

Bolt Burdon Commercial Enews – 13 November 2006

The Companies Act 2006

Last week, the Companies Act 2006 received Royal Assent. This is the most significant and wide-ranging piece of new legislation to affect company administration and corporate governance for over 20 years and represents an attempt by the Government to drag UK company legislation kicking and screaming into the 21st century.

The stated aims of the new legislation are as follows:

- to improve shareholder engagement and thereby encourage a culture of long-term investment in UK companies;
- to develop and ensure better quality, and more efficient, regulation of companies - especially smaller companies;
- to make the process of establishing and running a company administratively much easier and so less costly; and
- to allow all companies (and, particularly, smaller companies) much greater flexibility in terms of how they operate and how they are regulated - in short, to reduce 'bureaucracy'.

Following the publication of the Government's original White Paper and the subsequent lengthy consultation on (what was) the Company Law Reform Bill, some of the proposed changes have proved to be more controversial than others. For example, the various duties that are imposed on company directors and which have (up to now) developed through a combination of common law principles and judicial decisions, will be 'codified' in the new legislation. This is an attempt to make company directors more accountable to shareholders for the management decisions that they make. However, this aspect of the legislation has been widely criticised, in some quarters for being completely unnecessary and yet by others for not going far enough to address the issue of directors' accountability. This topic, and certain other aspects of the new Act, will be covered in future e-bulletins.

It will be some time before the new Act becomes fully applicable to all companies. Further consultation, on how the new legislation will apply to existing companies and how the various provisions of the new Act will be implemented in practice, will take place during the early part of next year and it may not be until October 2008 that all the provisions of the new Act are fully in force.

However, what is clear now is that the Companies Act 2006 will impact on every aspect of running a company – from basic administration through to management decision-making and accountability. Watch this space for more updates.

If you would advice on the potential impact of the new legislation on your company, or on any other corporate or commercial law issue, please contact Matthew Miller: matthewmiller@boltburdon.co.uk or 020 7288 4739. Or, for further details of the services we provide to our range of business and private clients, please visit our website at: www.boltburdon.co.uk

© Bolt Burdon, 16 Theberton Street, Islington, London N1 0QX, Tel 020 7288 4700. Regulated by the Law Society. Authorised and regulated by the Financial Services Authority. To stop receiving Your Business, please reply stating 'unsubscribe'.