



Companies Act 2006

2006 CHAPTER 46

PART 18

ACQUISITION BY LIMITED COMPANY OF ITS OWN SHARES

CHAPTER 2

FINANCIAL ASSISTANCE FOR PURCHASE OF OWN SHARES

Circumstances in which financial assistance prohibited

678 Assistance for acquisition of shares in public company

- (1) Where a person is acquiring or proposing to acquire shares in a public company, it is not lawful for that company, or a company that is a subsidiary of that company, to give financial assistance directly or indirectly for the purpose of the acquisition before or at the same time as the acquisition takes place.
- (2) Subsection (1) does not prohibit a company from giving financial assistance for the acquisition of shares in it or its holding company if—
 - (a) the company's principal purpose in giving the assistance is not to give it for the purpose of any such acquisition, or
 - (b) the giving of the assistance for that purpose is only an incidental part of some larger purpose of the company,and the assistance is given in good faith in the interests of the company.
- (3) Where—
 - (a) a person has acquired shares in a company, and
 - (b) a liability has been incurred (by that or another person) for the purpose of the acquisition,

it is not lawful for that company, or a company that is a subsidiary of that company, to give financial assistance directly or indirectly for the purpose of reducing or

Status: Point in time view as at 01/10/2009.

Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006.
Cross Heading: Circumstances in which financial assistance prohibited. (See end of Document for details)

discharging the liability if, at the time the assistance is given, the company in which the shares were acquired is a public company.

- (4) Subsection (3) does not prohibit a company from giving financial assistance if—
- (a) the company's principal purpose in giving the assistance is not to reduce or discharge any liability incurred by a person for the purpose of the acquisition of shares in the company or its holding company, or
 - (b) the reduction or discharge of any such liability is only an incidental part of some larger purpose of the company,
- and the assistance is given in good faith in the interests of the company.
- (5) This section has effect subject to sections 681 and 682 (unconditional and conditional exceptions to prohibition).

679 Assistance by public company for acquisition of shares in its private holding company

- (1) Where a person is acquiring or proposing to acquire shares in a private company, it is not lawful for a public company that is a subsidiary of that company to give financial assistance directly or indirectly for the purpose of the acquisition before or at the same time as the acquisition takes place.
- (2) Subsection (1) does not prohibit a company from giving financial assistance for the acquisition of shares in its holding company if—
- (a) the company's principal purpose in giving the assistance is not to give it for the purpose of any such acquisition, or
 - (b) the giving of the assistance for that purpose is only an incidental part of some larger purpose of the company,
- and the assistance is given in good faith in the interests of the company.
- (3) Where—
- (a) a person has acquired shares in a private company, and
 - (b) a liability has been incurred (by that or another person) for the purpose of the acquisition,
- it is not lawful for a public company that is a subsidiary of that company to give financial assistance directly or indirectly for the purpose of reducing or discharging the liability.
- (4) Subsection (3) does not prohibit a company from giving financial assistance if—
- (a) the company's principal purpose in giving the assistance is not to reduce or discharge any liability incurred by a person for the purpose of the acquisition of shares in its holding company, or
 - (b) the reduction or discharge of any such liability is only an incidental part of some larger purpose of the company,
- and the assistance is given in good faith in the interests of the company.
- (5) This section has effect subject to sections 681 and 682 (unconditional and conditional exceptions to prohibition).

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680 Prohibited financial assistance an offence

- (1) If a company contravenes section 678(1) or (3) or section 679(1) or (3) (prohibited financial assistance) an offence is committed by—
 - (a) the company, and
 - (b) every officer of the company who is in default.
- (2) A person guilty of an offence under this section is liable—
 - (a) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine (or both);
 - (b) on summary conviction—
 - (i) in England and Wales, to imprisonment for a term not exceeding twelve months or to a fine not exceeding the statutory maximum (or both);
 - (ii) in Scotland or Northern Ireland, to imprisonment for a term not exceeding six months, or to a fine not exceeding the statutory maximum (or both).

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