

CHIEF EXAMINER REPORT

JUNE 2026

LEVEL 6 UNIT 1 – COMPANY & PARTNERSHIP LAW

The purpose of the report is to provide candidates and training providers with guidance as to the key points candidates should have included in their answers to the June 2026 examinations.

The 'suggested points for responses' set out points that a good (merit/distinction) candidate would have made.

Candidates will have received credit, where applicable, for other points not addressed.

Chief Examiner Overview

Only 4 candidates sat the paper in this session.

As general feedback:

- Pay greater attention to what the question is asking and ensure you address each element.
- Aim to provide much greater detail, and where the question asks for analysis or evaluation, ensure you do this. A short conclusion can assist with these elements of the question.
- As always, be as precise as you can with statutory and case references, and on Part B questions remember to refer to the facts as much as possible.
- Consider how you allocate your timing, if you encountered problems this time.

The strong answers achieved all the above, especially in relation for example to minority shareholder protections: good analysis of the statutory provisions with relevant case law.

Candidate Performance and Suggested Points for Responses

It is noted that the low numbers of candidates taking the Level 6 exams limits the scope for constructive feedback to be given and for firm conclusions to be reached. Therefore, feedback on candidate performance may be limited.

Section A

Question 1(a)	17 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Separate legal personality • Salomon v Salomon • Company is responsible for its own debts • Case law to include Adams v Cape, Prest, Nutritek and Hurstwood Properties • Detailed discussion of the grounds including shams/facades; statutory provisions and agency • Insufficient grounds such as the interests of justice or separate economic entity • Conclusion on restrictive approach of the courts Possible liability in tort in relation to subsidiaries and the circumstances required to exist under Chandler v Cape, Vedanta and Okpabi.	

Question 1(b)	8 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Shareholder approval required by special resolution (s77 CA 2006) • Identify the main restrictions on choice of name, such as that company name should not be the same as an existing company's name (section 66 CA 2006), should not be offensive or suggest connection with for example a local authority (ss 53 and 54), the consent of secretary of state is needed in certain circumstances, and must include 'limited' or 'ltd' or Welsh equivalent, for example • Name effective from receipt of certificate of incorporation on change of name • Name to be disclosed at the registered office, and on business communications such as invoices, stationery and website	

Question 2	25 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Introduction and conclusion • Discussion of general rights • Discussion of section 994 • Discussion of Part 11 • Right to vote at meetings, but as minority shareholder, control is limited • Right to requisition a general meeting under s 303 CA 2006 • Right to receive a dividend if declared • Protection of minority shareholders under CA 2006 from, for example, wrong-doings of directors • S994: cases where a company's affairs have been conducted in a way that is unfairly prejudicial to the interests of members generally or some part • Interests are widely interpreted to include: • Formal rights of shareholder. • Legitimate expectations (see Ebrahimi). • The court will give effect to parties' own understanding. See O'Neill. • Range of conduct is relevant, such as breach of directors' duties. Re CF Booth Ltd • It is possible to enforce interests enjoyed in capacity other than as a member. <u>Gamlestaden</u>. • S996 offers range of remedies which can be effective. • Court can make order as sees fit, including that the shares of the petitioner be purchased, and at a fair price. <u>Re Bird Precision Bellows</u>. • Part 11 derivative claims brought by members of behalf of the company (ss260 and 261 CA 2006). • Narrower than 994 in terms of grounds: act or omission involving negligence, default, breach of duty, or breach of trust by director. • Court must give permission to continue action; s263 gives factors for granting permission: there are 3 mandatory bars to permission: • Breach of duty authorised or ratified by members. • Where the majority has the right to deprive the minority from pursuing a claim • Where the court concludes a hypothetical director, acting in accordance with duty to promote success of company, would not continue the claim. See <u>Iesini</u> case and <u>Cullen Investments v Brown</u> (2015).	

Question 3	25marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Declaration of interest in transactions under sections 177 and 182 • Model article 14 and avoidance of conflict of interest – director may not be able to vote or count in a quorum at the relevant board meeting – but permitted purposes apply • Service contract approval and section 188 etc • Shareholder approval by OR of a fixed term of a service contract of over 2 years • Memorandum of the contract to accompany the shareholder resolution and to be available for 15 days prior to a GM or attached to a written resolution • Substantial property transactions and section 190, etc • Requirement for shareholder approval (OR) • Sale or purchase of substantial asset (over £100,000 or 10% of the company's assets) to or from a director or a person connected with them • Loans to directors and section 197 etc • Shareholder approval by OR • Possible methods of shareholder approval for each of the above • Each can be passed in General Meeting or by written resolution • Exemptions to requirements for shareholder approval – thresholds and exemption where loan is given for purpose of carrying out duties	

Question 4(a)	9 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• By court order – company unable to pay debts • Company can put self into administration by shareholder resolution • The directors can also do so but must give 5 business days' notice to any QFCH • A qualifying floating charge holder has the power to do so if the terms of the charge say so • QFCH can apply to appoint an administrator but must give 2 business days' notice • Court will appoint administrator who will then take over the management of the company with a view to rescuing it in the first instance • Reference to Sch B1 of the Insolvency Act	

Question 4(b)	16 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Derivation of role and powers from schedule B1 of the IA 1986 • Role to achieve objective of rescue of company as a going concern, or better outcome for creditors, or sale of assets for example • Takes over from directors of company • Remove a director • Carrying on the company's business as necessary • Taking action against directors under ss 246ZA and 246ZB IA 1986 • Discussion of sections 238, 239, 245 and 423 in particular, including ○ requirement of inability to pay debts/insolvency ○ the nature of the transactions, ○ time limits, ○ nature and relevance of connected persons ○ the burden of proof lies ○ what the administrator must prove to enable avoidance ○ the consequences of such avoidance ○ any defences available to the company or persons involved ○ references to case law (eg MC Bacon, Re M Kushler)	

Section B

Question 1(a)	17 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Section 9 Partnership Act 1890 (PA) joint and several liability (with the Civil Liability Contributions Act) is the starting point. • All partners in the partnership at the time of the liability are potentially liable. • Ask first: is there actual authority? Section 6 PA • Express actual – no as D has breached partnership agreement £5,000 limit. • Implied actual – no previous course of dealings with supplier. • Note any partner is an agent for the firm • Elements of s5 and ostensible/apparent authority should be examined and applied • Carrying on business in usual way. Eg United Bank of Kuwait. Is machine for lifting heavy materials within scope? Likely yes. • Would they be expected to need such a machine? Higgins. • Did third party know D was a partner or had no authority? No previous dealings and nothing to suggest knew about the restriction in the agreement. • Conclusion that partnership as a whole is potentially liable.	

Question 1(b)	8 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• s17 PA and references to liability only when you are a partner, subject to • s14 and holding out and the required elements • Indemnity provision should such liability arise • Ensuring name is not on material and website before joining • Extra protection - ensure that s36 notice is given – eg require provision in the agreement – notice should be given on change in constitution of partnership	

Question 2	25 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Choice of name – can't be same as existing company • Requirement for registration to create the company • Filing of form (IN01) with Companies House • Details of director(s) • Shareholders and shareholdings • Identity verification of directors and any PSCs • Company constitution (memorandum and articles) • Payment of a fee • Company exists once certificate of incorporation has been issued • The loan: provides a guaranteed form of income in terms of interest • If the company defaults, the loan can be enforced contractually • Y would rank below any prior secured creditor though on a winding up, and it depends on type of security (fixed or floating) • Y could petition for the winding up of the company • Under Model articles, the directors have the power to borrow that is unrestricted • Y would have no say in how the company is run as a lender, but as director he would be involved in the management of the company anyway • If shares: there is no guaranteed income as dividends are only paid if declared • Any liability will be limited to what he pays for the shares due to the separate legal personality of the company (Salomon v Salomon) • Y will have voting rights (Borland's Trustee) and if he has more than 25% of the shares he can block a special resolution • He will still be a minority shareholder however but has rights under eg s994 • As shareholder, on a winding up he would be the last to be paid anything left after the debts of the company have been paid.	

Question 3	25 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Requirement for authority of directors to allot (s549 CA 2006) • How authority may be given – company with only one class of share (s550 CA 2006) – automatic authority. • Description of the statutory right of pre-emption (s561 CA 2006) • “Equity securities” – definition (s560 CA 2006). • How pre-emption rights may be disapplied – s569 • Application to facts – likely to be disapplied by SR in relation to subscription for ordinary shares for cash. • Board will need to approve all proposals before shareholders do so. • General Meeting may be called by directors (s302 CA 2006) • Notice to be given of the meeting (s307 CA 2006) with minimum period 14 clear days. Could have shorter notice if requisite majority agree (majority in number holding 90% of shares). • Requirement for a quorum and how quorum constituted (s318 CA 2006) • Voting on a show of hands or on a poll. • Majorities required for SR (75%) • Need for registration of allotment (SH01) and SR with CH. • Change to the articles – shareholder special resolution (s 21 CA 2006) • Register SR and new articles with CH • Possible Written Resolution, including detail about required content of WR, and process by which WR is passed • Requirement of a stock transfer form (STF) (under Stock Transfer Act 1963) completed by transferor. Section 770 CA 2006 • Delivery of the STF with a share certificate (if there is one) to the transferee • Transferee pays any consideration to transferor Transferee is responsible for getting STF stamped and paying stamp duty at the appropriate rate. • Once stamped, delivery of the STF to the company with any share certificate. Company issues new share certificate and adds new member (transferee) to register of members. • Model article 26 provides regulations on share transfer • ‘Nature’ (eg different types) of pre-emption provisions that might be included; for example requirement to offer to existing shareholders; or to family members, before offering to an outsider; • How the articles can be amended’ – s21, SR needed, notice for meeting; • Need to send revised articles to Companies House with SR. • Shareholder’s right to challenge such an alteration based on Allen v Gold Reefs. • If offer declined, then shareholder may be able to offer to whomever they choose.	

Question 4(a)	15 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• Appointment of director under MA 17 - by the board or shareholder ordinary resolution • Appointment must be notified to Companies House (Form AP01) • Rhonda's identity must be verified (as per ECCTA 2024) • The duty to promote the success of the company (s172 CA 2006) – most fundamental of the duties. Act in good faith to promote the success of the company for the benefit of its members as a whole - subjective test. Interests of the members generally paramount but directors to "have regard to" eg employees, customers and the environment. • The duty to exercise reasonable care skill and diligence (s174 CA 2006). Subjective and objective test. (see Re City Equitable Fire Insurance Company Ltd (1925) and contrast Re Barings Plc (1999)). Raithatha v Baig (2017) • Told R has experience in the sector so possibly a higher standard of skill and care • The duty to avoid conflicts of interest and duty (s175 CA 2006). In particular re exploitation for personal gain of any property, information or opportunity that a director obtains in her capacity as a director of the company. Thermascan Ltd v Norman (2011). Will need to address continued involvement in a potentially competing business. • Section 177 – disclosure of interests in transactions – with section 182.	

Question 4(b)	10 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
• MAs contain the relevant regulations from MA 3 to MA 16. • Pass resolutions by simple majority. MA 7 • In board meetings (MA 9) • Powers to delegate. See eg MA 5. • Restrictions will include MA 14. Possibly relevant to Rhonda • Could include restrictions requiring shareholder approval (eg on borrowing) • Shareholder power also under MA 4 to direct directors to take or refrain from action	