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Myerson **Business**

Our guide to shareholder disputes

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Welcome

We understand the complexities of modern life and the importance of taking care of your business interests. So, it's a deep source of satisfaction that so many businesses and business owners choose Myerson as their trusted adviser.

Why Myerson?

At Myerson, we recognise that every shareholder dispute is different. In some cases, litigation through the Courts will inevitably be the only way to resolve matters. However, in other cases, a better outcome can be achieved by agreement between the shareholders and restructuring the ownership of the company.

We are proud to be ranked as '**Top Tier**' in the prestigious international directory **The Legal 500** and commended by The Times '**Best Law Firms 2023**'. So, you can be certain that you will receive the highest quality legal advice and that we can advise you on complex copyright issues.

We have a team of specialist lawyers from across our litigation, corporate & commercial departments who have an in-depth knowledge of company structures and shareholder rights. Our departments work together to ensure that the approach to the dispute is the best for each client.



Shareholder Disputes

How do shareholder disputes arise?

Disputes concerning the management and control of companies are very common.

The law has long recognised the need to protect the rights of minority shareholders whose interests are being adversely affected by the acts or omissions of directors or the majority shareholding within the company.

Common reasons for disputes usually derive from differences of opinion over the management and direction of the company, clashes of personalities affecting business relationships, conflicts of interest, issues surrounding dividend distributions, excessive remuneration of directors, or concerns over suspected illicit or fraudulent activities by the board.

As a shareholder, what should I do first?

Check the company's constitutional documents – its Articles of Association and any Shareholders Agreement – which sets out the main rules governing the conduct of the company and its shareholders.

Ordinarily, these documents will include provisions specifically governing the steps to be taken by the company, and its shareholders, in resolving disputes which can save significant costs and resources.



What are my options as a minority shareholder?

The best course of action will ultimately depend on the nature of the dispute and the overall objective.

Such options include:

“Section 994” action

Taking its name from the applicable statutory provision of the Companies Act 2006, this action permits a minority shareholder to present a petition in the High Court if the company’s affairs are being conducted in a manner that is unfairly prejudicial to the interests of all or some of the shareholders of the company.

Derivative action

Where a wrong has been committed against the company, but the directors are unable (or unwilling) to pursue it themselves, the Companies Act 2006 provides shareholders with the power to “stand in the shoes” of the company and seek redress from the acts or omissions of the director(s) or third party where negligence, default, breach of duty or breach of trust is involved.

Winding up of the company

Generally considered as a last resort, the Insolvency Act 1986 provides shareholders with the power to present a petition to the High Court for the winding up of the company on the basis that it is just and equitable to do so provided that the grounds for doing so are properly established and there exists no alternative remedy to the petitioner.

How much does it cost to bring a claim?

Shareholder disputes are notoriously complicated and costly. We will discuss costs with you in detail prior to undertaking any work on your behalf and ensure that you are kept updated as to costs at frequent intervals as the matter progresses.

In the majority of cases, a negotiated settlement is reached between the parties, often via mediation, which saves substantial costs and provides greater flexibility to structure the proposed transaction (i.e. exiting shareholder buyout by continuing shareholders) on favourable terms and in a tax-efficient manner (as opposed to being constrained by a determinative and potentially less favourable court order).



You're in safe hands!

If you would like further information about how we can help you with **Shareholder Disputes**, or if you have any questions, please don't hesitate to contact a member of our **Commercial Litigation Team** today.

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