



# GUIDE TO BECOMING AN RMC DIRECTOR

Many leasehold properties have a Resident's Management Company (RMC) or a Right to Manage Company (RTM) in place. We will use the term "RMC" to refer to both types of company.

An RMC has a board of directors with a range of responsibilities. Being a director gives you the chance to make a real impact on your community and get into the detail of how your development is run. It's also a significant commitment, and this guide is designed to help you get started.

## What is an RMC?

An RMC is a group of leaseholders who oversee the running of their block or development. All members must own a property in the development, but not all members will be residents - some may rent out their property. An RMC is an official company, registered at Companies House and therefore has a board of directors.

The RMC works with the managing agent to make decisions about their block or development. For example, setting and monitoring the service charge budget and accounts, choice of contractors and maintenance schedules. They can also choose to appoint a different managing agent.

Each RMC has:

- A Memorandum of Association, a legal statement signed by all initial shareholders agreeing to form the company
- Articles of Association, written company rules agreed by all shareholders, directors and the company secretary

The directors of an RMC are authorised by the Articles of Association to manage the company. The powers are given to the board collectively and not an individual. It is common to delegate powers to one or more committees to ensure the smooth running of the company, evenly distributing the responsibilities.

## What is the role of a director?

A director is an elected representative and this is usually an unpaid, voluntary role. It comes with significant responsibilities such as hiring of contractors, employment of onsite staff, filing accounts and keeping Companies House up to date.

The primary function of a director is to manage the company for the benefit of its members. Directors must act in accordance with the Memorandum and Articles of Association and in accordance with the lease or transfer document relating to the property/estate.

Directors take part in AGMs, Board Meetings and General Meetings. They make sure the company is financially solvent, which means overseeing the service charge accounts, budget and end of year accounts. Liaison with residents is also part of the role, including solving difficult situations and disputes.

Directors must exercise independent judgement and demonstrate reasonable care, skill and diligence. To avoid conflicts of interests, directors must avoid situations where they have or might have a direct or indirect interest or influence. They must declare this interest in advance. Directors should not accept benefits from third parties as a result of any action or inaction by the director.

The managing agent works closely with RMC directors and provides advice, however the director is liable and responsible for compliance with legislation and health and safety.



An RMC has a team of “officers” elected from the directors. These include a chairperson, treasurer and secretary. Very often, a managing agent offers a Company Secretariat service as this is a technical and specialist role.

### Who can become a director?

There are no qualifications required to be a Director of an RMC, however you will be required to be a property owner or leaseholder (as defined on the Land Registry Title).

The Memorandum and Articles of Association include rules about who can and can't become a director and this will be unique to each development.

The following rules apply to all developments:

- A director must be over 16 years old
- They must not have been previously disqualified
- They must not be an ‘undischarged bankrupt’ (ongoing bankruptcy proceedings)
- They don't need to live in the UK but must provide a UK address

The Memorandum and Articles of Association for your RMC may also prohibit the appointment of a director if one or more of the following conditions apply:

- If the person is considered to be physically or mentally incapable
- When several creditors reach agreement about outstanding debts owed
- The maximum number of Directors has been reached

A director can be appointed by election or by nomination from a current director, at a general meeting of the directors. Once approved, the new director must fill out an AP01 form.

### Liability

Directors can be held personally liable for legislation breaches. Personal liability is unlimited and your assets could be at risk. Directors can even be held responsible for the actions of the board as a whole, for example, in the case of financial mismanagement. We therefore advise directors to take out Directors and Officers insurance

### Removal of directors

Shareholders may remove a director at any time by ordinary resolution, regardless of the Articles. Notice must be given to the company and the individual for such a removal. The director has the right to appeal against the decision. Removal can only take place by way of a resolution approved by shareholders or members at a general meeting.

### Company with no directors

Many companies only have one director. In the event that the sole director were to resign or die, any shareholder may request the company secretary to convene a shareholders meeting to appoint a new director.

Should no other directors come forward, the company would be in breach of Companies Act and be dissolved. If this is an RTM Company, the resident directors would lose control and the management functions would be returned to the Freeholder. It is for this reason we would normally suggest 2-5 directors be appointed.

### Documents required

Acting as Company Secretary, Alexander Faulkner Partnership will need copies of the following documents in order to confirm your appointment;

Completed Director application form

- Copy of passport or drivers license
- Signed declaration confirming your eligibility