



SQE1 · FLK1 · BUSINESS LAW · 2026 - 2027

Business Law

Companies

and partnerships for the SQE, as decision trees

Forming the business, who decides, directors, shares, finance and partnerships.

The Ultimate SQE Success Guide.*

This guide is part of a series.

You can find more here: [Downloads & Tools](#)

THE SERIES

SQE 2027 Changes · Ethics · Resitting SQE1 · Employer Funding ·
Income Tax · Solicitors Accounts · SQE2 Client Interview ·
Foreign Lawyers · SQE1 Time Limits · Inheritance Tax · Capital Gains Tax
· Property Practice · Criminal Litigation · SQE1 Specification Checklist ·
SQE1 and SQE2 Readiness Checklists · Business Law

FQPS Academy is an independent SQE preparation provider, not affiliated with or endorsed by the Solicitors Regulation Authority or Kaplan. The SQE and SOLICITORS QUALIFYING EXAMINATION trade marks are the property of and are used under licence from the Solicitors Regulation Authority. General information for SQE candidates, checked on 30 October 2026: not legal advice.

Table of Contents

How Business Law Is Tested	03
Business law on one page	04
Choosing the Business Vehicle	05
Forming a company	06
Company Decisions: Who Decides?	07
The decision tree	08
Worked example: the meetings	09
Directors	10
Directors' duties	11
Does the deal need approval?	12
Shareholders and minority protection	13
Shares and Finance	14
Worked example: issuing shares	15
Dividends, buybacks and borrowing	16
Partnerships and LLPs	17
Worked example: is the firm bound?	18
Exam Traps & Practice	19
Test yourself	20
Your business law checklist	21





Most business law questions ask one thing: who decides, and how?

What is This Guide?

A practical route through the company and partnership law in **Business Law and Practice for SQE1**: choosing the vehicle, forming a company, **who decides** and by what majority, directors' appointment, removal and **duties**, the deals that need shareholders' approval, minority remedies, **issuing shares**, dividends, buybacks and borrowing, and **partnerships** and LLPs. Two decision trees and three worked examples, updated for the Companies House changes of November 2025.

Who This Guide is For?

- SQE1 candidates sitting FLK1 in 2027
- Anyone who mixes up ordinary and special resolutions, or board and shareholder decisions
- Candidates revising from books printed before November 2025
- Paralegals in corporate teams who want the rules behind the forms

Why It Matters?

Business law questions reward a method. Most wrong options describe a real rule with the wrong decision-maker or the wrong majority: a board doing what only the members can, a written resolution where a meeting is required, 51% where 75% is needed, a partner's vote where everyone must agree. Ask who decides and how, and most answers follow.

How Business Law Is Tested



Business Law and Practice is an **FLK1** subject. From January 2027 it sits in **session 1** of FLK1, with Dispute Resolution and Legal Services. A question gives you a business, its owners and a decision they want to make, and asks which vehicle fits, who must approve, by what majority, by when, or who is liable.

Area	The SRA's six assessment areas, in short	In this guide
1	Starting a business: company, partnership, LLP or sole trader	Chapter 2 (pages 05 and 06)
2	Managing the business and company decision-making	Chapter 3 (pages 07 to 09)
3	Stakeholders: rights, duties and powers	Chapter 4 and partnerships (pages 10 to 13, 17, 18)
4	Financing a business	Chapter 5 (pages 14 to 16)
5	Taxation of a business and its stakeholders	Not here: see our Income Tax and Capital Gains Tax guides
6	Ending a solvent business, insolvency and bankruptcy	Not here, apart from outlines on pages 13 and 16

How much of the paper

The blueprint gives Business Law and Practice **14 to 20%** of FLK1. Our specification checklist has 44 lines for it.

Which law

The law in force four calendar months before the first day of the window: **11 September 2026** for January 2027 and **12 March 2027** for July 2027.

The question format

Single best answer: five options and "only one correct answer". Closed book: know the majorities, the notice periods and the figures.

The law moved in 2025

From **18 November 2025**, directors must verify their identity, and companies no longer keep their own registers of directors or PSCs (page 06).

Important: what this guide covers

Private companies limited by shares, with the model articles, plus partnerships and LLPs; public companies only where they differ. Tax (apart from stamp duty on a share transfer), insolvency and listed company rules are outside it.

Sources: SRA SQE1 Assessment Specification from 1 September 2026, session map and blueprint, as reproduced in this repo; Companies Act 2006 ss 167G, 167M; SI 2025/1118. Accessed 30 October 2026.



Business Law on One Page

PRIVATE COMPANY, MODEL ARTICLES · TICK THE BOX WHEN YOU KNOW THE FIGURE AND THE SECTION

RULE	FIGURE	PAGE	DONE
Majorities and meetings			
Ordinary resolution More than half (CA 2006 s 282)	Simple majority	07	☐
Special resolution So more than 25% can block one (s 283)	Not less than 75%	07	☐
Notice of a general meeting Excluding the day of the meeting and the day notice is given (ss 307, 360)	14 clear days	07	☐
Short notice A majority in number holding 90% of the voting shares; articles may raise it to 95% (s 307)	90% by value	07	☐
Written resolution lapses From the circulation date, unless the articles set another period (s 297)	28 days	07	☐
Members require a meeting Of paid-up voting capital; directors call within 21 days, for a date within 28 days of the notice (ss 303, 304)	5%; 21 + 28 days	13	☐
Directors			
Special notice to remove a director Ordinary resolution at a meeting, never a written resolution (ss 168, 288, 312)	28 days	10	☐
Long-term service contract Guaranteed term needs members' approval (s 188)	Over 2 years	12	☐
Substantial property transaction Over 10% of net assets and more than £5,000, or over £100,000 (s 191)	£100,000 or 10%	12	☐
Loans to directors Up to £10,000 in total needs no approval (ss 197, 207)	£10,000	12	☐
Tell Companies House of a change of director Includes the identity verification statement (s 167G)	14 days	10	☐
Shares and finance			
Authority to allot (s 551) Not needed for a private company with one class of shares (s 550)	5 years at most	15	☐
Pre-emption offer period Offer to existing ordinary shareholders first (ss 561, 562)	14 days	15	☐
Return of allotment With a statement of capital (s 555); register within 2 months (s 554)	1 month	15	☐
Register a charge From the day after creation; otherwise void against a liquidator (ss 859A, 859H)	21 days	16	☐
Stamp duty on a share transfer Rounded up to the next £5; none at £1,000 or under with a certificate	0.5%	16	☐
Filing			
Special resolution and amended articles Copy to the registrar (ss 26, 30)	15 days	06	☐
Confirmation statement At least once a year (s 853A)	Every 12 months + 14 days	06	☐
Annual accounts After the year end for a private company; 6 for a public one (s 442)	9 months	06	☐

Summary only: each rule has conditions on the page shown. Companies Act 2006 on legislation.gov.uk; checked 30 October 2026.

2 Choosing the Business Vehicle



The first question is the vehicle. A **sole trader** and an English **partnership** have no legal personality separate from their owners. A **company** and an **LLP** are bodies corporate: the business owns its assets, makes its contracts and owes its debts, and the owners' liability is limited.

	Sole trader	Partnership	LLP	Private company
Separate legal person?	No	No: only a Scottish firm is a legal person (PA 1890 s 4)	Yes (LLPA 2000 s 1)	Yes, from incorporation (CA 2006 s 16)
Owners' liability	Unlimited: "personally responsible" for all its debts (GOV.UK)	Unlimited: jointly liable for the firm's debts (s 9)	Limited, as the Act provides	Limited to any amount unpaid on shares
How formed	No formality	By agreement, or by conduct alone (s 1)	Incorporation document filed; two or more members (s 2)	Registration at Companies House; one or more founders (s 7)
Rules	None	Partnership Act 1890 defaults, varied by agreement (s 19)	LLP Regulations 2001 defaults, varied by agreement	Articles: the model articles by default (ss 18, 20)
Public filing	None	None	Accounts and member details	Accounts, confirmation statement, officers, PSCs

Is there a partnership?

"The relation which subsists between persons carrying on a business in common with a view of profit" (s 1). Sharing profits is prima facie evidence; sharing gross returns is not enough (s 2).

Limited partnership

At least one general partner with unlimited liability and one or more limited partners (LPA 1907 s 4). A limited partner who takes part in management is liable for debts incurred meanwhile as if a general partner (s 6).

Public company

Needs a trading certificate before it does business, £50,000 of allotted capital, each share at least a quarter paid up, two directors and a secretary (ss 154, 271, 586, 761, 763).

Read the facts for conduct: two people who run a business together and split the profits are partners, whatever they call themselves. No agreement means the 1890 Act's default rules (page 17).

Sources: Partnership Act 1890 ss 1, 2, 4, 9, 19; Limited Partnerships Act 1907 ss 4, 6; Limited Liability Partnerships Act 2000 ss 1, 2; Companies Act 2006 ss 7, 16, 18, 20, 154, 271, 586, 761, 763; GOV.UK, Become a sole trader. Accessed 30 October 2026.

Forming a company

One or more persons form a company by subscribing to a **memorandum**, which records that they wish to form it and will each take a share, and filing the registration documents (CA 2006 ss 7 to 9). The company exists from the date on its certificate of incorporation, which is conclusive evidence that it is duly registered (ss 15, 16).

The application (s 9)	What it contains
The basics	Proposed name; whether the registered office is in England and Wales, Wales, Scotland or Northern Ireland; limited liability; private or public; and a statement that it is formed for lawful purposes
Statement of capital and initial shareholdings	The shares the subscribers will take on formation
Statement of proposed officers	The first directors (at least one, a natural person, aged 16 or over: ss 154, 155, 157), confirming each director's identity is verified (s 12(2A))
Statement of initial significant control	People with significant control (PSCs): for example, more than 25% of the shares or votes, the right to appoint or remove a majority of the board, or significant influence or control (Sch 1A)
Addresses and articles	Registered office address, a registered email address , and articles unless the model articles are relied on
Statement of compliance	That the Act's registration requirements have been met (s 13)

The name

Must end with "limited" or "ltd." (s 59); must not be the same as a name on the index (s 66); some words need approval (ss 54, 55). Change it by special resolution (s 77).

The articles

If none are registered, the model articles apply; registered articles take the model articles for anything they do not exclude (s 20). Amend them by special resolution, filing a copy within 15 days (ss 21, 26).

After incorporation: changed in 2025	Rule
Registers kept by the company	A register of members (s 113). The company's own registers of directors and of PSCs were abolished on 18 November 2025: changes now go straight to Companies House
New or departing director	Notify the registrar within 14 days , with consent to act and the identity statement (s 167G). No one may act as a director without verified identity (s 167M); directors in office before 18 November 2025 verify with the next confirmation statement (SI 2025/1118 reg 4)
Confirmation statement	At least once every 12 months, filed within 14 days after the review period ends (s 853A); fee £50 online
Accounts	Keep adequate records (s 386); file within 9 months of the year end (private) or 6 (public) (s 442). A small company is exempt from audit (s 477): two of turnover up to £15m, balance sheet up to £7.5m, 50 employees, for years from 6 April 2025 (s 382)

Before incorporation: a contract made for a company that does not yet exist binds the person who made it, personally (s 51). Fee to incorporate online: £100 since 1 February 2026.

Sources: Companies Act 2006 ss 7 to 9, 12, 13, 15, 16, 20, 21, 26, 51, 54, 55, 59, 66, 77, 113, 154, 155, 157, 167G, 167M, 382, 386, 442, 477, 853A, Sch 1A; SI 2025/1118; Companies House fees (GOV.UK). Accessed 30 October 2026.

Company Decisions: Who Decides?



A company acts through two bodies. The **board** manages the business and exercises the company's powers (model articles art 3). The **members** (shareholders) decide what the Act or the articles reserve to them, by resolution. Most questions turn on which body decides and by what majority.

Board meetings	Model articles for private companies (SI 2008/3229 Sch 1)
Decisions	A majority at a meeting, or a unanimous decision of the eligible directors, which may be in writing (arts 7, 8)
Quorum	Two , unless the directors fix more (art 11)
Chair	A casting vote on a tie, unless the chair is not counted (art 13)
Conflicts	A director interested in a transaction with the company is not counted in the quorum or the vote, unless an exception applies; members can disapply this by ordinary resolution (art 14)

Members' decisions	Companies Act 2006
Ordinary resolution	A simple majority (s 282). The default where the Act does not say which kind (s 281(3))
Special resolution	Not less than 75% (s 283). File a copy within 15 days (ss 29, 30)
Written resolution	Private companies only. Majority of the total voting rights of eligible members, not of those who reply. Lapses after 28 days unless the articles say otherwise (ss 288, 297). Not for removing a director or an auditor
General meeting	14 clear days' notice (ss 307, 360), or short notice agreed by a majority in number holding 90% of the voting shares. Quorum two qualifying persons (s 318). Each member may appoint a proxy (s 324)
Votes	On a show of hands, one per member present; on a poll or a written resolution, one per share (s 284). A poll can be demanded by the chair, the directors, two voters or holders of one tenth of the votes (art 44)

Deemed delivery

A notice the company posts to a UK address, or emails to a member who has agreed to email, is deemed received **48 hours** after it is sent, ignoring non-working days, subject to the articles (s 1147). Count the clear days from then.

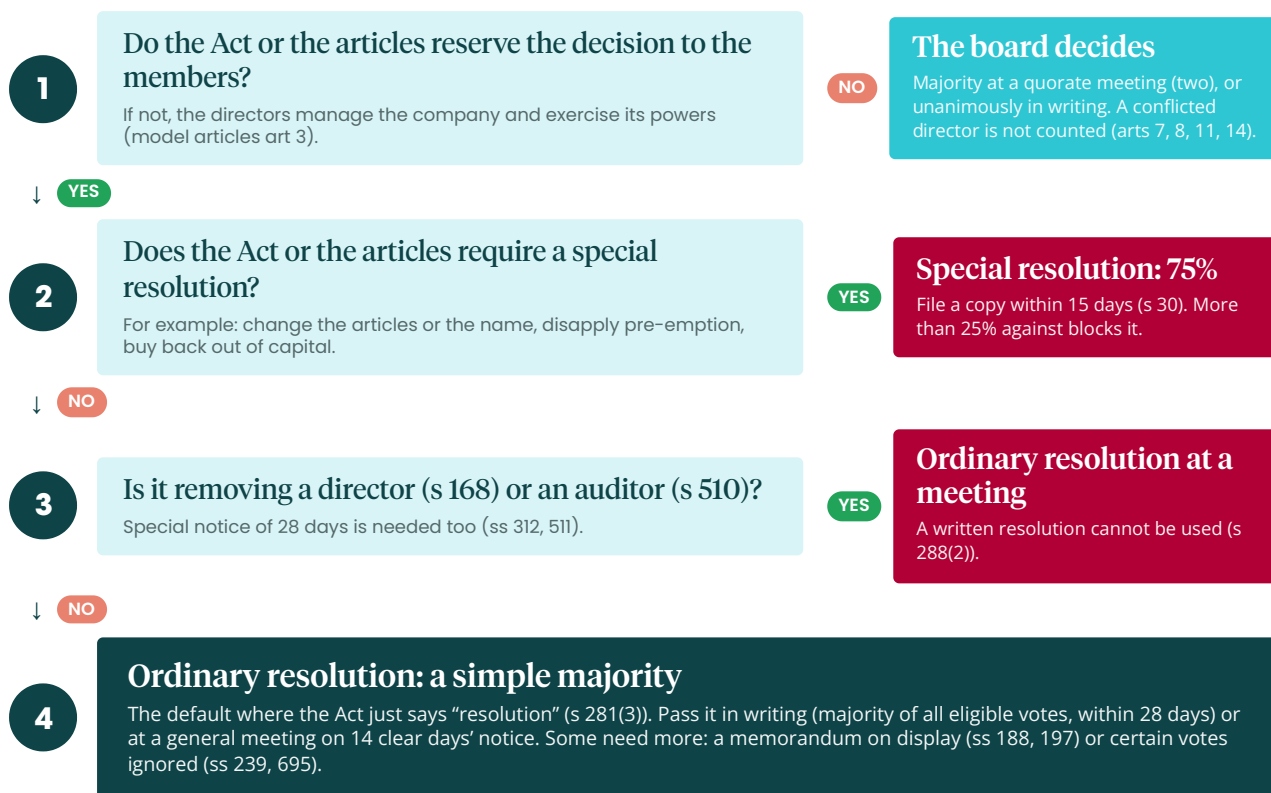
Records

Minutes of general meetings and records of written resolutions are kept for at least **ten years** (s 355).

Sources: SI 2008/3229 Sch 1 arts 3, 7, 8, 11, 13, 14, 44; Companies Act 2006 ss 29, 30, 281 to 284, 288, 297, 307, 318, 324, 355, 360, 1147. Accessed 30 October 2026.

Who Decides? The Decision Tree

Our method, built on the Companies Act 2006 and the model articles. A private company limited by shares; read any special articles in the question first.



Common decisions

Decision	Who and what	Source
Enter a contract, call a general meeting, recommend a dividend	Board	Arts 3, 30; s 302
Appoint a director	Board or ordinary resolution	Art 17
Give directors authority to allot shares	Ordinary resolution	s 551
Approve a long service contract, a substantial property transaction or a loan to a director	Ordinary resolution	ss 188, 190, 197
Declare a final dividend; approve an off-market buyback	Ordinary resolution	Art 30; s 694
Ratify a director's breach of duty	Ordinary resolution, without the director's votes	s 239
Change the articles or the name	Special resolution	ss 21, 77
Disapply pre-emption; buy back out of capital	Special resolution	ss 569 to 571, 716

Our method. Rules on the steps and in the table; all Companies Act 2006 or SI 2008/3229 Sch 1.

Worked Example: the Meetings

Invented facts. **Bluebell Ltd** has the model articles and one class of shares. Directors: **Ana, Ben** and **Cara**. Shareholders: Ana 40%, Ben 35%, **Dev** 25%. Its net assets in the last accounts are £400,000. The company wants to **buy Ben's van for £60,000**, change its **name**, and appoint **Eli** as a director.

Question	Answer	Why
Is the van a substantial property transaction?	Yes	£60,000 is over 10% of £400,000 and over £5,000 (s 191)
Can Ben count at the board meeting?	No	Interested: not counted in the quorum or the vote (art 14). Ana and Cara make the quorum of two (art 11)
Must Ben declare his interest?	Yes, unless they already know	Before the company enters into the deal (s 177)
What does the board do?	Calls a general meeting	Directors may call one (s 302); the members must approve the van and the name
Notice emailed on Monday 1 March 2027. Earliest meeting date?	Thursday 18 March	Deemed received 48 hours later, Wednesday 3 March (s 1147); then 14 clear days, 4 to 17 March (ss 307, 360)
The van: what resolution?	Ordinary	s 190. Ana and Dev hold 65%, so it passes even without Ben's votes
The name: what resolution?	Special	s 77. On a poll Ana and Ben hold exactly 75%: "not less than 75%" is enough (s 283)
Eli: who appoints?	Board or members	Art 17. Companies House within 14 days, with Eli's identity statement (s 167G)
What is filed after the meeting?	The resolution and a notice	The special resolution within 15 days (s 30), and notice of the change of name (s 78)

Change one fact

If	Then
They want the meeting next week	Short notice needs a majority in number holding 90% of the voting shares (s 307(5), (6)): Ana and Ben hold only 75%, so Dev must agree too
They use written resolutions instead	The name needs 75% of all eligible votes, and each resolution lapses after 28 days (ss 283, 297).
Dev holds 26% and Ben 34%	Ana and Ben have 74%: the change of name fails unless Dev votes for it
Ana and Ben want to remove Cara	Special notice of 28 days, then an ordinary resolution at the meeting (ss 168, 312). Cara may speak and circulate a statement (s 169)

Our example, invented facts and dates. Rules: Companies Act 2006 ss 30, 77, 78, 167G, 168, 169, 177, 190, 191, 283, 297, 302, 307, 312, 360, 1147; SI 2008/3229 Sch 1 arts 11, 14, 17.

4 Directors



Under the model articles, a director is appointed by **ordinary resolution** or by a **decision of the directors** (art 17). Companies House must be told of every appointment and departure within **14 days** (s 167G).

Removing a director (s 168)	The rule
The resolution	An ordinary resolution at a meeting, "notwithstanding anything in any agreement between it and him" (s 168(1))
Special notice	The member proposing it gives the company notice at least 28 days before the meeting (s 312(1)); the company tells members with the notice of the meeting
Never in writing	A written resolution cannot remove a director (s 288(2))
The director's rights	To a copy of the notice, to be heard at the meeting, and to have written representations circulated or read out (s 169)
Compensation	Removal does not take away a claim for damages, for example for breach of a service contract (s 168(5))

Disqualification

An unfit director of an insolvent company must be disqualified: **2 to 15 years** (CDDA 1986 s 6). Acting while disqualified is an offence (s 13) and brings personal liability for the debts (s 15).

Service contracts

The company keeps a copy of each director's service contract for members to inspect, for at least a year after it ends (ss 228, 229).

Binding the company

For someone dealing in good faith, the directors' power to bind the company is free of limits in the constitution (s 40). Capacity is not limited by the constitution (s 39).

When office ends (art 18)

On ceasing to be a director under the Act or being prohibited by law, a bankruptcy order, a composition with creditors, a medical opinion of incapacity for more than three months, or resignation.

Shadow directors

The rules on deals needing members' approval (ss 188 to 222, page 12) also apply to a shadow director (s 223).

Who wants the director out? More than 50% of the votes at the meeting removes a director, whatever the service contract says. Weighted voting rights in the articles can change the count: read the articles in the question.

Sources: SI 2008/3229 Sch 1 arts 17, 18; Companies Act 2006 ss 39, 40, 167G, 168, 169, 223, 228, 229, 288, 312; Company Directors Disqualification Act 1986 ss 6, 13, 15. Accessed 30 October 2026.

Directors' duties

The seven general duties in the Companies Act 2006 are owed to the **company**, not to individual shareholders (s 170). All except the duty of care are enforceable as fiduciary duties (s 178).

Duty	What it requires
s 171 Act within powers	Follow the constitution; use powers only for the purposes for which they are conferred
s 172 Promote success	Act in the way the director considers, "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 to six factors: long-term consequences, employees, suppliers and customers, community and environment, reputation, fairness between members
s 173 Independent judgment	Not breached by acting under an agreement the company has entered into, or as the constitution allows
s 174 Care, skill and diligence	Of a reasonably diligent person with (a) the general knowledge, skill and experience reasonably expected of someone doing the director's job, and (b) the director's own. Both limbs apply
s 175 Avoid conflicts	Of interest, especially exploiting property, information or opportunity. Not breached if the directors authorise it: in a private company, unless the constitution invalidates such authorisation; the conflicted director is not counted
s 176 No third-party benefits	Do not accept a benefit given because of being a director
s 177 Declare an interest	Declare the nature and extent of an interest in a proposed transaction before the company enters into it. Not needed if the others already know, or ought reasonably to

Existing transactions

Declared as soon as reasonably practicable (s 182); failure is an offence (s 183).

Ratification

Members may ratify a breach by ordinary resolution, ignoring the votes of the director and connected members (s 239).

No exemption

An exemption clause is void (s 232); insurance is allowed (s 233). The court may relieve an honest and reasonable director (s 1157).

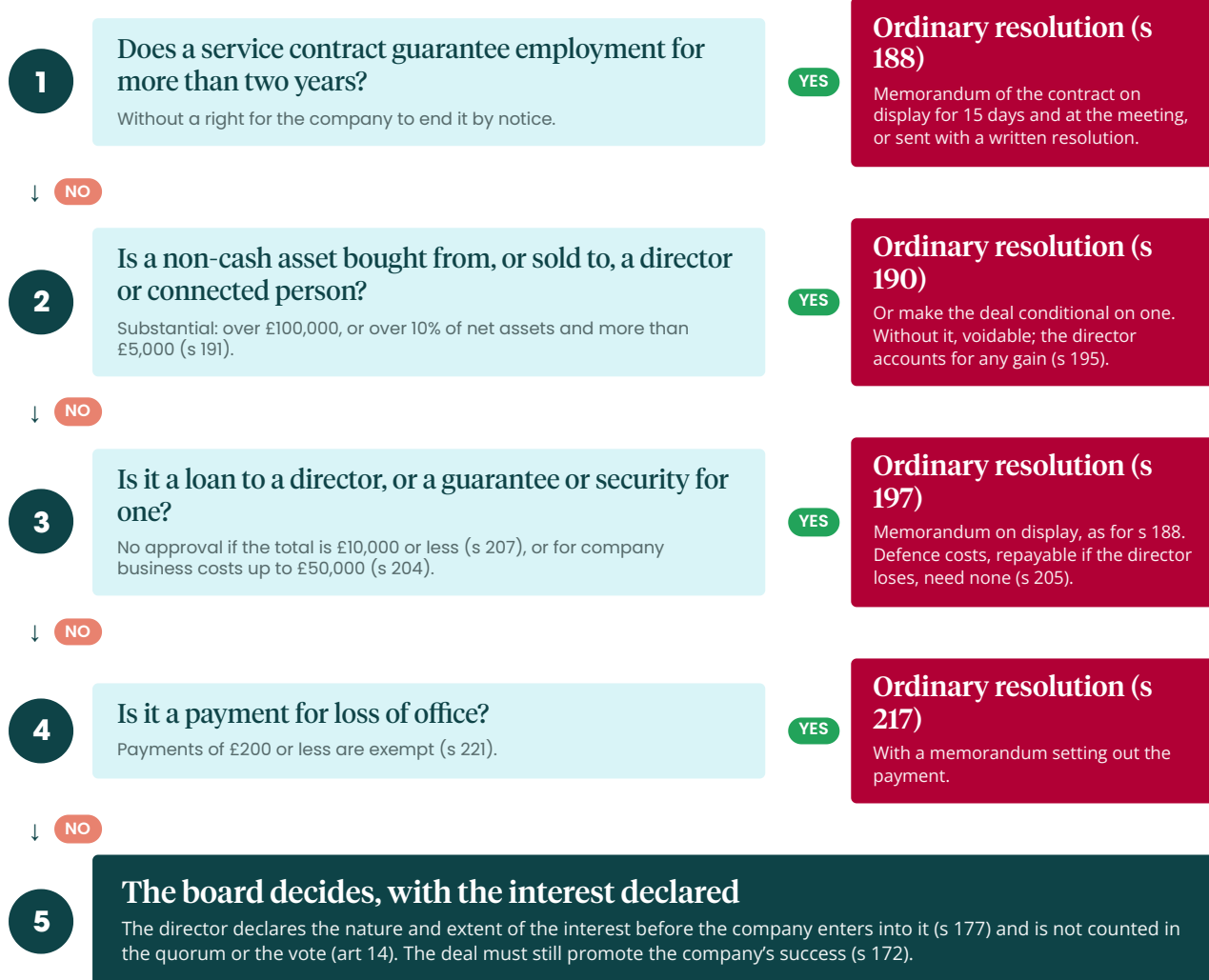
Spot the duty: our method

The facts in the question	Duty	Then
The board allots shares to keep control away from a shareholder	s 171	Improper purpose
A director takes for himself an opportunity the company could use	s 175	Unless authorised
A supplier gives a director a free holiday	s 176	Given as director
A director approves the accounts without reading them	s 174	Objective test
A nominee director always votes as his appointer tells him	s 173	Own judgment
The company is about to buy from a firm owned by a director	s 177	Then check s 190

Sources: Companies Act 2006 ss 170 to 178, 182, 183, 232, 233, 239, 1157. Accessed 30 October 2026.

Does the Deal Need Approval?

Our method for a deal between a company and one of its directors, built on the Companies Act 2006 Part 10. Ask every question: one deal can trigger more than one rule. Connected persons, such as a director's spouse or children, count for s 190 (ss 252, 253); loans to them need approval only in a public company or one associated with it (s 200).



Run it: four directors

Deal (company's net assets £300,000)	Stops at	Who approves
Fay is offered a fixed five-year service contract	1	Members, ordinary resolution
The company sells Gus's wife a flat worth £120,000	2	Members: she is connected and it is over £100,000
The company lends Hal £8,000, his only loan	3, exempt	Board: within the £10,000 exception
The company buys Ivy's laptop for £1,200	5	Board: not over £5,000, so not substantial

Our examples. Rules: Companies Act 2006 ss 172, 177, 188, 190, 191, 195, 197, 200, 204, 205, 207, 217, 221, 252, 253; SI 2008/3229 Sch 1 art 14.

Shareholders and minority protection

Shareholders control the company through their votes. What a holding can do follows from the majorities in ss 282 and 283 and the thresholds below. Count votes, not people.

Holding	What it gives
Any share	Inspect the register of members (s 116) and directors' service contracts (s 229); bring a derivative claim or an unfair prejudice petition (below)
5%	Require a general meeting (s 303, 5% of paid-up voting capital); require circulation of a written resolution (s 292) or of a statement (s 314)
10%	Demand a poll under the model articles (art 44)
More than 25%	Block a special resolution
More than 50%	Pass an ordinary resolution: appoint and remove directors
75% or more	Pass a special resolution: change the articles or the name

Remedy	Who and what	Key point
Derivative claim (ss 260 to 263)	A member sues for the company , for a director's negligence, default, breach of duty or breach of trust	Needs the court's permission. Refused if a person acting under s 172 would not continue it, or if the act was authorised or ratified (s 263(2))
Unfair prejudice (s 994)	A member petitions that the affairs are conducted in a manner unfairly prejudicial to members' interests, including at least their own	The court may make any order it thinks fit, for example that the others or the company buy the petitioner's shares (s 996)
Just and equitable winding up (IA 1986 s 122(1)(g))	The court winds the company up if it is "just and equitable"	The last resort: it ends the company. A member may petition if, for example, the shares were allotted to them or held for 6 of the last 18 months (s 124)

Whose loss? A wrong done to the company (a director diverts a contract) is the company's claim: derivative claim. Treatment of the member as a member (excluded from management, diluted) points to s 994.

The court's permission

The court dismisses a derivative claim with no prima facie case (s 261). Otherwise it weighs good faith, the importance of the claim, likely ratification and whether the member could sue in their own right (s 263(3)).

Who sues for a breach of duty?

The duty is owed to the company, so the company is the claimant, acting through its board. A member can step in only by a derivative claim.

Sources: Companies Act 2006 ss 116, 229, 260, 261, 263, 282, 283, 292, 303, 314, 994, 996; SI 2008/3229 Sch 1 art 44; Insolvency Act 1986 ss 122(1)(g), 124. Accessed 30 October 2026.



Shares and Finance

A company raises money by selling shares (**equity**) or by borrowing (**debt**). Issuing shares is a two-question exercise: can the directors **allot**, and must the shares first be offered to existing shareholders (**pre-emption**)?

Step	Rule
1. Authority to allot	A private company with one class of shares: the directors may allot more of that class unless the articles prohibit it (s 550). Otherwise they need authority in the articles or an ordinary resolution , stating the maximum number and an expiry date no more than five years away (s 551)
2. Pre-emption	New ordinary shares must first be offered to the ordinary shareholders in proportion to their holdings, on the same or better terms (s 561), for at least 14 days (s 562)
3. Exceptions and disapplication	No pre-emption for shares paid for otherwise than in cash (s 565) or bonus shares (s 564). Otherwise disapply it by special resolution or the articles (ss 569 to 571), or exclude it in a private company's articles (s 567)
4. After the allotment	Return of allotment with a statement of capital within one month (s 555); enter the allottee in the register of members within two months (s 554); share certificates ready within two months (s 769)

Ordinary shares

Pre-emption protects holders of ordinary shares: any shares except those whose dividend and capital rights are capped at a fixed amount (s 560).

Class rights

Varied as the articles say or, if they are silent, with the consent of **75%** of the class; **15%** who did not agree can apply to court within **21 days** (ss 630, 633).

Price and payment

Never at a discount to nominal value (s 580). Payment may be in money or money's worth, such as goodwill or know-how (s 582).

Two questions, in order: first authority (s 550 or s 551), then pre-emption (s 561). A yes to the first never answers the second. Worked on page 15.

Sources: Companies Act 2006 ss 550, 551, 554, 555, 560 to 562, 564, 565, 567, 569 to 571, 580, 582, 630, 633, 769. Accessed 30 October 2026.

Worked Example: Issuing Shares

Invented facts and figures. **Juniper Ltd** has the model articles and 100 ordinary shares of £1: **Mo** holds 60 and **Nia** 40. An investor, **Ola**, will pay **£50,000 in cash** for 50 new ordinary shares.

Step	Answer	Why
1. Can the directors allot?	Yes, without a resolution	Private company, one class, articles do not prohibit it (s 550)
2. Does pre-emption apply?	Yes	Ordinary shares for cash: offer them to Mo and Nia first, 30 and 20, for at least 14 days (ss 561, 562)
3. How can Ola have them all?	Special resolution	Disapply pre-emption (s 569). Mo's 60% is not enough: Nia's votes are needed for 75%
4. Price per share	£1,000	£1 nominal and £999 premium: allowed, as there is no discount (s 580)
5. Filings	1 month; 2 months	Return of allotment and statement of capital (s 555); Ola into the register of members and a share certificate (ss 554, 769)
6. Is Ola a person with significant control?	Yes: 33.3%	More than 25% of the shares (Sch 1A). Tell Companies House within 14 days of confirming her details (s 790LA)

Who controls Juniper now?

Shareholder	Before	After	What changes
Mo	60%	40%	Can no longer pass an ordinary resolution alone, so cannot remove a director without support
Nia	40%	26.7%	Still more than 25%: can still block a special resolution
Ola	0%	33.3%	Can block a special resolution; can demand a poll (10%) and require a meeting (5%)

Change one fact

If Ola pays with a building instead of cash, pre-emption does not apply (s 565). The directors can allot to her without step 3.

Two classes

If Juniper also had preference shares, s 550 would not help: the directors need authority in the articles or an ordinary resolution, for up to five years (s 551).

Paying a dividend later

Only from profits available for distribution (s 830). The £49,950 premium goes to the share premium account, not to profits (s 610).

Our example, invented figures. Rules: Companies Act 2006 ss 550, 551, 554, 555, 561, 562, 565, 569, 580, 610, 769, 790LA, 830, Sch 1A; SI 2008/3229 Sch 1 art 44.

Dividends, buybacks and borrowing

Dividends	Rule
The source	Only out of profits available : accumulated realised profits less accumulated realised losses (s 830), shown by the relevant accounts (s 836)
Who decides	A final dividend: an ordinary resolution , no more than the directors recommend. An interim dividend: the directors (art 30)
If unlawful	A member who knew, or had reasonable grounds to believe, it was unlawful must repay it (s 847)

Buying back shares	Rule
The basics	Allowed unless the articles restrict it; shares fully paid and paid for on purchase (ss 690, 691). Out of distributable profits or a fresh issue (s 692)
Approval	An off-market purchase needs the contract approved by ordinary resolution before it is made (s 694). The seller's votes on those shares cannot carry it (s 695); the contract is available for 15 days before the meeting, or sent with a written resolution (s 696)
Afterwards	Shares cancelled or held in treasury (s 706); return to the registrar within 28 days (s 707)
Out of capital	Private companies only: directors' statement of solvency and auditor's report (s 714); special resolution within a week of it (s 716); Gazette notice within a week (s 719); objections to court within 5 weeks (s 721); payment 5 to 7 weeks after the resolution (s 723)
Small buybacks	If the articles allow, out of capital without that procedure, up to the lower of £15,000 or the nominal value of 5% of the fully paid share capital at the start of the financial year (s 692(1ZA))

Borrowing	Rule
Security	A fixed charge attaches to a specific asset; a floating charge covers a changing class of assets, such as stock, and is the weaker security in an insolvency
Registration	Deliver the charge to Companies House within 21 days , beginning with the day after it is created (s 859A). If not, it is void against a liquidator, an administrator and a creditor, and the money secured becomes payable at once (s 859H)

Selling shares: a transfer by stock transfer form attracts stamp duty at **0.5%**, rounded up to the next £5, unless the price is £1,000 or less and the form is certified (FA 1999 Sch 13). The company registers it or gives reasons for refusing within two months (s 771); under the model articles the directors may refuse (art 26).

Why a floating charge is weaker

In a liquidation or administration, the office-holder sets aside a **prescribed part** of the floating charge assets for unsecured creditors (IA 1986 s 176A).

A late floating charge

Created within **2 years** before the onset of insolvency for a connected person, or **12 months** for anyone else if the company was then unable to pay its debts, it is invalid except for new value given at or after its creation (IA 1986 s 245).

Sources: Insolvency Act 1986 ss 176A, 245; Companies Act 2006 ss 690 to 692, 694 to 696, 706, 707, 714, 716, 719, 721, 723, 771, 830, 836, 847, 859A, 859H; SI 2008/3229 Sch 1 arts 26, 30; Finance Act 1999 s 112, Sch 13; GOV.UK, Tax when you buy shares. Accessed 30 October 2026.

Partnerships and LLPs



A partnership needs no paperwork. The **Partnership Act 1890** fills every gap the partners leave; their agreement, express or inferred from a course of dealing, can change its rules (s 19).

Default rules (s 24, unless agreed otherwise)	Rule
Profits and losses	Shared equally , whatever each partner put in (s 24(1))
Pay and interest	No salary (s 24(6)); 5% interest on advances beyond agreed capital (s 24(3)); none on capital (s 24(4))
Management	Every partner may take part (s 24(5)). Ordinary matters by majority ; a change in the nature of the business or a new partner needs everyone (s 24(7), (8))
Expulsion	Only if the agreement gives the power (s 25)
Ending it	A partnership for no fixed term ends by notice from any partner (ss 26, 32), and on the death or bankruptcy of any partner (s 33)

Partners and outsiders	Rule
Authority (s 5)	Every partner is an agent of the firm. An act done in the usual way of business of the kind the firm carries on binds the firm, unless the partner had no authority and the third party knew that, or did not know or believe them to be a partner
Liability	Jointly liable for the firm's debts (s 9); jointly and severally for wrongs in the ordinary course of business (ss 10, 12)
New and retiring partners	A new partner is not liable for earlier debts; a retiring partner stays liable for debts incurred before retirement, unless released by agreement with the new firm and the creditor (s 17)
After a change	A customer can treat an apparent partner as still a partner until they have notice of the change; a London Gazette notice is notice to people who had not dealt with the firm (s 36). Holding out also creates liability (s 14)

The LLP difference

A body corporate (LLPA 2000 s 1). Members are its agents (s 6). Default rules in reg 7 of the 2001 Regulations mirror s 24: equal shares of capital and profits, no pay, unanimity for new members and a change of business, but **no rule on sharing losses**. No expulsion without agreement (reg 8).

Winding up the firm

On dissolution, assets go first to outside creditors, then to partners' advances, then to capital, and the rest in profit shares (s 44).

Sources: Partnership Act 1890 ss 5, 9, 10, 12, 14, 17, 19, 24 to 26, 32, 33, 36, 44; Limited Liability Partnerships Act 2000 ss 1, 6; LLP Regulations 2001 (SI 2001/1090) regs 7, 8. Accessed 30 October 2026.

Worked Example: Is the Firm Bound?

Invented facts and figures. **Ash, Bo** and **Cy** run a garden design business together. They have no written agreement. Ash put in £30,000 of capital and later lent the firm another £10,000. This year's profit is £90,000.

Question	Answer	Why
Are they partners?	Yes	A business carried on in common with a view of profit (s 1); no paperwork needed
How is the £90,000 shared?	£30,000 each	Equally, whatever capital each put in (s 24(1)); no interest on capital (s 24(4))
Does Ash get interest on the loan?	£500 a year	5% on an advance beyond agreed capital (s 24(3))
Bo orders plants on credit for a client's garden. Firm bound?	Yes	Done in the usual way of the firm's business (s 5); all three jointly liable (s 9)
Ash and Bo want to open a café as well. Can they outvote Cy?	No	A change in the nature of the business needs everyone (s 24(8))
Cy wants his daughter to join. Ash objects	She cannot join	A new partner needs the consent of all (s 24(7))
Ash and Bo want to expel Cy	They cannot	No power to expel without an express agreement (s 25)

Cy leaves on 30 June

If	Then
A supplier is owed for goods delivered in May	Cy stays liable for that debt unless he, the continuing firm and the supplier agree to release him (s 17)
A regular supplier, never told, delivers in August	It may treat Cy as still a partner until it has notice of the change (s 36(1))
A new customer deals with the firm in August	A London Gazette notice counts as notice to people who had not dealt with the firm before (s 36(2))
No fixed term was agreed	Cy's notice dissolves the whole partnership (ss 26, 32), unless they have agreed otherwise

What their agreement should say

Profit shares, capital and interest, drawings, decision-making, expulsion, retirement and notice, what happens on death, and restrictions on competing. Each one replaces a default rule.

As an LLP

The LLP would own the business and owe the debts (LLPA 2000 s 1). Profits still equal by default (reg 7), but no default rule makes members share losses.

Our example, invented figures. Rules: Partnership Act 1890 ss 1, 5, 9, 17, 24 to 26, 32, 36; LLPA 2000 s 1; SI 2001/1090 reg 7.

Exam Traps

Ten ways a plausible option can be wrong. Check every answer against them.

1. Board or members?

The board runs the company. Members decide only what the Act or the articles give them. Identify the body before the majority.

3. Written means all votes

A written resolution counts the total voting rights of eligible members, not those who reply. It lapses after 28 days.

5. One class only

Section 550 lets directors allot without authority only in a private company with one class of shares. Otherwise, s 551.

7. Buybacks: which resolution?

Off-market purchase: ordinary resolution since 2013. Out of capital: special resolution, statement and auditor's report.

9. Old registers

Since 18 November 2025 companies keep no register of directors or of PSCs. The register of members remains.

2. Exactly 75%

A special resolution needs not less than 75%: exactly 75% passes. An ordinary resolution needs more than half: 50% fails.

4. Never in writing

Removing a director or an auditor needs a meeting and 28 days' special notice. A written resolution is invalid.

6. Cash triggers pre-emption

Shares paid for in cash are offered to existing ordinary shareholders first. Non-cash consideration and bonus shares are outside it.

8. Duties are owed to the company

A shareholder cannot sue for the company's loss in their own name: it is a derivative claim, with permission.

10. Partners share equally

Without an agreement, profits are equal whatever the capital, there is no salary, and with no fixed term any partner can end it by notice.

Before you choose, ask three questions

1

What is the vehicle: sole trader, partnership, LLP, private or public company?

2

Who decides: the board, the members, all the partners, or the court?

3

How: which majority, which notice, which filing, and by when?

Test yourself

Cover the answers and give yourself a minute for each. All names and figures are invented; each company is private, limited by shares, with the model articles, unless stated.

1 Two founders want to form a company without writing articles. Which articles apply?

Answer. The **model articles**, as in force when the company is registered (s 20).

2 A shareholder with 70% wants to change the articles alone. Can she?

Answer. No: a special resolution needs 75% (ss 21, 283). The other 30% can block it.

3 The members want to remove a director by written resolution signed by 90% of them. Valid?

Answer. No: s 168 removal needs a meeting with special notice; a written resolution cannot be used (s 288(2)).

4 Notice of a general meeting is emailed on Friday 5 March 2027. When is it deemed received?

Answer. Tuesday 9 March: 48 hours, not counting the weekend (s 1147).

5 A director sits on a board deciding whether to buy his own office building. Does he count in the quorum?

Answer. No (art 14). He declares his interest (s 177), and the members may need to approve it (s 190).

6 The company's net assets are £40,000. It buys a director's car for £4,800. Members' approval?

Answer. No: over 10% of net assets, but not more than £5,000, so not substantial (s 191).

7 A director diverts a lucrative contract to his own firm. A 10% shareholder wants to sue. How?

Answer. A **derivative claim** for the company, with the court's permission (ss 260, 261): the duty is owed to the company.

8 The directors of a company with two classes of shares want to allot more ordinary shares. What do they need?

Answer. Authority in the articles or an **ordinary resolution** under s 551; s 550 is for one class only.

9 New ordinary shares will be issued in exchange for a piece of land. Must existing holders be offered them first?

Answer. No: pre-emption does not apply where shares are paid up otherwise than in cash (s 565).

10 A bank takes a fixed charge on 1 June. Its particulars reach Companies House on 25 June. Effect?

Answer. Late: 21 days from 2 June ended on 22 June. The charge is **void** against a liquidator, an administrator and creditors (ss 859A, 859H).

11 Three partners have no agreement. One contributed all the capital. How are profits shared?

Answer. Equally (PA 1890 s 24(1)); there is no interest on capital (s 24(4)).

12 Two of three partners vote to admit a new partner. Effective?

Answer. No: a new partner needs the consent of all existing partners (s 24(7)).

Your Business Law Checklist

Tick a line only when you can explain it from blank paper, in order, in under two minutes.

Vehicle and formation

- ☐ I can compare a sole trader, a partnership, an LLP and a company on personality and liability (page 05)
- ☐ I know the registration documents, the model articles and the 2025 changes (page 06)
- ☐ I know the filing deadlines: 14 days, 15 days, 1 month, 9 months (pages 04 and 06)

Decisions

- ☐ I can say who decides and by what majority for any common decision (pages 07 and 08)
- ☐ I can work out a notice period and the effect of short notice and written resolutions (page 09)

Directors and shareholders

- ☐ I can appoint and remove a director, with special notice and the director's rights (page 10)
- ☐ I can state the seven duties and the rules on conflicts and ratification (page 11)
- ☐ I can run a deal through ss 188, 190, 197 and 217 (page 12)
- ☐ I know the shareholder thresholds and the three minority remedies (page 13)

Shares and finance

- ☐ I can take an allotment through authority, pre-emption and filings (pages 14 and 15)
- ☐ I know the rules on dividends, buybacks, charges and share transfers (page 16)

Partnerships and LLPs

- ☐ I know the 1890 Act's default rules, authority and liability, and the LLP differences (pages 17 and 18)

On the day

- ☐ I ask the three questions before choosing an answer (page 19)
- ☐ I have scored twelve out of twelve on the self-test, under time (page 20)

Make the method automatic

STEP 1

Learn the figures

The one-page table on page 04: cover the figure column and test yourself.

STEP 3

Run the trees

The trees on pages 08 and 12 and the examples on pages 09, 15 and 18, from blank paper.

STEP 5

Build exam pace

Full-length SQE1 mocks in the 2027 format (2 x 85 questions).

STEP 2

Name the decision-maker

Board, members or partners: decide before you read the options.

STEP 4

Test yourself

The twelve questions on page 20, then the traps on page 19.

STEP 6

Questions?

Email support@fqps.co.uk and a person will answer.

FQPS Academy. Full-length SQE1 mocks in the 2027 format (2 x 85 questions).

Create your account

prep.fqps.co.uk

Sign up



Supporting - candidates

We are committed to the success and well-being of every student.



Stuck on a decision tree, or a question about which plan fits you? Write to us.

support@fqps.co.uk

Business law rewards knowing who decides. Each morning, cover the figure column on page 04 and say each threshold and who must approve. Then run one tree from blank paper.



Prepare for SQE1 and
SQE2 with our SQE
courses.



Practice questions, full-length
SQE1 mocks in the 2027 format (2
x 85 questions) and free guides like
this one, online, to prepare you for
SQE1.



Scan for every free
FQPS guide and tool



FQPS Academy
fqps.co.uk

Email: support@fqps.co.uk
Website: fqps.co.uk

 [Instagram.com/fqpsacademy](https://www.instagram.com/fqpsacademy)

 **FQPS Academy**