



# Companies Act 2006

## 2006 CHAPTER 46

### PART 17

#### A COMPANY'S SHARE CAPITAL

### CHAPTER 5

#### PAYMENT FOR SHARES

##### **Modifications etc. (not altering text)**

- C1** Pt. 17 Ch. 5 excluded (8.12.2017) by [The Risk Transformation Regulations 2017 \(S.I. 2017/1212\)](#), regs. 1(2), **176(4)** (with reg. 189)

##### *General rules*

#### **580 Shares not to be allotted at a discount**

- (1) A company's shares must not be allotted at a discount.
- (2) If shares are allotted in contravention of this section, the allottee is liable to pay the company an amount equal to the amount of the discount, with interest at the appropriate rate.

#### **581 Provision for different amounts to be paid on shares**

A company, if so authorised by its articles, may—

- (a) make arrangements on the issue of shares for a difference between the shareholders in the amounts and times of payment of calls on their shares;
- (b) accept from any member the whole or part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up;

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- (c) pay a dividend in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.

## **582 General rule as to means of payment**

- (1) Shares allotted by a company, and any premium on them, may be paid up in money or money's worth (including goodwill and know-how).
- (2) This section does not prevent a company—
  - (a) from allotting bonus shares to its members, or
  - (b) from paying up, with sums available for the purpose, any amounts for the time being unpaid on any of its shares (whether on account of the nominal value of the shares or by way of premium).
- (3) This section has effect subject to the following provisions of this Chapter (additional rules for public companies).

## **583 Meaning of payment in cash**

- (1) The following provisions have effect for the purposes of the Companies Acts.
- (2) A share in a company is deemed paid up (as to its nominal value or any premium on it) in cash, or allotted for cash, if the consideration received for the allotment or payment up is a cash consideration.
- (3) A “cash consideration” means—
  - (a) cash received by the company,
  - (b) a cheque received by the company in good faith that the directors have no reason for suspecting will not be paid,
  - (c) a release of a liability of the company for a liquidated sum,
  - (d) an undertaking to pay cash to the company at a future date, or
  - (e) payment by any other means giving rise to a present or future entitlement (of the company or a person acting on the company's behalf) to a payment, or credit equivalent to payment, in cash.
- (4) The Secretary of State may by order provide that particular means of payment specified in the order are to be regarded as falling within subsection (3)(e).
- (5) In relation to the allotment or payment up of shares in a company—
  - (a) the payment of cash to a person other than the company, or
  - (b) an undertaking to pay cash to a person other than the company,
 counts as consideration other than cash.
 

This does not apply for the purposes of Chapter 3 (allotment of equity securities: existing shareholders' right of pre-emption).
- (6) For the purpose of determining whether a share is or is to be allotted for cash, or paid up in cash, “cash” includes foreign currency.
- (7) An order under this section is subject to negative resolution procedure.

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#### Commencement Information

- II** S. 583 wholly in force at 1.10.2009; s. 583 not in force at Royal Assent, see s. 1300; s. 583 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), [art. 3\(3\)](#) (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6, 8](#), [Sch. 5](#)); s. 583 otherwise in force at 1.10.2009 by [S.I. 2008/2860](#), [art. 3\(k\)](#) (with [arts. 5, 7, 8](#), [Sch. 2](#)) (as amended by [S.I. 2009/1802](#), [art. 18](#))

### *Additional rules for public companies*

#### **584 Public companies: shares taken by subscribers of memorandum**

Shares taken by a subscriber to the memorandum of a public company in pursuance of an undertaking of his in the memorandum, and any premium on the shares, must be paid up in cash.

#### Modifications etc. (not altering text)

- C2** Ss. 584-587 applied (1.10.2009) by [The Companies Act 2006 \(Consequential Amendments, Transitional Provisions and Savings\) Order 2009 \(S.I. 2009/1941\)](#), art. 12(1), [Sch. 3 para. 9](#) (with art. 10)
- C3** Ss. 584-587 applied (12.5.2011) by [The Companies Act 2006 \(Consequential Amendments and Transitional Provisions\) Order 2011 \(S.I. 2011/1265\)](#), art. 5(1), [Sch. 1 para. 9](#)

#### **585 Public companies: must not accept undertaking to do work or perform services**

- (1) A public company must not accept at any time, in payment up of its shares or any premium on them, an undertaking given by any person that he or another should do work or perform services for the company or any other person.
- (2) If a public company accepts such an undertaking in payment up of its shares or any premium on them, the holder of the shares when they or the premium are treated as paid up (in whole or in part) by the undertaking is liable—
- (a) to pay the company in respect of those shares an amount equal to their nominal value, together with the whole of any premium or, if the case so requires, such proportion of that amount as is treated as paid up by the undertaking; and
  - (b) to pay interest at the appropriate rate on the amount payable under paragraph (a).
- (3) The reference in subsection (2) to the holder of shares includes a person who has an unconditional right—
- (a) to be included in the company's register of members in respect of those shares, or
  - (b) to have an instrument of transfer of them executed in his favour.

#### Modifications etc. (not altering text)

- C4** Ss. 584-587 applied (1.10.2009) by [The Companies Act 2006 \(Consequential Amendments, Transitional Provisions and Savings\) Order 2009 \(S.I. 2009/1941\)](#), art. 12(1), [Sch. 3 para. 9](#) (with art. 10)

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**C5** Ss. 584-587 applied (12.5.2011) by [The Companies Act 2006 \(Consequential Amendments and Transitional Provisions\) Order 2011 \(S.I. 2011/1265\)](#), art. 5(1), **Sch. 1 para. 9**

## **586 Public companies: shares must be at least one-quarter paid up**

- (1) A public company must not allot a share except as paid up at least as to one-quarter of its nominal value and the whole of any premium on it.
- (2) This does not apply to shares allotted in pursuance of an employees' share scheme.
- (3) If a company allots a share in contravention of this section—
  - (a) the share is to be treated as if one-quarter of its nominal value, together with the whole of any premium on it, had been received, and
  - (b) the allottee is liable to pay the company the minimum amount which should have been received in respect of the share under subsection (1) (less the value of any consideration actually applied in payment up, to any extent, of the share and any premium on it), with interest at the appropriate rate.
- (4) Subsection (3) does not apply to the allotment of bonus shares, unless the allottee knew or ought to have known the shares were allotted in contravention of this section.

### **Modifications etc. (not altering text)**

- C6** Ss. 584-587 applied (1.10.2009) by [The Companies Act 2006 \(Consequential Amendments, Transitional Provisions and Savings\) Order 2009 \(S.I. 2009/1941\)](#), art. 12(1), **Sch. 3 para. 9** (with art. 10)
- C7** Ss. 584-587 applied (12.5.2011) by [The Companies Act 2006 \(Consequential Amendments and Transitional Provisions\) Order 2011 \(S.I. 2011/1265\)](#), art. 5(1), **Sch. 1 para. 9**

## **587 Public companies: payment by long-term undertaking**

- (1) A public company must not allot shares as fully or partly paid up (as to their nominal value or any premium on them) otherwise than in cash if the consideration for the allotment is or includes an undertaking which is to be, or may be, performed more than five years after the date of the allotment.
- (2) If a company allots shares in contravention of subsection (1), the allottee is liable to pay the company an amount equal to the aggregate of their nominal value and the whole of any premium (or, if the case so requires, so much of that aggregate as is treated as paid up by the undertaking), with interest at the appropriate rate.
- (3) Where a contract for the allotment of shares does not contravene subsection (1), any variation of the contract that has the effect that the contract would have contravened the subsection, if the terms of the contract as varied had been its original terms, is void.

This applies also to the variation by a public company of the terms of a contract entered into before the company was re-registered as a public company.

- (4) Where—
  - (a) a public company allots shares for a consideration which consists of or includes (in accordance with subsection (1)) an undertaking that is to be performed within five years of the allotment, and

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- (b) the undertaking is not performed within the period allowed by the contract for the allotment of the shares,

the allottee is liable to pay the company, at the end of the period so allowed, an amount equal to the aggregate of the nominal value of the shares and the whole of any premium (or, if the case so requires, so much of that aggregate as is treated as paid up by the undertaking), with interest at the appropriate rate.

- (5) References in this section to a contract for the allotment of shares include an ancillary contract relating to payment in respect of them.

**Modifications etc. (not altering text)**

- C8** Ss. 584-587 applied (1.10.2009) by [The Companies Act 2006 \(Consequential Amendments, Transitional Provisions and Savings\) Order 2009 \(S.I. 2009/1941\)](#), art. 12(1), **Sch. 3 para. 9** (with art. 10)
- C9** Ss. 584-587 applied (12.5.2011) by [The Companies Act 2006 \(Consequential Amendments and Transitional Provisions\) Order 2011 \(S.I. 2011/1265\)](#), art. 5(1), **Sch. 1 para. 9**

*Supplementary provisions*

**588 Liability of subsequent holders of shares**

- (1) If a person becomes a holder of shares in respect of which—
  - (a) there has been a contravention of any provision of this Chapter, and
  - (b) by virtue of that contravention another is liable to pay any amount under the provision contravened,that person is also liable to pay that amount (jointly and severally with any other person so liable), subject as follows.
- (2) A person otherwise liable under subsection (1) is exempted from that liability if either—
  - (a) he is a purchaser for value and, at the time of the purchase, he did not have actual notice of the contravention concerned, or
  - (b) he derived title to the shares (directly or indirectly) from a person who became a holder of them after the contravention and was not liable under subsection (1).
- (3) References in this section to a holder, in relation to shares in a company, include any person who has an unconditional right—
  - (a) to be included in the company's register of members <sup>F1</sup><sup>F2</sup>(or, as the case may be, to have his name and other particulars delivered to the registrar under Chapter 2A of Part 8 and registered by the registrar)] in respect of those shares, or
  - (b) to have an instrument of transfer of the shares executed in his favour.
- (4) This section applies in relation to a failure to carry out a term of a contract as mentioned in section 587(4) (public companies: payment by long-term undertaking) as it applies in relation to a contravention of a provision of this Chapter.

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#### Textual Amendments

- F1** Words in s. 588(3)(a) omitted (26.10.2023 but only so far as it confers a power to make regulations or relates to the exercise of the power, otherwise prosp.) by virtue of [Economic Crime and Corporate Transparency Act 2023 \(c. 56\)](#), s. 219(1)(2)(b), [Sch. 1 para. 10](#)
- F2** Words in s. 588(3)(a) inserted (30.6.2016) by [Small Business, Enterprise and Employment Act 2015 \(c. 26\)](#), s. 164(1), [Sch. 5 para. 21](#); S.I. 2016/321, reg. 6(c)

### 589 Power of court to grant relief

- (1) This section applies in relation to liability under—  
 section 585(2) (liability of allottee in case of breach by public company of prohibition on accepting undertaking to do work or perform services),  
 section 587(2) or (4) (liability of allottee in case of breach by public company of prohibition on payment by long-term undertaking), or  
 section 588 (liability of subsequent holders of shares),  
 as it applies in relation to a contravention of those sections.
- (2) A person who—  
 (a) is subject to any such liability to a company in relation to payment in respect of shares in the company, or  
 (b) is subject to any such liability to a company by virtue of an undertaking given to it in, or in connection with, payment for shares in the company,  
 may apply to the court to be exempted in whole or in part from the liability.
- (3) In the case of a liability within subsection (2)(a), the court may exempt the applicant from the liability only if and to the extent that it appears to the court just and equitable to do so having regard to—  
 (a) whether the applicant has paid, or is liable to pay, any amount in respect of—  
 (i) any other liability arising in relation to those shares under any provision of this Chapter or Chapter 6, or  
 (ii) any liability arising by virtue of any undertaking given in or in connection with payment for those shares;  
 (b) whether any person other than the applicant has paid or is likely to pay, whether in pursuance of any order of the court or otherwise, any such amount;  
 (c) whether the applicant or any other person—  
 (i) has performed in whole or in part, or is likely so to perform any such undertaking, or  
 (ii) has done or is likely to do any other thing in payment or part payment for the shares.
- (4) In the case of a liability within subsection (2)(b), the court may exempt the applicant from the liability only if and to the extent that it appears to the court just and equitable to do so having regard to—  
 (a) whether the applicant has paid or is liable to pay any amount in respect of liability arising in relation to the shares under any provision of this Chapter or Chapter 6;  
 (b) whether any person other than the applicant has paid or is likely to pay, whether in pursuance of any order of the court or otherwise, any such amount.

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- (5) In determining whether it should exempt the applicant in whole or in part from any liability, the court must have regard to the following overriding principles—
- (a) a company that has allotted shares should receive money or money's worth at least equal in value to the aggregate of the nominal value of those shares and the whole of any premium or, if the case so requires, so much of that aggregate as is treated as paid up;
  - (b) subject to that, where a company would, if the court did not grant the exemption, have more than one remedy against a particular person, it should be for the company to decide which remedy it should remain entitled to pursue.
- (6) If a person brings proceedings against another (“the contributor”) for a contribution in respect of liability to a company arising under any provision of this Chapter or Chapter 6 and it appears to the court that the contributor is liable to make such a contribution, the court may, if and to the extent that it appears to it just and equitable to do so having regard to the respective culpability (in respect of the liability to the company) of the contributor and the person bringing the proceedings—
- (a) exempt the contributor in whole or in part from his liability to make such a contribution, or
  - (b) order the contributor to make a larger contribution than, but for this subsection, he would be liable to make.

## **590 Penalty for contravention of this Chapter**

- (1) If a company contravenes any of the provisions of this Chapter, an offence is committed by—
- (a) the company, and
  - (b) every officer of the company who is in default.
- (2) A person guilty of an offence under this section is liable—
- (a) on conviction on indictment, to a fine;
  - (b) on summary conviction, to a fine not exceeding the statutory maximum.

## **591 Enforceability of undertakings to do work etc**

- (1) An undertaking given by any person, in or in connection with payment for shares in a company, to do work or perform services or to do any other thing, if it is enforceable by the company apart from this Chapter, is so enforceable notwithstanding that there has been a contravention in relation to it of a provision of this Chapter or Chapter 6.
- (2) This is without prejudice to section 589 (power of court to grant relief etc in respect of liabilities).

## **592 The appropriate rate of interest**

- (1) For the purposes of this Chapter the “appropriate rate” of interest is 5% per annum or such other rate as may be specified by order made by the Secretary of State.
- (2) An order under this section is subject to negative resolution procedure.

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### Commencement Information

- I2** S. 592 wholly in force at 1.10.2009; s. 592 not in force at Royal Assent, see s. 1300; s. 592 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), [art. 3\(3\)](#) (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6, 8](#), [Sch. 5](#)); s. 592 otherwise in force at 1.10.2009 by [S.I. 2008/2860](#), [art. 3\(k\)](#) (with [arts. 5, 7, 8](#), [Sch. 2](#)) (as amended by [S.I. 2009/1802](#), [art. 18](#))



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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

- Act amendment to earlier affecting provision S.I. 2008/373 reg. 11(1) by [S.I. 2013/1971 reg. 9\(a\)](#) (This amendment not applied to legislation.gov.uk. Amending Regulations revoked (1.10.2013) without ever being in force by S.I. 2013/2224, reg. 2)
- Act amendment to earlier affecting provision S.I. 2008/373 reg. 3(4) by [S.I. 2013/1971 reg. 4](#) (This amendment not applied to legislation.gov.uk. Amending Regulations revoked (1.10.2013) without ever being in force by S.I. 2013/2224, reg. 2)

**Whole provisions yet to be inserted into this Act (including any effects on those provisions):**

- s. 156A-156C inserted by [2015 c. 26 s. 87\(4\)](#)
- s. 479A(2)(c)(zi) inserted by [S.I. 2019/177 reg. 4\(b\)\(i\)](#) (This amendment not applied to legislation.gov.uk. Reg. 4 substituted by regs. 4, 4A immediately before IP completion day by S.I. 2019/1392, regs. 1(2), 4)
- s. 1110E-1110G applied by S.I. 2009/1804, reg. 60 (as amended) by [S.I. 2024/234 reg. 26](#)
- s. 11989A applied (with modifications) by S.I. 2009/1804, reg. 79A (as inserted) by [S.I. 2024/234 reg. 46](#)
- Sch. 10 para. 6(2D) inserted by [S.I. 2019/177 reg. 28\(e\)](#) (This amendment not applied to legislation.gov.uk. Reg. 28(e) omitted immediately before IP completion day by virtue of S.I. 2020/523, regs. 1(2), 14(e)(iv))
- Sch. 10 para. 7(2A) inserted by [S.I. 2019/177 reg. 29\(b\)](#) (This amendment not applied to legislation.gov.uk. Reg. 29 substituted immediately before IP completion day by S.I. 2020/523, regs. 1(2), 14(f))