

## Charity Incorporation – Banks, Investments, Insurance and Licences

The most common change in legal form in the charity sector is where an unincorporated organisation (usually a voluntary association or a Trust) decides to become incorporated and change to a Company Limited by Guarantee (CLG) or a Scottish Charitable Incorporated Organisation (SCIO).

OSCR (the Scottish Charity Regulator) has updated the procedure for Scottish charities who wish to incorporate. The procedure is more straight forward:



BUT, it is a bit more complicated than this. There are a lot of other things you need to take into account before, during and after this process.

This factsheet looks at Banks, Insurance and Licences only. OSCR has published a range of other guidance both about the legal process and all the other things that you need to consider carefully. These are all be accessible via the [OSCR website](#).

### Banks and Investments

It is essential that you are in contact with your bank as early as possible. This will allow charity trustees to know whether your bank will require you to change your type of account. Some banks will require a change - you need to be aware of their requirements and also what effect it may have on your charity. For example will your bank make you change to a business account, will there be charges?

Be aware that transferring accounts can be a long process, your bank may require a lot of information and paperwork about the charity and the charity trustees. Some banks may require the new charity to be on the charity register before they can open an account for it. OSCR has a [Banking for charities](#) guide which has detailed information for charities.

SCVO has a [bank account comparison guide](#), comparing different current accounts.

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If you hold any separate bank accounts which are linked to the charity - for trading, or any other purposes, make sure these are transferred to the new charity as well.

Charity trustees have a duty to make sure the finances of the charity are well managed, this includes getting the best type of bank account for your charity. If you are changing accounts, make sure you get the best one for your charity.

## **Investments**

The key thing is to consider any investments that you have, early in the process. If you have an investment manager, adviser or a company who manages your charities investments – get in touch with them as soon as you can so that you know what procedures they will require you to follow. You need to make sure everything will be transferred to the name of the new charity.

If one of your charity trustees, or an employee, manages the investments – they can take the lead on making any necessary changes. Make sure you have a clear paper trail showing that everything has transferred over.

## **Insurance**

It is vital that you contact your insurance provider as early as possible to let them know that you are setting up a new charity which will be incorporated. There are a few different scenarios that can happen, these will depend on your own insurance provider:

- Your charity insurance cover will need to be transferred in to the name of the new charity once it is established. Some insurance providers can do this relatively easily, others may require more paperwork – it is important to check what your provider will need.

Make sure your insurance provider has a list of all assets (which they are likely to have already) and have a full understanding of what your organisation does for example do you employ staff, hold events, own property, etc.

Your insurance provider is likely to need a copy of your new constitution, and in some cases, the constitution of the old charity as well.

Some insurance providers will request details of all the charity trustees.

- There will be a period of time where there are two charities – your insurance provider needs to know this to make sure that all assets and liabilities are covered both in the old charity and also when everything transfers to the new charity.

They may need to see proof of transfer, this will depend on your insurance provider – be aware that sometimes there can be an administrative delay with this. Again, ensure

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that your insurance provider knows in advance the proposed dates when transfers will take place.

- Some insurance providers may require you to have two separate policies – one for each charity.

If the existing charity will remain as a shell body (for example to make sure legacies can be collected) – the charity trustees may still be liable, you should ensure there is appropriate cover for both charities.

Becoming incorporated doesn't dissolve Trustee indemnity insurance cover, you may still need this. Check with your insurance provider what is, and isn't, covered by your policy.

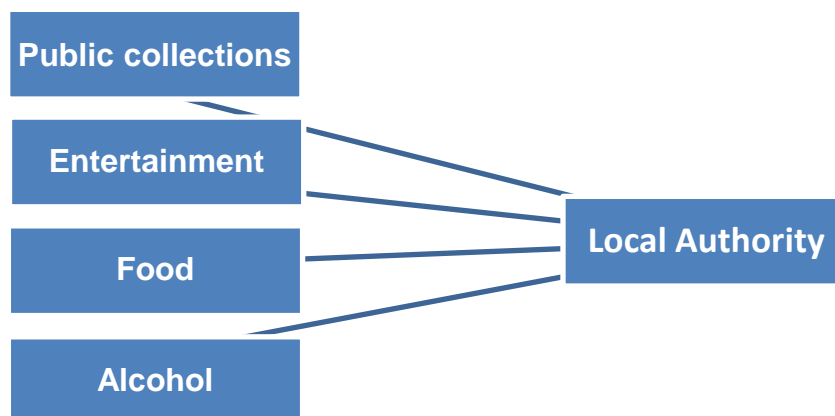
Consider cyber insurance cover, which will cover any loss of data. Be aware that some funders now require you to have cyber insurance cover.

## Licenses

Your charity may have a variety of licences, depending on the work that you do or the services you provide. There is a handy licence finder available at: [www.gov.uk/licence-finder](http://www.gov.uk/licence-finder).

All licences will need to be transferred into the name of the new charity. The procedures for this will vary, it is important to get in touch with your licence provider at an early stage to see what they will need from you.

Some of the more common licences held by charities are listed below; they are all administered by your local authority:



SCVO member organisations can access two hours of free legal advice, further information is available on [our website](#).

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