



Unincorporated vs Incorporated Legal Structures

We Support all different types of organisations however one question we get asked from some of our small groups is 'when do we move from unincorporated to becoming a legal structure'?

We've pulled together some useful information about this to help groups make an informed decision.

Unincorporated vs. Incorporated Legal Structures

What is an 'unincorporated' group?

An unincorporated group is legally understood as a collection of individuals. This means that an unincorporated group has no legal identity outside of the people who are on its management committee.

As a result, the members of an unincorporated group are personally liable for the group's actions. If you are part of an unincorporated group, you should be aware of this liability and carefully assess the risks you face.

Unincorporated groups cannot enter into contracts in their own right. Instead, a member must enter the contract in their own name.

An unincorporated structure is most appropriate for groups which:

- Have low incomes
- Do not intend to employ staff or acquire property

What is an 'incorporated' group?

An incorporated group is legally understood as a group which has its own legal entity. In other words, incorporated groups have legal standing that is similar to that of a person.

This means that members of incorporated groups are not personally liable for the group's actions. It also means that the group can enter into contracts in its own name.

Incorporated structures are most appropriate for groups which:

- Intend to trade or raise large sums of money
- Intend to enter into large, legally binding contracts
- Employ staff

Incorporated vs unincorporated at a glance

This table summarises the key differences between incorporated and unincorporated groups.

	Unincorporated	Incorporated
Liability and risk	Members are liable for the group's action, may have to meet debts and any legal action against the group will, in reality, be against members themselves. This means members may take on significant risk.	Individual liability is limited and risk for each member is reduced.
Ownership	Unincorporated groups cannot enter into contracts or own property in their own right.	Incorporated groups can own property and enter into contracts in their own right.
Cost	Low or limited start-up cost.	Incur annual and start up costs to create and run the group. How much fees cost depends on type of incorporated structure.
Regulation	Not regulated by any legal body (unless a registered charity).	Regulated by at least one, possibly two, legal bodies. This increases administrative burden and requires more of committee members.

If you're not sure whether you should be incorporated or unincorporated, please get in touch with us via enquiries@communityactionsutton.org.uk