

Regal (Hastings) Ltd v Gulliver [1942] UKHL 1

<https://lawcasesummaries.com/knowledge-base/regal-hastings-ltd-v-gulliver-1942-ukhl-1/>

Facts

- Regal (Hastings) Ltd (**Regal**) owned a cinema.
- Regal took out leases on two more cinemas, through a new subsidiary (Hastings Amalgamated Cinemas Ltd), in order to create a viable sale package.
- The landlord wanted personal guarantees from the directors, however the directors refused to do that. The landlord instead offered to up share capital to £5,000.
- Regal itself put in £2,000, but could not any afford more (though it could have got a loan).
- Four directors each put in £500.
- Mr Gulliver, Regal's chairman, got outside subscribers to put in £500 and the board asked the company solicitor, Mr Garten, to put in the last £500. The directors sold the business and made a profit of nearly £3 per share.
- Shortly after, the buyers brought an action against the directors, saying that this profit was in breach of their fiduciary duty to the company. The directors had not gained fully informed consent from the shareholders.

Issues

- Had the directors breached their fiduciary duties to Regal?

Held

- The House of Lords held that the directors had made their profits “by reason of the fact that they were directors of Regal and in the course of the execution of that office”.
- The House of Lords held that the directors therefore had to account for their profits to the company.

Quotes

“The rule of equity which insists on those who by use of a fiduciary position make a profit, being liable to account for that profit, **in no way depends on fraud, or absence of bona fides**; or upon questions or considerations as whether the property would or should otherwise have gone to the plaintiff, or whether he took a risk or acted as he did for the benefit of the plaintiff, or whether the plaintiff has in fact been damaged or benefited by his action. **The liability arises from the mere fact of a profit having, in the stated circumstances, been made.**”

(Lord Russell of Killowen)

Full Text

The full text is available here: <http://www.bailii.org/uk/cases/UKHL/1942/1.html>

Law case summary from www.lawcasesummaries.com