GUERNSEY BAR EXAMINATION

09.30AM, FRIDAY22 MAY 2026

PAPER FIVE

CORPORATE LAW AND AN INTRODUCTION TO FINANCIAL SERVICES LAW

THREE HOURS

CANDIDATES ARE REQUIRED TO ANSWER ALL QUESTIONS. THE MARKS AVAILABLE FOR EACH QUESTION ARE SHOWN BELOW.

- **QUESTION 1 – 25 MARKS**
- **QUESTION 2 – 25 MARKS**
- **QUESTION 3 – 25 MARKS**
- **QUESTION 4 – 25 MARKS**

MARKS WILL BE AWARDED FOR REFERENCES TO APPLICABLE LEGISLATION AND CASE LAW.

PLEASE ENSURE THAT THE FOLLOWING IS CLEARLY MARKED ON EACH PAGE OF YOUR SCRIPT:

- **NAME OF PAPER**
- **CANDIDATE LETTER**
- **QUESTION NUMBER**
- **PART NUMBER OF QUESTIONS (if applicable)**

CANDIDATES SHOULD ASSUME, UNLESS INDICATED OTHERWISE, THAT ANY GUERNSEY COMPANY MENTIONED IN THIS PAPER HAS THE STANDARD ARTICLES OF INCORPORATION OF THE GUERNSEY REGISTER.

MATERIALS PROVIDED (all consolidated texts, where applicable):

1. **The Security Interests (Guernsey) Law, 1993**
2. **The Limited Partnerships (Guernsey) Law, 1995**
3. **The Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002**
4. **The Trusts (Guernsey) Law, 2007**
5. **The Companies (Guernsey) Law, 2008**
6. **The Foundations (Guernsey) Law, 2012**
7. **The Standard Articles of Incorporation of the Guernsey Register (last revised 2015)**

QUESTION 1 [25 Marks]

Amos, Betty and Clive are directors of InsHoldCo Ltd, a Guernsey company limited by shares. Amos and Betty each own 30% of the shares in InsHoldCo Ltd and Clive holds 20% of the shares, with the remaining 20% being held by various minority shareholders. InsHoldCo is a holding company for various companies, all of which carry on long term insurance business (as defined in Guernsey Law):

1. A PCC registered in Guernsey
2. An ICC registered in the Isle of Man
3. A company limited by shares registered in the British Virgin Islands.

Amos and Betty are in agreement that the current structure of the companies held by InsHoldCo Ltd is inefficient and gives rise to regulatory complexity, so they are keen to restructure the group so that it is all based and registered in Guernsey. They are aware that the Isle of Man company has been sanctioned by the regulatory authorities in the Isle of Man for a failure to comply with reporting requirements. They are also aware that one of the directors of the company in the British Virgin Islands is facing disqualification proceedings in that jurisdiction.

Clive is not in support of the strategy proposed by Amos and Betty and has opposed the change vociferously in the board meetings where the changes were proposed. For the past 8 months, Clive has been unable to attend board meetings due to ill health and last month, Amos and Betty wrote to him on behalf of the company, advising him that his role as a director in the company has been terminated.

Clive is concerned because in the past two weeks, Amos and Betty have informed the shareholders that they intend to appoint David, Betty's son, to the board of directors of InsHoldCo Ltd, even though he has no knowledge or experience of the insurance business. They have also indicated that moving forward, the directors will receive a significant increase in remuneration. Clive is concerned as this will lead to a significant reduction in the dividends paid to shareholders.

Advise InsHoldCo Ltd in relation to the following issues:

i. The restructuring options that are available to the company and the legal procedures involved.
ii. The potential regulatory issues involved with the restructuring as it is proposed.

Advise Clive on the following issues:

iii. Whether he can prevent David from being appointed as a director of InsHoldCo Ltd.
iv. Whether he has any potential action against InsHoldco Ltd and/or Amos and Betty in relation to his removal as a director of the company and the subsequent events outlined above.

QUESTION 2 [25 marks]

Dipak, Elizabeth and Frances are directors of GuernseyHoney Ltd, a business involved in the production and export of organic honey produced in Guernsey. The company is a Guernsey private limited company. Each of the directors owns 20% of the issued shares in the company and the remainder of the shares are separated into small holdings, held by various minority shareholders. The company's Articles of Incorporation include an additional Article 33, which provides:

"The company must not enter into any transaction involving the sale or purchase of land with a value in excess of £500,000 unless the transaction is approved by an ordinary resolution of the shareholders."

GuernseyHoney Ltd has been successful and the business is growing, so there is an opportunity to expand. Dipak and Elizabeth have discovered an opportunity to buy 12 acres of land suitable for beehives and wildflower meadows near St. Sampson for £550,000. Frances believes that the transaction is risky and the land is in excess of GuernseyHoney Ltd's needs, so she has argued against the purchase. Dipak and Elizabeth told Frances that they have entered into the contract and that, furthermore, they intend to remove Article 33 from the company's Articles of Incorporation.

GuernseyHoney Ltd Is involved in a limited partnership with CandleWick Ltd to develop, market and sell candles made from organic beeswax. GuernseyHoney Ltd is the limited partner, having provided much of the capital necessary to set up the business and CandleWick Ltd is the general partner. The board of GuernseyHoney Ltd became concerned that the partnership's business was not progressing well and have inspected the accounts of the partnership and have advised CandleWick Ltd on the development of the business. In an endeavour to speed up progress in the business, the board of GuernseyHoney Ltd entered into a contract with a supplier for 500 candle moulds on behalf of the limited partnership. The board of GuernseyHoney Ltd is now aware that the limited partnership is in financial difficulties and has debts of £75,000.

In order to secure its supplies of organic honey and spread the risk of its commercial activities, GuernseyHoney Ltd incorporated a wholly owned subsidiary company, Organohoney Ltd. The board of GuernseyHoney Ltd appointed the directors of Organohoney Ltd and have appointed a health and safety manager who works for GuernseyHoney Ltd, but also provides advice to Organohoney Ltd. Gethin, an employee of Organohoney Ltd, was seriously injured when he was badly stung by some of Organohoney's bees. A health and safety investigation has indicated that Gethin's injuries resulted from inadequate smoke equipment and protective clothing for workers and the cost of compensation for his injuries is estimated at £150,000. Organohoney Ltd is on the verge of insolvency.

Advise GuernseyHoney Ltd on the following issues:

i. Whether the company is bound by the contract for the purchase of the land.
ii. Whether the company may be able to take action against any person in respect of the purchase of the land.
iii. Whether Article 33 can be removed from its articles of incorporation and any challenges that might arise if this is done.
iv. Whether it is likely to face any liability for the debts of the limited partnership with CandleWick Ltd.
v. Whether the company may face any liability for the activities of Organohoney Ltd.

QUESTION 3 [25 Marks]

Horatio owns several properties and some agricultural land in Guernsey, properties in the UK, and is also the owner and serves on the board of directors of a successful business, taking the form of a Guernsey registered company limited by shares, in marine insurance. The marine insurance business is licensed by the GFSC in relation to the provision of insurance services. Horatio has come to the view that it would be a good time to start moving towards retirement and would like to put the properties and land in Guernsey and the properties in the UK into a Guernsey Foundation (Foundation A) for the benefit of himself and his wife and his children and grandchildren. Horatio's grandchildren are all under the age of 8. Horatio wishes to retain some oversight of the Foundation but does not wish to be regularly involved in its management. Imogen and Janine, who are friends of Horatio, have agreed to run the foundation, but have indicated that they will likely need some advice and support in order to do so.

Horatio owns two houses in Jersey that he wishes to have managed for the benefit of his brother. Imogen and Janine have indicated that they would be willing to manage the properties.

Horatio is a councillor for a Guernsey foundation (Foundation B), set up by his friend, Karim. The foundation holds a wide range of assets for the benefit of Karim's children, including several properties in the UK. Horatio's fellow councillors are Lucinda and Martina. Horatio has largely left the running of the Foundation to Lucinda and Martina and he has recently become concerned as they have been unwilling to provide him with information about the affairs of the foundation and he believes that they may have sold some of Foundation B's assets at an undervalue. In the meantime, as a councillor of Foundation B, Horatio has been approached by the owner of a building next door to one that is presently owned by Foundation B, offering to sell the building at a very attractive price. Horatio believed that Foundation B did not have the financial resources to purchase the building, so purchased it himself and made a £75,000 profit when he sold it.

Horatio's fellow director in the marine insurance business, Neil, had a heart attack a month ago and has decided to step down from the business with immediate effect. This leaves the business with only Horatio as a director.

Advise Horatio in relation to the following issues:

i. The major considerations that should inform the creation of Foundation A and the support that may be available to Imogen and Janine in their management of Foundation A's affairs.
ii. The appropriate way for Horatio to achieve his objectives in respect of the two properties in Jersey.
iii. The steps that he might take to find out more information about Lucinda and Martina's running of Foundation B.
iv. Any liability to which the officials (including himself) of Foundation B may be exposed.
v. Any regulatory issues that might arise in relation to the marine insurance business in light of the circumstances set out above.

QUESTION 4 [25 Marks]

Prashant and Roxy are both 35% shareholders and directors of MarineServ Ltd, a Guernsey registered private limited company limited by shares. Simon owns the remaining shares in the company and serves as a director. The company's business is focused on the servicing and maintenance of boats. Prashant and Roxy's friend, Tina, who is an experienced marine engineer, often attends board meetings and offers advice.

Simon is concerned to discover that Prashant and Roxy have entered into a 3-year exclusive contract on behalf of MarineServ Ltd to purchase all of the parts that the company requires from BoatParts Ltd, a company owned and directed by Prashant and Roxy's son, Ulrich. He is also concerned to discover that the 'Guernsey Hauler', a tugboat that the company purchased for £150,000, has been found to be unseaworthy and requires £70,000 of repairs before it can operate again. Tina inspected the Guernsey Hauler before the company agreed to purchase it and assured the board that it was in excellent condition.

MarineServ Ltd is now facing some financial difficulties and is on the verge of insolvency. The board agreed to repay a loan made to MarineServ Ltd by Simon, which was due for repayment in 2029 with immediate effect. Prashant and Roxy have argued that MarineServ Ltd should continue to trade as they are hopeful that they will be able to secure some lucrative servicing contracts in the next 6 months. One of MarineServ Ltd's most significant debts is £200,000 owed to MajorBank plc. MarineServ holds 50% of the shares in EnviroGold Ltd, an oil recycling company and granted security over these shares in exchange for the loan from MajorBank plc. The share certificates were not passed to MajorBank plc because they were destroyed by a fire in MarineServ Ltd's office.

Advise MarineServ Ltd in relation to the following issues:

i. The potential of any of its directors to be liable for breach of duties or statutory obligations, including the remedies which MarineServ Ltd may be able to claim.
ii. Whether or not it may be able to avoid the contract with BoatParts Ltd.
iii. Whether the security agreement with MajorBank plc is effective.

Advise Simon in relation to the following issues:

iv. The steps that he might take in relation to any breach of duty by Prashant and Roxy.
v. His potential liability should MarineServ Ltd become insolvent.