Neutral Citation Number: **[2025] EWHC 2034 (Ch)**

Case No: CH-2024-MAN-000021

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS IN MANCHESTER
CHANCERY APPEALS (ChD)

Civil Justice Centre
1 Bridge Street West
MANCHESTER
M60 9DJ

28 July 2025

Before :

MR JUSTICE FANCOURT
Vice-Chancellor of the County Palatine of Lancaster

- -

BETWEEN:

(1) SEAN RONNAN
(2) CELIA RONNAN

Petitioners

- and -

(1) RICHARD STANSFIELD
(2) RUMOUR BAR & CLUB LIMITED

Respondents

- -
- -

Matthew Collings KC and Gareth Darbyshire (instructed by **Farnworth Rose Solicitors**) for the **Appellant/First Respondent**
Miss Chelsea Carter (instructed by **Harrison Drury & Co Ltd**) for the **Respondent/Petitioners**
No attendance by the Second Respondent

Hearing date: 24 July 2025

- -

APPROVED JUDGMENT

The Vice-Chancellor:

1. This is an appeal against the order of DJ Matharu dated 7 August 2024, by which she dismissed an application brought by the Appellant, Mr Stansfield, to strike out a petition of the Respondents under section 994 of the Companies Act 2006 ("the 2006 Act"), and alternatively for summary judgment on his defence ("the Application"). The strike out was pursued on the basis that the petition disclosed no reasonable grounds for bringing the action or because it amounted to an abuse of process; the summary judgment on the usual basis that there was no realistic prospect of the court granting the relief sought at trial. The petition was presented on 20 December 2023 ("the Petition"), some six months after the crisis that gave rise to it, as I shall explain.

2. The appeal raises the question of whether an unfair prejudice petition by majority shareholders may be justified where they face practical difficulty in using their control of the company to remedy misconduct by a director by other means, as opposed to a legal impediment to so doing. I have been helped to consider this question by the submissions of Mr Matthew Collings KC, leading Mr Darbyshire, on behalf of Mr Stansfield, who was the First Respondent to the Petition, and Miss Chelsea Carter on behalf of Mr and Mrs Ronnan, the Petitioners. I shall refer to the parties by their names in the rest of the judgment.

3. Mr and Mrs Ronnan and Mr Stansfield are all shareholders of the Second Respondent to the Petition, Rumour Bar & Club Limited ("the Company"). Mr and Mrs Ronnan own 55% of the shares between them, and Mr Stansfield owns 45%. The Company's articles are the 2008 model articles, which therefore provide for the directors to take a decision by a majority. Section 168 of the 2006 Act enables shareholders on 28 days' notice to remove a director by ordinary resolution.

4. Mr and Mrs Ronnan and Mr Stansfield were also directors of the Company until Mr Stansfield resigned on 4 April 2024 and Mr Ronnan did much later, on 6 February 2025. Both resignations were after presentation of the Petition. It is alleged that the business of the Company has substantially been lost as a result of the activities that are pleaded against Mr Stansfield, though the property that it occupied remains, and is occupied by another company controlled by Mr Stansfield's brother.

5. At the hearing before the District JudgeJ, it was accepted by Mr Stansfield that, in so far as the allegations were not common ground, they were not contested. That is to say, the allegations were assumed to be true, in the usual way on a strike out application, though somewhat less conventionally on a reverse summary judgment application.

6. The background is that the Company was incorporated in October 2021. The three directors agreed to run the business of the Company, which was setting up and operating a bar and nightclub in Clitheroe ("the Club"). They agreed that each of them was to be involved in making major and strategic decisions for the Company and in its management. It is alleged that the Company was a quasi-partnership.

7. A lease of 1 York Street, Clitheroe was to be obtained. Mr Stansfield had a contact who enabled him to obtain the lease. Mr Ronnan was to be responsible primarily for funding the refurbishment and Mrs Ronnan took responsibility for the design and fit out

of the premises. Mr Stansfield had experience of running a nightclub and he was principally to deal with its day-to-day operation. Each of them had a different role to play but all were to be involved in management. Profits would be split in accordance with their shareholdings, subject to repayment to Mr Ronnan of some of the cost of the refurbishment, over a period of 5 years.

8. It was agreed that Mr Stansfield would sign the lease as a director of the Company. The Company paid the rent. Mr Stansfield would be responsible for obtaining the necessary on-licence from the local authority. Over £100,000 was spent on the refurbishment. The Club opened on 28 August 2022 and traded successfully, with each of the parties taking modest wages.

9. The Club was then closed abruptly by Mr Stansfield on 3 June 2023, as a result of a falling out between him and Mr Ronnan.

10. The allegations made against Mr Stansfield in the Petition are serious ones. They include the following:

    a) he signed and took the lease in his own name, not on behalf of the Company, without disclosing that fact;

    b) he did not fulfil his obligations for the day-to-day running of the business;

    c) he threatened to sell the lease and cancel the on-licence if Mr and Mrs Ronnan did not pay him £25,000;

    d) he closed the club on 3 June 2023 without reference to Mr and Mrs Ronnan and then excluded them from any decision-making;

    e) shortly after closure, Mr Stansfield allowed another company, Truth Nightlife Limited ("Truth"), controlled by his brother, to take possession of the premises and run a similar business;

    f) allowed the Company's trading accounts to be used for the purchase of chattels for use by Truth, at a cost of between £1800 and £3000 per week;

    g) caused the business of the Company and its property (including the lease) to be transferred to or used by Truth without consent of Mr and Mrs Ronnan (it is unclear whether there has been any formal transfer of the lease); and

    h) excluded Mr and Mrs Ronnan from operation of the Company's trade cash accounts and a Zettle account.

11. As a result of these activities, it is alleged that there has been a breakdown in trust and confidence between the shareholders, and that the value of their shares has been reduced, if not eradicated, and that Mr Stansfield has taken or is taking all the profit from the Company and its business. Mr and Mrs Ronnan therefore sought an order that they be bought out based on a valuation of the Company just before 3 June 2023. It is unclear what that value might be.

12. Mr Ronnan said in his witness statement, in response to the Application, that Mr Stansfield, his brother and Truth took on the entirety of the Company's business and

essentially left it as a shell, rendering their shareholdings worthless, and that they were powerless to stop Mr Stansfield acting as he did, however many resolutions the Company might pass. Truth would have continued to operate the business regardless.

13. The Petitioners in this case are majority shareholders, not a minority, and were also a majority on the board of the Company at all relevant times. It is very unusual for a s.994 petition to be presented by a majority shareholder (or shareholders) seeking relief that the minority buy out the shares of the majority. The reason is that acts, omissions or conduct that are prejudicial have to be unfairly prejudicial, which generally signifies that the respondents are taking unfair advantage of their ability to control the company's affairs, at the expense of the petitioner, and that the petitioner cannot otherwise influence what they are doing. That is not the case here, except to the extent that Mr Stansfield is alleged to have acted in disregard of the Company's constitution.

14. Nevertheless, Mr and Mrs Ronnan plead, without particularisation, that:

> "The Petitioners are unable to avoid the unfair prejudice that they are suffering by the exercise of their rights as shareholders holding 55% of the share capital of the company."

15. Mr Stansfield strongly demurs to that evaluative conclusion.

16. Using their board majority, Mr and Mrs Ronnan could have called a board meeting to authorise legal proceedings in the name of the Company against Mr Stansfield (and, if appropriate, against his brother and Truth) to restrain the misuse of the lease and the premises, and to restrain any surrender of the on-licence or misuse of the Company's funds, and obtain access to them. It would not have been possible to obtain interim relief obliging Mr Stansfield to conduct the business of the Company, but the Company had employees who worked in the Club. Mr and Mrs Ronnan say that they did not have the necessary skills to run it. Mr and Mrs Ronnan could also have called a general meeting of the Company and removed Mr Stansfield as a director, and on that basis removed his status to act on behalf of the Company.

17. None of those steps was taken. The only explanation proffered, on instructions, was that until 2024 Mr and Mrs Ronnan had not seen a copy of the lease. Instead, the Mr and Mrs Ronnan waited more than 6 months after the closure of the club before presenting the Petition.

18. The application was brought by Mr Stansfield on the basis that where a petitioner has control of a company in general meeting and especially when they have control of the board, it is impossible to argue that a petition is justified. The majority shareholders and directors are in a position to deal with any continuing misconduct of the Company's affairs and can cause it to bring a claim against a defaulting director, to protect and preserve its assets and to recover them, or for damages and equitable compensation for any breaches of duty.

19. Mr and Mrs Ronnan's answer was that the cumulative effect of the very serious allegations was that Mr Stansfield simply took control of the Company, in practice – he was the one who had the necessary expertise to run the Club and they had not – and that Mr Stansfield then held a sword over their heads by threatening to dispose of the Company's assets. In practice, they were unable to do anything about Mr Stansfield's

conduct. It was submitted on behalf of Mr and Mrs Ronnan that the facts established an exceptional case, such that a remedy under s.994 should be available to them as majority shareholders.

20. The District Judge effectively agreed. She found that the allegations against Mr Stansfield arguably made Mr and Mrs Ronnan powerless to do anything about it, and that the allegations and their effect in practice needed to be investigated at a trial. She said:

> "[34] Let's deal with this term exceptional. The matters of behaviour, conduct, knowledge, removing assets, transferring them to another business that this respondent may have an interest in, alienation in relation to the lease, so on and so forth, and the manner in which the business is alleged to have been run by this respondent, I find, rendered these petitioners at this stage, arguably, powerless.
>
> [35] This respondent ran this business, and had for all practical purposes 'control' over the company. Those matters or behaviours and how they fed into the operation of the company warrant more detailed consideration by way of evidence. I am permitted at this stage to say there is an arguable case. Under this 'deliberately flexible remedy' it continues at page 550 paragraph (H),
>
> > 'He recognised that it was possible, albeit unlikely, that serious mismanagement could constitute prejudice, but he considered the prospect that the court would consider it appropriate to act, to require him to sell his shares against his will, when the petitions had remedied the mischief so remote, the petition should not be allowed to proceed.'
>
> …….
>
> [39] There is an arguable case that these petitioners were not able to undertake the steps that the respondent and his legal team say could and should have been taken, because on a **prima facie** basis, the respondent 'exercised control' of all aspects of the company. Of course I am not hearing evidence, that is not the basis of a summary judgement application but the petitioners have prospects of success, that is all I am required to do when considering an application under CPR 24."

21. The District Judge was also impressed by the point that this was not a company that was continuing in business, where matters could be put right for the future, but a case where all its assets had been taken and its business compromised. She felt that that supported the case for allowing the petition to proceed:

> "[36] That is another question I need to ask myself. Mr Darbyshire has submitted that the mischief that is alleged has concluded, there is no ongoing cause of action capable of remedy. What Mr Cochran says is, do not be misled by that aspect or point. We have a third party that this respondent may be associated with to the detriment of the petitioners. All the assets of the company have been taken by the respondent, removed, and are being used elsewhere. And here is a company that may otherwise have been profitable with investment made by the petitioners, all stripped by this respondent. The submission is that this needs to be looked into, or some sort of valuation performed."

22. Mr Stansfield's case is that, however serious the allegations against him (which he disputes, but is forced to accept for the purposes of the strike out application) there has never been a case in which shareholders who have control of the company were permitted to bring a s.994 petition (or under s.459 Companies Act 1985 before it). That such a petition is inappropriate is established, he says, by the decision of the Court of Appeal in Re Legal Costs Negotiators Ltd [1999] 2 BCLC 171 ("*Re Legal Costs*").

23. In that case, four former partners set up a company in which they were equal 25% shareholders, on the basis that each would continue to work for the company, as they did previously as partners. But they fell out, and one partner left, leaving the others to do the work. The majority shareholders, having failed to negotiate a buy out of the minority shareholder, then issued a s.459 petition, on the basis that the relationship of trust and confidence had broken down and there was prejudice to the majority in the minority doing no work but taking a quarter of the profits.

24. Peter Goldsmith QC, sitting as a Deputy Judge of the Chancery Division, acknowledged that in some circumstances a majority shareholder could apply, and referred to observations to that effect in the leading textbooks, where each provided, as he put it, an example of a case in which the majority nonetheless do not have control (for example where the majority shares have restricted voting rights, or where a special resolution is unfairly blocked by the minority). The Deputy Judge held that the complaint was not about the way that the company's affairs were being conducted at all, but about the perceived unfairness of a shareholder being able to continue to hold his shares.

25. The case went to appeal and Peter Gibson LJ gave the leading judgment. He referred to the assessment of the jurisdiction made by the Deputy Judge and said:

> "… The essence of the powers under s 459 is to give a remedy where there is complaint about the way the company's affairs are being conducted through the use (or failure to use) powers in relation to the conduct of the companies affairs provided by its constitution. He regarded the section as concerned with the company's affairs rather than the affairs of individuals and to be concerned with acts done by the company or those authorised to act as its organs. He found that the cases showed a reluctance by the court to act where the petitioner is able to control the relevant conduct by his own powers and that the cases where relief was granted were concerned with situations in which the petitioner is otherwise powerless to stop that conduct by powers which he has under the company's constitution. He said that this was consistent with the section being generally regarded as for the protection of minorities he expressly said that he did not suggest that there could never be a case which did not have the characteristics he had attempted to identify, and recognised the deliberate flexibility of the remedy provided by the section, but was expected that such cases would be exceptional. Judged by reference to those considerations, the petitioners' case, he found, was bound to fail." [p.195b-e]

26. The Lord Justice said that he so completely agreed with that approach and reasoning that he would be content to adopt it as his own judgment, but nevertheless proceeded to explain the matter in his own words. He said at p.197e:

> "…the statutory requirement is that the conduct should be unfairly prejudicial, and as Neill LJ said in the *Harrison* case (at 31), conduct may be prejudicial without being unfair. As Knox J indicated in *Re Baltic Real Estate Ltd (No 2)* [1993] BCLC 503 at 507 (in a passage to which I must return), prejudice will not be unfair to the petitioner's interests where the petitioner had available to him a method of bringing that prejudicial state of affairs to an end."

27. He then observed that not one of the reported decisions on s.459 or its statutory predecessor was a case in which a petition by a controlling majority of shareholders was allowed to proceed, and commented at p.198i-199b:

> "Miss Garcia-Miller was in my opinion right to submit that there is academic and judicial consensus as to the meaning of the section and as to the mischief which it was intended to cure, viz the abuse of power to the prejudice of shareholders who lack the power to stop that abuse. A mere majority shareholding may not suffice its holder: for example, the voting rights may not accord with the shareholding, as in *Re HR Harmer Ltd* [1958] 3 All ER 689, [1959] 1 WLR 62. But in the ordinary case where the shares carry equal voting rights, a majority shareholder will generally have the power to stop unfairly prejudicial conduct of the company's affairs or any unfairly prejudicial act or omission of the company."

28. The Lord Justice referred further to *Re Baltic Real Estate Ltd (No.2)*, in which Knox J referred to *Re HR Harmer Ltd*, which he said was authority for the proposition that a person with voting control cannot be oppressed (in the language of the predecessor statutory provision) by a person without voting control, and said:

> "Even the wider phrase 'unfair prejudice' however in my judgment is not apt to encompass prejudice from which the person whose interests are said to be prejudiced can readily rid himself – the petitioner had an available method of bringing that prejudicial state of affairs to an end …"

29. Peter Gibson LJ endorsed that view: "the section is not apt to deal with a case where the petitioner can himself readily put an end to the unfair prejudice alleged".

30. Mr Collings drew my attention to a more recent case, Cool Seas (Seafoods) Ltd v Interfish Ltd [2018] EWHC 2038 (Ch) ("*Cool Fish*"), in which a cross-petition was presented and the majority sought a buy-out of the minority's interest on more advantageous terms than the original petitioner was seeking. Although the majority had voting control under the company's constitution, a shareholder agreement specified reserved matters, which required the approval of holders of certain classes of shares for specified decisions. These included a decision to institute, settle or compromise any material legal proceedings. The majority shareholders therefore could not exercise their votes to cause proceedings to be issued against its former directors, which might otherwise have remedied the conduct complained of. Rose J noted that nothing in s.994 expressly precluded a petition by a majority but she agreed that:

> "in the ordinary case where the shares carry equal voting rights, a majority shareholder will generally have power to stop unfairly prejudicial conduct

> of the company's affairs and any unfairly prejudicial act or omission of the company".

31. It is therefore wrong in principle for a s.994 petition to be presented in a case where the majority shareholders can exercise their control of the company in general meeting to put an end to the prejudice, or to cause the company to bring other more appropriate proceedings for a remedy. There are exceptions, in particular where the majority is not able to exercise those votes under a company's constitution, or as a result of an agreement between its shareholders (as in *Cool Fish*). But in general, where an appropriate remedy lies in the hands of the majority, a petition is inappropriate.

32. The position is stronger still where the majority not only has voting control in general meeting, which would enable it to remove a delinquent director, but already has a board majority with that director in office. In such a case, where board decisions are taken by a majority, the majority shareholders/directors can authorise the company immediately to do whatever is necessary to remedy the prejudicial conduct, whether that is to put a stop to it for the future (e.g. by terminating a contract of employment) or to bring a claim for compensation for wrongs that have already been committed.

33. I asked Mr Collings whether, if agreement between the shareholders can prevent a majority from exercising their majority voting rights, conduct of the shareholders, or one of them, could have the same effect, e.g. where a shareholder/director had run off with all the company's liquid assets, leaving the company without the means to continue its business or to bring proceedings to remedy past wrongs. He disputed that, and argued that there had to be an impediment in a legal sense to the power of the majority to take the necessary steps, not just a practical difficulty. In the case of a remedy for past wrongs, rather than (e.g.) removal of a director to prevent continuing wrongs, the majority shareholders could provide the company with funds if necessary, he said, rather than bring a shareholder claim instead. The correct claimant, in such a case, is the company itself, and an unfair prejudice petition should not be used to circumvent that.

34. Mr Collings therefore submitted that para 34 of the judgment and para 22 of the Petition are demurrable. The District Judge should have concluded that the Petitioners had and have power to take steps to remedy the prejudicial conduct.

35. Miss Carter submitted that the District Judge was entitled to take into account the facts alleged, and the practical impossibility – if the allegations were established – of Mr and Mrs Ronnan doing anything about what was happening. There was no principle, she submitted, that a majority petition could only be brought where there was a legal impediment to use of majority votes to remedy the prejudice, though she acknowledged that, on the authorities, a majority petition would be regarded as exceptional. She argued that the effect of the prejudicial conduct was continuing, and that the Company had been effectively stripped of its assets, so that removing Mr Stansfield as a director would not have resolved anything. Mr Stansfield had practical control of the assets.

36. The appropriateness of a s.994 petition by a majority shareholder seems to me to depend on four matters. First, the nature of the prejudice alleged. Second, whether the company is able in principle to take action to remedy that prejudice. Third, whether the petitioner can cause the company to take the necessary steps to bring about that remedy. Fourth, what the appropriate remedy is. If the prejudice arises from continuing conduct

of the defendant director (e.g. excluding the petitioner and abusing their power as a director), that director can be removed from their position. The continuing prejudice is thereby terminated. The appropriate remedy is within the control of the petitioner, and a claim for financial compensation for past acts can be brought by the company. However, where the prejudice is permanent harm to the company's business, as a result of abuse of powers by a director that has come to an end, the prejudice caused will not be remedied by removal of the director. If the company is still afloat, notwithstanding the impugned conduct, it can bring a claim for financial compensation, and the majority shareholders can cause it to do so. In such circumstances, that will be the appropriate remedy and a petition is inappropriate. In an extreme case, such as stripping the company of all its assets, the business may have been permanently damaged, or even destroyed. The company may have no access to its cash reserves, and no practical ability to bring a claim, or be insolvent. In such a case, a petition may be the only realistic claim.

37. In this case, by the time of the Petition, the prejudicial conduct (as distinct from the consequences of it) was in the past. The Company's assets had been taken from it, and its business in the premises was supplanted by Truth's business. It is not a case where the prejudice to its shareholders could be remedied by removing Mr Stansfield from his position as a director. Mr Stansfield's ability to continue to deprive the Company of its assets did not depend on his status as a director, but on physical control.

38. The petitioners could without delay have caused the Company to start legal proceedings, by using their votes on the board to that effect. It was suggested by Miss Carter that the Company had no money with which to take any such steps. However, the pleaded case and the evidence do not go that far. One of the initial targets for the injunctive relief would have been access to the Company's bank accounts. It was not pleaded or established by evidence that it was impossible, as a result of the prejudicial conduct alleged, for the directors of the Company to bring legal proceedings.

39. I was not persuaded by Miss Carter that matters in June 2023 were so complicated by uncertainty about the lease, the licence and the involvement of Truth that appropriate legal action would have been difficult. Mr Stansfield's brother and Truth could have been joined as additional defendants, if required. Mr Stansfield may have disputed some of the allegations, for example the prior agreement about ownership of the lease, but the same disputes exist in this Petition. Any factual disputes would have had to be resolved, or an injunction granted or refused on conventional principles.

40. Proceedings for damages or equitable compensation could have been brought by the Company at the time that the Petition was presented, even if the position is that its business was irrecoverable and the remedy sought was financial.

41. The prejudice in this case is the loss of the Company's business, with consequential diminution in (or loss of) the value of the shares. The shareholders' loss reflects the loss in value of the Company as a result of the matters alleged. The remedy sought is financial compensation. The appropriateness of a s.994 petition in such circumstances was apparently upheld in a decision of the Sheriff Court in Aberdeen, in a case called Li v Holouis Ltd, reported at [2009] CSIH 87, which was not cited to me. The case went on appeal to the Inner House of the Court of Session, but there was no appeal against the Sheriff's conclusion that a petition could be brought by the majority

shareholders. It is therefore unclear what arguments were presented to the court, for and against the claim, if that issue was disputed, and what the reasons for acceptance were.

42. While I would not decide, as Mr Collings invited me to, that only a legal impediment to the exercise of control can ever suffice to justify a petition by a majority shareholder, such a petitioner would in my judgment have to establish that it was practically impossible, not just difficult, for it to use its corporate control to pursue a more appropriate remedy. The proper claimant for the matters alleged in this Petition was the Company, as they are breaches of duties owed to the Company. It is only if the Company cannot pursue that claim that the conduct will unfairly have prejudiced Mr and Mrs Ronnan as shareholders.

43. I have reviewed carefully the content of the Petition, the pleaded Reply and the evidence of Mr Ronnan opposing the application, but there is no case or evidence that it was impossible for the Petitioners to have caused the Company to sue for compensation, nor evidence that it is insolvent. There is no explanation of why an injunction was not sought in June 2023, to stop the wrongdoing alleged. What Mr Ronnan does say is:

> "Even if we were able to secure the return of the company's assets (I do not think this would be possible, in part due to Rick's seemingly close relationship with the landlord), we would be left with a business that we would be unable to run on a day-to-day basis."

That may explain why no injunctive relief was sought, but it did not prevent the Company from suing Mr Stansfield for losses caused by the alleged asset stripping.

44. Accordingly, it seems to me that there was no evidence of practical impossibility for the District Judge to have reached the conclusion that the matters alleged rendered Mr and Mrs Ronnan arguably powerless to remedy the prejudice caused. The appropriate remedy in the circumstances was a claim by the Company for financial compensation. A petition by Mr and Mrs Ronnan in their own right could only be justified by persuasive evidence that the Company could not have brought a claim.

45. Having regard to the allegations made against Mr Stansfield (albeit largely disputed), this is not a conclusion that I reach with any satisfaction. It will result in new proceedings having to be issued by the Company (or by Mr and Mrs Ronnan, if the cause of action is assigned to them) to seek relief based on the allegations in para 18 of the Petition. However, it is important that s.994 petitions are not allowed to become a ready alternative to a more appropriate remedy. The procedure is expensive – and tends to lead to disparate allegations and counter-allegations of misconduct (as shown by the statements of case here), and can require two separate trials: one on liability and another on remedy and value, with contested expert valuation evidence. As explained in *Re Baltic Real Estate Ltd (No.2)* and *Re Legal Costs*, the unfair prejudice petition is principally intended for cases of abuse of corporate control which the petitioner can otherwise do nothing about it. That is not this case.

46. I therefore allow the appeal and will order that the Petition be struck out.