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Decision on Fiduciary Duties

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PRACTICE AREA GROUP: Corporate

DATE: 23.01.2020

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The High Court of England and Wales has issued an important judgment concerning the fiduciary duties of directors. **Sharp v Blank** concerned a claim by 5800 claimants against the chairman and four out of the 13 directors of Lloyds Bank at the time for damages of £385 million arising out of decisions they made in relation to the takeover by Lloyds of HBOS. The acquisition had been approved at an EGM with 96% in favour of the unanimous board recommendation to proceed with the acquisition. The claimants' case was that the board should not have recommended the acquisition because it implemented a dangerous and value destroying strategy which involved unacceptably risky decisions.

They also argued that the board should have provided better quality information to shareholders in relation to the transaction. The court was not persuaded that the failures identified to provide sufficient information to shareholders caused any loss. If the shareholders had been presented with the relevant information, they would not have reached a conclusion other than that which they did in fact reach. The court did not accept that in relation to the stock market announcement relating to the takeover, the defendant directors personally owed a common law duty of care to each Lloyds shareholder.

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