

Factsheet

Community Interest Organisations (CIO)

The Charitable Incorporated Organisation (CIO) is a proposed new legal form for incorporated charities. It was introduced by the Charities Act 2006, and it was originally promised that it would become available during 2008. In fact the consultation exercise on draft regulations only closed on 10th December, 2008, and information from the Cabinet Office suggests that the earliest that the CIO is expected is January 2012.

Background to the CIO:

The Company Law Review recognised that there is a fundamental legal problem with the charitable company (i.e. an organisation that has dual registration both as a company limited by guarantee, and a registered charity). The directors of a company are directly accountable to their members (who would be the shareholders in a commercial company). The trustees of a charity have a primary responsibility to their donors and beneficiaries – not to their members. The directors of a charitable company are of course both company directors and charity trustees, so there is a potential here for conflict.

A practical advantage of the CIO once it is introduced, is that it will avoid dual reporting requirements. A charitable company currently has to make returns to both Companies House and the Charity Commission. Whereas a CIO will only report to the Commission. This will reduce paperwork.

The CIO will provide full corporate status and limited liability, just like a limited company. Initially, at least, the option will remain of registering a charitable company, as now. The idea is, that after 5 years, the CIO will be reviewed and, if it is a success, all remaining charitable companies may be required to convert to CIOs and the charitable company will cease to be an option.

For more information please contact RVA on 01653 600120 or email post@rva-cvs.org.uk