

Funding the Future

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I'd love to say the following idea was mine, but it wasn't, so I'm going to give credit for where it came from, in a [letter to the Guardian today](#):

Shareholders in a limited company that goes bad are liable for no more than the money they have already paid for their shares — the company's creditors stand the loss, not the owners of the company, the shareholders or the directors. This is not a right, but a privilege we grant so that people will be ready to invest in new enterprises without fear of taking on unlimited liabilities.

We don't have to privilege all companies, directors and shareholders over their creditors in this way — there's no human right to it. We could instead say that liability is only limited if the highest-paid executive's remuneration does not exceed, say, 30 times the median employee's salary. It would be a brave shareholder, individual or institutional, that permitted any executive's remuneration package to approach the point where they, the shareholders and directors, might be found personally liable if

things go wrong.
David Harrington
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I have long argued that the right to limited liability is a privilege that carries obligations, including the duty to pay tax and to file accounts. I haven't argued often, and certainly not in the case of public companies, that the privilege of liability should be withdrawn as a sanction.

I think that's been an omission on my part. We should be much more straightforward in saying that limited liability is a privilege to be used for the benefit of society, and with care, and that if obligations to society are not respect then it should simply be withdrawn with the shareholders and not society at large then having the duty to remedy the defect. When should that happen? Let me suggest the following occasions for a start:

- 1) When excess pay is allowed, as noted above.
- 2) When accounts are not filed on time, for any reason.
- 3) When corporation tax returns are not filed, for any reason. Of course these are not

public documents now: they soon would be if this was the case.

4) Three months after any set of accounts is filed showing the company to be insolvent unless action to remedy the defect has been taken in the meantime.

That will concentrate minds I think.

Now which MP would like to propose it as a private member's bill?