



Resource Centre · Company & Corporate

The directors' pack

Your seven general duties as a director, declaring an interest, and how disqualification works — in one PDF.

1. Directors' duties: the seven general duties, and declaring an interest
2. Director disqualification: unfitness, time limits and undertakings

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Directors' duties: the seven general duties, and declaring an interest

The seven duties in sections 171 to 177 of the Companies Act 2006, declaring interests under s.182, the creditor duty and Companies House ID checks.

You have just joined a board, or you have sat on one for years and someone is now asking whether a decision you made was a breach of duty. Either way, the law starts with eight sections of the Companies Act 2006. Sections 171 to 177 set out the seven general duties every director owes. Section 182 adds a separate obligation to declare an interest in a transaction the company has already entered into, and breaking that one is a criminal offence.

The short answer

A director owes seven general duties, and they are owed to the company — not to individual shareholders, and not directly to creditors. A breach is a civil matter for the company to enforce. Separately, failing to declare an interest in an existing transaction under section 182 is a crime.

7

general duties, in sections 171 to 177, owed to the company

s.183

failing to declare under s.182 is an offence

10 years

minimum time to keep board minutes

Who the duties are owed to

Section 170(1) is one sentence: "The general duties specified in sections 171 to 177 are owed by a director of a company to the company." As the Explanatory Notes to the Act say, only the company can enforce them; a shareholder normally has to bring a derivative claim (below).

Three points of scope:

- **Leaving does not end everything.** A former director remains bound by the conflicts duty as regards property, information or opportunities learned of while in office, and by the third-party benefits duty for things done or not done before leaving (section 170(2)).

- **The title does not matter.** "Director" includes "any person occupying the position of director, by whatever name called" ([section 250](#)), and the duties apply to a shadow director "where and to the extent that they are capable of so applying" (section 170(5)).
- **The old case law still counts.** The duties replaced earlier common law and equitable rules, and are read with them (section 170(3) and (4)).

The seven duties at a glance

Section	Duty	What it asks of you
171	Act within powers	Follow the company's constitution, and use powers only for the purposes for which they were conferred.
172	Promote the success of the company	Act in good faith in the way you consider most likely to promote its success for the members as a whole.
173	Exercise independent judgment	Make up your own mind — though keeping to an agreement the company has duly made that restricts the board's discretion, or acting as the constitution authorises, is no breach.
174	Exercise reasonable care, skill and diligence	Meet an objective minimum standard, which rises if you bring more to the job.
175	Avoid conflicts of interest	Avoid situations where your interests conflict, or may conflict, with the company's, unless authorised.
176	Do not accept benefits from third parties	Refuse benefits given because you are a director, or for what you do or do not do as one.
177	Declare an interest in a proposed transaction	Tell the other directors the nature and extent of your interest before the company enters into it.

More than one duty can apply to the same decision ([section 179](#)).

The duties that need the most care

Section 172. You must act in the way you consider, in good faith, "would be most likely to promote the success of the company for the benefit of its members as a whole", having regard (among other matters) to six listed factors: the long-term consequences, the employees' interests, relationships with suppliers and customers, the impact on the community and the environment, the company's reputation for high standards of business conduct, and fairness between members. The test is your own good-faith judgment, but the board papers and minutes should show the factors were actually considered.

Section 174. The standard has two limbs. Section 174(2) defines it as the care, skill and diligence of a reasonably diligent person with:

*"(a) the general knowledge, skill and experience that may reasonably be expected of a person carrying out the functions carried out by the director in relation to the company, and
(b) the general knowledge, skill and experience that the director has."*

The first limb is an objective floor, set by the job you actually do. The second raises the bar if you personally bring more: a chartered accountant on the board is judged with an accountant's knowledge. Inexperience never takes you below the floor.

Section 175. You must avoid a situation in which you have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's. That applies in particular to exploiting property, information or opportunities – and "it is immaterial whether the company could take advantage" of them, so "the company could not have done the deal anyway" is no answer. A conflict between two of your duties counts too, which matters if you sit on more than one board (section 175(7)).

There is no breach if the situation cannot reasonably be regarded as likely to give rise to a conflict, or if the directors have authorised it. A private company's board can authorise unless its constitution prevents it; a public company's board only if its constitution allows. Either way, the authorisation is effective only if the quorum is met, and the decision reached, without counting the interested directors (section 175(4) to (6)).

Companies incorporated before 1 October 2008

A private company incorporated before 1 October 2008 can rely on board authorisation of a conflict only if its members have resolved that authorisation may be given that way. Check that the resolution exists before relying on a board decision.

Section 176. A benefit from a third party, given because you are a director or for what you do as one, is caught unless accepting it "cannot reasonably be regarded as likely to give rise to a conflict of interest". Unlike section 175, there is no procedure for the board to authorise it.

Declaring an interest: proposed and existing transactions

A conflict arising from a transaction with the company itself — a contract with a business you own, say — falls outside section 175 (section 175(3)). It is handled by declaration, and which section applies depends on timing.

Has the company already entered into the transaction or arrangement?



Not yet →

Section 177 applies. Declare the nature and extent of your interest to the other directors before the company enters into it.

Yes →

Section 182 applies. Declare it as soon as is reasonably practicable, unless you already declared it under section 177. Failing to declare is a criminal offence.

The two work in much the same way:

- **How.** At a board meeting, by notice in writing to the other directors ([section 184](#)), or by general notice ([section 185](#)). Section 182 insists on one of these; section 177 allows them without insisting. A general notice covers future dealings with a named company, firm or connected person, but only if given at a meeting, or if you take reasonable steps to have it read at the next one.
- **What.** The nature and extent of the interest, direct or indirect. You need not be a party yourself: the Explanatory Notes give the example of a director's spouse contracting with the company.
- **Keeping it current.** If a declaration proves to be, or becomes, inaccurate or incomplete, make a further one.
- **When none is needed.** If the interest cannot reasonably be regarded as likely to give rise to a conflict; if the other directors already know of it, or ought reasonably to; or if it concerns your own service contract and that is considered by the board or a committee. You are treated as aware of anything you ought reasonably to be aware of.

Under [section 183](#), a director who fails to comply with section 182 commits an offence punishable by a fine. According to the Explanatory Notes, the offence does not affect the validity of the transaction and carries no other civil consequences. A sole director of a company required to have more than one director must record the declaration in writing (section 186); a shadow director must declare in writing (section 187).

Section 177 works the other way round. A breach is not a crime, but the remedies listed in the Explanatory Notes include rescinding the contract. And neither declaration replaces the shareholder approval the Act separately requires for long-term service contracts, substantial property transactions, loans to directors and payments for loss of office ([section 180\(3\)](#)).

Before your first board meeting

List every interest you have in contracts the company has already made — as a shareholder, director or employee of a supplier, customer, lender or landlord, or through someone close to you such as a spouse. Declare them at the first meeting under section 182, have the declaration minuted, and add them to the conflicts register.

When the company is in financial difficulty

Section 172(3) makes the duty to promote success "subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company". In *BTI 2014 LLC v Sequana SA* [2022] UKSC 25 the [Supreme Court](#) confirmed that such a rule exists. It is not a separate duty owed to creditors: it changes what acting in the company's interests means, so that those interests include creditors' interests as a whole.

The majority held that it is engaged when the directors know, or ought to know, that the company is insolvent or bordering on insolvency, or that an insolvent liquidation or administration is probable. (Two of the five justices left open whether that knowledge is essential.)

1 Solvent, with insolvency not in view

Promote the success of the company for the benefit of its members as a whole, as section 172(1) says.

2 A real but not remote risk of insolvency

Not enough on its own. The Supreme Court held in *Sequana* that this does not engage the duty to consider creditors.

3 Insolvent, bordering on it, or insolvent liquidation probable

Consider creditors' interests and weigh them against members'. The worse the position, the more weight creditors' interests carry.

4 Insolvent liquidation or administration inevitable

Creditors' interests become paramount. Wrongful trading liability under section 214 of the Insolvency Act 1986 is also in play.

Once the duty is engaged, shareholders cannot authorise or ratify a transaction that breaches it. And a dividend that complies with the distribution rules can still breach it: *Sequana* itself concerned a lawful dividend. Alongside sits wrongful trading under [section 214 of the Insolvency Act 1986](#): a liquidator can seek a contribution from a director who knew, or ought to have concluded, that there was no reasonable prospect of avoiding insolvent liquidation or administration, unless the director then took every step to minimise creditors' potential loss. The same conduct can also lead to [disqualification](#).

If a duty is breached

The remedies. [Section 178](#) keeps the consequences that applied under the old rules, and makes every duty except section 174 enforceable like any other fiduciary duty. The Explanatory Notes list what that can mean: compensation for the company's loss, restoration of its property, an account of the director's profits, and rescission of a contract where an interest was not disclosed. A breach of section 174 is a claim for the loss caused.

Ratification. The company can ratify a director's negligence, default, breach of duty or breach of trust, but only by a resolution of the members, or their unanimous consent ([section 239](#)). Votes in favour by the director and by members connected with them are disregarded, and on a written resolution they cannot vote at all. Some acts cannot be ratified — including, as *Sequana* confirms, a breach of the duty to consider creditors.

Relief. Under [section 1157](#) the court may relieve an officer, wholly or partly, who "acted honestly and reasonably" and ought fairly to be excused. A director who expects a claim can apply before one is made.

Derivative claims. A member can bring a claim on the company's behalf for a director's negligence, default, breach of duty or breach of trust, but only with the court's permission ([sections 260 to 264](#)):

- without a prima facie case for permission, the application is dismissed;
- permission must be refused if a person acting in accordance with section 172 would not continue the claim, or if the conduct was authorised or ratified;
- otherwise the court weighs, among other things, the member's good faith, whether the company has decided not to sue, whether the member could sue in their own right, and the views of disinterested members;
- any relief is for the company.

A member whose own interests are unfairly prejudiced can petition under [section 994](#) instead.

What this means for you

- **Know the constitution.** Section 171 makes the articles, and the resolutions that form part of the constitution, the first test of any decision.
- **Minute the reasons, not just the result.** [Section 248](#) requires minutes of all directors' meetings, kept for at least ten years. A minute recording the section 172 factors and the advice taken is your best evidence later.
- **Keep a conflicts register.** The Act does not require one, but it shows what was declared, when, and what the board authorised. Review it at every meeting.
- **Declare early, and update.** On appointment, and whenever your interests change.
- **Watch the numbers.** If insolvency comes into view, the duty shifts. Take advice before significant payments.
- **Check the D&O insurance.** A provision exempting a director from liability for negligence, default, breach of duty or breach of trust is void, and company indemnities are tightly limited ([section 232](#)) — but the company may insure its directors against that liability ([section 233](#)). Read the exclusions, and check what cover continues after you leave.
- **Verify your identity with Companies House.** Under the Economic Crime and Corporate Transparency Act 2023 this is now a legal requirement.

8 April 2025

Voluntary verification opens

Individuals could start verifying their identity for Companies House.

18 November 2025

Verification becomes a legal requirement

New directors must be verified before they act. Directors already in office enter a 12-month transition period.

Next confirmation statement

Existing directors' deadline

The company confirms each director's verified identity when it files its next confirmation statement in the transition period.

17 November 2026

Transition period ends

Twelve months beginning with 18 November 2025.

An individual must not act as a director unless their identity is verified, and the company must make sure no unverified individual acts ([section 167M](#)). Once your verification date has passed, acting unverified is an offence by you and by the company and every officer in default, punishable in England and Wales by a fine — though it does not invalidate what you did as a director. Companies House will not accept a confirmation statement until every director is verified. Verification is free through GOV.UK One Login, or available through an authorised corporate service provider. Among the first convictions, announced in September 2026, was a director who had verified himself but did not take reasonable steps to stop an unverified co-director acting.

What to do now

- Read the articles and any shareholders' agreement, and note what needs shareholder approval.
- Make your declarations of interest and have them minuted.
- Confirm that your identity is verified and linked to each of your directorships.
- Ask for the D&O policy and the latest management accounts.

When to speak to a solicitor

Take advice before the board approves a transaction in which a director is interested, before you take up an opportunity that came to you through the company, as soon as insolvency becomes realistic, and straight away if anyone alleges a breach of duty. We advise boards and individual directors on governance, conflicts and Companies House compliance — see [startups and structuring](#) and our [company and corporate](#) work — and where a claim is threatened, our [civil and commercial litigation](#) team can act. You can also [contact us](#) directly.

This guide is general information about the law of England and Wales, not advice on your situation.

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Director disqualification: unfitness, time limits and undertakings

Under section 6 the court must disqualify once both conditions are met. The unfitness test, the two deadlines, and what an undertaking really commits you to.

If an insolvency practitioner has reported on your conduct, or a letter has arrived from the Insolvency Service giving notice of an intention to apply for a disqualification order, the question in front of you is not whether disqualification is fair. It is whether the conduct alleged makes you *unfit* — because under section 6, once both statutory conditions are established, the court must disqualify. The statute says it "shall make a disqualification order".

What remains open is the length, the content of the schedule of conduct, and whether the allegations are made out at all.

The test, in the words of the Act

Section 6 of the [Company Directors Disqualification Act 1986](#) requires the court to make an order where it is satisfied of two things.

The company condition: the person is or has been a director of a company which has either **at any time become insolvent** — "whether while the person was a director or subsequently" — or been **dissolved without becoming insolvent**. Section 6(2) defines becoming insolvent: going into liquidation with assets insufficient to pay debts and the expenses of winding up, entering administration, or having an administrative receiver appointed.

The conduct condition: the person's conduct as a director "makes the person unfit to be concerned in the management of a company". Conduct at the failed company may be taken together with conduct at other companies.

Two features of that wording catch people out.

You need not have been a director when the company failed. "Whether while the person was a director or subsequently" means resigning ahead of the collapse does not take you out of the frame. It changes what you are answerable for, not whether you are answerable.

And the company condition can now be satisfied without any insolvency at all. Since the **Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021**, a company **dissolved without becoming insolvent** engages section 6 in the same way. Striking a company off the register is not a way out.

Section 6 is not the only disqualification route — there are others, for convictions, for persistent filing breaches, and for competition and sanctions breaches — but it is the one that follows an insolvency, and it is the one most directors meet.

Two different deadlines, and they are not the same thing

The Secretary of State's deadline to apply. **Section 7(2):**

"Except with the leave of the court, an application ... shall not be made after the end of the period of 3 years beginning with — (a) ... the day on which the company became insolvent, or (b) ... the day on which the company was dissolved."

Three years from insolvency or dissolution, not from when the conduct happened and not from when the Insolvency Service found out. The court can give permission to apply late, but the default is a hard stop.

Your deadline to respond. That is a different clock, and section 7(2) does not set it. Under section 16(1), a person intending to apply for a disqualification order "shall give not less than 10 days' notice of his intention to the person against whom the order is sought". Once proceedings are issued, the court's own timetable applies.

So the three-year date tells you how long the Insolvency Service has. The notice on your desk tells you how long *you* have, and it is usually much shorter. Work out both on day one: calculate the section 7(2) date from the company's insolvency or dissolution, and read the notice itself for the date you must act on.

What "unfit" is measured against

Schedule 1 to the Act sets out the matters the court must take into account.

In every case:

1. the extent to which the person was responsible for the causes of any **material contravention** by a company of any applicable legislative or other requirement;
2. the extent to which they were responsible for the causes of the company becoming insolvent;
3. the **frequency** of such conduct;
4. the nature and extent of any loss or harm caused, **or any potential loss or harm**.

Where the person is or has been a director, additionally: any misfeasance or breach of fiduciary duty; any material breach of an obligation applying because they are a director; and the frequency of that conduct.

Three points follow from that text.

Potential loss counts. Paragraph 4 says "or any potential loss or harm". Conduct that happened to cause no actual loss — because a third party absorbed it, or the market moved — is still within the schedule.

Frequency is a separate head. One lapse and a pattern of the same lapse are treated differently by the statute itself, which is why a response should address the pattern, not only the worst instance.

Shadow directors are within the regime. Paragraph 9 of Schedule 1 says "director" includes a shadow director, and [section 22\(5\)](#) defines one as a person "in accordance with whose directions or instructions the directors of the company are accustomed to act". But that same subsection carves out a person whose directions are followed because they were **given in a professional capacity** — so an accountant or solicitor whose advice a board routinely takes is not a shadow director for that reason alone. A de facto director is different again: not appointed, but occupying the position of director in substance, which [section 22\(4\)](#) brings in by defining "director" to include "any person occupying the position of director, by whatever name called". The register at Companies House is evidence of who was a director; it is not the definition.

Undertakings: the route most cases take

Most disqualifications are not ordered by a judge after a trial. They are given as undertakings to the Secretary of State, which take effect as an order does, under [section 1A](#). The Insolvency Service's [Enforcement Outcomes statistics](#) put numbers on it: of 935 disqualifications in Great Britain in 2022/23, 813 were undertakings and 122 were orders — about 87% — and undertakings have made up at least 80% of disqualifications in every year since 2009/10.

A disqualification undertaking is a promise that for a specified period the person (a) will not be a director of a company, act as receiver of a company's property, or in any way, directly or indirectly, be concerned or take part in the promotion, formation or management of a company

unless in each case they have the leave of a court, and (b) will not act as an insolvency practitioner. The leave qualification attaches to the first limb only. No court can give permission to act as an insolvency practitioner.

The mechanics that matter when deciding whether to give one:

- **The maximum is 15 years** (section 1A(2)); for an undertaking under section 7 the minimum is **two years**.
- **Periods run concurrently** with any existing undertaking or order (section 1A(3)). A second undertaking does not stack on the end of the first.
- **The Secretary of State may take account of matters other than criminal convictions** (section 1A(4)). An undertaking can be accepted on conduct never prosecuted and never to be prosecuted.

An undertaking normally comes with a schedule of the conduct the Secretary of State says makes you unfit. That schedule is the part to negotiate. It is what a court reads on any later application for permission to act, what an office-holder reads in the next case, and in practice what the public record says about you. Accepting a schedule you disagree with in exchange for a shorter period is a trade worth thinking about carefully.

What disqualification stops — and what it does not

The prohibition is wider than "you cannot be a director". It reaches being *concerned or taking part in the management* of a company, which is about what you actually do rather than what you are called. The Insolvency Service's guidance on the **effect of a disqualification** says management is not confined to a company's internal affairs, that a manager may be someone at or below director level, and that it can include ordering from or negotiating with suppliers and customers, renting or buying premises, hiring or firing, operating the company bank account, acting as a management consultant, or making it appear that you can take executive decisions. Changing your job description changes nothing.

It is narrower than "you cannot work". The same guidance confirms that disqualification does not stop you having a job with a company, so long as the role does not amount to taking part in management, and does not stop you carrying on business as a sole trader or in partnership. But the ban is not limited to ordinary companies either: it also covers **limited liability partnerships** — you cannot be a member of one, or take part in promoting, forming or managing one, without permission — and extends to building societies, incorporated friendly societies, NHS foundation trusts, registered societies, charitable incorporated organisations, further education bodies and protected cell companies. Taking a place on the board of a charity set up as a CIO is caught in the same way a company directorship is.

One more line from that guidance is worth quoting for its consequences: you "must not get other people to manage a company under your instructions", and if you do, those people can be prosecuted for assisting you.

Permission is also possible. The ban in section 1(1)(a), and in the equivalent limb of an undertaking, applies only where the person does not have "the leave of a court" — so a disqualified person can ask the court to allow them to act as a director of a named company, and permission is normally granted on conditions if at all. Section 17 sets out which court that application goes to. It is best considered before an undertaking is signed rather than after.

When it starts. Section 1(2) provides that unless the court orders otherwise, a disqualification imposed by an order begins at the end of the period of **21 days beginning with the date of the order**. So there is a short window between judgment and the ban taking effect — enough to resign appointments and hand over, not enough to do anything else.

Two provisions give the prohibition teeth.

Section 13 makes acting in contravention of an order or undertaking a criminal offence. It is triable either way, and on conviction on indictment carries imprisonment for up to **two years**, or a fine, or both.

Section 15 imposes personal liability for a company's relevant debts. It bites in two ways, and both require involvement in management. Under section 15(1)(a), a person who is **involved in the management** of a company in contravention of a disqualification order or undertaking is personally responsible for the debts incurred while they were so involved. Under section 15(1)(b), a person who is **involved in the management** of a company and who acts, or is willing to act, on instructions given without the leave of the court by someone they know to be disqualified or an undischarged bankrupt is personally responsible for the debts incurred during that period. Liability is joint and several with the company.

The management requirement matters. An employee who simply does their job, following instructions that happen to come from a disqualified person, is not caught by section 15(1)(b); a fellow director or manager who takes direction from them is squarely within it.

Section 15A allows a **compensation order** on the Secretary of State's application, or a **compensation undertaking** accepted instead of applying, where the person is subject to a disqualification order or undertaking and that conduct has caused loss to one or more creditors of an insolvent company — or a company dissolved without becoming insolvent — of which they were a director. It carries its own deadline: under section 15A(5) the Secretary of State must apply within **two years** beginning with the date the disqualification order was made or the undertaking accepted. Disqualification and a personal payment to creditors are not alternatives.

Where the enforcement effort is going

These figures come from the Insolvency Service's **Annual Report and Accounts 2025–2026**, which reports activity and outcomes for the year rather than tracking particular cases through to a result.

- **COVID financial support scheme misconduct accounted for 65% of the Service's civil and criminal enforcement outcomes.** In 2025–26 the Service reported 773 section 6 disqualification outcomes, 55 bankruptcy or debt relief restrictions, 31 criminal convictions and 25 custodial sentences in that category. Years after the schemes closed, it is still the largest single source.
- **125 civil compensation orders and undertakings, with a combined value of £4.5 million,** were secured in the same COVID work — the section 15A power being used at scale rather than held in reserve.
- **148 civil investigations into abusive phoenixism** were completed, with a further 64 companies under investigation at the year end. The Service reported 87 directors disqualified, 5 convicted and 18 companies shut down in the public interest as a result of that work. Transferring a business to a new company and leaving the debts behind is investigated as conduct in its own right — which is not the same as saying that every sale of a business out of an insolvency is abusive; a properly conducted and valued transaction is a recognised rescue route.
- **107 disqualifications** were obtained against directors whose companies employed illegal workers, a reminder that section 6 reaches regulatory breaches nothing to do with the accounts.

The figures describe where resource is being spent. They do not tell you the likelihood of any particular company being investigated.

If a notice has arrived

- Read the notice for the date you have to act on, and separately calculate the section 7(2) date from the company's insolvency or dissolution. Put both at the top of the file.
- Get the office-holder's report and the material the Secretary of State relies on, and compare each allegation with the evidence actually produced for it.
- Work through the schedule of conduct paragraph by paragraph: what is admitted, what is wrong on the facts, and what is right on the facts but not conduct that makes you unfit.
- Gather the contemporaneous record — board minutes, advice taken, correspondence with HMRC and lenders, management accounts — while it can still be obtained from the office-holder.
- Take advice on your existing appointments and on any transaction you are contemplating before you act on either. Both can become part of the conduct in issue.
- If you need to remain involved in a company, take advice about a section 17 application early, rather than after an undertaking is signed.
- If a disqualification is already in force, it binds you immediately and must be obeyed unless and until the court gives permission.

We advise directors and boards on directors' duties and governance, including where conduct is being examined after a company has failed — see our [corporate and company law work](#). If you have received a notice or a report, [contact us](#) so we can look at the papers and the dates; disqualification runs to a statutory timetable and is not a matter for a general enquiry tool.

This article is general information about the law in England and Wales. It is not advice on your situation, and the right course depends on the documents in your case.



Speak to one of our solicitors

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