



ASIC

Australian Securities & Investments Commission

INFORMATION SHEET 162

Disputes between officeholders and/or members of small proprietary companies

This information sheet explains what to do about disputes arising between the officeholders and/or members of small proprietary companies. It explains:

- what disputes can arise in these companies, and
- what you can do about resolving such disputes.

What are disputes about the running of companies?

Disputes that arise in small proprietary companies are often about the running of the company. They may be disagreements between individuals over the ownership, management or control of the company.

These types of disputes commonly arise in small proprietary companies. These companies usually have relatively few shareholders. The disputes generally relate to the private rights or interests of individuals, such as shareholders and business partners.

The company constitution is the most important document for a company and contains the rules that govern its operation. Under the *Corporations Act 2001* (Corporations Act), the constitution acts as a contract between the company, its directors and its members.

This means that those involved in the company can go to court to seek compliance with the terms of the company's constitution. There are other remedies as well, so we strongly advise you to seek legal advice.

What you should do

These types of disputes are best resolved with the benefit of legal advice and communication between the parties.

Seek legal advice	We recommend you seek legal advice to discuss the matter or resolve it through mediation. If you are unsure about how to access legal advice, contact the Law Society in your state or territory.
Get more information	Check what company officeholders are obliged to do under the law and what members' rights are at www.asic.gov.au/company-running .

Information sheets provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

ASIC and disputes about the running of companies

Disputes between officeholders and/or members of small proprietary companies generally relate to the legal rights of those involved under the constitution of the company. As such, they do not affect consumers or investors in the broader community.

For this reason, our role in helping you resolve this kind of dispute is limited to recommending you seek legal advice. That legal advice will help clarify the legal issues involved in your problem and might include options such as mediation, instituting private court action or accessing some of the remedies available to members under the Corporations Act, again through court action.

We do not give legal advice.

While we can take action where there has been a breach of the Corporations Act, we exercise our discretion in deciding whether to investigate a report of a potential breach.

Generally, we do not act for individuals but will only take action on those reports where our action will result in a greater impact in the market and benefit the general public more broadly.

Where can I get more information?

- For information about ASIC's role, see www.asic.gov.au/our-role.
- For information about the laws we manage, see www.asic.gov.au/legislation.
- For more information on the laws that apply to Australian companies, click on the 'Publications' tab at www.asic.gov.au, select 'Road map', then click on 'Australian companies'. The road map is a subject matter index that will help you find ASIC regulatory documents and class orders relating to Australian companies.

Important notice

Please note that this information sheet is a summary giving you basic information about a particular topic. It does not cover the whole of the relevant law regarding that topic, and it is not a substitute for professional advice. You should also note that because this information sheet avoids legal language wherever possible, it might include some generalisations about the application of the law. Some provisions of the law referred to have exceptions or important qualifications. In most cases your particular circumstances must be taken into account when determining how the law applies to you.