Directors' Duties

Business & Management

What a director must do, and to whom it is owed.

Broadly the UK Companies Act formulation; principles are similar elsewhere.

The duties

- Act within powers
- Promote the success of the company
- Exercise independent judgement
- Exercise reasonable care, skill and diligence
- Avoid conflicts of interest
- Not accept benefits from third parties
- Declare interests in transactions

Note

- Owed to the company itself
- Apply to shadow and de facto directors too
- Personal liability is possible
- Duties shift toward creditors near insolvency

> Educational reference. As insolvency approaches, the duty to promote success is displaced by a duty to consider creditors.