A LEGAL GUIDE

Investment Clubs in Uganda

Formation, governance and property ownership under Ugandan law

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Investment clubs in Uganda have become one of the most popular tools for collective wealth creation. From the suburbs of Kampala to trading centres in upcountry Uganda, groups of individuals are pooling resources to invest, grow their capital, and build long-term financial security for their members. Investment clubs make sophisticated investing accessible: they spread risk, combine knowledge, and create accountability that solo investors often lack.

But enthusiasm alone is not enough. Many investment clubs in Uganda operate without a clear understanding of the legal framework that governs them, and that gap regularly leads to disputes, financial loss, and club collapse. The most important legal point to grasp from the outset is that a typical investment club in Uganda is an unincorporated association. It has no separate legal identity distinct from its members, and that single fact has enormous consequences for what the club can and cannot do, especially when it comes to owning property.

This guide explains, in practical terms, how to form and manage an investment club in Uganda, which laws apply, and why an investment club cannot own property or real estate without first incorporating a Special Purpose Vehicle (SPV). It also explains why a company limited by shares is the most suitable SPV structure for clubs with property ambitions.

01 What is an investment club in Uganda

An investment club in Uganda is a group of individuals, typically five or more, who pool their savings at regular intervals and make collective investment decisions. The pooled funds are invested in assets such as:

- Shares listed on the Uganda Securities Exchange (USE)

- Treasury Bills and Government Bonds
- Fixed deposit accounts
- Real estate and rental property
- Business ventures and agribusiness enterprises

Investment clubs in Uganda are not a new idea. They trace their roots to the East African “chama” tradition and the rotating savings and credit associations (ROSCAs) long practised across the continent. The modern investment club, however, goes further: it involves structured, research based, and often diversified investment decision making.

02 The legal framework governing investment clubs in Uganda

Uganda does not have a single dedicated law for investment clubs. Instead, several Acts of Parliament apply depending on the club’s activities and legal structure. Every investment club organiser and member in Uganda should be familiar with the following laws.

2.1 The Capital Markets Authority Act, Cap. 84: securities and public fundraising

The Capital Markets Authority Act establishes the Capital Markets Authority (CMA) as the regulator of Uganda’s capital markets. When an investment club pools funds and invests in shares or bonds on the USE, it may qualify as a “collective investment scheme” under this Act.

Clubs that are private, member-only arrangements and do not solicit funds from the public generally fall outside the CMA's licensing requirements. However, where a club's activities begin to resemble public fund management, members and their advisors should seek specific legal advice.

2.2 The Companies Act, Cap. 106: incorporation and SPV formation

The Companies Act is the primary law governing company incorporation, management, and dissolution in Uganda. It is the law under which an investment club that wants to incorporate, or establish a Special Purpose Vehicle (SPV), will operate. The Act recognises companies limited by shares, companies limited by guarantee, and unlimited companies. A company limited by shares is the most suitable vehicle for clubs that want to own property or conduct business, as explained in detail in section 7 of this guide.

2.3 The Contracts Act, Cap. 284: legal capacity to contract

The Contracts Act governs how contracts are formed and enforced in Uganda. Investment clubs regularly enter into arrangements: members' agreements, brokerage agreements, lease agreements, and joint ventures. An unincorporated investment club cannot sign contracts in its own name. Individual members sign instead, and they bear personal liability. This is a significant legal risk that proper structuring can eliminate.

2.4 The Registration of Titles Act, Cap. 230: land and property ownership

The Registration of Titles Act governs ownership and transfer of registered land in Uganda. Under this Act, only legal persons, whether individuals or incorporated entities, can be registered as land owners. An unincorporated investment club cannot hold registered title to land or property. This is the most critical legal barrier facing clubs that want to invest in real estate, and it is explored in full detail in section 5 below.

2.5 The Income Tax Act, Cap. 340: taxation of investment returns

Investment clubs that earn dividends, interest, rental income, or capital gains are subject to taxation under the Income Tax Act. The club's legal structure directly affects how tax obligations are assessed and managed. Proper incorporation through an SPV greatly simplifies tax compliance and opens doors to legitimate tax planning.

2.6 The Financial Institutions Act, Cap. 54: deposit taking rules

Investment clubs that accept deposits, extend credit, or mobilise savings from the public risk falling under the Financial Institutions Act, which requires a licence from the Bank of Uganda. Clubs should structure their activities as strictly private member arrangements to stay clear of this regulatory regime.

2.7 The Anti-Money Laundering Act, Cap. 118: financial transparency

Clubs managing significant pooled funds must maintain transparent financial records. The Anti-Money Laundering Act imposes obligations to keep records, carry out due diligence on members, and report suspicious transactions. Clubs with substantial assets under management must take this compliance obligation seriously.

03 How to form an investment club in Uganda

Forming a well structured investment club in Uganda requires a clear founding document known as the Constitution or Members' Agreement. This is the club's rulebook. It governs everything from who can join to what happens when the club dissolves. A properly drafted Constitution prevents most of the disputes that destroy clubs.

3.1 Choose a name and define your investment objectives

Every investment club in Uganda should adopt a unique name and clearly state its investment objectives, whether focused on equities, real estate, fixed income, or a diversified portfolio. Clear objectives guide future decisions and help resolve disagreements about what the club should and should not invest in.

3.2 Membership rules: who can join and how to exit

The Constitution should specify the minimum and maximum number of members, eligibility criteria, and the process for admitting new members. Equally important are exit rules: the Constitution must spell out exactly how a departing member’s interest is valued and paid out. Vague exit clauses are one of the leading causes of investment club disputes in Uganda.

3.3 Member contributions: how much, how often, and what happens if you miss a payment

State the minimum periodic contribution each member must make. The Constitution should also cover what happens when a member falls into arrears: grace periods, penalties for late payment, and at what point a member may be suspended or expelled. Financial discipline starts here.

3.4 Governance and leadership structure

A clear leadership structure is essential. Most investment clubs in Uganda appoint a Chairperson, Secretary, and Treasurer as minimum office bearers. Clubs with larger portfolios may also establish an Investment Committee to research and recommend investment opportunities. Every role must have defined responsibilities and accountability mechanisms.

3.5 Decision making: voting and resolutions

The Constitution should set clear voting thresholds. Routine decisions can be made by simple majority. Major decisions, such as amending the Constitution, admitting or expelling a member, or making a large investment, should require a higher threshold, such as a two-thirds or three-quarters majority. This prevents any individual or faction from hijacking the club's direction.

3.6 Financial records and accounts

Transparent accounting is not just good practice for investment clubs in Uganda, it is a matter of survival. The Constitution should require periodic financial statements, an annual audit or review by a qualified accountant, and open access to financial records for all members. Clubs that neglect this requirement frequently collapse due to misappropriation and loss of trust.

3.7 Dissolution: what happens when the club winds up

The Constitution must address what triggers dissolution and how assets are distributed among members when the club winds up. A club without a dissolution clause risks expensive and prolonged legal disputes when members eventually decide to go their separate ways.

04 How to operate and manage an investment club in Uganda

4.1 Hold regular, minuted meetings

Investment clubs typically meet monthly. Members review portfolio performance, receive investment proposals, and vote on decisions. The Constitution should encourage regular attendance and provide sanctions for persistent absenteeism. Every meeting must be minuted, and minutes should be circulated and formally adopted at the next meeting.

4.2 Follow a disciplined investment process

Successful investment clubs in Uganda follow a structured investment process. Every investment proposal should be researched, presented, debated, and voted upon before any funds are committed. Clubs that adopt a written Investment Policy Statement, setting out acceptable risk levels, target returns, asset allocation limits, and prohibited investment types, make far more consistent and defensible decisions over time.

4.3 Protect club funds with multiple signatories

Club funds must be held in a dedicated bank account with **dual or multiple signatories.** Single-signatory accounts are a primary cause of fund misappropriation in Ugandan investment clubs. Require at least two officers to co-sign all significant disbursements.

4.4 Value each member’s interest regularly

Each member’s stake in the club should be computed and recorded at regular intervals. Many clubs adopt a unit-based system, similar to a unit trust, where each member holds units proportionate to their contributions and reinvested earnings. This system makes exit calculations straightforward and transparent.

4.5 Build in a dispute resolution mechanism

Disputes are unavoidable in any collective undertaking. The Constitution should provide for internal mediation by senior members before any dispute escalates to arbitration or court. Investment clubs are strongly advised to include an arbitration clause directing disputes to arbitration under the Arbitration and Conciliation Act, Cap. 4, rather than court litigation, which is slow and expensive.

05 Why an investment club cannot own property in Uganda

This is the most legally significant, and most frequently misunderstood, issue facing investment clubs in Uganda. The answer lies in one fundamental concept: legal personality.

5.1 What does “unincorporated” mean for your investment club?

An unincorporated association is a group of people who come together for a common purpose but have not obtained formal legal recognition from the state as a separate legal entity. A typical investment club in Uganda is exactly this: an unincorporated association.

Unlike a company registered under the Companies Act, an unincorporated investment club has no legal identity separate from its members. In law, the club does not exist as a person. It is simply a collection of individuals.

This means the club cannot sue or be sued in its own name, cannot sign contracts in its own right, and, most critically, cannot own property.

5.2 Who can own property in Uganda?

Under Ugandan law, only legal persons can hold title to property. There are exactly two categories:

- **Natural persons:** individual human beings.
- **Juridical persons:** legal entities created by law, such as companies, statutory bodies, and incorporated trustees.

An unincorporated investment club belongs to neither category. It is not a person in the eyes of the law, and therefore it cannot own anything. The practical consequences of this are serious:

- **The Uganda Land Registry will reject the club's name.** Under the Registration of Titles Act, the proprietor of any registered land must be a legal person. The Uganda Land Registry will refuse to register land in the name of an unincorporated investment club, and any attempt to do so will be rejected by the Chief Registrar of Titles. The club's name simply cannot appear on a Certificate of Title.
- **Property ends up in individual members' names, creating serious risks.** Because the club cannot hold title, any property the club "owns" must in practice be registered in the names of individual members or nominated trustees. Any individual member can deal with their share of the property, including selling it or mortgaging it, without the other members' consent. When a member dies, their share passes to their heirs under succession law, and those heirs have no obligation to the club. A member's personal creditors can attach and execute against that member's share in the property, exposing the club's asset to individual debt claims. Any dispute over the property requires all registered co-owners to be joined as parties to legal proceedings, creating enormous administrative and legal complexity.

- **The club cannot sign property contracts.** Because an unincorporated investment club has no legal personality, it cannot sign a sale agreement, lease agreement, or mortgage agreement in its own name. Individual members sign these documents instead, and they become personally liable. If the club defaults on a loan secured against the property, judgment can be entered against the individual signatories personally, and their private assets become exposed.
- **Banks only accommodate the club; they do not recognise it as a legal entity.** Some Ugandan banks will open an account in the name of an investment club for administrative convenience. This does not give the club legal personality. The account signatories remain personally liable for any overdraft or financial obligation linked to the account. The bank's accommodation is a courtesy, not a legal recognition.
- **Tax complications arise without a separate legal identity.** Without a Tax Identification Number (TIN) as a distinct legal entity, investment income may be attributed to individual members, creating compliance burdens and potential double taxation issues. Proper incorporation resolves this cleanly.

> **In summary:** an unincorporated investment club in Uganda cannot safely own real estate, take mortgages, or run business ventures. Members who pool funds to buy property without addressing this structural gap do so at serious legal and financial risk.

06 Why your investment club needs a Special Purpose Vehicle (SPV)

The solution to the property ownership problem is straightforward: incorporate a separate legal entity, a Special Purpose Vehicle (SPV), to hold the property or run the business venture on behalf of the club's members.

6.1 What is a Special Purpose Vehicle (SPV) in Uganda?

A Special Purpose Vehicle is a company created for a specific, defined purpose. In the investment club context, the SPV is typically incorporated to hold a particular asset, such as commercial property or a plot of land, or to operate a specific venture such as a rental property business or an agribusiness enterprise.

The SPV is legally separate from the investment club and from the members personally. It is the SPV, not the club and not the members, that owns the property and signs the contracts.

6.2 What role does the SPV play?

The SPV provides critical legal functions that the unincorporated club cannot:

- It holds legal title to property in its own name, eliminating the risks of individual member ownership.
- It signs contracts, such as lease agreements, construction contracts, and loan agreements, in its own name, protecting members from personal liability.
- It represents each member’s ownership interest clearly through their shareholding in the SPV.
- It allows members to exit by selling their shares, without triggering a transfer of the underlying property.
- It can borrow money and grant a mortgage over property as security, giving the club access to debt financing.

The structure is clean and logical: the investment club manages investment decisions, and the SPV owns the assets. Members own the SPV through their shares.

07 Why a company limited by shares is the best SPV

The Companies Act recognises several types of companies in Uganda. For investment clubs that want to own property or run business ventures, the company limited by shares is by far the most suitable option. Here is why, in detail.

7.1 It has full legal personality and perpetual existence

Once incorporated, a company limited by shares becomes a completely separate legal person under the Companies Act. It can own property, sign contracts, sue, and be sued, entirely in its own name and independently of its shareholders.

Crucially, the company has perpetual succession. It continues to exist regardless of changes in membership. Members may join, leave, die, or become incapacitated, and the company and its ownership of the property remain legally intact. This is a fundamental advantage over holding property in members' names, where every membership change requires a fresh transfer of title.

7.2 Members enjoy limited liability protection

In a company limited by shares, each shareholder's liability is capped at the amount unpaid on their shares. If the company incurs debts, such as an outstanding mortgage, a judgment debt, or a trade liability, creditors can only pursue the company's assets. Members' personal assets are protected.

This stands in sharp contrast to individual members holding property directly in their own names, where personal liability for club related debts is unlimited. Limited liability gives investment club members genuine financial protection.

7.3 The company can be registered as owner of land in Uganda

As an incorporated entity, a company limited by shares can be registered as the proprietor of land under the Registration of Titles Act. The company's name appears on the Certificate of Title. Only the company, acting through its duly authorised directors and shareholders, can sell, mortgage, or lease the property. This is the clean, legally secure ownership structure that serious real estate investment requires.

7.4 The company can borrow money and grant a mortgage

A company limited by shares can borrow money and charge its property as security. Banks and financial institutions in Uganda will accept a registered mortgage over property held by a company as collateral for a loan. This gives the investment club's SPV access to debt financing, a critical tool where outright cash purchase of property is not feasible.

An unincorporated club cannot grant a legal mortgage, period. Without legal personality, it has no assets in its own name to offer as security. The company limited by shares removes this barrier entirely.

7.5 Shareholding provides a clear, fair record of each member's stake

In a company limited by shares, every member's ownership interest is represented by a defined number of shares. The share register is a legally recognised, definitive record of who owns what and in what proportion. If one member has contributed more than another, this is accurately reflected in their respective shareholdings.

When a member wants to exit, they sell or transfer their shares. The underlying property is completely unaffected: there is no need to subdivide the title deed or process a property transfer. Continuity is preserved for the remaining members.

7.6 The Companies Act provides robust governance and director accountability

The Companies Act provides a comprehensive, well tested governance framework. Directors manage the company's affairs, and shareholders provide oversight through general meetings. Directors owe the company statutory fiduciary duties: they must act in good faith, avoid conflicts of interest, and exercise reasonable care and diligence.

These statutory duties provide a legally enforceable backstop against mismanagement and self dealing that is simply absent in an unincorporated club. The company is also required to file annual returns with the Uganda Registration Services Bureau (URSB), providing a layer of external accountability that enhances credibility with lenders, tenants, and business partners.

7.7 Tax efficiency and transparent compliance

A company limited by shares is taxed as a distinct entity under the Income Tax Act. It pays corporation tax on profits, and shareholders pay income tax on dividends received. While this involves a degree of economic double taxation, it opens the door to legitimate tax planning, for example retaining earnings within the company to defer personal tax liability.

The company's tax affairs are managed through a single TIN, making compliance transparent and straightforward, a significant improvement over the complex attribution of income to individual members in an unincorporated club.

7.8 Members can enter and exit easily without disrupting the property

One of the most practically valuable features of the company limited by shares as an SPV is how easily members can join or leave. Transferring shares requires only a share transfer form, payment of stamp duty, and an update to the share register. There is no need to transfer the title deed, pay capital gains tax on the property, or seek the Land Registry's consent.

This flexibility matters enormously in the investment club context, where members' personal financial circumstances change over time and where clean, low cost exits are essential to maintaining goodwill and cohesion.

7.9 Private company: the right structure for most investment clubs

For most investment clubs in Uganda, a private company limited by shares, which restricts share transfers and prohibits public share offers, is the appropriate choice. Private companies carry fewer regulatory requirements than public companies, making them simpler and less costly to run. The membership of a typical investment club is naturally a small, restricted group, which fits the private company model perfectly.

08 Step by step: incorporating an SPV in Uganda

Here is a practical guide to incorporating a company limited by shares as an SPV for your investment club in Uganda:

1. **Reserve the company name.** Reserve your chosen company name through the Uganda Registration Services Bureau (URSB) online e-registry portal.
2. **Prepare incorporation documents.** Prepare the Memorandum and Articles of Association. These documents set out the company's objects (including ownership of real property and other investments), governance rules, and share structure. This step should be handled by a qualified advocate.
3. **Appoint directors and a company secretary.** Identify and appoint at least one director and a company secretary to manage the company's affairs.

4. **Pay incorporation fees.** Pay the applicable filing and registration fees to the URSB.
5. **Receive the Certificate of Incorporation.** The URSB issues a Certificate of Incorporation, the conclusive legal proof that the company exists as a separate legal person.
6. **Register for tax with the URA.** Register the company with the Uganda Revenue Authority (URA) to obtain a Tax Identification Number (TIN).
7. **Open a company bank account.** Open a bank account in the company's name to receive share capital contributions from investment club members.
8. **Issue shares to members.** Issue shares to club members in proportion to their agreed contributions, and maintain an accurate share register from day one.
9. **Acquire the property.** The SPV is now fully capitalised and legally equipped to purchase or take transfer of real estate in its own name, with title registered under the Registration of Titles Act.

09 Frequently asked questions

Can an investment club in Uganda open a bank account?

Yes. Many Ugandan banks will open an account for an investment club as an administrative convenience. However, this does not give the club legal personality. The account signatories remain personally liable for any financial obligations attached to the account.

How many members does an investment club in Uganda need?

There is no statutory minimum or maximum prescribed specifically for investment clubs. In practice, most clubs have between 5 and 30 members. The club's Constitution should clearly specify the minimum and maximum membership numbers.

Does an investment club in Uganda need to be registered?

A basic investment club does not need to be formally registered as a company or cooperative to operate as a private savings and investment group. However, clubs that want to own property, borrow money, or run a business must incorporate a Special Purpose Vehicle (SPV), most commonly a company limited by shares, under the Companies Act.

Can an investment club buy land or real estate in Uganda?

Not directly. An unincorporated investment club has no legal personality and therefore cannot be registered as a proprietor of land under the Registration of Titles Act. The club must first incorporate an SPV, such as a company limited by shares, and the SPV then purchases and holds the property in its own name.

What is the best company structure for an investment club SPV in Uganda?

A private company limited by shares, incorporated under the Companies Act, is the most suitable SPV structure for investment clubs in Uganda. It provides full legal personality, limited liability for members, clear representation of ownership through shares, the ability to borrow and mortgage property, and a transparent governance and tax framework.

What happens to the club’s property if a member dies?

If property is held in individual members’ names, as it must be in an unincorporated club, a deceased member’s share passes to their heirs under succession law, and those heirs have no connection to or obligation to the club. By contrast, if property is held by an SPV company, the company is unaffected by a member’s death; only their shares in the company pass to their estate, which is far simpler to manage.

Do we need a lawyer to form an investment club in Uganda?

While the law does not require a lawyer to draft an investment club Constitution, professional legal advice is strongly recommended. A properly drafted Members' Agreement, and, where an SPV is needed, properly prepared incorporation documents, can prevent the costly disputes that frequently destroy Ugandan investment clubs. Legal costs at the formation stage are almost always far less than dispute resolution costs later.

10 Get the legal foundations right

Investment clubs in Uganda represent one of the most accessible pathways to collective wealth creation available to ordinary Ugandans. When properly structured and governed, they amplify the financial power of their members and open investment doors that no individual could reach alone.

But legal foundations matter. An unincorporated investment club cannot own property, cannot sign contracts in its own name, and cannot borrow money against assets. These are not minor technicalities. They are fundamental legal disabilities that expose members to personal liability and leave the club's assets legally insecure.

Any investment club in Uganda that wants to own real estate or operate a business venture must incorporate a properly structured Special Purpose Vehicle. A private company limited by shares, incorporated under the Companies Act, is the right vehicle. It delivers legal personality, limited liability, clear ownership records, borrowing capacity, governance accountability, tax efficiency, and ease of member exit.

> Do not wait for a dispute to arise before addressing your club's legal structure. The time to get it right is before the first property purchase, not after.

11 How Adalci Advocates can help

Adalci Advocates advises investment clubs, their organisers and their Special Purpose Vehicles across the full life cycle of the club's activities: drafting and reviewing Investment Club Constitutions and Members' Agreements, incorporating and structuring SPVs for property acquisition, drafting Shareholders' Agreements, advising on property transactions and title registration, resolving investment club disputes through arbitration and mediation, and advising on compliance under Uganda's capital markets and financial laws. Our corporate and dispute resolution teams combine transactional experience with active practice in investment club disputes, which means we know where clubs go wrong and how to protect you before they do.

To discuss forming or structuring your investment club, contact Adalci Advocates at 4th Floor, Block C, Lugogo House, Plot 42 Lugogo Bypass, Kampala, or visit **www.adalci.co.ug**

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