

**REPORT FROM THE SELECT COMMITTEE
ON THE LAW OF PARTNERSHIP:
TOGETHER WITH THE PROCEEDINGS OF
THE COMMITTEE, MINUTES OF EVIDENCE,
APPENDIX AND INDEX**

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Report from the Select Committee on the Law of Partnership: Together with the Proceedings of the Committee, Minutes of Evidence, Appendix and Index by Various

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VARIOUS

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41237

REPORT

Parliament

FROM THE
St. Brit. House of Commons

SELECT COMMITTEE

ON THE

LAW OF PARTNERSHIP;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

APPENDIX, AND INDEX.

Ordered, by The House of Commons, to be Printed,

1851.



A. 17722.

Jovis, 20^o die Februarii, 1851.

Ordered, THAT a Select Committee be appointed to consider the Law of Partnership, and the expediency of facilitating the Limitation of Liability, with a view to encourage useful Enterprise and the additional Employment of Labour.

Martis, 25^o die Martii, 1851.

Committee nominated, of—

Mr. Labouchere.

Mr. Slaney.

Mr. Cobden.

Mr. Sotherton.

Mr. Ewart.

Mr. Heald.

Mr. John Ellis.

Mr. John Abel Smith.

Mr. Anderson.

Mr. Morris.

Mr. Chichester Fortescue.

Mr. Glyn.

Mr. Tufnell.

Mr. Tatton Egerton.

Mr. Roebuck.

Ordered, THAT the Committee have power to send for Persons, Papers, and Records.

Ordered, THAT Five be the Quorum of the Committee.

Veneris, 11^o die Aprilis, 1851.

Ordered, THAT Mr. Anderson be discharged from further attendance, and Mr. Pilkington be added.

Martis, 17^o die Junii, 1851.

Ordered, THAT Mr. Roebuck and Mr. Tufnell be discharged from further attendance, and Mr. William Evans and Mr. Wrightson be added.

Martis, 8^o die Julii, 1851.

Ordered, THAT the Committee have power to Report Observations and Minutes of Evidence to The House.

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R E P O R T.

THE SELECT COMMITTEE appointed to consider the LAW of PARTNERSHIP, and the Expediency of facilitating the Limitation of Liability with a view to encourage useful Enterprise and the additional Employment of Labour; and who were empowered to Report the Minutes of Evidence taken before them to The House;—HAVE considered the Matter to them referred, and agreed to the following REPORT :

THE subject referred to Your Committee is one of great and increasing interest. On account of its wide relations to large classes of society, Your Committee have thought it incumbent to proceed with caution, and to weigh carefully the arguments and evidence adduced before them, urging alterations in the law.

The Committee of last Session, on Investments of the middle and working classes, partially investigated the question now referred to Your Committee, but gave no opinion upon it. Their Report contained two recommendations of great consequence to large classes :

1st. That Charters of Limited Liability, for useful undertakings, should be granted by the Crown with due caution, but at a far more reasonable cost.

2dly. That where several industrious men work together, with a small capital, the law should provide a remedy against fraud on the part of any dishonest partner, and a summary mode of enforcing the rules agreed to for mutual government.

In entering more closely on the consideration of the subject referred to them, Your Committee would adopt a few lines from a former Report, and say—

“That the great change in the social position of multitudes,

tudes, arising from the growth of large towns and crowded districts, renders it more necessary that corresponding changes in the law should take place, both to improve their condition and contentment, and to give additional facilities to investments of the capital which their industry and enterprise is constantly creating and augmenting."

Your Committee would also add, in the words of their predecessors, "That they doubt not ultimate benefit will ensue from any measures which the Legislature may be enabled to devise for simplifying the operation of the law and unfettering the energies of trade."*

Your Committee also desire to record their conviction that if it be desired to promote association among the humbler classes for objects of mutual benefit, no measure will tend more directly to this end than one which will give a cheap and ready means of settling disputes of the partners, and enforcing the rules agreed to for mutual government.

Evidence of the increase of personal property of late years may be shortly stated. The Population Returns show an increase of the population of almost all of our largest towns (chiefly inhabited by persons dependent on personal property), at the rate of nearly 30 per cent. in every decennial period since the beginning of the century to the present time, whilst the rural inhabitants have augmented only at about one-third the same proportion.

A return of 10 February 1851 † as to assessments to the property tax, shows that in Great Britain as a general result the annual value is as follows :

| | 1814-15. | 1848. |
|---|------------|------------|
| | £. | £. |
| Of Lands - - - - | 39,405,000 | 47,981,000 |
| Messuages, or chiefly houses, &c. in towns - - - | 16,259,000 | 42,314,000 |
| Railways, gas works, and other property, chiefly considered personal property - - | 636,000 | 8,885,000 |

The

* Report on Investments of Middle and Working Classes, July 1850.

† Return to the House of Commons.

The result in round numbers shows that in 33 years since the peace, whilst lands in Great Britain have increased in value to 1848 only 8 $\frac{1}{2}$ millions in annual value, or a little more than five per cent., messuages (being chiefly houses and manufactories, and warehouses in and near towns, and inhabited by persons depending greatly on trade and commerce) have augmented in value above 26 millions in annual value, or about 130 per cent. in the same period.

From the same returns it appears that the value of railways, gas works, and other property, chiefly held in shares as personal property, has increased above 12 fold in the same period.

The same results showing the increase of personal property, since the peace, in the United Kingdom, may be deduced from various Returns to Parliament, showing the increase of legacy duty to have been derived from a capital of 24 millions in 1816, and to have been paid on a capital increased to 45 millions in 1845; the increase of deposits in the saving banks, and from other undoubted sources of information.

Your Committee beg to state that in addition to the augmentation in the amount of personal property, is to be remarked its great division among large classes of the community, in the middle (or even the humbler) ranks of life, as is shown by the returns of amounts of public stock held by each person, and other sources of information.

Your Committee would observe that the course of modern legislation (the wisdom of which appears, in this particular, generally allowed) seems to have been gradually to remove restrictions on the power which every one has in the disposal of his property, and to remove those fetters on commercial freedom which long prevailed in this country.

The usury laws, and various laws against combinations, have been modified or repealed. General Acts to facilitate the formation of Joint Stock Associations and Building Societies, and other important Acts tending to the same result, have in late years been sanctioned by the Legislature.

Your Committee now proceed to consider whether any suggestions of a like nature ought to be made in reference to the laws of partnership, and especially the unlimited liability of partners, as it exists at present in this country.

By the existing law, no person can advance any capital to any undertaking, public or private, in the profits of which he is to participate, nor become partner or shareholder in any enterprise for profit, without becoming liable to the whole amount of his fortune, as expressed by a great legal authority, to his last shilling and his last acre.

Such general and unlimited liability can be restricted to any given sum or share only by Special Act of Parliament or Charter from the Crown; neither of which is obtained without much difficulty, expense and delay, and in many cases cannot be obtained at all.*

It is contended, that however advantageous the law of unlimited liability of partners may be, as applied to the principal commercial transactions of this country, carried on by the most part by firms of few partners, that yet it would be of great advantage to the community to allow limited liability to be extended with greater facility to the shareholders in many useful enterprises, often promising at the same time public benefit and private profit, which are constantly called for by the increasing population and wants of our towns and populous districts; such as water works, gas works, roads, bridges, markets, piers, baths, wash-houses, workmen's lodging houses, reading rooms, clubs, and various other investments of a like nature, chiefly confined to spots in the immediate vicinity of the subscribers. Large stores for the sale of provisions and other necessaries in populous districts, and supported by the combined capital of small shareholders, may be considered as belonging to the same kind of enterprises.

Your Committee think it would be a subject of regret if cautious persons, of moderate capital, and esteemed for their intelligence and probity in their several neighbourhoods, should be now deterred from taking part in such undertakings by the heavy risk of unlimited liability; yet such persons would in many instances be the best guides for their humbler and less experienced neighbours, and their names would afford security that the enterprise had been well considered, and was likely to be well conducted.

Your Committee think that it would be desirable to remove any obstacles which may now prevent the middle and even

* The cost of a Charter was shown in many cases to amount to 1,000*l.*—
"Report on Investments in 1850."

even the more thriving of the working classes from taking shares in such investments, under the sanction of and conjointly with their richer neighbours; as thereby their self-respect is upheld, their industry and intelligence encouraged, and an additional motive is given to them to preserve order and respect the laws of property.

Your Committee would therefore recommend that under the supervision of a competent authority, rules should be laid down and published for the guidance of persons applying for such charters, with requisite precautions to prevent fraud; and on compliance with such rules, that charters should be granted. Security for compliance with such rules might be given and enforced at the quarter sessions, or before some other local tribunal of requisite authority.

It might, in some cases, perhaps, be advisable that the liability of each shareholder under the charter should be double the amount of his share of the capital calculated to be necessary for the undertaking.

Your Committee now proceed to consider the propriety of permitting the introduction of partnerships, on the principle of limited liability.

Your Committee have referred to the report and evidence given before the Commission on this subject in 1837, where opinions entitled to great weight, were almost equally divided; in the Appendix to that Report is the outline of a proposed law on the subject, by Mr. Baring, a name highly respected in all commercial circles of the world.

In the Report on Joint Stock Companies in 1844, valuable information on matters closely connected with this subject will be found; and in the Report on Investments, of the last Session, evidence bearing on this inquiry is worthy of perusal.

Your Committee, considering the extent and importance of the proposed alteration in the law, are unwilling to proceed in such a matter without the greatest caution. They find that the best authorities are divided on the subject, and that it would require great care to devise the checks and safeguards against fraud, necessary to accompany such a general relaxation or change in the law. It seems also the opinion of the best-informed persons, that additional facilities are wanting to settle partnership disputes in accounts, and that some cheaper and simpler tribunal should be afforded