



**COMMUNITY
INTEREST
COMPANIES**

**Office of the Regulator of
Community Interest Companies**

**Regulator's status, role, function
and location**

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Status

The Regulator of Community Interest Companies is an independent statutory officeholder appointed by the Secretary of State for Department of Business and Trade (DBT) under the Companies (Audit, Investigations and Community Enterprise) Act 2004 ("the Act"). The Regulator's functions are set out in the Act and the Community Interest Company Regulations 2005 ("the Regulations").

The first Regulator of Community Interest Companies in Great Britain was appointed from 1 April 2005 and the Regulator's office was opened to receive applications on 1 July 2005 when the legislation came into force.

The Companies Act 2006 (Commencement No. 2, Consequential Amendments, Transition Provisions and Savings) Order 2007 came into force on 6th April 2007 making it possible to form, or to convert to, a community interest company in Northern Ireland.

The Community Interest Company (Amendment) Regulations 2009, in the main, contain provisions to enable Scottish charities to convert to a CIC; for a CIC to convert to a permitted industrial and provident society; and some minor changes to the statutory articles in Schedules 1, 2, & 3 of the Regulations.

The Regulator's Office is financed by DBT under Schedule 3(6) of the Act. The statutory fees, for considerations and determinations by the Regulator, are paid to the Registrar of Companies under Regulation 36 of the Regulations. The Registrar of Companies, by virtue of section 57 of the Act, pays the monies collected into the consolidated fund.

All statutory documents required to be delivered under the Companies Act 1985 and the CAICE Act 2004 must be delivered to the Registrar of Companies. The Registrar of Companies must provide the Regulator with copies of certain documents and await the Regulator's determination.

Role

The Regulator is an independent statutory-office holder and is committed to providing informed, impartial and fair regulatory decisions and “light touch regulation”. The Act expresses this principle by requiring them to discharge their functions in accordance with good regulatory practice having regard to:

- the likely impact of their actions on those who may be affected
- the outcome of consultation with organisations representing, community interest companies and others with relevant experience; and
- the efficient and economic use of their resources
- In line with best practice, any action taken will encompass the following five principles (as set out by the Better Regulation Task Force in December 1997 and revised in October 2000):

Proportionality	Intervening only when necessary and appropriate to the risk posed, with costs being identified and minimised.
Accountability	Justifying decisions and subject to public scrutiny.
Consistency	Government rules and standards must be joined up and implemented fairly.
Transparency	Being open and keeping regulations simple and user friendly.
Targeted	Focused on the issue and minimising any side-effects.

Functions of the Regulator

The Regulator has three main functions:

- Deciding whether an organisation is eligible to become, or continue to be, a community interest company.
- Consideration of the investigation of complaints about community interest companies and enforcement action, if deemed necessary.
- The provision of guidance about matters relating to community interest companies.

The Regulator assesses applications from organisations seeking to become community interest companies to determine whether they meet the statutory criteria for eligibility. Once an organisation is registered as a community interest company, it is subject to the Regulator's supervisory jurisdiction and must file an annual report describing how its activities over the financial year have benefited the community; who was consulted and what was the outcome; what payments were made to directors; what assets were transferred; what dividends were paid; and what interest was paid on loans and debentures.

The Regulator ensures that community interest companies operate in a manner compatible with their status. In particular, that they continue to satisfy the community interest test, and observe the "asset lock" rules in their articles by not transferring assets for less than full consideration (other than for the benefit of the community).

The Regulator also provides guidance and assistance about matters relating to community interest companies. The key activities include:

- Guidance leaflets
- Forms and templates
- Awareness sessions and workshops

Powers of the Regulator

The Act gives the Regulator powers to intervene in various ways in relation to community interest companies whose activities are giving cause for concern. These powers are only to be exercised to the extent necessary to maintain confidence in community interest companies. The regulator's powers may only be exercised where she considers it necessary to do so because:

- the company is not satisfying the community interest test, or pursuing its community interest objects
- there has been mismanagement or misconduct in the administration of the company; or
- there is a need to protect the company's property or to secure its property application

These powers include the right to:

- investigate, or appoint a person to investigate, the affairs of the company
- require annual accounts to be audited by a qualified auditor
- bring civil proceedings in the name or on behalf of a community interest company
- appoint or remove a director
- appoint a manager
- petition to wind up
- order a dissolution to be void
- order a company's name to be restored to the register

In relation to the property of a community interest company, the Regulator may order:

- the vesting in, or transfer to, the Official Property Holder of any property held by or in trust for a community interest company
- a person not to part with property without consent
- any debtor not to make payment without consent
- to restrict the transactions entered into by the company or the nature or amount of the payments the company may make

If a community interest company becomes an “excluded company” (essentially, a political party, political pressure group or a subsidiary of a political party or political pressure group), the Regulator may by order:

- transfer specified shares to specified persons for companies with a share capital
- extinguish the interests of specified members and appoint replacement members in a company limited by guarantee

Location & organisational structure of the office

The office is based in Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The Regulator is supported by staff from Companies House. The Regulator has nine staff, eight of which work full-time. The Regulator works part-time.



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