

## Civil liability of directors and experts

506. (1) Any shareholder of any of the companies involved in the division who has suffered loss or damage by reason of misconduct in the preparation or implementation of the division by a director of any such company or by the expert, if any, who has made a report under section 492 shall be entitled to have such loss or damage made good to him or her by—

(a) in the case of misconduct by a person who was a director of that company at the date of the common draft terms of division — that person,

(b) in the case of misconduct by any expert who made a report under section 492 in respect of any of the companies involved in the division — that person.

(2) Without prejudice to the generality of subsection (1), any shareholder of any of the companies involved in the division who has suffered loss or damage arising from the inclusion of any untrue statement in any of the following, namely:

(a) the common draft terms of division;

(b) the explanatory report referred to in section 491;

(c) the expert's report, if any, under section 492;

(d) the division financial statement, if any, prepared under section 493,

shall, subject to subsections (3) and (4), be entitled to have such loss or damage made good to him or her—

(i) in the case of the document or report referred to in paragraph (a), (b) or (d) — by every person who was a director of that company at the date of the common draft terms of division, or

(ii) in the case of the report referred to in paragraph (c) — by the person who made that report in relation to that company.

(3) A director of a company shall not be liable under subsection (2) if he or she proves—

(a) that the document or report referred to in subsection (2)(a), (b) or (d), as the case may be, was issued without his or her knowledge or consent and that, on becoming aware of its issue, he or she forthwith informed the shareholders of that company that it was issued without his or her knowledge or consent, or

(b) that as regards every untrue statement he or she had reasonable grounds, having exercised all reasonable care and skill, for believing and did, up to the time the division took effect, believe that the statement was true.

(4) A person who makes a report under section 492 in relation to a company shall not be liable in the case of any untrue statement in the report if he or she proves—

(a) that, on becoming aware of the statement, he or she forthwith informed that company and its shareholders of the untruth, or

(b) that he or she was competent to make the statement and that he or she had reasonable grounds for believing and did up to the time the division took effect believe that the statement was true.