

# DIRECTORS & OFFICERS LIABILITY

FOR RESIDENTIAL PROPERTY MANAGEMENT COMPANIES



## Are you a director of a residential property company?

If so, are you aware that under the law, directors can be held personally liable for their actions?

Your company has limited liability but you have unlimited liability. Your personal assets are at risk.

The Company's Act alone has over 200 possible offences where a director can be personally responsible. Also liabilities can be incurred under many other statutes.

Claims can come from creditors or other residents or anyone with whom your company comes into contact.

You may even be held responsible for actions of other directors, for example, through financial mismanagement.

UK law is changing all the time and increasing the risks to which directors are exposed.



### **The following are examples where Directors of Management Companies can be held responsible with unlimited personal liability**

- A co-lessee pursuing a claim against the directors for the loss of value of his apartment due to a failure to ensure the building remained in good repair
- A director taking actions that subsequently resulted in claims for damages against all directors
- Someone visiting the building and being injured by a hazard of which the directors were aware
- Legislation of which the directors were unaware resulting in a claim against the management company.
- Liquidation as a result of the directors being accused of wrongful trading by the Department of Trade & Industry.
- The Environmental Agency bringing proceedings against the directors following the spillage of a pollutant.
- Prosecution for Corporate Manslaughter where breaches of Health and Safety procedures have been established.



### **TYPICAL COSTS OF INSURANCE**

For those companies solely engaged in the management of residential property

#### **Example 1**

A block comprising 24 flats requiring an indemnity limit of £1 million, produces an annual premium of £289 + IPT

#### **Example 2**

A residential estate comprising 45 houses requiring an indemnity limit of £500,000 produces an annual premium of £312 + IPT

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