

## SCHEDULE

### AMENDMENTS TO THE COMPANIES ACT 1985 AND THE INSOLVENCY ACT 1986

#### Contracts with sole members

3.—(1) In Part X of the Companies Act 1985, after section 322A(1) insert—

##### “Contracts with sole members who are directors

**322B.**—(1) Subject to subsection (2), where a private company limited by shares or by guarantee having only one member enters into a contract with the sole member of the company and the sole member is also a director of the company, the company shall, unless the contract is in writing, ensure that the terms of the contract are either set out in a written memorandum or are recorded in the minutes of the first meeting of the directors of the company following the making of the contract.

(2) Subsection (1) shall not apply to contracts entered into in the ordinary course of the company’s business.

(3) For the purposes of this section a sole member who is a shadow director is treated as a director.

(4) If a company fails to comply with subsection (1), the company and every officer of it who is in default is liable to a fine.

(5) Subject to subsection (6), nothing in this section shall be construed as excluding the operation of any other enactment or rule of law applying to contracts between a company and a director of that company.

(6) Failure to comply with subsection (1) with respect to a contract shall not affect the validity of that contract.”.

(2) In section 741 of the Companies Act 1985 (“director” and “shadow director”), in subsection (3) after “sections 320 to 322 (substantial property transactions involving directors),” delete “and” and insert “section 322B (contracts with sole members who are directors), and”.

(3) In Schedule 24 to the Companies Act 1985 (punishment of offences), after the entry relating to section 318(8) insert—

---

“322B(4)	Terms of unwritten contract between sole member of a private company limited by shares or by guarantee and the company not set out in a written memorandum or recorded in minutes of a directors' meeting	Summary	Level 5 on the standard scale.”.
----------	---	---------	----------------------------------

---

(1) Section 322A was inserted into the Companies Act 1985 by section 109 of the Companies Act 1989 (c. 40).