

COMPANY—MISREPRESENTATION IN PROSPECTUS—FRAUD—PUBLICATION OF FALSE STATEMENTS, TO CONFIRM THOSE OF PROSPECTUS—PURCHASE OF SHARES IN MARKET BY RECIPIENT OF PROSPECTUS.

*Andrews v. Mockford*, (1896) 1 Q.B. 372, was an action brought by the plaintiff against the defendants for conspiring to defraud the plaintiff by inducing him by false representations to purchase shares in a company. The defendants were father and son, and were promoters of the company. They issued a prospectus as to the company containing statements which they knew to be false. One of them was sent to the plaintiff; he did not apply for an allotment of shares, but kept the prospectus by him, and some months after read a statement in the *Financial News* which purported to confirm the statements made in the prospectus, and he thereupon, on the faith of the prospectus and the confirmatory statement, purchased shares in the market. The confirmatory statement was false, and the defendants had procured the same to be published. Shortly after the plaintiff purchased his shares the price of shares declined and the company was ultimately wound up without paying a dividend. The defendants sought to escape liability on the ground that the plaintiff not having applied for an allotment of shares on the faith of the prospectus, could not rely on the misrepresentations therein contained, and that even assuming that the confirmatory statement published in the *Financial News* was untrue, it gave no right of action because it was not shown that it was published with intent that it should be communicated to the plaintiff and acted on by him. None of the previous decisions on this branch of the law seem exactly to cover this case. Lord Russell, C.J., who tried the action, gave judgment in favor of the plaintiff for the amount expended by him in the purchase of the shares in question, and his decision was upheld by the Court of Appeal (Lord Esher, M.R., and Smith and Rigby, L.JJ.,) on the ground that the object of the prospectus was not merely to induce an application for an allotment of shares, but also to induce persons to whom it was sent to buy shares, in the market, and that its function was not exhausted by an allotment being made, and that the defendants were therefore liable for the damage sustained by the plaintiff subsequently buying shares in the market on the faith of the