

ARE YOU LIABLE? Self Assessment Questionnaire

As a Management Committee member, are you likely to be personally liable for financial losses faced by your organisation?

If your organisation is facing a claim for financial loss or damages, this self assessment questionnaire can be used to help assess the factors involved in the situation. Note that you need to work through the questions in order.

***Remember**, this self assessment is only intended to provide a broad indication of likely liability. It does not take into account the details of any particular situation. You are advised to take professional advice in relation to specific situations.*

1. Has the Management Committee acted responsibly and taken care to avoid the situation to the level that could reasonably have been expected?

Answer

YES – GO TO QUESTION 2

NO – The organisation and any third parties are entitled to hold the Management Committee members personally responsible and liable for any loss or damage incurred. The Management Committee are effectively 'guardians' of the organisation's assets and have a responsibility to avoid situations where these resources are needlessly wasted.

2. Do you have insurance to cover this liability

Answer

YES – If the Management Committee has acted responsibly, then the insurers should meet any financial liability covered by the policy.

NO – GO TO QUESTION 3

3. Has your organisation sufficient unrestricted funds or assets to cover the financial loss?

Answer

YES – Any financial liability will be met from the organisation's available funds.

NO – Presuming you have answered 'yes' to question 1, if the organisation has insufficient funds to meet its liabilities, the organisation will be declared insolvent and is likely to close down. **However**, GO TO QUESTION 4

4. Are you:

a. an incorporated organisation?

Answer

YES – Individual Management Committee members may be expected to pay a nominal amount of £1 only or an amount as stated in the Memorandum of Association. This limited liability protection may not cover the management committee however if they knew, or ought to have known, that the company was operating whilst it was inevitable that it would become insolvent.

b. An unincorporated organisation?

Source: www.diycommitteeguide.org

Answer

YES – The Management Committee members remain jointly and severally liable for paying any outstanding debts from their personal assets.