

## **Abolition of sole corporate directors**

As a result of legislation contained within the Companies Act 2006, the use of sole corporate directors was abolished on 30th September 2010. The Companies Act 2006 states that in situations where there is a single corporate director, that officer must be a "natural person". A natural person is defined as an individual human being, i.e. not a company. Where a corporation is presently the sole director of a business, a natural person would be required to be appointed.

After 30th September 2010, companies without a 'natural person' acting as a director will be in default and subject to fines from Companies House. Furthermore, companies with a natural person acting as a company secretary with only a corporate director will also be in default.

The reason behind this change is to ensure that there is at least one individual who can be held responsible and accountable for the company's actions. This is provided under section 155 of the Companies Act.

Companies would be required to amend the Register of Directors to reflect the fact that the appointment has ceased. Companies without an eligible director will be in default and will need to appoint at least one director to remedy the position. The company will be in default and may be subject to penalties for failure to comply, which includes fines up to £5000 for both company and officers in default plus daily default fines. The Secretary of State also has power to issue a direction requiring the company to comply with this section. A company without an eligible director may also find it difficult to operate as the company may be considered not to be in good standing.

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