

## Shareholder dispute settled at mediation

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Acted for a 25% shareholder in an IT company who was wrongfully removed from the company and left unable to realise their investment, in both time and money, into the company.

### **The challenge: a majority shareholder who was willing to take active steps to reduce minority shareholder value**

Our client and the other shareholder, holding 75%, had fallen out. Using the powers given to them by their shareholding, the majority shareholder then removed our client as a director and employee. This meant our client no longer received any income from the company, which continued to trade successfully.

The majority shareholder then offered only a nominal sum to buy out our client's shares. When our client refused the offer and threatened legal action the majority shareholder placed the company into a Members Voluntary Liquidation (MVL).

Following a short marketing campaign only one buyer was found for the business, a company controlled by the majority shareholder and set up for the purpose. The price paid for the business did not reflect its commercial value and produced a negligible return for the shareholders.

### **Our approach: presenting a petition under s.994 of the Companies Act with the aid of third party funding**

Our client could not afford to bring legal proceedings so third party funding and After the Event insurance (ATE) was obtained. We agreed to act under a Conditional Fee Agreement (CFA). This enabled a petition to be



brought under s.994 of the Companies Act on the grounds that the majority shareholder's actions were unfairly prejudicial to our client.

## **The outcome: recovery of an acceptable value for the minority shareholding**

The parties agreed to mediate and at the mediation a settlement was reached under which our client received an acceptable sum for their shares.

## **How we made a difference: obtaining justice for a minority shareholder**

The majority shareholder was determined to avoid paying the minority shareholder for their shares. It was only through our intervention and willingness to undertake the matter under a CFA that value was recovered for the shares.

If you would like to discuss or need help with a similar case, please contact our [shareholder disputes team](#).



Thank you for helping and supporting throughout this case. It is really appreciated and was handled very professionally.