

Dr. SNS Rajalakshmi Collage of art's and science (Autonomous)



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COIMBATORE – 641049

Department of commerce with professional accounting

21UCP552 – CORPORATE LAW

Unit 2

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Memorandum & Articles of Association

A foundational exploration of the constitutional documents that govern every company – how they are formed, what they contain, and why they matter in corporate law practice.

CORPORATE LAW

COMPANY LAW FUNDAMENTALS



Topics We Will Cover Today

01

Memorandum of Association

Definition, purpose, and legal status under modern company law

02

Articles of Association

Internal governance, provisions, and relationship with the Memorandum

03

Alteration & Entrenchment






Procedures for amending constitutional documents and limitations

04

Case Studies & Practical Application

Real-world examples and interactive discussion

Classroom Engagement Activities

-  Quick Poll – 3 min
-  Think - Pair - Share – 3 min
-  Word Cloud Activity – 3 min
-  Reflection – 2 min
-  Group Activity with Outcome

Each topic is paired with an interactive activity to deepen comprehension and encourage participation. Come ready to engage!

Memorandum of Association

What It Is

- A statutory document signed by founding subscribers at the time of incorporation
- Under the Companies Act 2006 (UK) and equivalent statutes, it records the intent of subscribers to form a company and take shares
- Historically defined the company's external relationship with the world – including the **objects clause** (purpose of the company)
- Today, the Memorandum is a minimal document; its former role has largely been absorbed by the Articles

Quick Poll – 3 Minutes

"Before today, had you ever read a Memorandum of Association?"

- A) Yes, in detail
- B) Heard of it, never read one
- C) Completely new to me

Raise your hand or respond via the live poll link on the board.

Articles of Association



Purpose & Scope

The Articles are the internal rulebook of a company – governing director powers, shareholder rights, share transfers, and meeting procedures.





Model Articles

Jurisdictions provide default "model articles" (e.g., Table A / Model Articles under Companies Act 2006) which apply unless a company adopts bespoke provisions.

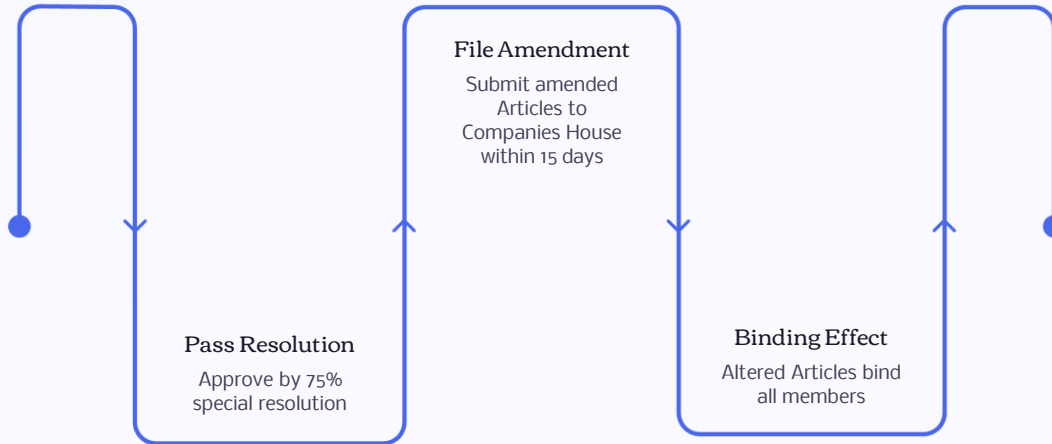


Binding Effect

Under Section 33 of the Companies Act 2006, the Articles form a statutory contract binding the company and each member – but only in their capacity as members.

  **Think - Pair - Share (3 min):** "If a company's Articles restrict share transfers but a shareholder ignores the restriction – what happens?" Discuss with your neighbor, then share with the class.

Key Clauses & Alteration Rules



Alterations must be **bona fide for the benefit of the company as a whole** – a principle established in *Allen v Gold Reefs of West Africa [1900]*.

Entrenchment Provisions

- Certain clauses may be **entrenched** – requiring a higher threshold than a special resolution to amend
- Entrenchment must be specified in the Articles at incorporation or agreed unanimously by all members
- Even entrenched provisions can be altered by court order or unanimous consent

⚠ Examiner's Note: Entrenchment ≠ Irremovability. Students frequently confuse the two.

Interactive Case Studies

📁 Case Study 1 – Eley v Positive Government Security Life Assurance Co [1876]

Eley was named as the company's solicitor in the Articles. The company dismissed him. **Discussion:** Does the Articles constitute a contract between the company and a third party? Can Eley enforce it? What does this tell us about the limits of Section 33?

📁 Case Study 2 – Hickman v Kent or Romney Marsh Sheep Breeders' Association [1915]

The Articles required disputes to go to arbitration. Hickman sued in court instead. **Discussion:** Can Articles bind members in a purely personal capacity? What is the scope of the statutory contract under the Articles?

📁 Case Study 3 – Allen v Gold Reefs of West Africa [1900]

The company altered its Articles to give a lien over fully paid-up shares, affecting one member retrospectively. **Discussion:** What is the "bona fide benefit of the company" test? How do courts police alterations?


📄 **Word Cloud Activity (3 min):** Submit one word that describes what "corporate governance" means to you. We'll review the live word cloud together and identify themes.

Group Activity & Summary

Group Activity

Scenario: You are advising a startup with four founders. Draft a shortlist of five key provisions you would include in their Articles of Association and explain why each clause matters.

- Groups of 4 – 10 minutes to draft
- Each group presents their top provision
- **Outcome:** Class compiles a shared "best-practice" Articles checklist

 **Reflection (2 min):** "What is one thing you learned today that changed or confirmed how you think about company constitutions?"

Key Learning Points

Memorandum

Historical external-facing document; now minimal in scope

Articles

The true constitutional rulebook – binding company and members

Alteration

Special resolution + bona fide test + filing requirements

Limits

Articles cannot bind third parties or override statute


Take-Home Assignment & Q&A

Take-Home Assignment

1. Obtain the publicly filed Articles of Association of any listed company (e.g., via Companies House). Identify three provisions that deviate from the Model Articles and explain the commercial rationale for each deviation.
2. Read *Bratton Seymour Service Co Ltd v Oxborough [1992]*. Write a 300-word analysis of whether implied terms can be read into the Articles.
3. Draft a short memo (max 500 words) advising a client on whether they can entrench a pre-emption rights clause and the procedural steps required.

? Final Q&A

- What questions do you have about the **legal status** of the Memorandum today?
- Any unclear points on **alteration procedure** or the bona fide test?
- Questions on the **case studies** or how these principles apply in practice?

-  Submit written questions anonymously via the class portal – all will be answered in the next session's recap.