



**Chartered Certified
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CONSEQUENCES OF BREACH OF DIRECTORS' RESPONSIBILITIES - INFORMATION FOR CLIENTS

Walsh West Certified Chartered Accountants 2021

Directors are subject to a variety of sanctions for breach of their duties.

Personal liability

The limited liability afforded by a limited liability company applies to its shareholders rather than its directors.

Directors may be personally liable where they fail to meet their responsibilities, for instance:

- to the company for a breach of their general duties owed to the company, including to account to the company for profits made from transactions where they had a conflict of interest or did not declare an interest as required;
- for failing to comply with specific duties under company law, for instance, making unlawful distributions.
- for false or misleading reporting where the company suffers a loss (s463 CA2006).
- under insolvency law, for instance, for fraudulent or wrongful trading;
- if a contribution order is made against them in connection with disqualification proceedings under CDDA1986.

Fines and criminal offences

Breach of company law may be a criminal offence. For instance, breach of the CA2006 requirements on corporate administration (e.g., keeping company registers and making filings) may constitute an offence for which the company and every officer in default may be liable.



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Directors and other officers may also be liable to fines under other legislation to which the company is subject, for instance, the Privacy and Electronic Communications (EC Directive) Regulations 2003 enable directors to be fined for breach of marketing rules.

Disqualification (or undertakings in lieu)

A court may disqualify a person from being a director of a company or in any way concerned in the promotion, formation or management of a company under CDDA1986. Undertakings not to act as a director may be accepted in lieu.

The possible grounds for disqualification are extensive, including persistent breach of company law (e.g., to make requisite filings), fraudulent trading or, where the company has become insolvent, that the director is unfit to be concerned in the management of a company.

For initial advice about Accounting and Taxation; call our team on 0203 488 7503, 01992 236 110 or contact us by email at welcome@walshwestcca.com or via our website www.walshwestcca.com and we will help you.