

# Company law

Law



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Company Law Essay Word Count Affiliation: The legal environment in which corporate firms operate govern and regulate the interaction of all stakeholders in the various industries that these firms belong to. Employers and their employees have legal provisions and obligations to adhere to in the process of working together. When legal provisions that govern the interaction of employers and employees are violated, or when either party fails to meet their legal obligations, lawsuits are highly likely to occur. In the Chandler v Cape plc [2012] EWCA 525 case, a health and safety issue resulted in a lawsuit between the worker, Chandler, and Cape plc.'s subsidiary firm that was once the worker's employer<sup>1</sup>.

The court of appeal upheld Chandler's claims against Cape plc., and acknowledged that damages were available for the claimant from the parent firm. The liability was placed on the parent firm for which the claimant was an employee to its subsidiary. The subsidiary firm that employed Chandler had ceased operations by the time Chandler sued for damages. However, the High Court upheld Chandler's claims, and so did the Court of appeal.

Although corporate personality requires that a company within a group of companies should handle its liabilities independently, the court held that the parent company was liable for tortious negligence to Chandler.

The decision made by the Court of appeal critically influences the legal provisions that govern corporate operations in more ways than just linking subsidiary liabilities to the parent firms as already seen in the Chandler v Cape plc case. Agency principles that relate to common law are often used in determining closely related cases that are filed on similar grounds. In this respect, parties that are relatively bound to benefit on the same ground as that realized by Chandler could file lawsuits against parent firms for liabilities

that could have been rather carried by their subsidiaries.

The corporate veil between the subsidiary and the parent firm was lifted on the ground that the parent firm best understood the working conditions that the subsidiary was subjecting its employees to. Legally, the court held that the parent firm was as liable as its subsidiary. However, the subsidiary was no longer operational, thus transferring the negligence liability to the parent firm. Duty of care existed between Chandler and the parent firm, through the employing subsidiary.

Corporate veil prompts that the employees clearly understand the direct liable party in relation to whom they act for<sup>2</sup>. The obligations of all the parties involved were also a critical implication in the Chandler's matter, relative to whether the parent company was liable for the third party's claims. The subsidiary's corporate personality presents the firm as an agent of the parent company in the matter. In this respect, lifting the parent firm's corporate veil made Cape plc assume responsibility for tortious negligence to the claimant, although the two are independent legal entities.

#### Reference

Hannigan, B., *Company Law*, Oxford University Press, Oxford, 2012.