

FACTSHEET – HOW TO REGISTER A COMMUNITY INTEREST COMPANY (CIC)

A Community Interest Company, or CIC (sometimes pronounced 'kick'), is a special type of limited company created for those wishing to establish businesses which trades with a **social purpose** written in to the company's governing document. It was created as an 'off the shelf' legal structure solution for those looking to set up a **social enterprise**. The '**asset lock**' is a fundamental feature of CICs and is a legal clause that prevents the assets of the company being used for private gain, rather than the stated purposes of the organisation.

We recommend you also read **Factsheet – Social Enterprise**.

Setting up a Community Interest Company (CIC) is relatively simple and more straightforward than setting up a charity. However, there are different pros and cons to different legal structures to weigh up. We recommend you get advice on legal structures to ensure you are choosing the best fit for your project. You can get free legal structures advice by contacting fundinganddevelopment@buryvcfa.org.uk or calling 0161 518 5550.

Different company structures – limited by shares or limited by guarantee

There are two types of CIC – companies **limited by shares** or **limited by guarantee**. Nearly all groups opt for 'limited by guarantee' rather than having shares and shareholders. If you intend to apply for grants, we recommend you choose 'limited by guarantee' as most grant funders do not consider CICs 'limited by shares' to be eligible to apply. There is also the option for CICs limited by guarantee to convert to a charity (Foundation CIO model).

There are two types of 'membership' structures for CICs:

'Small membership' – directors are the members who are the key decision makers

'Large membership' – directors make the day-to-day decisions but it has a wider membership who control the overall governance of the company

The vast majority of CICs limited by guarantee opt for a small membership model, as the directors wish to retain decision making control and do not have a wider membership with decision making powers beyond the directors.

In short, unless you have specific requirements, most VCSE organisations will want to set up a CIC limited by guarantee (small membership model).

Community interest companies (CICs)

To register a CIC you'll need:

- A '**community interest statement**', explaining what your business plans to do and who you intend to benefit from your company activities. This is detailed in the **CIC36** form. The CIC Regulator will look at this to check it satisfies the '**Community Interest Test**', showing that "a reasonable person might consider that its activities are being carried out for the benefit of the community". This test is less restrictive than the equivalent provisions relating to a charity, whose objects must be exclusively charitable and worded in a very specific way to



0161 518 5550

Charity no. 1182039



fundinganddevelopment@buryvcfa.org.uk



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meet Charity Commission requirements.

- A **governing document** (sometimes referred to as the **articles of association** or your **constitution**). You can use the CIC regulator's model constitutions which makes this very simple (see the 'links' section below)
- An '**asset lock**' – a legal promise that the company's assets will only be used for its social objectives, and setting limits to the money it can pay to shareholders (if you have any).
- Part of the asset lock is a '**dissolution clause**' in your articles of association, where in the event of closure, you nominate another asset-locked body (usually another charity or CIC) to receive any of your residual company assets in the event of closing. Some grant funders ask for this as an eligibility requirement, so we strongly recommend completing the 'dissolution clause' from the start. If you are using model articles, this is clause 3.5.
- To get your company approved by the **community interest company regulator** – your application will automatically be sent to them through the online application process.

Registering online versus by post

We encourage you to register online if at all possible. Bury VCFA can support you in submitting the registration application, which consists of the following:

- Creating sign in details for your company on Companies House. We recommend you do this together with your other directors, as it will ask for sign in details and some personal information for all registered directors.
- Attaching a completed CIC36 form (detailing your activities and your community interest statement)
- Attaching your completed articles of association (governing document), detailing your social mission and the asset locked body you nominate to receive any residual assets in the event of your CIC being wound up or dissolved due to insolvency
- Paying £65 for the online submission

It is possible to register by post, but it costs more (£86), it takes longer to be processed and you are required to submit additional documents:

- IN01 form (application to register a company)
- Memorandum of association (legal statement signed by all initial shareholders or guarantors agreeing to form the company)

Both of these forms are generated automatically when registering online.

Links:

[CICs: model constitutions](#)

[CIC business activities: forms and step-by-step guidelines - GOV.UK](#)

[CIC36: application to form a community interest company - GOV.UK](#)

Please contact fundinganddevelopment@buryvcfa.org.uk for support with your CIC registration.



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