

Directors of private limited companies currently have seven key duties to carry out that are defined in Sections 171 to 177 of the Companies Act 2006, each of which we have explained below;

1. DUTY TO ACT WITHIN POWERS

A director must use his powers according to the company's constitution and only exercise those powers for the purpose for which they are given.

2. DUTY TO PROMOTE THE SUCCESS OF THE COMPANY FOR THE BENEFIT OF ITS MEMBERS

Directors must consider:

- ◆ the consequences of any decision made in the long term
- ◆ the impact of operations on the community and the environment
- ◆ the interests of the company's employees
- ◆ maintaining the reputation of the company through high standards of business conduct

3. DUTY TO EXERCISE INDEPENDENT JUDGEMENT

Directors must exercise independent judgement and make their own decisions, they must act in the best interests of the company as a whole and not be influenced by one shareholder or a smaller group.

4. DUTY TO EXERCISE REASONABLE CARE, SKILL AND DILIGENCE

A director must exercise the knowledge, skill and experience that would be expected by a reasonably diligent person carrying out the same functions in relation to the company. There is also a higher standard expected if they have a skill or experience that can be used to benefit the company.

5. DUTY TO AVOID CONFLICTS OF INTEREST

A director is obligated to promote the interests of the company above and apart from their own personal interests by avoiding situations in which there may be potential or actual conflicts of interest.

6. DUTY TO NOT ACCEPT BENEFITS FROM THIRD PARTIES

Directors must not accept any benefit if it was offered because of the director's position or because of anything they may do or not do as a director. However if there is no potential conflict of interest, benefits that are used to build relationships can be accepted, however it is always advisable to have a company policy in place to provide a clear standard.

7. DUTY TO DECLARE AN INTEREST IN A PROPOSED TRANSACTION OR ARRANGEMENT

If a director is directly or indirectly interested in a transaction or arrangement with the company they must declare this to the other directors so they can either approve the arrangement, or disallow the conflicted director's involvement in the relevant decision making process.

All the above duties apply even if:

- you are not active in your role as director
- someone else tells you what to do
- you act as a director without being formally appointed as one
- you control a board of directors without being on it

If you are unsure about any of these duties, we would suggest you seek legal advice before commencing a role as a director. Please contact s.freeman@laceysolicitors.co.uk and we would be more than happy to discuss this further with you.

