

4. Classes of Companies under the Act:**(I) On the basis of liability:****(a) Company limited by shares:**

- It is a registered company where public or private company.
- Liability of members is limited to the unpaid amount on the shares held by them.
- This should be stated in MOA of such company.
- It arises when a valid call in made by the company.

(b) Company limited by Guarantee:

- It is a registered company whether public or private company.
- Liability of members is limited to the amount that he has guaranteed to pay to the company.
- Liability arises only in the event of winding up of company.
- Its MOA should state the amount guarantee given by members.

Example: Clubs, trade associations etc.

(c) Unlimited Company:

- Its memorandum does not in any way limits the liability of its members.
- Every member is liable to contribute to the company's assets until all its debts are paid in full.
- Not common in India.
- Members are not however, liable directly to the company's creditors.
- Liquidator asks the members to contribute in the event of company's winding up.
- It may be subsequently converted into limited company, subject to certain conditions.
- The liability is extended to the personal property of the members.

3. Limited Liability:

- Members of a company cannot be held liable for its debts.
- In case limited company, the liability of members is limited to the extent of unpaid value of shares held by them.
- In case of company limited by guarantee members are liable to the extent of amount guaranteed by them.
- Guaranteed amount can be called only at the time of company's liquidation winding up.

4. Artificial Legal Person:

- Company is purely a creation of law, it is invisible, intangible and exists only in the eyes of law.
- It has no soul, no body, but has a position to enter or exit into a contract, to appoint a people as its employees.

5. Common Seal:

- It is the official signature of the company.
- Company's name is engraved on it.
- A document not bearing common seal of the company is not authentic and has no legal force behind it.
- A rubber stamp does not serve the purpose.

3. Corporate Veil Theory:

- Due to law's fiction, company is seen as an entity distinct from its members, but actually company is an association of persons who are the beneficial owners of company property.
- No member can be held, liable for the company's Act even if he holds virtually the entire share capital of the company.
- Lifting of corporate veil means ignoring the company's separate legal identity. It involves disregarding of the corporate personality and looking behind the corporate entity, at the controlling persons and may make them liable for debts and obligations of the company.
- It is permissible only when it is permitted by the statute.

Relevant Case Law:

Saloman V/s Saloman & Co.

- Mr. Saloman was carrying on the business of leather merchant and boot manufacturing as a sole proprietor.

- He formed a limited company for taking over his business.
- The company's nominal capital was £ 40,000 in £ 1 shares.
- Payment of total purchase consideration of £ 38,782 was in following form:

(i) Fully paid shares of £ each issued to Salomon	£ 20,000
(ii) Secured debentures issued to Salomon	£ 10,000
(iii) Cash Paid	£ 8,782
- Other 6 members of his family were issued 1 share each.
- Solomon held virtually the entire share capital of the company. Hence, the company was called as 'one man company'.
- Due to trade depression, company went into liquidation.
- Company's liabilities was £ 10,000 secured by debentures and its assets realised £ 6,050.
- Unsecured creditors owing £ 8,000 claimed that Salomon was carrying on business in the name of the company. Thus, company was a mere agent of Salomon.
- They claimed that one man cannot owe money to himself.

Court held that:

- Salomon & Co. was a real company fulfilling all the legal requirements.
- It had an identity separate from its members.
- Thus, secured debentures even though held by Salomon, were to be paid in priority to unsecured creditors.

This case established the legality of "one-man company" and principle of limited liability.

Lifting of corporate veil is permitted in the following cases:

- If the company is formed for commission of
 - fraud and improper conduct.
 - to defraud creditors.
 - to avoid legal obligations.

Relevant Case Laws:

- Gilford Motor Co. V/s Hame.
- Jones V/s Lipman.

- To determine whether company is an enemy company or not.

Relevant Case Law:

- Daimler Co. Ltd. V/s Continental Tyre and Rubber Co.

- To prevent evasion of taxes and duties.

Relevant Case Laws:

- CIT V/s Meenakshi Mills Ltd.

- Sir Dinshaw Manakjee Petit.

- If purpose of company's formation is to avoid a welfare legislation e.g. reducing its liability of bonus payable under Bonus Act.

Relevant Case Law:

- The workers employed in Associated Rubber Industries Ltd. Bhavnagar V/s The Associated Rubber Industries Ltd. Bhavnagar and other, A.I.R. 1986 SC.

- For the purpose of protecting the public policy and thus, preventing the transaction contrary to public policy.

Relevant Case Law:

- Connors Bros. V/s Connors.

- If the holding company has incorporated the subsidiary company for the sole purpose of using it as an agent.

Relevant Case Law:

- Re, R.G. Films Ltd.

Various statutory provisions for lifting the corporate veil are as follows:

- Reduction in membership below the statutory minimum.
- Mis description of name.
- Presentation of group accounts of holding and subsidiary companies.
- Fraudulent Trading.
- Payment of Arrears of tax.
- Ultra-vires acts.
- Misrepresentation in prospectus.

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- Not common in India.
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- It may be subsequently converted into limited company, subject to certain conditions.
- The liability is extended to the personal property of the members.

(II) On the basis of members:

(a) One Person Company:

- It means a company which has only one person as a member.
- The MOA of such company is required to indicate, the name of other person, with his prior consent in the prescribed form, who shall, in the event of the subscriber's death or his incapacity to contract become the member of the company and the written consent of such person shall be filed with ROC at the time of its incorporation along with MOA and AOA.
- Only a natural person who is an Indian citizen and resident in India is eligible to incorporate OPC and be its nominee.
- "Resident in India" means a person who has stayed in India for a period of not less than 182 days during immediately preceding one calendar year.
- It is considered as a private company.
- It has been granted many relaxations in compliance and procedural aspects.
- No person shall be eligible to incorporate more than one OPC or become nominee in more than one OPC.
- No minor shall become a member or nominee of OPC or hold shares with beneficial interest.
- It cannot be incorporated or converted into Section 8 company.
- It cannot carry out Non-Banking Financial Investment Activities including investment in securities of any Body corporate.
- It cannot convert voluntarily into private company unless two years have expired from date of its incorporation, except if its paid-up capital is increased beyond ₹ 50 lakh or its average annual turnover exceeds ₹ 2 crore.

(b) Private Company [Section 2 (68)]:

- A company which has the following features is a private company
 - (a) restricts the right to transfer its shares.
 - (b) except in case of OPC, a private company should have minimum 2 members and maximum 200 members.
 - (c) prohibits any invitation to the public to subscribe for any securities of the company.
- The company can only except deposit for its members, directors or their relatives.
- Joint shareholders are counted as one member.
- It must add the words, 'Private Limited' at the end of its name.
- They are granted certain privilege and exemption under Companies Act, 2013 because not much public interest is involved in private companies.
- Company is required to file its annual accounts and returns to ROC (Registrar of Company) which can be accessed by any person by paying fees.

(c) Small Company:

- Such classification is based on size i.e. paid up capital and turnover.
- It means a company other than a public company whose:
 - (a) paid up capital does not exceeds ₹ 50 lakhs or such higher amount as may be prescribed which shall not be more than ₹ 5 crore.
 - (b) turnover as per last Profit and Loss A/c does not exceed 2 crore or such higher amount as may be prescribed, which shall not be more than ₹ 20 crore.
- However nothing applies to:
 - (a) holding company or subsidiary company.
 - (b) company registered under Section 8.
 - (c) company or body corporate governed by any special Act.

(d) Public Company [Section 2 (71)]:

- Public Company means a company which:
 - (a) is not a private company.
 - (b) has a minimum paid-up share capital of ₹ 5 lakh or such higher paid-up capital as may be prescribed.
 - (c) is a subsidiary of a company, not being a private company, shall be deemed to be public company for the purpose of this act, and subsidiary of public Co. is also treated to be public company.
 - (d) should have minimum seven members and have no limit for maximum members.
- It requires minimum 7 members for its formation.
- Any member of public can acquire its shares/debentures.
- Its shares are capable of being dealt in stock exchange.

Amendment made by companies (Amendment) Act, 2015:
Provides that in Clause (71) the words "of ₹ 5 lakhs or higher paid up share capital" shall be omitted.

(III) On the basis of control:

(a) Holding and subsidiary companies:

- When a company:
 - (a) controls the composition of board of directors, or
 - (b) exercises or controls more than one half of the total share capital either as its own or together with one or more of its subsidiary companies then, it is known as the holding company and the other company is the subsidiary company.
- Total share capital for this purpose means the aggregate of:
 1. Paid-up equity share capital and
 2. Convertible Preference share capital.
- Holding company shall not have layers of subsidiaries beyond prescribed limit.
- The expression "company" includes any body corporate.

- The word control includes:
 - (i) The right to appoint majority of the directors or
 - (ii) To control the management or
 - (iii) The policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly including by virtue of their shareholding or
 - (iv) Management rights or shareholders agreements or voting agreements or in any other manner.

(b) Associate Company:

- As per Section 2(6) "associate company" in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.
- Significant influence means control of at least 20% of total share capital or of business decisions under an agreement.

(IV) On the basis of access to capital:

(a) Listed Company:

- Company listed on any of the recognised stock exchange.
- It is the company whose shares are traded on recognised stock exchange.

(b) Unlisted Company:

- Company except those listed on stock exchange i.e. company other than listed company.

(v) Other Companies:

(a) Government Company [Section 2 (45)]:

- It is a company
 - (i) In which not less than 51% of the paid up share capital is held by
 - CG (Central Government)
 - SG (State Government)
 - Partially by CG and partially by SG.

- (ii) Which is a subsidiary of a Government Company.
 - Its auditor is appointed by the Comptroller and Auditor General of India (C&AG).
- (b) **Foreign Company [Section 2 (42)]:**
 - Foreign company means any company or body corporate incorporated outside India which:
 - (a) has a place of business in India, whether by itself or through agent, physically or through electronic mode and;
 - (b) Conduct any business activity in India in any other manner. Thus, the companies doing business through electronic mode are also termed as foreign company and need to comply with specified provision.
- (c) **Formation of Companies with charitable objects, etc. (Section 8 company):**
 - Licence may be granted by CG if the following conditions are satisfied:
 - (i) Company's object is to promote art, commerce, science, religion, charity or any other useful object.
 - (ii) Company applies its income in promoting its object.
 - (iii) Company prohibits payment of any dividend to its members.
 - It is not required to use the words 'Limited' or 'Private Limited' at the end of its name even though it is a limited company.
 - It shall enjoy all privileges and be subject to all obligations of limited company.
 - A firm may become its member.
 - Company can alter its object clause is MOA or AOA only by obtaining previous approval of CG in writing.
 - It can convert itself into company of any kind only after complying with the prescribed conditions.

- **Conditions for revoking licence by CG:**
 - (i) Company contravenes any of the requirements or any of the conditions subject to which a licence was issued.
 - (ii) Its affairs are conducted fraudulently.
 - (iii) Its affairs are conducted in manner violative of company's objects, or
 - (iv) Prejudicial to public interest.
- **On revocation CG may also direct the company:**
 - to wound up, or
 - amalgamate with another company registered u/s 8, if it is in public interest.
- **On revocation of licence by CG:**
 - (i) Words 'limited' or 'Private Limited' shall be inserted at the end of company's name.
 - (ii) Company shall cease to enjoy exemptions granted by CG u/s 8
- Before revocation, CG shall give an opportunity of being heard to the company.
- (d) **Dormant Company (Section 455):**
 - It is a company which is registered under Companies Act for future projects or to hold an asset or intellectual property and has no significant accounting transactions, and
 - It can make application to the Registrar in the manner prescribed and obtain the status or dormant company.
 - Significant accounting transactions are the transactions other than those mentioned below:
 - (i) Payment of fees to Registrar.
 - (ii) Payment under this Act or any other Act.
 - (iii) Allotment of shares in compliance with this Act.
 - (iv) Payment for office and record maintenance.
- (e) **Nidhi Company:**
 - The main object of Nidhi Company is to cultivate the habit of cost cutting and saving amongst members.
 - Receiving deposits from, lending to its members for their mutual benefit in compliance with rules as prescribed by CG.

- (f) **Public Financial Institution:**
 - It is the institution –
 - established or constituted by or under any Central or State Act or
 - At least 50% of paid-up-share capital is held or controlled by CG or by SG or partly by CG and SG or by one or more SG.
 - It includes –
 - + LIC established under Life Insurance Corporation Act, 1956.
 - + Infrastructure Development Finance Company Ltd.
 - + Institution notified by CG u/s 465.
 - + any other institution as notified by CG in consultation with RBI.
- 5. **Mode of Registration/Incorporation of Company:**
 - Promoters - It means a person:**
 - (a) who has been named as such in prospectus or is identified by the company in the annual return referred to in Section 92;
 - (b) who has control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise, or
 - (c) in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to Act.
 - Provided that Sub-clause (c) shall not apply to a person who is acting merely in a professional capacity.
 - A director/officer/employee who has control over the affairs of the company, directly or indirectly whether as a share holder, director or otherwise is considered as promotes.
 - However, a director/officer/employee of the issuer or a person, if acting as such merely in his professional capacity, shall not be treated as a promoter.
- Formation of Company:**
 - Certain legal requirement to be fulfilled:**
 - (i) There must be an association of persons.
 - (ii) Minimum 2 person are required in case of private company, (one in case of OPC) and 7 persons in case of public company.
 - (iii) Company must have a common object.
 - (iv) Formalities of incorporation must be complied with.

Incorporation of Company:

1. Filing necessary document with the registrar of Companies. These include:
 - MOA and AOA signed by all subscribers.
 - Affidavit from each subscriber and persons names a first directors.
 - Proof of place of registered office.
 - Particulars of all subscribers.
 - Particulars of Directors along with Director Identification Number.
2. Issued of Certificate of Incorporation by Registrar of Companies containing Corporate Identity Number (CIN).
3. Preparation and maintenance of document and information at the registered office of the company for the period prescribed usually till the life time of company.
4. If at the time of registration, any person knowingly furnished any false or incorrect particulars which are of material nature, then such person shall be liable for fraud u/s 447.
5. If the company has been incorporated on the basis false documents or suppression of material facts, person named as first directors of the company and person making declaration shall be liable for fraud u/s 447.
6. If the company is incorporated in the manner as stated in Point No. 5, Tribunal may, on an applications made to it, on being satisfied that the situation so warrants:
 - Pass such order, as it may think fit, for regulation of the management of the company in public interest or interest of the company and its members, creditor.
 - Direct the liability of member to be unlimited.
 - Remove the name of company from the register of companies.
 - Pass such other order as it may deem fit; after providing reasonable opportunity of being heard and taking into consideration the transactions entered into by the company.

Simplified Proforma for Incorporating Company Electronically (SPICE):

- A significance step is taken by MCA by introducing SPICE scheme vide MCA notification dated 01-10-2016.
- SPICE form is also introduced with a function to prepare e-MOA & e-AOA via this attribute there is no opportunity to prepare manual MOA & AOA.
- Form INC 32 under SPICE scheme is a single window form which can be used for multiple purposes such as:
 - Application of DIN.
 - Application of Name Availability.
 - No need to file separate form for first director.
 - Address of Registered Office of the proposed company.
 - PAN/TAN application.

Effects of Registration:

- Company becomes a body corporate.
- It acquires legal recognition.
- It gets a name in which it will carry on its business.
- Its objects are laid down.
- Subscribers become the members of the company.
- Incorporation Certificate issued by Registrar of Companies is the conclusive evidence that:
 - all the requirements of the act have been complied with in respect of registration and matters precedent and incidental thereto.
 - association is a company authorised to be registered.
 - association has been duly registered under Companies Act.

Relevant Case Laws:

- Hari Nagar Sugar Mills Ltd. V/s SS Jhunjhunwala.
- State Trade Corporation of India V/s Commercial tax officer.
- Spencer & Co. Ltd. Madras V/s CWT Madras (if company purchases all shares of another company is will not put an and on the corporate character of such other company).

- Heavy Electrical Union V/s State of Bihar:
 - If entire share capital of the company is contributed by CG and all shares are held by President of India, it does not make a company as agent either of the President or for CG.
- 6. Classification of Capital:**
- Authorised (Nominal) Capital:**
It is the maximum amount of capital mentioned in the MOA of the company, which it can raise during its lifetime. It is also known as the registered capital in order to increase the limit of authorised capital, the memorandum of company should be altered.
 - Issued Capital:**
It refers to that portion of authorised capital which has been offered to the public for subscription.
 - Subscribed Share Capital:**
It refers to that part of the issued share capital which has been subscribed by the public. It also includes the issue of shares for consideration other than cash.
 - Called up Share Capital:**
It is that portion of subscribed capital which the shareholders are called upon to pay. The amount remaining to be called up is called as the uncalled capital.
 - Paid up Capital:**
It is that portion of called up capital that is paid by the shareholders. The amount that is not paid is known as the calls in arrear. This is the actual capital of the company that is included in the Balance Sheet.
- 7. Shares:**
- Shares means share in the share capital of the company.
 - It can be said as "an existing bundle of rights and Liabilities".
 - Share into which the total share capital is divided.
 - Every person who contributes capital into the company gets a share in the company which represents his capital in the company.

Kinds of Share Capital:

Shares all of two types:

- Preference Shares**-A preference shareholder has following 2 rights.
 - Preferential right as to payment of dividend - in case where a dividend is declared by the company.
 - Preferential right as to repayment of capital - in the event of winding up of the company.
- Equity Shares** - These are the shares other than preference shares. These can be:
 - with voting rights or
 - with differential rights as to dividend voting or otherwise in accordance with prescribed rules.

8. Memorandum of Association:

- It contains the constitution of the company.
- It is the first step in company's formation.
- As per Section 2 (56), "memorandum" means the memorandum of association of a company as originally framed and altered from time to time in pursuance of any private company law or this Act.
- It not only shows the objects of formation but also determine the scope of its operations beyond which its actions cannot go.
- According to Palmer, "MOA is a document of great importance in relation to the proposed company".
- It is the charter of the company.
- It is the premise on which the whole foundations of the company stands.
- Forms of Memorandum are drawn as
 - Table A - Memorandum of company limited by shares.
 - Table B - Memorandum of company limited by guarantee and not having a share capital.
 - Table C - Memorandum of company limited by guarantee and having a share capital.
 - Table D - Memorandum of unlimited company.
 - Table E - Memorandum of unlimited company and having share capital.
- It contains six clauses which are known as the 'conditions of memorandum'.

- Name Clause:**
 - Contains the name of the proposed company.
 - Name should not be undesirable.
 - It should not be identical with the name of another company.
 - It should not be prohibited one.
 - It should end with words limited or Private Limited.
 - It must be approved by ROC.
- Registered Office Clause:**
 - It contain the name of state in which the registered office is situated.
- Object Clause:**
 - It contains the objects to be pursued by the proposed company and other incidental and ancillary objects.
- Liability Clause:**
 - It is required by limited companies.
 - It contains whether the liability of members is limited by shares, guarantee or both.
- Capital Clause:**
 - It is mandatory for every company.
 - It states:
 - Number of Shares.
 - Nominal value of each share.
 - Total capital with which the company is to be registered.
- Association/Subscription Clause:**
 - MOA must be subscribed by at least 7 persons in case of public company and at least 2 persons in case of private company and 1 in case of OPC.
 - Every subscriber shall take at least one share in case of company limited by shares. The MOA should be signed by each subscriber also stating his address, description and occupation.
 - Particulars of every subscriber shall be witnessed.
 - In case of OPC, name of person who is in the event of death of subscriber, shall become the member of company.
 - A company being a legal person can through its agent, subscribe to the memorandum.

- Minor cannot be a signatory to the memorandum as he is incompetent to contract. The guardian of a minor, who subscribes to the memorandum on his behalf, will be deemed to have subscribed in personal capacity.

9. Doctrine of Ultra Vires:

- It means beyond (their) powers.
- If any Act is done, which is though legal but is not authorised by the object clause of the MOA of the company or by the statute, it is said to be *ultra vires* the company and thus null and void.
- An Act that is *ultra vires* the company, cannot be ratified even by the unanimous consent of all the shareholders of the company.
- An Act which is *ultra vires* the directors, can be ratified by the members by passing a resolution at general meeting.
- An Act which is *ultra vires* the Articles of Association, can be ratified by amending the Articles after passing a special Resolution at a general meeting.
- An *ultra vires* contract can never be made binding on the company. It cannot become '*intra vires*' by reason of estoppel, acquiescence, lapse of time, delay or ratification.

Relevant Case Law:

- Ashbury Railway Carriage and Iron Company Limited V/s Riche.
- The main object of the company were:
 - to make, sell or lend on hire, railway carriages and wagons;
 - to carry on the business of mechanical engineers and general contractors.
 - to purchase, lease, sell and work mines.
 - to purchase and sell as merchant or agents, coal, timber, metals etc.
- Directors of the company entered into a contract for financing the construction of railway line.
- Company ratified this act of directors by passing SR but however repudiate the contract being *ultra vires*.
- Other party brought an action for damages for breach of contract.

Held – the contract was null and void.

10. Articles of Association:

- As per Section 2(5) "AOA" means the articles of association of company as originally framed or as altered from time to time or applied in pursuance of any previous company law or Act.
- It contains the regulations relating to the internal management of the company.
- These rules and regulations are framed by the company for its own governance.
- It is also called as regulations or bye laws of the company.
- It is subordinate to and is controlled by MOA.
- In case of contradiction with AOA, MOA prevails.
- Public company limited by shares need not have its own articles. It can adopt Table F of Schedule I.
- Private company must register its own articles.
- Some of the important clauses are as follows:
 - Share capital and variation of rights, lien on shares, forfeiture of shares, directors, their appointment, accounts and audit, general meeting, share certificate, etc.
- Forms of article include:**
 - Table F - Articles of Company limited by shares.
 - Table H - Articles of Company limited by guarantee.
 - Table G - Articles of company limited by guarantee having share capital.
 - Table I - Articles of an unlimited company having share capital.
 - Table J - Articles of an unlimited company not having share capital.
- The articles play a part that is subsidiary to the memorandum of association.
- The articles govern the way in which the object of the company are to be carried out and can be framed and altered by the members.
- It must be within the limits marked out by the memorandum and the Companies Act.
- It must be printed, divided into paragraphs, numbered consecutively stamped adequately, signed by each subscriber to the memorandum and duly witnessed and filed along with the memorandum.

Difference between Memorandum of Association and Articles of Association:

Basis	Memorandum of Association	Articles of Association
1. Objective	It defines the objectives of the company.	It lays down the rules and regulations for internal management of the company.
2. Position	It is the main/primary document of the company.	It is the subsidiary/secondary document and is subordinate to MOA.
3. Relationship	It defines the relationship of company with the outside world.	It defines the relationship between the company and its members.
4. Validity	Acts beyond MOA are invalid/ <i>ultra vires</i> and cannot be ratified even by unanimous votes of the members.	Acts beyond AOA can be ratified by members by passing Special Resolution and altering AOA.
5. Alteration	It can be altered only under certain circumstances and in the manner provided for the act.	It can be altered simple by passing special resolution at the general meeting.

11. Doctrine of Indoor Management:

Doctrine of Constructive Note:

- Since memorandum and article is a public document so it is considered that every person dealing with the company is deemed to have notice of the content of memorandum and articles of the company.

- It is presumed that person have not only read these documents but also have understood their proper meaning.
- Any person can now inspect the documents kept by registrar by way of electronic means on payment of prescribed fees.
- If a person enters into a contract with the company which is beyond the power of company as defined in MOA, or outside the authority of directors as per MOA/AOA, he cannot acquire any right under the contract against the company.

Doctrine of Indoor Management:

- It is an exception to the Doctrine of constructive notice.
- It protects the outsiders against the company, who acted in good faith.
- According to this doctrine, a person who deals with the company in not bound to enquire into the regularity of the internal procedures of the company.
- Contracting party may assume that every act is done in accordance with the procedures laid down in the articles of the company and hence not affecting adversely the rights of the outside parties in any manner due to irregularity of internal procedures.
- It is popularly known as Turquand Rule

Relevant Case Law:

- The Royal British Bank V/ Turquand.
- Turquand, a Co. had a clause in its constitution that allowed the company to borrow money once it had been approved by shareholders by passing a resolution at general meeting.
- Turquand entered into a loan with the Royal British Bank and two of the directors signed and attached the company seal on the loan agreement.
- Loan however was not been approved by the shareholders.
- Company defaulted in repayment of loan and bank sought restitution.

- Company refused to repay the loan claiming that directors had no right to enter into such agreement.
- It also claimed that bank had constructive notice of the shareholders approval clause in their constitution.

Held: Royal British bank could enforce them. Bank could not be deemed to know or look into the company's internal workings.

Exceptions to the Doctrine of Indoor Management:

- (a) In case of Actual or Constructive knowledge of irregularity.

Case Laws:

1. Howard V/s Patent Ivory Manufacturing Co.
2. Morris V/s Kansseon.

- (b) In case where person dealing with the company has suspicion of irregularity or have behaved negligently.

Case Laws:

1. Anand Bihari Lal V/s Dinshaw & Co.
2. Haughton & Co. V/s Nothard, Lowe & Wills Ltd.

- (c) In case of forgery

Case Law:

1. Ruben V/s Great Fingall Consolidate.