

# [Ford credit essay](https://assignbuster.com/ford-credit-essay/)

[Finance](https://assignbuster.com/essay-subjects/finance/), [Banking](https://assignbuster.com/essay-subjects/finance/banking/)

1.    Facts

Ford Credit (" FC") is a subsidiary of Ford Motor (" FM"). Its' activity enables it tofinanceoperations in which FM takes part, but also other operations of same nature but without FM being involved. There is no restraining agreement with regard to this matter between FC and FM. FM does also not have to rely on FC in order to finance its operations, although it may do that.

When FC enters a financing agreement with one of FM's client, FM is not part in the agreement and does not receive any financial reward from FC.

In a FM product liability case, some plaintiff argued that FC acted as an agent of FM.

2.    Issue:

Major Issue: Is Ford Credit (" FC") and agent of Ford Motor (" FM")?

In other words: considering the absence of written agency contract between FM and FC, what other facts would possibly enable the plaintiffs to caracterize an agency?

3.    Rules and analysis:

An agency contract may exist even in the absence of a written agreement in the presence of a subordination between the principal and the agent, which means that the agent works for and under the supervision of the principal (work schedule, mission assigned, objectives, delays etc…).

The fact that FC is an affiliate of FM means that FM holds a majority of shares in FC. But being a majority shareholder does not mean that FC's activity is under the orders of FM. The fact that FM holds shares in FC does only mean that it has a financial interest in its' benefits or losses at the end of the financial year.

The fact that FC enters in agreements in operations which do not involve FM leads to think that there is no specific agreement between the two withrespectto restraining FM or FC's activity outside of the group. Neither is there any provision which restrain them from contracting with any third party.

In conclusion, the fact that FC is FM's subsidiary does not enable to conclude that FC is FM's agent.

One of the main element which characterizes the presence of an agency, according to case law,  is the fact that the agent is able to alter legal relations between the principal and third parties. FM is selling vehicles to third parties but FC is not a party to these agreements. There is no agreement between FC and FM restricting either FM or FC's activity to each other. FM is free to finance its' sales with another organization and FC is allowed to finance operations which do not involve Ford Motors.

In fact, agreements between FM and its' clients are completely independent from FC and vice versa.

This means that the main element of an agency contract is missing. FC does not have the power to act on behalf of FM and does not appear as such to clients.

4. Conclusion:
The plaintiffs who try to sue FC on behalf of FM's operations are probably going to loose their action, considering that FC cannot be considered to be an agent of FM in its' sales operations based on the criteria of shareholding or alteration of legal relations.