

Stone & Rolls Ltd v Moore Stephens [2009] UKHL 39

<https://lawcasesummaries.com/knowledge-base/moore-stephens-v-stone-rolls-ltd-in-liq-stone-rolls-ltd-v-moore-stephens-2009-ukhl-39/>

Facts

- Stone & Rolls Ltd ("**Stones**") was wholly owned and directed by Mr Stojevic as a one man company.
- Moore Stephens was a firm of chartered accountants hired to perform audits between 1996 and 1998. Mr Stojevic deceitfully siphoned Stones' assets away and falsified accounts to show more profitable transactions than actually existed.
- In previous litigation, one of the main victims (a Czech bank called Komerční banka) had successfully sued both the company and Mr Stojevic.
- Stones went into liquidation.
- Stones' creditors, acting in the name of the company, wished to sue the auditors for failing to detect the fraud, since both Stones and Mr Stojevic were out of money. The creditors claimed US\$174 million.
- Moore Stephens requested that the claim be struck out even before any question of their negligence was raised. They argued that even if they had been negligent it would be contrary to public policy to let Stones sue them, because that would involve breach of the principle that a claimant cannot come to court and make a plea whilst relying on his own illegal behaviour.

Held

- The House of Lords were split 3:2 as to whether a firm of auditors (Moore Stephens) should be held liable for negligence due to the fraud committed by Stojevic regarding a major bank loan.
- As Stojevic was in control of the company as its sole actor, it was held that Stone could not sue successfully and that Stones could not take advantage of its own fraud.
- Lord Brown highlighted the degree to which Stojevic actually controlled every aspect of the company as the company's sole beneficial owner.

Full Text

The full text is available here: <https://www.bailii.org/uk/cases/UKHL/2009/39.html>