

IBB Charities Team 5 minute guide to...

Charitable Incorporated Organisations

What is the issue?

The Charitable Incorporated Organisation (“CIO”) is a new legal structure with incorporated form specifically designed for charities and was one of the most widely welcomed changes introduced by the Charities Act 2006. The Act itself only provided the skeleton legal framework and much of the detail must be dealt with in secondary legislation. The introduction of the CIO has been met with significant delays (it was expected to be up and running in early 2010) and there is now some doubt as to whether the Charity Commission will be given sufficient resource to introduce the new scheme at all.

The structure of a CIO – in outline

The CIO will be an incorporated body which will benefit from the protection afforded by limited liability. The significant difference to a limited company structure is that the body will only need to register with the Charity Commission and will not also have to cope with the purported burden currently borne by charitable companies of dual registration at Companies House.

When it is brought into force there will be two types of CIO – a Foundation model and an Association model. In the Foundation model, the charity trustees will be the only members of the CIO. In the Association model the members will be drawn from a wider group than simply the trustees and the two bodies will be distinct.

The CIO will be open to new charities wishing to establish and also to existing corporate forms of charities eg charitable companies and Industrial & provident Societies.

A CIO may be suitable structure where the charity expects to: own land in its own name, control substantial funds or assets, undertake any liabilities or engage employees and enter into contracts.

Where are we now?

A first draft of the necessary secondary legislation was produced at the end of 2008 and there followed a three month consultation with the sector. The response to the consultation was published in September 2009. Inevitably, a legal structure which is regulated by the Charities Act 2006, the Companies Act 2006, and three sets of secondary legislation is not the simple easy-to-use system that we had all hoped the CIO would be.

Should charities continue to wait?

With the public finances severely constrained and the Commission likely to have to make further cuts it seems to us unlikely that the CIO will be available any time soon. We would therefore recommend that any charity which has been wanting to ‘incorporate’ to benefit from limited liability and corporate status, should not continue to hold out for the CIO but consider the traditional form of a limited company structure instead.



If you would like to talk to us about the issues raised by this note, please contact:

Tim Rutherford
01895 207828
tim.rutherford@ibblaw.co.uk

Peter Burnett
01895 207887
peter.burnett@ibblaw.co.uk

Jo Coleman
01895 207809
Jo.coleman@ibblaw.co.uk

IBB Solicitors
Capital Court
30 Windsor Street
Uxbridge UB8 1AB
Tel: 08456 381 381
Fax: 08456 381 351
www.ibblaw.co.uk

This briefing note is only intended to provide general guidance and is not intended to constitute legal advice. © IBB Solicitors 2010