



# Tennis Club Legal Structure & Status Guidance

Explanations and advice on how different legal structures affect tennis clubs and why it is important for clubs to be familiar with this aspect of running a tennis club



## Why is the Legal Structure of my Tennis Club Important?

It is important for tennis clubs to understand their legal structure and status as it affects the legal liabilities and responsibilities in the event of an issue arising at your tennis club. The legal structure of your tennis club will determine whether members of the club and the management committee have personal liability for incidents that occur at the venue. It is important to recognise that all tennis clubs have a legal status, whether you are aware of it or not, and this status will determine whether your club legally exists in the eyes of the law.

For this reason, tennis club management committee are encouraged to review the club's legal status from time-to-time to ensure that it remains appropriate for the current activities of the club. This document provides an introduction and overview to legal structures affecting tennis clubs and venues, but clubs are encouraged to seek professional advice to determine the most appropriate structure that they should adopt based on the club's own particular circumstances.

It is worth noting that the LTA does not have any rules or requirements that specifically state that a tennis club must be structured in one legal form or another; we encourage tennis clubs to review their own situation and make decisions that are most relevant and appropriate to your particular club.

## Incorporation vs Unincorporation – what does this mean?

Every tennis club will be classified as either incorporated or unincorporated; tennis clubs are often unincorporated entities.

**Incorporation:** means that an organisation has formed into a 'legal entity.' If your tennis club is incorporated, it legally exists in its own rights.

**Unincorporated:** defined as a group of people who have come together to pursue a shared objective and who have not formally registered (incorporated) their group as a 'legal entity.' These individuals will be bound together by the rules and constitution of the tennis club.

## Benefits & Disadvantages of being Unincorporated

The majority of tennis clubs in Britain are unincorporated, and this in itself is not a concern as long as the tennis club understands and accepts the liabilities and responsibilities this incurs:

- Unincorporated tennis clubs have an unlimited personal liability for the debts of their club.
- Members of the club and committee could be personally liable if the club breaches a contract or if a claim is successfully made against the club and the club has insufficient assets to meet the claim.
- An unincorporated club is not a legal entity in its own right, so any contract of the club must be entered into by someone on behalf of the club (usually committee members). This includes land holding agreements for the tennis club, which will be held in the name of specified club members. If these individuals leave the club then these agreements will need to be transferred to others.
- If there is an uninsured accident or an officer / employee / representative of the club performs an act which the club is held liable for, then potentially the members and/or the committee may be required to pay at an unincorporated venue.

Being unincorporated best suits tennis clubs who only provide services for members, have no paid employees, do not own large buildings and have robust health and safety policies and procedures in place. In this case, being unincorporated offers the following benefits:

- Simple administration: unincorporated clubs (unless you are a charity) do not have the same legal and administrative requirements that incorporated entities have (e.g. filing accounts)
- There is greater flexibility with the rules of the tennis club. As long as they are lawful, the rules of the club can be whatever you choose to suit the needs of your members and can be easily updated.

Many unincorporated tennis clubs have a clause in their constitution or rules that limits the liabilities for its members; these types of clauses do not provide protection in the eyes of the law.

## Benefits & Disadvantages of being Incorporated

There are different types of incorporation that you tennis club could select, each with their own merits and disadvantages. However, below are the key headline advantages and disadvantages of incorporation that tennis clubs should be aware of when deciding if this is a route that is appropriate for your club.

### *Main Advantages of Incorporation:*

- If your tennis club is incorporated, the members will potentially have little or no personal liability if the club is unable to meet its debts/liabilities or due taxes.
- An incorporated tennis club can sign contracts in its own name, can own property in its own right and can run a payroll.

### *Main Disadvantages of Incorporation:*

- Incorporation will require the tennis club to provide the relevant authorities with copies of its accounts and other relevant information on an annual basis that can be time-consuming.
- Incorporation can be costly.
- Members of the management committee will be legally required to act in the best interests of the tennis club.



### Types of Incorporation

There are five different types of incorporation that your tennis club could select and these are identified in the table below with an overview of the differences between them.

Incorporation Type	Overview	Pros / Cons
<b>Company Limited by Guarantee</b>	<ul style="list-style-type: none"> <li>• Club will be owned by its members, but the club will have a separate legal identity allowing it to enter into contracts in its own right.</li> <li>• This structure is well suited to club operating on a non-profit making basis where membership changes regularly.</li> <li>• Members agree to pay a minimal amount if the club becomes insolvent limiting their liability (e.g. £1).</li> <li>• Members are entitled to attend members meetings (e.g. AGMs / EGMs) and vote which includes appointing and removing directors.</li> <li>• The club will be governed by its Articles of Association (constitution) and depending on how the articles are written, are likely to be eligible for grant funding.</li> </ul>	<p><b><u>PROs:</u></b></p> <ul style="list-style-type: none"> <li>• The club is a legal entity which enables it to enter into contracts and hold investments and assets in its own name.</li> <li>• Club members and officers liability is limited and are only required to pay a small amount if the club becomes insolvent.</li> </ul> <p><b><u>CONs:</u></b></p> <ul style="list-style-type: none"> <li>• Significant additional administrative work in order to comply with legal requirements.</li> <li>• Failing to meet the deadlines for filing information can result in a fine.</li> <li>• The articles will need to be carefully drafted to protect the club and its assets.</li> </ul>
<b>Company Limited by Shares</b>	<ul style="list-style-type: none"> <li>• Similar to a company limited by guarantee. The main difference is that it is owned by its shareholders and the percentage of ownership is dependent on the number of shares purchased.</li> <li>• The shareholders elect the directors.</li> <li>• Community sports clubs typically do not use a company limited by shares structure as each time a member joins a share has to be issued to them and each time a member leaves their share has to be transferred to somebody else or redeemed.</li> <li>• This structure may be used where an investor into a club wants to retain ownership.</li> </ul>	<p><b><u>PROs:</u></b></p> <ul style="list-style-type: none"> <li>• The club is a legal entity and limits the liability of club members and officers.</li> <li>• Suitable for clubs whose owners or investors wish to operate it as a profit making operation, as they can benefit from payment of dividends and a possible increase in the value of their shares (which can be sold).</li> <li>• Investors can also acquire a greater degree of control over the strategic direction of the club.</li> </ul> <p><b><u>CONs:</u></b></p> <ul style="list-style-type: none"> <li>• Significant additional administrative work and fines for late filing.</li> <li>• Shares have to be issued each time a new member joins, and transferred or</li> </ul>

		<p>redeemed each time a member leaves.</p> <ul style="list-style-type: none"> <li>• If anyone holds over 50% of the shares they can control the board of directors, and if they hold 75% or more of the shares they are able to change its constitution and are therefore in complete control of the company.</li> <li>• Some grant funding organisations may not award grants to companies limited by shares.</li> </ul>
<p><b>Community Interest Company (CIC)</b></p>	<ul style="list-style-type: none"> <li>• CIC is a company that operates for the benefit of the community.</li> <li>• To become a CIC an incorporated company (limited by guarantee or shares) must apply and demonstrate their community benefit (not applicable to unincorporated organisations).</li> <li>• Club members and officials are protected through limited liability.</li> <li>• CICs must meet certain requirements which set out how assets can be used.</li> </ul>	<p><b><u>PROs:</u></b></p> <ul style="list-style-type: none"> <li>• It provides a clear, limited company structure, for clubs wanting to be seen as social enterprises rather than a charity.</li> <li>• The CIC rules, including the assets lock and community benefit-test, provide clarity and focus on what it means to be of benefit to the community.</li> </ul> <p><b><u>CONs:</u></b></p> <ul style="list-style-type: none"> <li>• CICs offer no tax reliefs but have additional administrative requirements.</li> </ul>
<p><b>Cooperative &amp; Community Benefit Societies</b></p>	<ul style="list-style-type: none"> <li>• These structures are reasonably straight forward to set up and provide a <b>separate legal identity</b> for the club and offer protection to members.</li> <li>• For many clubs, a company limited by guarantee is more straightforward to set up and administer.</li> <li>• Cooperative and Community Benefit Societies are regulated by the Financial Conduct Authority (FCA).</li> </ul>	<p><b><u>PROs:</u></b></p> <ul style="list-style-type: none"> <li>• The club is a legal entity and limits the liability of club members and officers.</li> </ul> <p><b><u>CONs:</u></b></p> <ul style="list-style-type: none"> <li>• This structure is less likely to be recognised and understood by external parties (e.g. banks, local authorities).</li> </ul>
<p><b>Charitable Incorporated Organisation (CIO)</b></p>	<ul style="list-style-type: none"> <li>• CIOs offer the benefits of being incorporated and a charitable status in one body.</li> <li>• A CIO is a simple mechanism for a charity to trade although trading for a profit would still require a trading arm.</li> <li>• CIOs are regulated by the Charities Commission – and therefore can be simpler to administer than clubs set up as a company with charitable status. The latter would have obligations to both Companies House and the Charities</li> </ul>	<p><b><u>PROs:</u></b></p> <ul style="list-style-type: none"> <li>• The club is a legal entity and limits the liability of club members and officers.</li> <li>• Potential for less administration in comparison to a charitable company.</li> <li>• The charity has all the advantages of incorporation as well as the tax benefits of being a charity.</li> </ul> <p><b><u>CONs:</u></b></p> <ul style="list-style-type: none"> <li>• It restricts fundraising if the club wanted to develop property or land that could be</li> </ul>

	<p>Commission.</p> <ul style="list-style-type: none"> <li>• In order to register as a CIO, the objects must be exclusively charitable and meet the public benefit test.</li> </ul>	<p>borrowed against.</p> <ul style="list-style-type: none"> <li>• As a relatively new structure it is less well known and understood by third parties including banks and local authorities, but this is gradually changing.</li> <li>• Charitable status potentially means a significant restriction in permitted activities as well as an asset lock.</li> <li>• Is likely to result in more administrative work in comparison to company limited by guarantee status.</li> </ul>
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### Summary of Legal Structures

This document provides tennis clubs with guidance and support in understanding the importance of legal structure and status on the running of a tennis club. Clubs and their management committees are encouraged to review their legal structure from time-to-time to ensure that it is still appropriate and relevant for the activities and functions that the club carries out.

There are strengths and weaknesses to being either incorporated or unincorporated, and the LTA does not advocate one particular model or structure, as this very much depends on the particular situation and circumstances of each tennis club. This guide aims to help tennis clubs understand a little more about each different legal structure and to consider which one is most suitable. However, this guide is not definitive and tennis clubs are encouraged to seek further professional advice prior to changing their legal structure and status.



