



# Companies Act 1985

## 1985 CHAPTER 6

### PART X

#### ENFORCEMENT OF FAIR DEALING BY DIRECTORS

##### *Restrictions on directors taking financial advantage*

#### **311 Prohibition on tax-free payments to directors.**

F1 .....

##### **Textual Amendments**

F1 S. 311 repealed (6.4.2007) by [Companies Act 2006 \(c. 46\)](#), ss. 1177, 1295, 1300, [Sch. 16](#); S.I. 2006/3428, arts. 4(1)(c), 7(c), Sch. 4 Pt. 1 (subject to art. 5, Sch. 1 and with arts. 6, 8, Sch. 5 (as amended by S.I. 2007/3495, art. 11, Sch. 5))

#### **312 Payment to director for loss of office etc.**

F2 .....

##### **Textual Amendments**

F2 S. 312 repealed (1.10.2007) by [Companies Act 2006 \(c. 46\)](#), ss. 1295, 1300, [Sch. 16](#); S.I. 2007/2194, [art. 8](#), Sch. 2 Pt. 1 (with art. 12)

#### **313 Company approval for property transfer.**

F3 .....

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**Textual Amendments**

**F3** S. 313 repealed (1.10.2007) by Companies Act 2006 (c. 46), ss. 1295, 1300, **Sch. 16**; S.I. 2007/2194, **art. 8**, Sch. 2 Pt. 1 (with art. 12)

**314 Director’s duty of disclosure on takeover, etc.**

**F4** .....

**Textual Amendments**

**F4** S. 314 repealed (1.10.2007) by Companies Act 2006 (c. 46), ss. 1295, 1300, **Sch. 16**; S.I. 2007/2194, **art. 8**, Sch. 2 Pt. 1 (with art. 12)

**315 Consequences of non-compliance with s. 314.**

**F5** .....

**Textual Amendments**

**F5** S. 315 repealed (1.10.2007) by Companies Act 2006 (c. 46), ss. 1295, 1300, **Sch. 16**; S.I. 2007/2194, **art. 8**, Sch. 2 Pt. 1 (with art. 12)

**316 Provisions supplementing ss. 312 to 315.**

**F6** .....

**Textual Amendments**

**F6** S. 316 repealed (1.10.2007) by Companies Act 2006 (c. 46), ss. 1295, 1300, **Sch. 16**; S.I. 2007/2194, **art. 8**, Sch. 2 Pt. 1 (with art. 12)

**317 Directors to disclose interest in contracts.**

**F7** .....

**Textual Amendments**

**F7** S. 317 repealed (1.10.2008) by Companies Act 2006 (c. 46), ss. 1295, 1300, **Sch. 16**; S.I. 2007/3495, **art. 8(b)**, Sch. 3 Pt. 1 (with arts. 7, 12, Sch. 4 paras. 48(2), 50(2)); s. 317 expressed to be modified (7.10.2008 at 9.30 a.m.) by The Heritable Bank plc Transfer of Certain Rights and Liabilities Order 2008 (S.I. 2008/2644), arts. 1(2), 26, **Sch. 2 para. 1(a)**

**318 Directors’ service contracts to be open to inspection.**

**F8** .....

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**Textual Amendments**

**F8** S. 318 repealed (1.10.2007) by Companies Act 2006 (c. 46), ss. 1295, 1300, **Sch. 16**; S.I. 2007/2194, **art. 8**, Sch. 2 Pt. 1 (with art. 12)

**319 Director’s contract of employment for more than 5 years.**

**F9** .....

**Textual Amendments**

**F9** S. 319 repealed (1.10.2007) by Companies Act 2006 (c. 46), ss. 1295, 1300, **Sch. 16**; S.I. 2007/2194, **art. 8**, Sch. 2 Pt. 1 (with art. 12)

**320 Substantial property transactions involving directors, etc.**

**F10** .....

**Textual Amendments**

**F10** S. 320 repealed (1.10.2007) by Companies Act 2006 (c. 46), ss. 1295, 1300, **Sch. 16**; S.I. 2007/2194, **art. 8**, Sch. 2 Pt. 1 (with art. 12); s. 320 is expressed to be modified (22.2.2008) by S.I. 2008/432, arts. 1(2), 17(1), **Sch. para. 1(d)**

**321 Exceptions from s. 320.**

**F11** .....

**Textual Amendments**

**F11** S. 321 repealed (1.10.2007) by Companies Act 2006 (c. 46), ss. 1295, 1300, **Sch. 16**; S.I. 2007/2194, **art. 8**, Sch. 2 Pt. 1 (with art. 12)

**322 Liabilities arising from contravention of s. 320.**

**F12** .....

**Textual Amendments**

**F12** S. 322 repealed (1.10.2007) by Companies Act 2006 (c. 46), ss. 1295, 1300, **Sch. 16**; S.I. 2007/2194, **art. 8**, Sch. 2 Pt. 1 (with art. 12)

**[<sup>F13</sup>322A Invalidation of certain transactions involving directors, etc.**

- (1) This section applies where a company enters into a transaction to which the parties include—
- (a) a director of the company or of its holding company, or

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- (b) a person connected with such a director or a company with whom such a director is associated,  
 and the board of directors, in connection with the transaction, exceed any limitation on their powers under the company's constitution.
- (2) The transaction is voidable at the instance of the company.
- (3) Whether or not it is avoided, any such party to the transaction as is mentioned in subsection (1)(a) or (b), and any director of the company who authorised the transaction, is liable—
- (a) to account to the company for any gain which he has made directly or indirectly by the transaction, and
- (b) to indemnify the company for any loss or damage resulting from the transaction.
- (4) Nothing in the above provisions shall be construed as excluding the operation of any other enactment or rule of law by virtue of which the transaction may be called in question or any liability to the company may arise.
- (5) The transaction ceases to be voidable if—
- (a) restitution of any money or other asset which was the subject-matter of the transaction is no longer possible, or
- (b) the company is indemnified for any loss or damage resulting from the transaction, or
- (c) rights acquired bona fide for value and without actual notice of the directors exceeding their powers by a person who is not party to the transaction would be affected by the avoidance, or
- (d) the transaction is ratified by the company in general meeting, by ordinary or special resolution or otherwise as the case may require.
- (6) A person other than a director of the company is not liable under subsection (3) if he shows that at the time the transaction was entered into he did not know that the directors were exceeding their powers.
- (7) This section does not affect the operation of section 35A in relation to any party to the transaction not within subsection (1)(a) or (b).

But where a transaction is voidable by virtue of this section and valid by virtue of that section in favour of such a person, the court may, on the application of that person or of the company, make such order affirming, severing or setting aside the transaction, on such terms, as appear to the court to be just.

- (8) In this section “transaction” includes any act; and the reference in subsection (1) to limitations under the company's constitution includes limitations deriving—
- (a) from a resolution of the company in general meeting or a meeting of any class of shareholders, or
- (b) from any agreement between the members of the company or of any class of shareholders.]

#### Textual Amendments

**F13** S. 322A inserted (4.2.1991) (subject to the saving and transitional provisions in S.I. 1990/2569, art. 7) by Companies Act 1989 (c. 40, SIF 27), ss. 109(1), 213(2)

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**Modifications etc. (not altering text)**

- C1** S. 322A modified (4.2.1991) by Charities Act 1960 (c. 58, SIF 19), **s. 30B(4)** as inserted (4.2.1991) by Companies Act 1989 (c. 40, SIF 27), **ss. 111(1), 213(2)**
- C2** S. 322A excluded by S.I. 1990/2569, **art. 7(3)**
- C3** S. 322A applied with modifications by S.I. 1985/680, arts. 4–6, **Sch.** as amended (4.2.1991) by S.I. 1990/2571, **art. 2(c)**

**322B Contracts with sole members who are directors**

**F14** .....

**Textual Amendments**

- F14** S. 322B repealed (1.10.2007) by Companies Act 2006 (c. 46), ss. 1295, 1300, **Sch. 16**; S.I. 2007/2194, **art. 8**, Sch. 2 Pt. 1 (with art. 12)

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