

Shareholder agreements

If there are many shareholders in a company, or if there are distinct classes of shareholders (for example a shareholder who holds the shares for investment purposes but who takes no part in the management of the company) it may be appropriate to put a shareholder agreement in place.

Whilst some protection can be provided in the articles in the form of share issue and transfer restrictions, an investor shareholder may want to protect his investment by prevent the directors from incurring debt beyond a certain pre-agreed amount or selling the assets of the business without his consent.

Shareholders may also want to make provision as to how the company will be run; for example to agree between themselves how often management accounts will be produced and circulated, how often board meetings will be held and what the policy on the payment of dividends will be.

Shareholders can also make provision for the event that they disagree in the future; perhaps by including provisions allowing the dissenting shareholder to buy out the other shareholders, be bought out by them, or providing for the appointment of an independent expert if there is a disagreement in the future.

All of these provisions are more properly contained in a shareholders agreement than in the articles of association. The shareholders agreement is a private contract to which the shareholders and often the company will be a party; it is not filed at Companies House and so its content remains confidential between the parties.

A well drafted shareholders agreement can help to avoid disputes and, if they do arise, will usually provide a swift means of resolving them.

Next steps

Our services start at £400 + VAT for a standard form shareholders agreement. The agreement may be tailored for an additional fee. For more information on our services please contact our [Corporate Legal Services team](#).