COLLAS CRILL

Under the wire

JUNE 2014

PREST V PETRODEL RESOURCES LIMITED: 2013 UKSC 34

The famous case of Salomon v A Salomon & Co established the core principle of company law that a company has separate legal personality distinct from that of its owner(s). By way of example: however simple the structure of Beagle Limited – 1 issued share; 1 owner (Mr Pink) who is also the director - it has a legal life of its own. Beagle Limited owns its own property and is responsible for its own liabilities. Mr Pink cannot take and use Beagle's assets to pay his own debts; nor is he responsible for Beagle's debts. The only exception to this principle occurs with the doctrine of piercing the corporate veil, which occurs when "a person who owns and controls a company is said ... to be identified with it in law by virtue of that ownership and control" [para 16]. The owner and controller is fixed with the rights and liabilities of the company. But the circumstances for when that occurs have not been very clearly defined.

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