

Shareholder dispute: first steps

Eight things to do, and not do, when a dispute with your fellow shareholders or directors starts. Tick each one off as you go. Section numbers are to the Companies Act 2006.

☐ 01 Gather the documents

The articles, any shareholders' agreement, your service agreement, the register of members, minutes and the latest accounts. Every shareholder can inspect the register of members (s.116) and the records of shareholder meetings (s.358) free of charge, and can ask for the last accounts (s.431).

☐ 02 Do not resign or sign anything in a hurry

A resignation, a share transfer or a settlement letter can be very hard to undo, and may give away your strongest points. Take advice first.

☐ 03 Work out who controls the votes

Who holds more than half the votes, and who holds 75% or more, decides who can remove a director, change the articles or block a decision. Our free shareholder control calculator (bonsai.law/tools/shareholder-control-calculator) shows it in a minute.

☐ 04 Keep a record

Dated notes of meetings and decisions, and copies of emails. Keep what you write calm and factual: assume a judge will read it.

☐ 05 Keep to your duties as a director

If you are a director, your duties to the company continue during the dispute, including avoiding conflicts of interest (ss.171 to 177). Do not take company property, money or data.

☐ 06 Consider mediation early

Most shareholder disputes settle. The court expects the parties to have tried to resolve things, and can take a refusal to mediate into account on costs.

☐ 07 Act promptly

No limitation period applies to an unfair prejudice petition, but the court can refuse relief after unjustified delay, other claims do have time limits, and evidence and money can disappear.

☐ 08 Get advice on your options

A negotiated exit, a deadlock clause, an unfair prejudice petition, a derivative claim or, as a last resort, winding up. The right route depends on the documents and on what you want to end up with.

Want a view on your position? We quote a fixed fee in writing for an initial review after a short call, before you commit. bonsai.law/shareholder-disputes

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