

Corporate law for managers

[Profession](#), [Manager](#)



Corporate law for managers Institute The issue in respect of this question requires an analysis of the problems that were associated with the objects clause of a company in its memorandum of association and the resolution that was achieved by way of the Companies Act 2006. The problems in respect of objects clause in a company's memorandum had been a problem for a considerable period of time and there were cases where the company changed its business and conducted certain acts in respect of such business which were held to be ultra vires (*Introductions Ltd v National Provincial Bank Ltd*). The courts had found that contracts which were subsequently ratified in a general meeting were not valid as well. (*Ashbury Railway & Iron Co v Riche*) The Parliament tried to reform such tensions and debates in respect of the objects clause by specifying a provision under the Companies Act 1985. Under section 3A of the Companies Act 1985, a company could carry out business of any nature and could do anything that was incidental or conduct to such business. However, the problem in respect of the objects clause remained and there were cases whereby on the basis of the objects clause the acts of a company were challenged and it was said that the actions of the company were ultra vires. The sole reason for such action was the fact that the company could do acts which were incidental or conductive, however, acts, which were completely separate from such business were still caught for being ultra vires thereby creating problems for companies and their directors for actions which could be hit by way of such an objects clause. In lieu of the problems the Companies Act 2006, by way of section 1295 repealed section 3A and in section stated that unless there were restrictions placed on the objects of the company, the company could

indulge in any actions whatsoever. This clearly closed the lacuna which had been pending for a number of years, thereby removing the restrictions that had been encumbered upon the companies by way of the objects clause. Furthermore, the section provided for amendment of articles, whereby the such objects could amended, altered or removed by following the procedure that had been laid down and provided that the amendment would not affect any rights or obligations of the company or lead any legal proceedings to be defective. The problem has clearly been resolve, as the position in respect of the memorandum did not allow for such changes to be made and therefore the difficult in respect of such conduct has been effectively removed.

References DAVIES, P. L., WORTHINGTON, S., MICHELER, E., DAVIES, P. L., & GOWER, L. C. B. (2008). *Gower and Davies' principles of modern company law* / by Paul L. Davies ; with contributions from Sarah Worthington and Eva Micheler. London, Sweet & Maxwell. DIGNAM, A. J., & LOWRY, J. P. (2009). *Company law*. Oxford, Oxford University Press.