

himself and from entering into engagements in which he has a personal interest conflicting, or which may possibly conflict, with the interests of those whom he is bound to protect.

The Salomon case is an interesting illustration of the result looking at a subject from two different standpoints. The House of Lords vindicated the right of an incorporated company to be considered a distinct entity apart altogether from those who had joined in its incorporation. The Lord Chancellor was willing to assume that the formation of the company was a mere scheme enabling a man's business to be carried on in the name of a company, but he points out that the legal existence of the company, with rights and liabilities of its own, was quite apart from the ideas or schemes of those who brought it into existence. In reading all the judgments in the case, it seems as if the Court of Appeal and Mr. Justice Vaughan Williams had entirely put on one side the fundamental idea in joint stock companies, viz.: that of allowing a man legitimately to carry on business while limiting his liability to creditors, preferring to think that if a man formed a limited liability company with the object and intent of preventing himself from being made liable to its future creditors, he was doing a discreditable action, and was in fact putting into operation a scheme to defraud. In endeavouring to reconcile this aspect with the separate existence of an incorporated company the Court of Appeal held that company to be the mere nominee or agent of the person controlling its formation and practically treated it and him as merged into one fraudulent actor.

The House of Lords in taking the opposite view emphasized the fact that the Act for incorporating these companies apparently recognized only that artificial existence quite apart from the motive or conduct of individual corporators.

In the recent case of *Earle v. Burland* the principle underlying the Beatty case has been carried a step further, and in it is found the recognition of the absolute right of the directors while in office to carry on the business of the company in any way they choose provided they do nothing illegal or ultra vires. In that case the elected directors were chosen really by their own votes as shareholders. They had made for many years very large profits, and had carried them forward from year to year without either forming a rest or reserve account, or distributing them to the shareholders. The balance of undistributed or undrawn profits was invested by