

represented to them by the secretary of the company, and the stock given to the plaintiff was worthless. The company, subsequently, went into liquidation, and plaintiff brought this action against the directors seeking to hold them personally liable for the amount of the debenture stock which should have been issued to the plaintiff under the agreement. For the plaintiff it was argued that there was an implied warranty that the stock so issued was a good and binding security, and that by issuing the certificates it must be implied that the directors had affirmed that they had power to issue them. The Court of Appeal held that *Collen v. Wright* applied, and was not restricted to cases of contract.

Lord Esher, M.R., said :—"The principle of *Collen v. Wright* extends further than the case of one person inducing another to enter into a contract. The rule to be deduced is, that where a person by asserting that he has the authority of the principal induces another person to enter into any transaction which he would not have entered into but for that assertion, and the assertion turns out to be untrue, to the injury of the person to whom it is made, it must be taken that the person making it understood that it was true, and he is liable personally for the damage that has occurred."

"Speaking generally," said Lindley, L.J., "an action for damages will not lie against a person who honestly makes a representation which misleads another. But to this general rule there is at least one well-established exception, viz, where an agent assumes an authority which he does not possess, and induces another to deal with him upon the faith that he has the authority which he assumes. The present case is within this exception, and the directors are liable to the contractor for the misrepresentation they made to him."

The rule in *Collen v. Wright* and its extension in *Firbank's executors v. Humphreys* came up for consideration by the House of Lords in the recent case of *Starkey v. Bank of England* (1903) A.C. 114, in appeal from the decision of the Court of Appeal in *Oliver v. Bank of England* (1902) 1 Chy. 610. F. W. Oliver, one of two trustees of stock, standing in their joint names in the books of the Bank of England, sold it under a power of attorney, to which the signature of his co-trustee, E. Oliver, was forged. The appellant, Starkey, was a stockbroker, who had been instructed