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## Legal personality

Legal personality describes the way that a company or society exists as a “person” in its own right, separately from the people who own or manage it. The practical effects of legal personality include:

- If a limited company is dissolved owing debts to creditors, the owners of the company are not personally liable for the company’s debts: their liability is limited to a specified amount:
  - In the case of a company limited by shares, the amount that the company’s founding shareholders paid for their shares
  - In the case of a company limited by guarantee, the amount that the company’s founding members pledged to pay towards the company’s debts
  - In both cases this is often a token amount such as £1
- If the company owns assets, these assets are not the personal property of the people who own or manage the company. If a company is dissolved having both assets and creditors, the assets must first be used to pay off the creditors before the owners of the company can take any money or property for themselves.