

# PRESS RELEASE

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### SOLICITORS

***Q: I recently bought Limited Company A's shareholding in Company B. I relied on information and accounts provided by Company A's sole director. Some information was false and misleading and I lost a considerable sum as a result. Company A has no assets; can I pursue the Director personally?***

**A:** A limited company is a separate legal entity and so, usually, the directors do not have any personal responsibility for contracts entered into by that company. They are entitled to hide behind the 'corporate veil'. Indeed, that is one of the more significant reasons for setting up a business as a limited company.

But sometimes, a director can do things that take him outside this protection, allowing another party to lift the corporate veil. This may well apply here. If the



director with whom you negotiated personally gave you the information upon which you relied, and he knew that it was false and misleading - in other words, if he did this deliberately - you may well persuade a court to find him personally liable and order him to pay you compensation. If the company itself is devoid of assets and unable to compensate you, this could be your only means of recovering any losses.

In the recent case of *Invertec Ltd v De Mol Holding BV*, the court did just that, finding the sole director liable for false and misleading information given in the course of negotiations, resulting in a loss of some £2 million to the other party.

Although the director had signed the contract "for and on behalf of " the company, that was not enough to protect him in circumstances where he was the sole negotiator and knew the information he was giving, and on which the other

party was relying, was false.

No doubt, the police would also be interested if there is evidence of fraud.

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