



FAQ

Tell me more about my duties as a director of a company

Directors General Duties

The role of a director is to strategically and operationally manage the company's business and to ensure that the company complies with its legal obligations. As a director, you will also be required to attend board meetings and steer the board on decisions in order to promote the success of the company.

A duty to act within your powers (section 171, CA 2006)

You must only exercise your powers in line with the company's constitution. A company's constitution is generally made up of its articles of association and resolutions. It can also include private agreements between shareholders of the company (i.e. any shareholders' agreements, put and call option agreements and other relevant arrangements).

As a director, it is important to familiarise yourself with all such relevant documents which make up a company's constitution. You will need to ensure that all decisions are taken in accordance with the rules set out in the constitution.

Under the Companies Act 2006 (CA 2006), there are a number of general duties which directors of limited companies must adhere to. Your duties as a director are owed to the company that you are a director of.

IMPORTANT - The information below is for general guidance only so we recommend you speak to us before you sign any leasing contracts so that we can tailor our advice to your particular circumstances.



A duty to promote the success of the company (section 172, CA 2006)

This is a key duty which provides that you must make decisions in a manner which will promote the success of the company. You will need to focus on the broad consequences of your decision and whether the decision is generally in the best interests of the company in the broad sense.

Generally, you should ensure that you are acting in good faith and to carefully consider the long-term implications of the decision, the impact on the company's shareholders and employees and the impact on the reputation and standing of the company. For this purpose, it is also prudent to record what factors, information and documentation you have taken into account in reaching your decisions by way of written minutes of the relevant meeting.

A duty to exercise independent judgment (section 173, CA 2006)

You must exercise your own independent judgement and must not hamper your own discretion. This duty does not preclude you taking professional advice, however it is important that you, as a director, follow your own judgement after receiving professional advice.

A duty to exercise reasonable care, skill and diligence (section 174, CA 2006)

You must ensure that you exercise the same care, skill and diligence that would be exercised by a reasonable person. The level of care, skill and diligence expected of you as a director is the same which would be required of any person with your level of knowledge and experience. If you have any additional professional qualifications, it may be the case that a higher standard of care, skill and diligence is expected of you.

A duty to avoid conflicts of interest (section 175, CA 2006)

You must ensure that you do not place yourself in a position where there is a potential conflict of interest (either direct or indirect) between the duties owed by you to the company that you are a director of and any personal interest or any duties/interests you owe to third parties.

If you believe that there is a possible conflict of interest, it is important that you seek approval from the company (or the company's shareholders) and act in accordance with the company's constitution. It may be the case that the articles of association make provision for situations where a conflict of interest arises.

A duty not to accept benefits from third parties (section 176, CA 2006)

You must not accept a benefit from a third party which is conferred upon you because you are a director of a company. This may not preclude you from accepting a benefit from a third party which would not reasonably be regarded as giving rise to a potential conflict of interest.

A duty to declare any interest in a proposed or existing transaction or arrangement with the company (sections 177 and 182, CA 2006).

You must declare any interest in a proposed transaction or arrangement or an existing transaction or arrangement. This must be done before the transaction is entered into. It is possible that your duty will not be infringed if the interest cannot reasonably be regarded as likely to give rise to a conflict of interest or if you are unaware that you have the interest or the other directors are already (or ought reasonably to be) aware of it.

It is however important that you review and understand the company's constitution, as different rules can apply to different companies, and ask for professional advice if there is any uncertainty.



If you breach or fail to comply with a general duty, the company can take action to remedy your breach or failure, including seeking an injunction, damages or compensation. A criminal fine can also be imposed if you have been found to breach your duties as a director.

It is therefore crucial that you understand the duties and act in a manner which is consistent with them. If you have any further queries or need any additional guidance, please do not hesitate to get in touch.