

Does limited liability protect the rich?

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Limited liability is treated as harmless legal plumbing, but it is one of the most powerful privileges granted to wealth in the UK and around the world. In this Funding the Future conversation with Professor Dan Plesch, we explore how corporate law shields shareholders from responsibility, fuels secrecy and tax abuse, and distorts democracy.

We explain where limited liability came from, why it now protects inequality, and what reforms could restore balance between corporations and society.

This matters for tax justice, corporate accountability and the politics of care.

<https://www.youtube.com/watch?v=QtNjY6zEaHl&si=xMHrf6TbIRkIGSbg>

This is the audio version:

https://www.podbean.com/player-v2/?i=vfh8r-1a4c4d8-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

There is no transcript for this podcast as it would be too long to share here. There is, however, this summary of our conversation instead:

Why limited liability matters more than we admit

In my latest Funding the Future podcast, I was joined by Professor [Dan Plesch](#) to

discuss a topic that is usually treated as technical legal plumbing, but which in reality sits at the heart of modern political economy: limited liability and the power it grants to wealth.

Dan and I have long shared concerns about corporate accountability. In this conversation, we tried to return to first principles and ask a simple question: how did we create an economic system in which those who control vast resources can avoid responsibility for the consequences of their actions?

The answer, we concluded, lies in the corporate form itself.

A device with a purpose that lost its balance

Limited liability was not originally intended to protect wrongdoing. It emerged to encourage investment in risky ventures. Investors in railways or overseas trading voyages needed assurance that failure would not cost them everything they owned.

That purpose was understandable. Economic development requires risk-taking.

However, over time, what began as a practical device became something quite different. The legal protection originally designed to help relatively small investors in larger shared enterprises became a shield behind which enormous concentrations of wealth could act without fear of consequence.

Today, a corporation can devastate communities, pollute the environment, mislead customers, or collapse owing vast sums to suppliers and workers, and yet those who own it may walk away almost untouched. They lose only their stake. They can even start again tomorrow under a new name.

That is not a flaw in the system. It is how the system is designed.

Privilege dressed up as merit

We are constantly told that wealth reflects talent, innovation or hard work. But Dan and I both noted how much wealth is protected not by genius but by law.

Limited liability creates a structural privilege. It means those with capital are insulated from the risks they impose on others. Losses are socialised. Gains are privatised.

This matters because it undermines the moral argument at the heart of neoliberal economics. If markets truly rewarded merit, then responsibility would accompany reward. Instead, we have created a system where power is protected and accountability avoided.

And that protection feeds inequality. It allows the wealthy to accumulate more wealth, often at others' expense, without facing equivalent risk.

Equality before the law - or not

Dan framed this issue in constitutional terms. Magna Carta promised equality before the law. Modern human rights frameworks repeat that commitment. Yet corporate law gives shareholders a special immunity that ordinary citizens do not enjoy.

If I cause damage, I am liable. If a corporation does, responsibility is diluted or disappears.

Of course, neither of us argued that pensioners should lose their homes because they own shares. The point is balance. If investors want protection through limited liability, society is entitled to demand countervailing protections through legally required transparency, regulation and accountability.

In the era of the postwar mixed economy, the need for this balance was at least recognised. In the neoliberal era, it has been forgotten. Corporations now demand considerable rights while resisting all forms of responsibility.

Limited liability and secrecy

For me, the conversation naturally connected to my own work on tax justice and secrecy jurisdictions. Limited liability is not just about avoiding legal responsibility; it is also about hiding ownership.

Shell companies and layered corporate structures obscure who really controls assets. This allows profits to be shifted offshore, taxes to be avoided, and wealth to be concealed.

Dan emphasised that the lack of transparency in global financial systems protects trillions of pounds, euros, dollars and just about any other currency from scrutiny. That is not efficiency. It is privilege.

When HMRC estimates many billions lost from corporate tax abuse in the UK alone, we are seeing the cost of that privilege in lost public services, declining trust and rising inequality.

A debate we stopped having

One of the striking things in our discussion was how old this concern is. Adam Smith warned about absentee ownership and irresponsible managers. Victorian commentators worried about corporate fraud. Gilbert and Sullivan mocked limited liability in opera.

This was once recognised as a major issue. Then it slipped from debate.

Corporate social responsibility, public relations campaigns and the promise of trickle-down growth took its place. After the financial crash, we bailed out corporations

rather than reforming them. And through all this, the abuse has continued.

The result is an economy where companies are too big to fail, too complex to regulate and too opaque to understand.

Where reform could begin

Dan stressed he was not calling for the abolition of limited liability. Nor am I. Modern economies require corporate organisation. But reform is overdue.

We discussed several obvious directions.

First, there is a need for much greater transparency. Beneficial ownership registers must be complete, public and enforced. The chain of ownership within corporate groups must be visible.

Second, accountability is essential. Parent companies should be liable for the actions of subsidiaries in defined circumstances. Directors should face consequences when companies are deliberately stripped of assets. Full accounts on a country-by-country reporting basis must be on public record.

Third, there has to be balance. If business demands deregulation in labour or environmental law, we should ask whether it is prepared to relinquish limited liability in return. That simple test reveals how dependent corporate wealth is on state-granted privilege.

Fourth, there must be tax justice. When vast fortunes are protected by legal structures, taxing them is not envy. It is about restoring equilibrium between wealth and everyone else in society.

Why this matters now

This conversation is not academic. We are living through a period of rising inequality, environmental crisis and democratic distrust. Corporations sit at the centre of all three.

If we do not understand how corporate law structures power, we cannot understand modern capitalism. And if we do not understand that, we cannot reform it.

The politics of care that I write about requires accountability. It requires institutions that serve people rather than dominate them. It requires an economy where power carries responsibility.

Limited liability reform will not solve every problem. But it is part of rebuilding that balance.

A conversation to continue

Dan ended our discussion by urging organisation, education and debate. Ministers rarely act on issues that are not publicly understood. This is one such issue.

So Dan and I are inviting readers, viewers and colleagues to engage. This is not about technical legal reform alone. It is about democracy, fairness and the kind of economy we want.

Corporate privilege did not arise by accident. It was created by law. It can be changed by law.

And if *Funding the Future* is about anything, it is about imagining – and building – a better economic settlement than the one we have inherited.

We will continue this conversation, and when we do, we will discuss how to take this issue forward.