

Ashbury railway carriage and iron law company business partnership essay

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INTRODUCTION: Hadley Vs Baxendale is basically related to the English contract law case which sets a rule for determining the scale to which the defendant may be charged for consequential damages occurring due to the breach of contract, i. e. defendant is responsible for all the losses for the given context. FACTS: Plaintiffs here are Mr. Hadley and the workers working in mill, who worked in partnership of the City Steam-Mills. Their finished product was flour, sharps etc. A crankshaft of their steam engine was broken which needed to be immediately replaced for the days the mill was closed due to unworkable condition of the steam engine. Mr. Hadley made the preparations to get a new one manufactured by W. Joyce & Company in Greenwich. For the new crankshaft to fit properly with the new one and with the parts of steam-engine it was required to be transported to Joyce & Company. Mr. Hadley contracted with the defendant Baxendale and Ors, for delivering the broken crankshaft to get it repaired until a certain date, costing £ 2 sterling and 4 shillings. Due to the failure of Baxendale to deliver the crankshaft at a desired date, the mill ran out of business. Henceforth, Hadley sued for the lost profits, but the jury awarded them with damages of £ 25. Baxendale appealed that they didn't knew for the damages caused due to the late delivery of the crankshaft. ISSUE: What is the amount of damage an injured party is supposed to get for the breach of contract? QUESTION RAISED : Will the defendant be held liable for the damages caused which he has no knowledge of, for the breach of contract? JUDGEMENT: The jury in-place held that the defendant could not be held liable for those consequences for which defendant had no knowledge and so defendant is liable to pay only for the damages which are foreseeable in this context

excluding the losses incurred by Plaintiff Mr. Hadley. If these special circumstances would have conveyed to defendant in advance then only they can be held liable for or else-where cannot be. THEORY: This case is concerned with law of contract in which there are various types of damages, as in this case special damages and normal damages(ordinary damages) is being discussed. Normal damages/ general damages refers to the damages which are caused during the normal course business activities whereas special damages refers to damages occurred due to the breach of agreement by defendant arising due to undue course of actions which do not fall in the purview of general damages.

Case No. 2: Salomon Vs A. Salomon & Co. Ltd.

INTRODUCTION: Salomon Vs A. Salomon & Co. Ltd. is a milestone company law case. The main concept behind this act is to uphold the corporate personality, as put in place by the Companies Act, 1862. According to this law, creditors cannot sue the shareholders of the insolvent company to pay the outstanding debt. FACTS: Mr. Aron Salomon manufactured leather shoes and boots in a large establishment. His 30 years business would have fetched him £ 10, 000. On insistence of family members he converted his business into a limited company, with wife and his 5 children's as subscribers and 2 children as directors. Mr. Salomon kept 20, 001 shares out of 20, 007 shares with himself. The capital investment in the business amounted to £ 39, 000. Court's claim of the company being extravagant is as follows:

Purchase money for business£ 20, 000
Debentures issued secured over the company assets£ 10, 000
Business debt£ 1, 000
No sooner the company was incorporated than there were a series of strikes in the company which led in

splitting up of Salomon's main customers to avoid the risk of being crippled by the strike. The unsold stocks in warehouse forced them in cancellation of debentures and as the business needed more money they approached Mr. Edmund Broderip. On failure of the business and Mr. Edmund Broderip not receiving his interest he sued Mr. Salomon. After which the company was liquidated and Broderip was repaid £ 5000. QUESTION RAISED: Who is to be paid first, should the employees or utility bills be paid first or should it be the secured creditors? JUDGEMENT: Judgment of lower court: The lower court agreed with the trade creditors allegations and ruled in favor of the creditors and went against the Salomon. Judgment of higher court: The higher court i. e. is the house of the lords held that the company is distinct for its owner and it has separate legal entity once it is registered and comes into existence it has no minority period neither it has any incapacity. They held that shareholders and the company are two different entities and the shareholders cannot be held responsible for the acts of the company even when the shareholders hold virtually the majority of the shares. THEORY ASSOCIATED: This case is associated with Companies Act, 1956. In this the concept of lifting of corporate veil is applied. As per this concept, the owner and the company are two distinct entities and the working of the company cannot be forced on the individual i. e. the owner. So this case overall stresses on the distinction between the owner of the business and the business itself are two different entities.

Case No. 3: Ashbury Railway Carriage and Iron Co Ltd v Riche

INTRODUCTION: This particular case is related to the objects clause of the company, hence its related to Company law. But in due course of time it has lost its importance due to Companies Act 2006. **FACTS:** This particular case draws its conflicts as stated in the clause 3 and clause 4 as stated in the company's memorandum. In spite of these, the company gave Riche some loan to construct a railway. But in due course of time the company declined the agreement and hence Riche sued the company under the pledge saying it to be ultra vires. **QUESTION RAISED:** The basic question raised this particular case is that whether the contract between these two is ultra-vires or not? **JUDGEMENT:** In the beginning itself, under the memorandum of the company didn't permit the company into a contract relating to construction of railway. But still the company went forward with it so the contract became null and void, as the memorandum didn't specify this power. The shareholders with the desire to make contract cannot authorize the director to enter into the contract as it was ultra-vires. So the shareholders even cannot ratify the ultra-vires contract. Whatever business the company does must be specified in the memorandum. **THEORY ASSOCIATED:** This case is associated with the application of doctrine of ultra-vires. As per this concept the powers or rights which are not mentioned in the memorandum of the company shall be null and void if the company goes beyond the power of the memorandum. Ultra-vires means beyond the actual power authorized to the entity i. e. invalid excess of authority.