

Qatar Court of Cassation Judgment- liability of managers in a Qatari limited liability company

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Background

The Claimant entered into a murabaha agreement with a limited liability company (LLC). A dispute arose from the said agreement and the Claimant commenced court proceedings against the LLC and its manager alleging that the LLC conducted illegal activities. The Claimant sought an order from the Court requesting that the LLC and the manager jointly and severally repay the Claimant's monies.

The Court of First Instance and, on appeal, the Court of Appeal held in favour of the Claimant and ordered the LLC and the manager jointly to repay the Claimant's monies. The manager and the LLC filed a further appeal with the Court of Cassation arguing that a manager cannot be liable for the contractual obligations of a company.

The Court of Cassation decision:

The Court of Cassation disallowed the appeal and decided the following:

- The provisions of the Articles 226 and 240 of Commercial Companies Law (Numbered 5 of 2002) stipulate that a manager of a limited liability company shall have full authority and power to manage and bind the company insofar as the company's constitution does not limit his power.
- A manager shall not be personally liable for any obligations resulting from the management of the company, with the exception of what is required for the protection of third parties dealing with a limited liability company. The law provides that the name of the company should be accompanied by the words "company with limited liability" in all the company's letters, correspondence and contracts. If the managers fail to abide by this requirement, they will be held personally and jointly liable for the liabilities of the company.
- Both judgments of the Court of First Instance and the Court of Appeal found that the LLC had entered into a murabaha agreement and the manager had not added the phrase "with limited liability" to the company name, the Court of Cassation concluded that the appellants were jointly and personally liable for the obligations of the company based on the aforesaid provisions of the Commercial Companies Law.

Comment on the judgment

Notwithstanding that it may be a simple task to ascertain whether or not an entity is a company with limited liability, the failure of managers of such company to make it clear to all persons that the company they are dealing with is a limited liability can shift liability to such managers personally.