

“ Plain speaking legal advice ”

Electronic Service

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Companies pay a high price for ignoring new rules on electronic service

New rules brought in towards the end of 2007 now require companies to positively 'opt out', if they do not wish to have documents served on them electronically by email, fax or potentially by text message. Where a company gives an address for electronic communication in either a document or notice that it sends out, then that company is regarded as having agreed to electronic service of documents.

Whilst the changes will make it a lot easier - and potentially less costly - for notices and documents to be served it does bring its own set of problems.

Internet security used by companies, such as spam filters and firewalls may block emails making the company unaware that it has been served with a document or notice. Timescales for responding to documents deemed to have been served start running 48 hours after service. If the document has been blocked or is sitting in a spam folder then a company could miss the relevant deadline and as a result face financial penalties and/or potentially custodial sentences for its directors under the Companies Acts 1985 - 2006.

The new rules also enable notices and documents to be served on shareholders via a company's website if the shareholders have 'opted in' to receive documents in this way. Listed PLCs are now obliged to maintain and operate a website, by virtue of the fact that they are required to publish annual accounts and reports on a website.

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This publication is written as a general guide only. It is not intended to contain definitive legal advice, which should be sought as appropriate in relation to a particular matter.

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Whilst companies are keen to integrate new technology into the business, losing sight of the additional responsibilities technology can bring may prove costly to both companies and directors.

If you would like further information on these issues then please contact the Corporate team at Herrington & Carmichael LLP on 0118 977 4045 or by e-mail to corporate@herrington-carmichael.com

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