

HOUSE OF GUCCI AND SHAREHOLDER DISPUTES

Written by [Claire Daly](#)

I recently watched the 2021 American biographical crime drama film 'House of Gucci'. Until seeing this film I had no idea that in 1995, Maurizio Gucci's ex-wife paid a hitman to kill him, so incensed was she by his infidelity and the resulting divorce.

Another key aspect of the storyline was the breakdown in the relationship between the then owners of the company - Maurizio Gucci, his uncle Aldo and cousin Paolo. As a result of their different 'vision' for the famous fashion design company, in 1989, Maurizio Gucci teamed up with Bahrain-based investment banking and asset management company Investcorp, persuading them to make an offer and subsequent purchase of 50 percent of Gucci shares from his uncle and cousin.

We recently published an article explaining the importance of front footing any issues between the owners of a company by putting in place a [Shareholders Agreement](#). But what happens when there is no agreement and a dispute arises, for example,

- A shareholder is excluded from the management of the company
- The majority shareholder frequently ignores the rights of the minority shareholder
- There has been misappropriation of company assets
- There is a conflict of interest where one shareholder also has shares in a competing company
- There is deadlock in the company and consequently no decisions can be reached

Ideally, a shareholder dispute should be managed without recourse to full litigation, not least because it can lead to considerable expense and disruption for the business. For example:

Mediation – Mediation may be used to assist the parties to resolve the deadlock themselves, but will not provide a final resolution if the parties are unable to agree on a solution to the deadlock.

One shareholder could offer to buy the shares in the Company, or some other similar arrangement – As it turned out, by 1995, Investcorp's leaders felt that Maurizio had mismanaged Gucci so much, they felt compelled to buy him out – ending the Gucci family's interest in the business.

In a buy-out scenario, to ensure that the price paid for the transfer of shares is fair, a professional valuation of the company should be undertaken.

Outsider's vote - An independent third party could be appointed to assist in the decision-making process. For example, a non-executive director could be appointed.

However, in the context of Northern Ireland SMEs, it is often difficult to find someone with appropriate business expertise wishing to take on significant risks and responsibilities in return for relatively limited rewards.

Arbitration or expert resolution – Referring a dispute to an external expert or arbitrator could unlock deadlocks at either board or shareholder level. However, such referrals are really only suitable for a limited range of disputed matters, which are more factual in nature.

When all other avenues have been exhausted to break a deadlock, which is usually combined with a collapse in trust and confidence generally, the shareholders may revert to making an application to the courts. At a very high level, typically, that application will be:

Unfair Prejudice Petition - An unfair prejudice petition on the basis that the company's affairs are being conducted in an unfairly prejudicial manner.

If the court finds there has been unfair prejudice, it has a number of options available when making an order. It could insist that the company implement a new practice, change its procedures, cease from doing something or even order the sale of shares to a specific person or group.

Derivative Claim - A shareholder can bring a derivative claim in the name of the company in respect of negligence, default, breach of duty or breach of trust against present or former directors.

The court may order an injunction to stop a breach of duty from continuing, award damages or return of company property or rescind a contract, for example, where a director held an undisclosed interest.

The claim is run by shareholders on behalf of the company, so anything recovered in the action goes to the company initially.

Winding up petition on just and equitable grounds - The most extreme application in shareholder remedies is for the company, even though solvent, to be compulsorily wound up, meaning it would be placed into liquidation by the court and its business would come to an end.

It is possible, with early intervention, for parties to agree to resolve their differences and for the affected business to continue without major disruption. It is important that the parties explore settlement options available to them before resorting to recourse via the courts. CavanaghKelly can assist in relation to arriving at a successful and long-term resolution. Therefore, should you wish to discuss any of the above, please contact Claire Daly or Caoimhe Lowe on 028 8775 2990.

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