



# Companies Act 1985

## 1985 CHAPTER 6

### PART X

#### ENFORCEMENT OF FAIR DEALING BY DIRECTORS

##### *Supplementary*

#### **345 Power to increase financial limits.**

- (1) The Secretary of State may by order in a statutory instrument substitute for any sum of money specified in this Part a larger sum specified in the order.
- (2) An order under this section is subject to annulment in pursuance of a resolution of either House of Parliament.
- (3) Such an order does not have effect in relation to anything done or not done before its coming into force; and accordingly, proceedings in respect of any liability (whether civil or criminal) incurred before that time may be continued or instituted as if the order had not been made.

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

- C1** [S. 345](#) applied with modifications by [S.I. 1985/680](#), regs. 4–6, [Sch.](#)  
**C2** [S. 345\(3\)](#) applied by [S.I. 1990/1392](#), [art. 5](#)

#### **346 “Connected persons”, etc.**

- (1) This section has effect with respect to references in this Part to a person being “connected” with a director of a company, and to a director being “associated with” or “controlling” a body corporate.
- (2) A person is connected with a director of a company if, but only if, he (not being himself a director of it) is—

---

*Status: Point in time view as at 08/11/2006.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985, Cross Heading: Supplementary. (See end of Document for details)*

---

- (a) that director's spouse, [<sup>F1</sup>civil partner,] child or step-child; or
  - (b) except where the context otherwise requires, a body corporate with which the director is associated; or
  - (c) a person acting in his capacity as trustee of any trust the beneficiaries of which include—
    - (i) the director, his spouse [<sup>F2</sup>or civil partner] or any children or step-children of his, or
    - (ii) a body corporate with which he is associated, or of a trust whose terms confer a power on the trustees that may be exercised for the benefit of the director, his spouse [<sup>F2</sup>or civil partner], or any children or step-children of his, or any such body corporate; or
  - (d) a person acting in his capacity as partner of that director or of any person who, by virtue of paragraph (a), (b) or (c) of this subsection, is connected with that director; or
  - (e) a Scottish firm in which—
    - (i) that director is a partner,
    - (ii) a partner is a person who, by virtue of paragraph (a), (b) or (c) above, is connected with that director, or
    - (iii) a partner is a Scottish firm in which that director is a partner or in which there is a partner who, by virtue of paragraph (a), (b) or (c) above, is connected with that director.
- (3) In subsection (2)—
- (a) a reference to the child or step-child of any person includes an illegitimate child of his, but does not include any person who has attained the age of 18; and
  - (b) paragraph (c) does not apply to a person acting in his capacity as trustee under an employees' share scheme or a pension scheme.
- (4) A director of a company is associated with a body corporate if, but only if, he and the persons connected with him, together—
- (a) are interested in shares comprised in the equity share capital of that body corporate of a nominal value equal to at least one-fifth of that share capital [<sup>F3</sup>(excluding any shares in the company held as treasury shares)] ; or
  - (b) are entitled to exercise or control the exercise of more than one-fifth of the voting power at any general meeting of that body [<sup>F4</sup>(excluding any voting rights attached to any shares in the company held as treasury shares)] .
- (5) A director of a company is deemed to control a body corporate if, but only if—
- (a) he or any person connected with him is interested in any part of the equity share capital of that body or is entitled to exercise or control the exercise of any part of the voting power at any general meeting of that body; and
  - (b) that director, the persons connected with him and the other directors of that company, together, are interested in more than one-half of that share capital [<sup>F5</sup>(excluding any shares in the company held as treasury shares)] or are entitled to exercise or control the exercise of more than one-half of that voting power [<sup>F6</sup>(excluding any voting rights attached to any shares in the company held as treasury shares)] .
- (6) For purposes of subsections (4) and (5)—

*Status: Point in time view as at 08/11/2006.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985, Cross Heading: Supplementary. (See end of Document for details)*

- (a) a body corporate with which a director is associated is not to be treated as connected with that director unless it is also connected with him by virtue of subsection (2)(c) or (d); and
  - (b) a trustee of a trust the beneficiaries of which include (or may include) a body corporate with which a director is associated is not to be treated as connected with a director by reason only of that fact.
- (7) The rules set out in Part I of Schedule 13 apply for the purposes of subsections (4) and (5).
- (8) References in those subsections to voting power the exercise of which is controlled by a director include voting power whose exercise is controlled by a body corporate controlled by him; but this is without prejudice to other provisions of subsections (4) and (5).

#### Textual Amendments

- F1** Words in s. 346(2)(a) inserted (5.12.2005) by Civil Partnership Act 2004 (c. 33), ss. 261(1), 263, **Sch. 27 para. 102(a)**; S.I. 2005/3175, **art. 2(2)**
- F2** Words in s. 346(2)(c) inserted (5.12.2005) by Civil Partnership Act 2004 (c. 33), ss. 261(1), 263, **Sch. 27 para. 102(b)**; S.I. 2005/3175, **art. 2(2)**
- F3** Words in s. 346(4)(a) inserted (1.12.2003) by The Companies (Acquisition of Own Shares)(Treasury Shares) Regulations 2003 (S.I. 2003/1116), reg. 4, {Sch. para. 17(a)}
- F4** Words in s. 346(4)(b) inserted (1.12.2003) by The Companies (Acquisition of Own Shares)(Treasury Shares) Regulations 2003 (S.I. 2003/1116), reg. 4, {Sch. para. 17(b)}
- F5** Words in s. 346(5)(b) inserted (1.12.2003) by The Companies (Acquisition of Own Shares)(Treasury Shares) Regulations 2003 (S.I. 2003/1116), reg. 4, {Sch. para. 17(c)(i)}
- F6** Words in s. 346(5)(b) inserted (1.12.2003) by The Companies (Acquisition of Own Shares)(Treasury Shares) Regulations 2003 (S.I. 2003/1116), reg. 4, {Sch. para. 17(c)(ii)}

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

- C3** Ss. 346, 347 applied with modifications by S.I. 1985/680, regs. 4–6, **Sch.**
- C4** S. 346 excluded (12.2.1992) by S.I. 1992/225, **reg. 23(1)(b)**.  
S. 346 modified (12.2.1992) by S.I. 1992/225, reg. 121, **Sch. 8 para. 1(b)**.
- C5** S. 346(2) applied (16.5.1992) by Further and Higher Education (Scotland) Act 1992 (c. 37), s. 12, **Sch. 2 para. 14(5)** (with s. 30(2)); S.I. 1992/817, art. 3(2), **Sch.1**.
- C6** S. 346(2) applied (18.9.1996) by 1996 c. 43, s. 1, **Sch. 1 para. 11(6)**; S.I. 1996/2250, **art. 2**  
S. 346(2) applied (18.9.1996) by 1988 c. 47, **s. 5A(4)** (as inserted (18.9.1996) by 1996 c. 43, **s. 30**);  
S.I. 1996/2250, **art. 2**  
S. 346(2) applied (18.9.1996) by 1988 c. 47, **Sch. 2 para. 5A(3)** (as inserted (18.9.1996) by 1996 c. 43, s. 31, **Sch. 4 para. 9(d)**); S.I. 1996/2250, **art. 2**
- C7** S. 346(2)-(8) applied (1.4.2004) by 1965 c. 12, s. 7F(3) (as inserted by Co-operatives and Community Benefit Societies Act 2003 (c. 15), **ss. 3, 7**; S.I. 2003/2678, **art. 2**)

### 347 Transactions under foreign law.

For purposes of sections 319 to 322 and 330 to 343, it is immaterial whether the law which (apart from this Act) governs any arrangement or transaction is the law of the United Kingdom, or of a part of it, or not.

---

*Status: Point in time view as at 08/11/2006.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 1985, Cross Heading: Supplementary. (See end of Document for details)*

---

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

**C8** Ss. 346, 347 applied with modifications by S.I. 1985/680, regs. 4–6, **Sch.**

**Status:**

Point in time view as at 08/11/2006.

**Changes to legislation:**

There are currently no known outstanding effects for the Companies Act 1985, Cross Heading: Supplementary.