

Summary of RTM Company and Director duties and responsibilities

RTM company directors must carry out specific tasks including:

1. Keeping company records including a register of members and appointment and retirement of directors, notifying Companies House as necessary.
2. Making annual returns / confirmation statements.
3. Preparing annual accounts (typically delegated to a professional service provider at an annual cost of a few hundred pounds), lodging these with Companies House where relevant.

Directors also have a number of broader duties and responsibilities:

4. **Acting within powers.** There is a duty to ensure powers are exercised for their proper purpose. The company's articles should be checked, and any limitations on what a director can or cannot do should be noted.
5. **Promoting the success of the company.** A director should, for example, consider if a decision will have serious consequences and impact on the community and/or environment.
6. **Exercising independent judgement.** Directors should not be influenced by other people or by their own personal feelings or opinion. Directors should reach their decisions on their own.
7. **Exercising reasonable care, skill, and diligence.** Careful and proper thought must be given to decisions. Where there is uncertainty, professional advice should be obtained.
8. **Avoiding conflicts of interest.** The articles should deal with situations where conflicts of interest may arise. Generally, directors should not put themselves in a position where their interests may clash with those of the company.
9. **Not accepting benefits from third parties.** For example, offers of personal hospitality to a director from a company bidding for a contract (e.g. roof replacement or external decoration).
10. **Declare an interest in any proposed transaction or agreement.** The nature and extent of a director's interest should be disclosed and explained to the other directors. Disclosure should be recorded in the minutes of the Board meeting. Disclosures should be made before the transaction in question is entered into.

NB Directors do hold a legal liability for RTM company decisions

While daily maintenance and management responsibilities are normally delegated to a professional property management company, RTM company directors remain legally liable. It is therefore important for the board of directors to insure themselves against claims of negligence or incompetence.

Key reference sources

- **LEASE**, the Leasehold Advisory Service, a public body providing independent and impartial initial legal advice for the benefit of leasehold and park home owners: <https://www.lease-advice.org/advice-guide/right-manage/>
- **Companies House**, HMG's official registrar of companies and an executive agency under BEIS: <https://www.gov.uk/government/publications/flat-management-and-right-to-manage-rtm-companies>

- **ARMA**, the Association of Residential Management Agents, the leading professional body for residential managing agents in England and Wales: <https://arma.org.uk/leaseholders/the-right-to-manage/>
- **RTM model articles of association 2009**: <https://www.legislation.gov.uk/uksi/2009/2767/contents/made>
- **Explanatory memorandum to RTM model articles of association 2009**: https://www.legislation.gov.uk/uksi/2009/2767/pdfs/uksiem_20092767_en.pdf