Directors have a duty to act bona fide in the interests of the company and exercise their powers for a proper purpose and not for any collateral (i.e. personal or sectional) purpose. The Companies Act 2006 (CA 2006) splits that duty into distinct obligations: to act in accordance with the constitution (defined s. 257 and see 5-8), to exercise powers for the purposes for which they are conferred in s. 171, and to act to promote the success of the company in s. 172. This demarcation clarifies the elements of these obligations, but there remains a degree of overlap between them. This chapter focuses on s. 171. The discussions cover the constitutional division of power within a company; types of authority; statutory protection for third parties; and exercise of a power for an improper purpose.

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