflicts of interest
6. Third party benefits
7. Interests in a transaction

## **Company's Constitution**

You must follow the company's Constitution and its Articles of Association. These are written rules about running the company, agreed by the members, directors and company secretary. You need to be familiar with the Articles of Association as they may restrict your decision-making powers.

The Constitution sets out what powers you have as a director, and the purpose of those powers.

## **Promote the success of the company**

You must act in the company's best interests to promote its success. Larger companies with more than 250 employees will have to explain how they have done this in their annual report.

The duty states that a director must act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole.

When doing this you should think about the:

- consequences of decisions, including long term
- interests of its employees

- need to support business relationships with suppliers, customers and others
- impact of its operations on the community and environment
- company's reputation for high standards of business conduct
- need to act fairly to all members of the company

If your company becomes insolvent, your responsibilities will transfer to the creditors.

### ***Independent judgement***

You must not allow other people to control your powers as a director, and must develop your own informed view on the company's activities. You can accept advice but must use your own independent judgement to make final decisions.

### ***Exercise reasonable care, skill and diligence***

You must perform to the best of your ability. The benchmark is that of a reasonably diligent person with the general knowledge, skill and experience that could reasonably be expected from a person carrying out the director's functions. The more qualified or experienced you are, the greater the standard expected of you.

You must use any relevant knowledge, skill or experience you have.

### ***Avoid conflicts of interest***

You must avoid or manage situations where your loyalties or objectivity may be divided.

Any possible conflict of interest must be told to other directors and member, and you must follow any process set out in the company's Articles of Association. It will be up to the other non-conflicted board members to decide how to manage or approve the conflict to maintain the integrity of the board's decision-making process.

Even if you are no longer a director, this duty will continue to apply. You must not take advantage of any property, information or opportunity you become aware of as a director.

### ***Third party benefits***

You must not accept benefits from a third party that are offered to you because you are a director, as this could cause a conflict of interest. The company may allow you to accept benefits such as reasonable corporate hospitality if it is clear there is no conflict of interest.

### ***Interests in a transaction***

You must tell the other directors and member if you might personally benefit from a transaction the company makes, such as if the company plans to enter into a contract with a business owned by a member of your family.

### **Keeping a Record**

To prove that you have fulfilled these legal duties you must keep a record. Minutes of board meetings provide a record of the board's decision-making process. Minutes must be kept for 10 years as they can provide vital evidence that your duties have been fulfilled.

### **Useful Links**

<https://www.gov.uk/guidance/being-a-company-director>







**Services Limited**  
*helping you work*

CBA Services Limited offer friendly tax and accountancy advice. A bespoke service tailored to each client's needs at a realistic cost.

Business help includes Company Annual Returns, Corporation Tax, Accounts, VAT Returns, Payroll/PAYE, Bookkeeping and CIS.

Personal client help includes tax compliance issues, capital gains, inheritance tax queries and the administrative management of wills/estates and trusts.

**Email:** [catherine@cba-services.co.uk](mailto:catherine@cba-services.co.uk)

**Web:** [www.cba-services.co.uk](http://www.cba-services.co.uk)

**Telephone:** 01258 840306

**Visit:** 45 East Street, Blandford Forum, Dorset DT11 7DX

