



Sports Clubs – Legal Structures

Sports clubs can typically choose to operate as one of the following legal structures:

- Unincorporated Association
- Company Limited by Guarantee
- Industrial and Provident Society
- Charitable Incorporated Organisation

Unincorporated Association

This is a group of people who get together to form a club, put together a set of rules called a constitution, appoint a committee to run the club. The word 'unincorporated' means that the association is not a corporate (company) body. This is the most common legal structure found in the UK for sports clubs.

This is the simplest form of club structure and benefits from being the easiest to run and operate. It is important to note that the club has no legal status, i.e. it does not exist in law and therefore cannot take legal action or be sued itself.

The disadvantage of an unincorporated association is that the members of a club have an unlimited liability for the debts of the club. It would typically be the members of the committee who would be liable in the first instance. It is important to note that this type of liability cannot be covered by any type of insurance and members of a club should therefore ensure that they assess their exposure to any risk that might result in the club finding itself with a bill it cannot pay and the committee members being liable for the debt.

We would recommend that clubs consider looking at a limited company structure if they carry out any of the following:

- Engaging the services of self-employed workers
- Paying for the services of overseas players/coaches
- Employing staff/casual workers (running a payroll)
- Considering signing any form of long-term contract (e.g. a lease, employment contract)
- Providing services for members of the public (e.g. tournament, event)
- Hiring out their facilities to the public

Please note that this is not an exhaustive list of possible considerations but covers the main areas.

Limited Company by Guarantee

A club can form or convert into a limited company by guarantee, enabling the club to become a legal entity in its own right. It is known as a company limited by guarantee because the members of the club join the limited company and guarantee a nominal sum in the event that the club cannot meet its debts (usually £5 or less). This structure therefore protects the members from the unlimited liability risk that unincorporated associations attract.

If your club is not incorporated you need to consider what would happen and who would be responsible if a legal claim was brought against it. Any legal claim could be brought against one or more of your committee members or trustees, who might be personally liable if the club has insufficient assets or insufficient insurance to meet the claim.

You and your club need to ask yourselves whether or not it is wise to remain as an unincorporated association. If you do it is important to ensure that your club's rules protect, in so far as this is possible, both officers and members from personal liability, that the club carries adequate insurance to cover potential liabilities and that systems are in place to ensure the proper management of the club.

One of the other complications for an unincorporated club is that any property owned must be held by trustees on the club's behalf and any change of trustees requires a transfer to whoever is appointed as replacement. Incorporating your club as a company limited by shares, guarantee or as an industrial and provident society makes sense

Industrial and Provident Society

Clubs can form as an Industrial and Provident Society (IPS), also known as a Mutual Society. An IPS is a less formal type of limited company overseen by the Financial Services Authority that also provided limited liability protection to members. The excellent Help for Clubs Sport Scotland web site outlines the benefits as follows:

In most instances, the structure, management and governance of the club remains entirely unchanged by converting to Mutual status. Control remains with the members. A few technical changes to the rules may be required.

Mutual status does confer limited liability on the members, and establishes the club as a legal entity in its own right, capable of entering into contracts as a corporate body. In many instances, this will be a cheaper and more flexible route than incorporation as a Company Limited by Guarantee.

One significant advantage an IPS has over a company limited by guarantee is that any assets owned are automatically transferred, making a significant difference to the legal bill involved.

Charitable Incorporated Organisation

A charitable incorporated organisation, or CIO, is a new legal form for a charity and is an incorporated form of charity which is not a company and only has to register with the Charity Commission and not Companies House.

How we can help

For further guidance or to see how we can help your club please contact:

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