



Companies Act Update 2006

Under-age and corporate directors

New provisions come into force on 1 October 2008 regarding corporate and under-age directors. With effect from that date:-

- All companies will be required to have at least one director who is a natural person (although that natural person need not be domiciled in the UK)
- There will be a new minimum age for appointment as a director of 16 years

The new requirements ensure that as from 1 October 2008, every company will have at least one individual who can, if necessary, be personally held to account for the company's actions.

Corporate directors

Currently the law is flexible, in that it allows all legal persons (for example, other companies) to be company directors in the same way as if they were individuals. The Government takes the view that this flexibility has sometimes been abused. For example, those intending to commit fraud may use a company with corporate directors to help obscure the identity of the individuals involved. The Government decided that an outright ban on corporate directors might harm those companies which make use of the current flexibility for entirely legitimate reasons and, accordingly, decided against an outright ban on corporate directors. Instead, as from 1 October 2008, all companies must have at least one director who is a natural person. There is, however, a grace period until 1 October 2010 for any company that did not have at least one director who was a natural person on 8 November 2006 (the date the Act received Royal Assent).

Under-age directors

Currently there are no age limitations regarding who can be appointed as a director, the former 70-year age limit for directors of plc's and subsidiaries of plc's having been removed by the Act on 6 April 2007.

However, from 1 October 2008, there will be a new minimum age for appointment as a director of 16 years. The new requirement applies to all companies and any appointment made in contravention of the prohibition will be void. Further, any existing directors who are under-age on 1 October 2008 will automatically cease to be a director on that date (in such cases, the

company must amend its register of directors but it does not have to inform Companies House).

The new provision does not prevent the appointment of a younger person provided that the appointment does not take effect until that person is 16.

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