



Companies Act 1985

1985 CHAPTER 6

PART X

ENFORCEMENT OF FAIR DEALING BY DIRECTORS

Restrictions on a company's power to make loans, etc., to directors and persons connected with them

339 " Relevant amounts " for purposes of ss. 334 ff

- (1) This section has effect for defining the "relevant amounts" to be aggregated under sections 334, 335(1), 337(3) and 338(4); and in relation to any proposed transaction or arrangement and the question whether it falls within one or other of the exceptions provided by those sections, "the relevant exception " is that exception; but where the relevant exception is the one provided by section 334 (loan of small amount), references in this section to a person connected with a director are to be disregarded.
- (2) Subject as follows, the relevant amounts in relation to a proposed transaction or arrangement are—
 - (a) the value of the proposed transaction or arrangement,
 - (b) the value of any existing arrangement which—
 - (i) falls within subsection (6) or (7) of section 330, and
 - (ii) also falls within subsection (3) of this section, and
 - (iii) was entered into by virtue of the relevant exception by the company or by a subsidiary of the company or, where the proposed transaction or arrangement is to be made for a director of its holding company or a person connected with such a director, by that holding company or any of its subsidiaries;
 - (c) the amount outstanding under any other transaction—
 - (i) falling within subsection (3) below, and
 - (ii) made by virtue of the relevant exception, and

Status: This is the original version (as it was originally enacted).

- (iii) made by the company or by a subsidiary of the company or, where the proposed transaction or arrangement is to be made for a director of its holding company or a person connected with such a director, by that holding company or any of its subsidiaries.
- (3) A transaction falls within this subsection if it was made—
- (a) for the director for whom the proposed transaction or arrangement is to be made, or for any person connected with that director ; or
 - (b) where the proposed transaction or arrangement is to be made for a person connected with a director of a company, for that director or any person connected with him;
- and an arrangement also falls within this subsection if it relates to a transaction which does so.
- (4) But where the proposed transaction falls within section 338 and is one which a recognised bank proposes to enter into under subsection (6) of that section (housing loans, etc.), any other transaction or arrangement which apart from this subsection would fall within subsection (3) of this section does not do so unless it was entered into in pursuance of section 338(6).
- (5) A transaction entered into by a company which is (at the time of that transaction being entered into) a subsidiary of the company which is to make the proposed transaction, or is a subsidiary of that company's holding company, does not fall within subsection (3) if at the time when the question arises (that is to say, the question whether the proposed transaction or arrangement falls within any relevant exception), it no longer is such a subsidiary.
- (6) Values for purposes of subsection (2) of this section are to be determined in accordance with the section next following; and " the amount outstanding " for purposes of subsection (2)(c) above is the value of the transaction less any amount by which that value has been reduced.