

Derry v Peek (1889) LR 14 App Cas 337

<https://lawcasesummaries.com/knowledge-base/derry-v-peek-1889-lr-14-app-cas-337/>

Facts

- The Plymouth, the Devonport and District Tramways company issued a prospectus stating that the company had permission to use steam trams.
- The company had no such consent but honestly believed that they would obtain it.
- The company went into liquidation.
- Shareholders sued the directors for fraudulent misrepresentation.

Issues

- Were the directors liable for fraudulent misrepresentation, despite their honest belief that consent would be granted?

Held

- The House of Lords dismissed the shareholders' appeal as they had not proven that the directors lacked honest belief in what they had said regarding the permission.
- A defendant is fraudulent if he:
 - knows the statement to be false; or
 - does not believe in the statement; or
 - is [reckless](#) as to its truth.

Quote

"...where the fact that an alleged belief was destitute of all reasonable foundation would suffice of itself to convince the court that it was not really entertained, and that the representation was a fraudulent one."

(Lord Herschell)

Full Text

The full text is available here: <http://www.bailii.org/uk/cases/UKHL/1889/1.html>

Law case summary from www.lawcasesummaries.com