

CHIEF EXAMINER REPORT

JUNE 2026

LEVEL 6 UNIT 16 – THE PRACTICE OF COMPANY AND PARTNERSHIP LAW

The purpose of the report is to provide candidates and training providers with guidance as to the key points candidates should have included in their answers to the June 2026 examinations.

The 'suggested points for responses' set out points that a good (merit/distinction) candidate would have made.

Candidates will have received credit, where applicable, for other points not addressed.

Chief Examiner Overview

This was a small cohort.

What candidates did well:

- High scoring candidates provided concise answers to the questions being asked, demonstrating sound application of the law to the facts provided. Analysis of the facts was consistently and clearly demonstrated by these candidates.
- High scoring candidates demonstrated a thorough understanding of the law and how it impacted the specific client's facts and circumstances by providing in-depth but specific advice rather than merely repeating legal provisions.

What candidates did less well:

- Company procedure – candidates should ensure that when answering a company procedure question, they provide a logical procedure plan setting out each step required to implement the company action. They should apply the facts given to ensure they have identified the correct step for that company, and they should provide the relevant authority. Candidates should also ensure that they include all matters that must be attended to after the relevant meetings to e.g. register forms/documents with the company registrar or update their internal records.
- Insolvency – Avoidance of Floating Charges, Preferences and Transactions at Undervalue - candidates should ensure that when answering a question regarding such transactions they provide a structured answer setting out each of the factors that are applicable to a liquidator or an administrator when considering a claim to set aside/avoid such a transaction, for each factor candidates should consider whether there are any relevant facts that can be applied in their answer.

Candidate Performance and Suggested Points for Responses

It is noted that the low numbers of candidates taking the Level 6 exams limits the scope for constructive feedback to be given and for firm conclusions to be reached. Therefore, feedback on candidate performance may be limited.

Question 1(a)	14 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
<u>Profits and losses</u> - Partners have equal rights, regardless of capital contribution of work input they all share profits equally - Capital contributions are unequal (90% Amira, 5 % each for Lewis and Tom) but this does not alter profit share unless agreed, no partnership agreement - Partners are jointly liable for debts (s9) - Jointly and Severally liable for tort (Ss10 and 12)	
<u>How decisions are made</u> - Ordinary business matters = majority decision (s.24(8)). Decision about growing the business by opening another shop will require 2 out of 3 of the partners to agree - Unanimity required for 'change in the nature of the partnership business' (s24(8)). Changing the scope of the business to include provision of catering services may amount to such a change – and so require all 3 partners to agree	
<u>Duties of partners</u> - Duty to act in good faith (s.28) - Duty to account for private profits (s.29) - Duty not to compete (s.30)	
<u>Introduction of a new partner</u> - Admission of new partner requires unanimous consent (s.24(7)) - So all 3 partners would need to agree to Amira's cousin becoming a partner	

Question 1(b)	11 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
<u>Legal routes to exit</u> - Tom will need to give notice to the partnership that he wants to leave - This will lead to dissolution by notice because it is partnership at will (s.26) - Expulsion only if agreement permits (none here)	
<u>Treatment of assets</u> - Goodwill must be valued and shared unless agreed otherwise (no agreement) - Amira cannot unilaterally deny Tom entitlement - Tom is entitled to capital invested, any profits owed to him and interest on capital	
<u>Liability to third parties</u> - Tom will continue to be liable for partnership debts/obligations until notice of departure to creditors (s.36) - Can notify each creditor; or - Place a notice in the Gazette	

Question 2(a)	13 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
- Express grant of authority to directors to allot is not required as the company has only one class of shares, s550 CA applies and gives automatic authority. - S561 CA applies, requiring shares to be first offered to existing shareholders. - S561 could however be disapplied, under s569, by SR (in GM or by written resolution), board will need to approve allotment and call GM or propose WR. - SR can be passed without Jack as Reena holds 90%. Jack's concerns about his shareholding being diluted are valid. - Companies House registrations – SR, Form SH01 - return of allotment and statement of capital, within a month of the allotment (s555) - Internal registration of the allotment in register of members. Issue share certificates to Omega Finance. - Shareholders could choose to waive their pre-emption rights to avoid need for specific disapplication of s561 under s569.	

Question 2(b)	9 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
Notice requirements 14 clear days minimum notice for general meeting s307 and s360 CA unless unanimous consent - Only 7 days' notice given here - Short notice invalid without consent majority in number holding 90% s307 - Contents of notice (agenda, resolutions) s311 - No details of the resolution being proposed - A SR is required not an OR – see above Quorum requirements - Quorum = 2 shareholders for this company (section 318(2) Companies Act 2006) - If Jack fails to attend, any business transacted would be invalid	

Question 3(a)	13 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
Key features and differences - Fixed: usually given over specific asset e.g. land or machinery, the company can continue to use the asset(s) but the lender retains control meaning the asset cannot usually be sold, changed or charged without lender consent. - Floating: usually over a class of fluctuating assets e.g. stock, the company can deal with assets without restriction until an event of default occurs and crystallisation takes place. QuickLoan's floating charge may crystallise. Credit sensible explanation of crystallisation. Priority and registration - BankVorp was granted charges by the company before QuickLoan – providing BankVorp charges were registered correctly it will take priority over QuickLoan – meaning it will be paid first. - Fixed charges outrank floating charges on payment of creditors when a company is wound up – statutory order of priority. - So BankVorp would be paid any debt it is owed in priority to QuickLoan if Urban Threads were to become insolvent	

- Registration requirements: each charge would need to be registered at Companies House within 21 days of creation otherwise it would be void against liquidators and creditors.

Question 3(b)	15 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
Possible Avoidance of Floating Charge s245 IA/Preference s239 IA • Creating a floating charge in respect of existing debts • Relevant time is 2 years of onset of insolvency – charge is in favour of a connected person (director) • No need to prove insolvency at the time because connected person given benefit of charge • No need to apply to court the floating charge would be avoided by the liquidator on a distribution of assets on a winding up • Agreeing to provide security to director in preference to other creditors/puts director as a creditor in a better position than other creditors. • Relevant time is within 2 years of onset of insolvency - charge is in favour of a connected person (director). • The Company was unable to pay its debts at the time of the transaction – it was in financial difficulty. • The desire to prefer is presumed because connected person Possible Transaction at Undervalue • Possible transaction at undervalue (s238 IA) - sale of the cars to Priya • Relevant time (s240) within 2 years of onset of insolvency. Transaction was less than 2 years ago • Company was unable to pay its debts at the time of the transaction – it was in financial difficulty. • Definition of company's inability to pay its debts (s123 IA) • Cars been sold for significantly less than their market value • Presumption of insolvency - the transaction is with a connected person (s240(2) IA) (director). • Defence if the transaction was in good faith • Transaction can be avoided by the liquidator meaning the court may order Priya to return the cars to the Co (s241).	

Question 4(a)	10 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Partnership – advantages flexible, no cost to set up, shared responsibility but disadvantages, unlimited liability which is joint and several, no separate legal structure. Private limited company – advantages limited liability separate legal entity so can own assets, enter contracts, easier to raise capital (equity and floating charges) useful in this situation because they are hoping for outside investment in the future but disadvantages regulatory compliance, filing obligations, cost.	

Question 4(b)	5 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Partnership: profits are taxed to income tax on partners individually as personal income and gains are taxed on partners individually as capital gains tax • Company: corporation tax on profits and capital gains • Shareholders: income tax on dividends	

Question 4(c)	10 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Pre-incorporation contracts – company will not be liable for any contracts entered into before it was incorporated. If any were purported to be entered into in the company's name then it would be the individual who signed the contract that is liable (s51 CA 2006) • Incorporation steps – Send to Companies House - Form IN01 setting out details of directors, subscribers, co sec if there is one, registered office, statement of compliance and capital • Memorandum purpose – agreement to form a company, subscribers names • Articles purpose – constitution, rules of the company	