

Contents

<i>Preface</i>	xi
<i>Table of cases</i>	xv
<i>Table of legislation</i>	xxiii
<i>Table of statutory instruments</i>	xxv
<i>Table of international legislation</i>	xxvii

PART A

Introduction	1
1 Background to directors' responsibilities	3
<i>Introduction</i>	3
<i>Directors – who are they?</i>	4
<i>Responsibilities and obligations</i>	8
<i>The lay-out of the book</i>	12
2 Creditors – who are they?	13
<i>Who is a creditor?</i>	13
<i>Kinds of creditors</i>	15
<i>Consensual creditors</i>	15
<i>Involuntary creditors</i>	18
<i>Customers</i>	18
<i>Creditor protection</i>	18
<i>Summary</i>	21

PART B

Fraudulent trading	23
3 Fraudulent trading: background, aims and comparisons	25
<i>Introduction</i>	25

vi *Contents*

Background 25

Aims 27

Comparisons 28

4 The fraudulent trading provision and its scope 31

Introduction 31

The make-up of section 213 32

The applicant 33

Persons liable 34

Applications 37

Criminal proceedings 39

Conditions for liability 40

What constitutes fraudulent trading? 45

Loss 45

The order 46

The destination of proceeds 48

5 Intent to defraud and fraudulent purpose 51

Introduction 51

Intent to defraud 52

Fraudulent purpose 62

Conclusion 63

6 Fraudulent trading: an assessment 65

Introduction 65

Actions available before liquidation? 65

Other applicants? 66

The public element 67

Interpretation of the provision 69

Substituting the incurring of debts for fraudulent trading? 69

Conclusion 70

PART C

Wrongful trading 71

7 Wrongful trading: background, aims, rationale and comparisons 73

Introduction 73

Background 74

	<i>Aims</i>	75
	<i>Rationale</i>	77
	<i>Comparisons</i>	78
8	The wrongful trading provision and its scope	81
	<i>Introduction</i>	81
	<i>The applicant</i>	81
	<i>Claims</i>	83
	<i>The elements required for liability</i>	86
	<i>The point of liability</i>	93
	<i>What should directors be doing?</i>	94
	<i>Court considerations</i>	96
	<i>The types of companies involved in actions</i>	99
	<i>Loss</i>	100
	<i>The order</i>	101
	<i>The effects of an order</i>	104
	<i>The public factor</i>	109
9	A defence to wrongful trading	111
	<i>Introduction</i>	111
	<i>The substance of the defence</i>	111
	<i>Every step: meaning</i>	112
	<i>Relief from liability</i>	121
10	An assessment of wrongful trading: pros, problems and prognoses	125
	<i>Introduction</i>	125
	<i>Applicants</i>	125
	<i>The point of liability</i>	128
	<i>Wrongdoing</i>	129
	<i>Every step – the defence</i>	130
	<i>Funding</i>	131
	<i>The public factor</i>	136
	<i>An assessment</i>	137
	<i>Reforms</i>	147
	<i>Conclusion</i>	149

PART D

A duty to consider the interests of creditors 151

- 11 The development of the duty to consider the interests of creditors 153

Introduction 153

The evolution of the duty 155

Recent judicial opinion in the UK 161

Approaches in other jurisdictions 162

The duty considered in the course of law reform in the UK 173

Conclusion 176

- 12 The duty to creditors: nature, rationale and need 179

Introduction 179

The nature of the duty 179

The rationale for the duty 181

Is the duty needed? 184

Disadvantages of bringing proceedings for breach of duty to creditors 194

Uses for breach of duty actions 196

Conclusion 197

- 13 When does the duty arise? 199

Introduction 199

The point when the duty arises 199

An assessment 208

Conclusion 220

- 14 How are the directors to function when subject to a duty to creditors? 221

Introduction 221

In what ways are directors to function? 222

The balancing of interests 225

Governance in Chapter 11 bankruptcy 238

A framework 241

Dissension at board level 250

Conclusion 251

15	A direct duty to creditors?	253
	<i>Introduction</i>	253
	<i>The problems with a direct duty</i>	254
	<i>The legal position</i>	258
	<i>Should there be an independent duty?</i>	264
	<i>Conclusion</i>	266
16	Commencement of proceedings	269
	<i>Introduction</i>	269
	<i>Shareholders and creditors</i>	270
	<i>Misfeasance proceedings</i>	271
	<i>Class actions</i>	272
	<i>Derivative actions</i>	273
	<i>Oppression and/or unfair prejudice remedy</i>	276
	<i>Why might some creditors not want to pursue proceedings?</i>	279
	<i>Conclusion</i>	279
17	Are all creditors to be favoured?	281
	<i>Introduction</i>	281
	<i>The issues</i>	281
	<i>The case law</i>	284
	<i>Conclusion</i>	286
PART E		
	Theoretical analysis	287
18	Introduction to the theoretical analysis	289
19	A theoretical analysis of the duty to consider creditors	293
	<i>Introduction</i>	293
	<i>The contractarian paradigm and the law and economics movement</i>	293
	<i>Progressive scholarship</i>	300
	<i>Distributional fairness</i>	302
	<i>Efficiency</i>	309
	<i>Creditor protection – is it warranted?</i>	319
	<i>Types of creditors</i>	332
	<i>Creditors have no right to initiate proceedings</i>	336
	<i>Commercial morality</i>	337

x *Contents*

The creditors as residual claimants 338

Conclusion 340

20 A theoretical analysis of wrongful trading 343

Introduction 343

Opposition to regulation 343

Support for regulation 359

Conclusion 367

21 Directors' responsibilities and opting out 369

Introduction 369

Mandatory and enabling (default) rules 370

Fraudulent trading 374

Wrongful trading 375

Duty to consider the interests of creditors 379

Conclusion 380

22 Conclusions and reflections 383

Index 387