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***Shareholders usually can't sue when a corporation is harmed, causing their shares to lose value, the Supreme Court has confirmed.***

This case dealt with a complex business structure. Mr. Brunette and Mr. Maynard managed a trust. The trust owned only one thing: 100% of the shares in a holding company (a company set up to own shares in *other* companies). That holding company owned shares in companies together known as the Groupe Melior, which owned and operated seniors' homes. In 2009, most of these companies went bankrupt after they received unexpected tax bills. These bankruptcies also caused the holding company to go bankrupt. Since the only thing the trust owned was shares in the holding company, it was now worthless.

The Groupe Melior's business structure was based on advice from lawyers and accountants. Mr. Brunette and Mr. Maynard said the lawyers and accountants didn't do their jobs properly. They said this caused the surprise tax bills, which caused the bankruptcies, which led to the complete loss of value of the trust. They also argued the lawyers and accountants were supposed to tell the trust about possible problems with the tax structure right away, but didn't. Mr. Brunette and Mr. Maynard sued the lawyers and accountants for \$55 million on the trust's behalf.

The main issue was whether the trust, represented by Mr. Brunette and Mr. Maynard, was allowed to sue the accountants and lawyers. Before the trial, accountants and lawyers asked the court to dismiss the case, arguing Mr. Brunette and Mr. Maynard clearly had no "interest" to sue. In law, having an interest means that the issue affects you in a personal and direct way. It is a necessary condition to have a judge hear your claim in court. If a person being sued thinks that the person suing them clearly has no interest, they can ask that a judge reject the lawsuit before a trial takes place. This makes sure that courts don't waste time and resources on cases that have no chance of success. In the present case, the issue was whether the trust had a sufficient interest for the case to go to trial.

The problem with the claim was that the trust was only a shareholder of the companies that went bankrupt. In Quebec's civil law, as well as the common law used in the rest of Canada, shareholders usually can't sue for damages to a company they hold shares in. This is particularly true if the damage results in a loss in value of their shares. Only the company has the right to sue. This is in part because the law considers that when damage is done to a company, shareholders are harmed only indirectly. According to the *Civil Code of Quebec*, only direct harm can be claimed in court. The only time shareholders can sue is if the wrongdoer owes them a separate legal duty than the one owed to the corporation, and that this causes a separate harm to the shareholders. In order to decide if the trust had an interest that would give it the right to sue, the court had to decide if the lawyers and accountants owed it a separate duty and caused it a separate and direct harm.

The trial judge and Court of Appeal agreed that the trust couldn't sue.

The majority at the Supreme Court agreed with the lower courts. It said the Groupe Melior corporations were directly harmed, but not the trust. The lawyers and accountants did not have an obligation to inform and advise the trust about the Groupe Melior's tax structure. Also, the trust's loss was the same as that lost by the Groupe Melior corporations (the value of the seniors' homes). It was the exact same harm, which meant that it couldn't be claimed by the shareholders, only by the companies. The majority noted that the business structure was designed to protect the trust from having to pay the Groupe Melior's debts. But this also meant it couldn't exercise the corporations' right to sue.

This case came from Quebec, which uses the civil law. Both systems apply different rules to solve legal problems. Because they are different, they don't always end up with the same result. But often, like in this case, they do.

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**Breakdown of the Decision:** *Majority:* Justice Malcolm [Rowe](#) dismissed the appeal (Chief Justice [Wagner](#) and Justices [Abella](#), [Moldaver](#), [Karakatsanis](#), [Gascon](#), [Brown](#), and [Martin](#) agreed) | *Dissenting:* Justice Suzanne [Côté](#) said the trust had sufficient interest to sue, and would have allowed the appeal to let a trial judge decide the claim

**More information (case # 37566):** [Decision](#) | [Case information](#) | [Webcast of hearing](#)

**Lower court rulings** (in French only): [decision](#) (Superior Court of Quebec) | [appeal](#) (Court of Appeal of Quebec)

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