
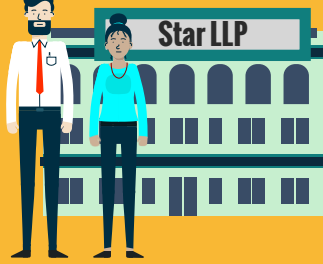
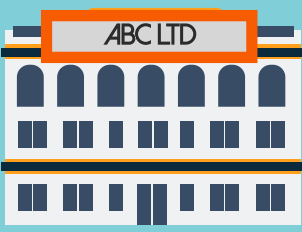


Types of Business Structures

There are four main types of business structures in the UK. Each type offers its own benefits and taxation. Rules in relation to how business loans are regulated differ depending on the type of structure. The main business structures are as follows:

- Sole trader
- Partnership
- Limited liability partnership
- Limited company

Sole traders and partnerships are **not separate legal entities** and loans provided to them will be protected by FCA regulation when they borrow as long as the loan and size of business meets certain criteria*. Limited liability partnerships and Limited companies are **separate legal entities** and will not be protected regardless of the size of the organisation when they borrow.

Type of Business	<div><div>Sole Trader</div><div></div><div>Sole owner</div></div>	<div><div>Partnership</div><div></div><div>Two or more owners</div></div>	<div><div>Limited Liability Partnership</div><div></div><div>Two or more owners</div></div>	<div><div>Limited Company</div><div></div><div>Owned by shareholders</div></div>
Assets and Liabilities	<div>Owens all Assets and Liabilities</div>	<div>Jointly own all Assets and are jointly and severally liable for all Liabilities</div>	<div>Partners own the assets. The LLP is responsible for all debts. Any debts must be paid from business assets.</div>	<div>Company owns all Assets and Liabilities</div>
Taxation	<div>Pays Income Tax and Class 2 and 4 NIC's on Net Profits via self assessment</div>	<div>Split the profits (and losses). Pay Income Tax and Class 2 and 4 NIC's on Net share of Profit via self assessment</div>	<div>Split the profits (and losses). Pay Income Tax and Class 2 and 4 NIC's on Net share of Profit via self assessment</div>	<div>Company pays corporation tax on profits. Shareholders receive dividends</div>
Legal Entity	<div>Not a separate legal entity</div>	<div>Not a separate legal entity</div>	<div>A separate legal entity. Must be registered at Companies House</div>	<div>A separate legal entity. Must be registered at Companies House</div>
Self assessment or Company accounts	<div>Self assessment</div>	<div>Partnership tax return and partners - Self assessment.</div>	<div>Partnership tax return and partners - Self assessment.</div>	<div>Company accounts</div>
Documents to establish the business	<div>None - Although a business plan can be useful</div>	<div>Partnership agreement</div>	<div>LLP agreement</div>	<div>Memorandum and Articles of association</div>
Are loans regulated by the FCA?	<div>Yes*</div>	<div>Yes*</div>	<div>No</div>	<div>No</div>

*Must meet small business criteria for **secured loans** under Mortgage Conduct of Business (MCOB) and Consumer Credit Act (CCA) loans below £25,000 for **unsecured**.

Secured loans
Loans to sole traders and partnerships are regulated under The Mortgage Conduct of Business Sourcebook (MCOB) rules as long as they meet the small enterprise criteria, this includes sole traders and partnerships with less than £1m turnover p/a. The mortgaged property must also meet the criteria; the property must be a residential property and can include mixed use property as long as at least 40% of the property is used for residential purposes by the borrower. LLP's and LTD companies are excluded. Second charge loans above £25,000 for business purposes are also excluded.

Unsecured Loans
Sole traders and small partnerships (3 people or less) are covered under the FCA Consumer Credit Legislation for business loans up to £25,000. Unsecured loans are regulated under the Consumer Credit Sourcebook (CONC).

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