

What is a Guarantee Company?

A company limited by guarantee is an alternative type of incorporation used primarily for non-profit organisations that require corporate status. A guarantee company does not have a share capital, but has members who become guarantors instead of shareholders. The guarantors give an undertaking defined in the Articles to contribute a nominal amount towards the winding up of the company in the event of a shortfall upon cessation of business.

A guarantee company cannot distribute its profits to its members, and is therefore eligible to apply for charitable status if necessary.

Common uses of guarantee companies include clubs, membership organisations, sports associations and charities.

Key Points

- Non-profit corporate entity – assets or financial surplus cannot be distributed to members
- A Guarantee Company is not owned by its members and cannot be transferred by its members for value – it has no share capital
- Suitable for clubs, membership organisations, sports associations etc.
- Can apply for charitable status
- Members have limited liability
- Can be incorporated in most circumstances within hours
- Some input required from client to establish main objects

Ordering a Guarantee Company

Orders can be placed online on our usual order pages as with any other company. In common with all our incorporations our Articles of Association for Companies Limited by Guarantee have been fully updated to comply with the Companies Act 2006. As these companies are usually for very specific purposes we will discuss objects clauses with you following receipt of your order to ensure the company's Articles fully reflect its purpose.