

Short business guide to the duties of a director

Sonya Bassett, Partner and Head of Corporate & Commercial at **Coodes Solicitors** outlines the duties of a company director, specified in the Companies Act 2006.



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- 1 A duty to promote the success of the company**

Directors must act in the way that they consider is most likely to promote the success of the company for the benefit of its members as a whole. If the interests of the members conflict with the interests of the company then directors may need to take professional advice.
 - 2 A duty to act within your powers**

Directors must act in accordance with the company's constitution. They will be in breach of their duties if they exercise any power for a purpose other than that which it was given, even if they act in good faith.
 - 3 A duty to exercise independent judgement**

Directors should exercise their judgement in deciding whether or not to follow external advice.
 - 4 A duty to exercise reasonable care, skill and diligence**

Directors must use a reasonable level of care, skill and diligence and any specialist expertise they have to perform their role.
 - 5 A duty to avoid conflicts of interest**

Directors must avoid situations in which they have a direct or indirect interest that could conflict with the company's interests. That applies, in particular, to the exploitation of property, information or opportunity.



Our Offices

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Elizabeth House
Castle Street
Truro TR1 3AP
t 01872 246200

St Austell Business Park
Carclaze
St Austell PL25 4FD
t 01726 874700

6B Falmouth Business Park
Bickland Water Road
Falmouth TR11 4SZ
t 01326 318900

6 Cheltenham Place
Newquay TR7 1DQ
t 01637 878111

8 Race Hill
Launceston PL15 9BA
t 01566 770000

4 Bodmin Street
Holsworthy
Devon EX22 6BB
t 01409 253425

10 Windsor Place
Liskeard PL14 4BH
t 01579 347600

The Guildhall
Street-an-Pol
St Ives TR26 2DS
t 01736 339333

49 - 50 Morrab Road
Penzance TR18 4EX
t 01736 362294



6 A duty not to accept benefits from third parties

Directors must not accept any benefits, including bribes, from individuals or organisations outside the business in relation to their role.

7 A duty to declare any interest in proposed or existing transactions or arrangements with the company

Directors must declare to the other directors the nature and extent of any interest they have in a proposed or existing transaction or arrangement with the company.

8 A duty of confidentiality

This common law duty overlaps with the duties on directors to promote the success of the company, to avoid conflicts of interest and not to exploit their position for their personal benefit.

9 Duties that arise in an insolvency situation

There are a number of duties that arise when the company is in an insolvency situation. Directors in this situation should take professional advice.

10 A duty to keep company records

It is the directors' duty to keep company records and report any changes to Companies House and HM Revenue and Customs (HMRC), to ensure that the company's accounts are a true and fair view of the business' finances, to file the accounts with Companies House and the company's tax return with HMRC and to maintain the Persons with Significant Control Register (PSC).

11 A duty to pay Corporation Tax

While businesses may hire other people to manage the company records, (e.g. an accountant), the directors are responsible for ensuring that Corporation Tax is paid.

12 PSC (Person with Significant Control) Register

The PSC regime came into effect in the UK on 6th April 2016. This requires most UK companies to maintain a PSC register. Failure to do so is a criminal offence. What constitutes PSC is set out in statute and can include a company or LLP rather than an individual. Our recent blog gives more detail on this.

For more information on this or any business enquiries contact

Sonya Bassett, Head of Corporate & Commercial

01736 362294

sonya.bassett@coodes.co.uk

coodes.co.uk