

Gluckstein v Barnes; Re Olympia Ltd, Ex Parte Gluckstein [1900] AC 240

<https://lawcasesummaries.com/knowledge-base/gluckstein-v-barnes-re-olympia-ltd-ex-parte-gluckstein-1900-ac-240/>

Facts

- Gluckstein and 3 others allegedly purchased property for £140,000 and then promoted a company to which they on-sold the property for £180,000.
- These persons then made up the first directors of the newly formed company. They disclosed the £40,000 profit, but not another £20,000 profit as they originally purchased the land for £120,000 and not £140,000.

Issues

- Had the promoters breached their fiduciary duties to the company?

Held

- The House of Lords held that the syndicate had breached their fiduciary duties and were liable to account to the company for the secret profit that they had made as the company lacked independent directors.

Quotes

"To my thinking, the central fact in the history is, that while the object of the syndicate was to make profit out of the resale, it was a essential part of the enterprise, as originally designed and as actually carried out, that the same individuals who sold as syndicate should buy as directors. This was provided by the third head of the agreement which set up te hsyndicate, and it has a far-reaching effect at all stages of the argument. First of all, it seems to to conclude the question whether these gentlemen were promoters when they bought the mortgages."

(Lord Robertson)

Law case summary from www.lawcasesummaries.com