



# Companies Act 2006

## 2006 CHAPTER 46

### PART 18

#### ACQUISITION BY LIMITED COMPANY OF ITS OWN SHARES

#### CHAPTER 7

##### SUPPLEMENTARY PROVISIONS

#### **735 Effect of company's failure to redeem or purchase**

- (1) This section applies where a company—
  - (a) issues shares on terms that they are or are liable to be redeemed, or
  - (b) agrees to purchase any of its shares.
- (2) The company is not liable in damages in respect of any failure on its part to redeem or purchase any of the shares.

This is without prejudice to any right of the holder of the shares other than his right to sue the company for damages in respect of its failure.

- (3) The court shall not grant an order for specific performance of the terms of redemption or purchase if the company shows that it is unable to meet the costs of redeeming or purchasing the shares in question out of distributable profits.
- (4) If the company is wound up and at the commencement of the winding up any of the shares have not been redeemed or purchased, the terms of redemption or purchase may be enforced against the company.

When shares are redeemed or purchased under this subsection, they are treated as cancelled.

- (5) Subsection (4) does not apply if—
  - (a) the terms provided for the redemption or purchase to take place at a date later than that of the commencement of the winding up, or

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**Status:** Point in time view as at 30/11/2016.

**Changes to legislation:** Companies Act 2006, Section 735 is up to date with all changes known to be in force on or before 17 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

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- (b) during the period—
  - (i) beginning with the date on which the redemption or purchase was to have taken place, and
  - (ii) ending with the commencement of the winding up,  
the company could not at any time have lawfully made a distribution equal in value to the price at which the shares were to have been redeemed or purchased.
- (6) There shall be paid in priority to any amount that the company is liable under subsection (4) to pay in respect of any shares—
  - (a) all other debts and liabilities of the company (other than any due to members in their character as such), and
  - (b) if other shares carry rights (whether as to capital or as to income) that are preferred to the rights as to capital attaching to the first-mentioned shares, any amount due in satisfaction of those preferred rights.

Subject to that, any such amount shall be paid in priority to any amounts due to members in satisfaction of their rights (whether as to capital or income) as members.

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