

Directors with Limited Liability (Sections 322 – 323)

Special resolution of limited company making liability of directors, etc., unlimited (Section 323)

Question 1

BHP Ltd. wants to make the liability to its directors unlimited. You are required to state with reference to the provisions of the Companies Act, 1956 whether this can be done.

Answer

Section 323(1) of the Companies Act, 1956 states that a limited company may, if so authorized by its Articles of Association, by special resolution, alter its memorandum of association so as to render unlimited the liability of its directors or of any director or manager. Hence, by amending the Memorandum of Association of the company by way of passing a special resolution in a general meeting, BHP Ltd. can make the liability of directors unlimited.