

THE ORIGINS OF LIMITED LIABILITY IN ENGLAND AND WALES REVISITED

**Dr Stephen Copp,
Bournemouth University**

**A paper
delivered to the
Relational Finance Group,
London**

6th September 2004

ABSTRACT

The Limited Liability Act 1855 was one of the shortest pieces of companies' legislation to be passed consisting of merely a few pages. It provided for existing and future companies to be registered with limited liability subject to satisfying additional regulatory requirements, broadly concerned with minimum capital and publicity. There is a near universal consensus as to the importance of this legislation, often portrayed in extravagant terms both by proponents and detractors. Indeed, the concept of limited liability remains controversial with many arguing that its use should either be removed or restricted. In this context, the rationale for the introduction of limited liability becomes of critical importance, especially in developing a relational perspective on the company, since large companies have a major relational impact. A considerable economic literature has built up to investigate the theoretical explanations for the development of limited liability, some of which has been informed by historical insights but with much that is regrettably ahistorical. This paper will examine the historical origins of limited liability and the debates which preceded its enactment in the Limited Liability Act 1855.