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The Influence of Companies on the Legal, Political and Economic History of Nigeria

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Abstract
The Company is one of the most influential inventions of all time. This legal creation gave birth to the industrial revolution which underpins our modern life by providing a platform which allowed people pool their resources together to change forever the way in which business is done .[1] This is true for Britain as it was the catalyst for the birth of the British Empire and for the world in general, fueling globalization as we know it today. The development of the Joint Stock Company also played a crucial role in the development of the legal, political and economic history of Nigeria. However most of the extant research on the history of Company Law in Nigeria have not been able to make this important connection, focusing rather on the narrow narrative on how the legal rules were adopted in Nigeria. This paper instead explores the much wider political and economic development of Nigeria through the prism of the history of company law in Nigeria. This approach is particularly important at this stage in the country's company law development as the clamor for the reform of the Companies Allied Matters Act (CAMA)[2] intensifies. It is important to understand the journey of the company so far in every ramification, to better appreciate what role it should play in the future. To do this effectively, this paper traces the history of the company by employing a socio legal studies methodology.[3]
Keywords: company law, reform, history, economic development, political development

1. Introduction: The Early History of Companies

The earliest recorded form of corporate associations, akin to the modern corporation, are the different trades that were regulated by the guilds of merchants. These guilds usually conferred on their members a monopoly of dealing in a particular kind of commodity. These bodies sometimes acted as a consortia, with merchants clubbing together to negotiate better prices for raw materials and transport.[4] At Common law, the only means of incorporation were by Royal Charter or Statute, with the original purpose basically being to confer protection and status.[5] The grant of a Royal Charter was often for charitable purposes such as founding a new college or the incorporation of an existing college at Oxford of Cambridge.[6] Later on as the guild system became subject to abuse and therefore declined, Royal Charters were used to regulate particular trades.

The boom in colonial trade gave rise to an increase in merchant ventures and therefore increase in the grant of Royal Charters to provide for the proper organization of trade, the development of new trade, and colonization. For instance, Columbus (1451-1506), Magellan (1480-1521), and Vasco da Gama (1469-1524) were all recipients of Royal Charters that gave them exclusive rights within the different parts of the world in which they operated.[7]These merchant voyages required a lot of capital and this invariably led to the advent of the concept of Joint Stock; which involved a grant of monopoly to a group of individuals who raised stock for the exploitation of the monopoly. The East India Company was the first to combine incorporation, overseas trade and joint stock to raise equity from the general public.[8] As the joint stock concept evolved, it became possible for individuals to bind together and lend money to the government and in return obtain a Royal Charter incorporating the group as a joint stock company. The concept of modern companies was therefore evolving very quickly at this time.

The rapid progression of Joint stock companies in England however slowed down after the South sea bubble.[9] The events leading to this significant incident started in 1711 when a lawyer and financier John Blunt formed a company named "The Company of Merchants of Great Britain Trading to the South Seas". This company originally formed to trade in Spanish America offered to cover the national debt by buying out either for cash or shares all other creditors. The government of Britain being in severe debt at the time agreed to this scheme. The company persuaded the Parliament through persuasion and by bribing some Ministers to pass the

[1] Micklethwait J. and Wooldridge A. 'The Company: A Short History of a Revolutionary Idea" Phoenix, London 2005, pg. 3.
[2] Companies and Allied Matters Act, Cap 59, LFN 2004
[3] Socio-legal studies, looks at the realities of the law in action, the social effects of law and the wider questions of social structure and locates legal practices within the context of other social practices that constitutes its immediate environment. See the following: Harris, D.R. 'The Development of Socio-Legal Studies in the United Kingdom' (1983)3 (3) Legal Studies, pg.315; Lacey, N. 'Normative Reconstruction in Socio-Legal Theory (1996) 5 Socio Legal Studies pr. 131
[4] Micklethwait J. and Wooldridge A. supra, atpg. 22
[5] Cooke C.A. Corporation Trust and Company (1950)
[6] Farrar et al ' Farrar's Company Law' 2nd Edition, Butterworths, London and Edinburgh pg. 15
[7] Micklethwait J. and Wooldridge A. Supra
[8] Micklethwait J. and Woold ridge A. Supra
[9] John Law's Mississippi Company also collapsed in France in 1720 to a devastating effect.

South Sea Act, which empowered the company to pay anyone who had government annuity the amount which was due to him with shares in the company. The close connection with the government encouraged people to invest in the company leading to a spike in the value of the shares from €100 to €1000 within a few days making John Blunt and his colleagues very rich. This quick route to fortune did not go unnoticed as several people came up with similar schemes. However, in 1920 the bubble inevitably burst, when during the proceedings against other joint stock companies people realized that the shares were grossly overvalued. All the companies including the South Sea Co were unable to meet their obligations leading to the arrest and imprisonment of all the directors of the company including the Chancellor of Exchequer. The Bubble Act, was passed prohibiting a company from acting as a body corporate and from raising transferable shares without the legal authority of the Royal Charter or Act of Parliament. This made it extremely difficult to set up a new joint stock company.

Given that the Royal Charters and Acts of Parliament were now difficult to obtain; much was left to the ingenuity of the legal draftsmanship. This led to the deed of settlement companies drafted so as to comply with the Bubble Act. These companies were a combination of trusts and associations. Therefore, its assets were held in trust by trustees but its businesses were managed by managers or directors so that what an investor obtained was an interest in the trust fund. However, deed of settlement companies were still susceptible to prosecution under the Bubble Act. This finally led to the repeal of the Bubble Act in 1825 at the behest of the Board of Trade.

The English Companies Act came into effect in 1844 providing for the first time for incorporation on registration. However, this Act did not provide for limited liability or winding up of companies. This was later provided for under the 1856 Act which abolished the old system of provincial registration and introduced a modern form of constitution, consisting of articles of association, winding up procedures and limited liability. The 1862 Companies Act was even more comprehensive, introducing companies limited by guarantee and unlimited companies.

2. The Early History of the Territory

The geographical expression currently referred to as Nigeria was first explored by the British in 1830 by the Lander Brothers in 1830. Richard Lander returned a few years later without his brother to establish a trading post for the African Steamship Company at the confluence of the Niger and Benue Rivers (present day Lokoja, Kogi State, Nigeria). This expedition failed with 40 out of 49 crew members dying of fever and wounds from attacks by Natives.[1] However, the establishment of the African Steamship Company in West Africa led to other companies springing up within the territory, facilitating trade between the natives and the Europeans. It must be noted that all the companies that carried on business in Nigeria prior to 1876 were all foreign as the locals were not formally organized. These foreign companies merely operated by virtue of their foreign statuses since there was no local laws regulating companies at the time.[2]

The European companies entered into treaties with local chiefs which compelled the natives to trade solely with the company or through the company's agents. In those early days, the natives were organized into small kingdoms. The European businesses relied mainly on their countries for informal protection since there were no centralized governing authorities within the territories. Flint explained the process of trade between the European traders and the natives:

"*Spirits, especially gin and rum, were the standard barter goods offered in exchange for palm oil and kernels. Liquor was practically a currency in this trade, without which it was impossible to obtain palm oil in any quantity. Above the palm oil region, the Emirs would not allow trade in shea-butter or ivory unless arms and ammunition were given as barter goods, or at least presented to the rulers as "dash" for permission to trade. Any trader who tried to break into the Niger without liquor or arms to offer the African in exchange for his produce would make little headway. A little salt, some tobacco, and minute quantities of Manchester cotton goods were the only other European imports of any significance*"[3]

Note however that as time progressed, the method of payment became increasingly sophisticated. At first, the European traders would issue paper receipts to the African traders, who were free to redeem them for goods at their leisure, thereby ensuring the separation of buying and selling.[4] Cash trading was later introduced within the territory at around 1880 by the German firm, G.L Gasier.[5] In this early period, trade was characterized by fierce competition amongst the different European companies. This in turn led to reduced prices and profits were so minimal that they were not sustainable.

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[1] Royal Niger Company, Found at: https://en.wikipedia.org/wiki/Royal_Niger_Company, Last accessed 28th of September 2016
[2] Orojo Olakunle 'Company Law and Practice in Nigeria' 5th Edition, Lexis Nexis, Butterworths, South Africa, pg. 17
[3] Flint J.E. 'Sir George Goldie and the Making of Nigeria (London 1960)
[4] Pearson Scott 'The Economic Imperialism of the Royal Niger Company, Found at: http://ageconsearch.umn.edu/bitstream/135014/2/fris-1971-10-01-278.pdf (Last accessed on 16th of September 2016
[5] Olukoju Ayodeji ' The Liverpool of West Africa: The Dynamics and Impact of Maritime Trade in Lagos 1900-1950' Africa World Pres inc Asmara Eritrea

3. The Birth of the Royal Niger Company –George Dashwood Taubman Goldie (May 20, 1846 – August 20, 1925)

It has been noted by so many historians that George Goldie was perhaps the most influential person to have contributed to the creation of Nigeria and indeed ensuring that the territory remained within the British sphere of influence for a considerable period.[1] His influence has frequently been equated to that of Cecil Rhodes in South Africa.[2] However, very little has been written about him because he destroyed all his papers before his death and is said to have placed a curse on any of his children that ever wrote anything about him. [3] George Goldie was born into money and rank as George Dashwood Taubman at Nunnery Douglas in the Isle of Man, the youngest son of Lieutenant Colonel John Taubman Goldie, who was the Speaker of parliament in Manx. He was educated at the Royal Military Academy, Woolich and for 2 years held a commission in the Royal Engineers. He dropped his German surname "Taubman" and assumed the name 'Goldie" in 1887 after he was knighted. Prior to finally settling in Nigeria, he had travelled across Africa gaining extensive knowledge of the continent and therefore had considerable understanding of the natives by the time he finally settled in Nigeria. He first arrived Nigeria in 1877.

Upon arrival he noticed the fierce competition amongst the several European trading entities and its effect on their margins and how this strengthened the negotiating powers of the natives. He was convinced that the solution to this was to strive towards creating a monopoly. First he wanted to create a system that would allow his company rights to trade exclusively with the natives, thereby ensuring that his company enjoyed superior advantage over other companies and also the natives. To achieve this, he devised a strategy for consolidating the major trading companies operating within his area of operation. By 1879, Goldie had successfully amalgamated James Crowther West African Company, David Macintosh's Central African Company, William Brothers and James Pinnock's firms into a single company known as United African Company. Even though Goldie was a minority shareholder of the consolidated corporation, he had garnered enough respect from the other shareholders to become the managing director charged with running the consolidated company.

However, this initial first wave of consolidations did not stem the tide of the entry of new competition into the territory, especially from French and German companies. Goldie decided that the ultimate solution was to secure a royal charter. His first attempt in 1881 to procure a Charter was denied by the Gladstone Administration. Two principal reasons were given for the refusal: that the international rivalry occasioned by such a grant might lead to unnecessary conflicts between rival European nations and secondly, that the firm was undercapitalized for the expense of genuine colonial administration.[4] Goldie addressed these concerns by way of creative accounting (by 19th century standards), increasing the company's capitalization to £100,000 by forming a new company, the National African Company (NAC), which purchased the assets of the existing company. He also managed to put together £1,000,000 of investments in the new entity.

4. The Royal Niger Company

The emergence of recurring competition from different sources further convinced Goldie that the only way to finally obliterate any form of competition was through the grant of a Royal Charter. The resistance by politicians in the United Kingdom to sanction such a charter was influenced greatly by the unpopularity of chartered companies occasioned by the catastrophic collapse of the British East India Company earlier in 1858. The notorious reputation of corruption, abuse of power and mismanagement of finances, acquired earlier by the East India company had led to disdain for chartered corporations. Goldie solved this problem by cultivating and appointing names of repute to the Board of the company. This extended the influence of the company in high places in England.

Despite Goldie's remarkable success in orchestrating a series of amalgamations, European politics still prevented NAC from exerting complete control of trade within the region. Apart from constant interference from the French, the Germans had also entered the fray. Matters got to a head amongst the European super powers leading Chancellor Otto Bismarck to propose a conference in Berlin to secure free navigation and define areas of interest amongst the Europeans. Goldie realized that this was a great opportunity and that if he was to be successful in creating the monopoly he had long desired, he had to eliminate the competition from the French once and for all before the conference, as that would allow him finally declare the territory completely within the control of the British. Goldie set about this task meticulously and with great focus. He lent his private fortune to the NAC to enable the company break existing French resistance by trading at very low prices until all the small French companies could not sustain the losses that they were accumulating any longer and sold out to the NAC. He had succeeded in buying out the French's Equatorial African Association and the Senegal Company and also

[1] Ian McCall 'Sweet Pass Kerosene: Nigeria, A Personal History' at: http://www.ianmccall.co.uk/george_goldie_1.htm
[2] Encyclopedia Britannica, Sir George Goldie. Found at: https://www.britannica.com/biography/George-Goldie (Last accessed 29th of September 2016)
[3] Tatabonko Orok Edem 'George Taubman Goldie- The Founder of Nigeria' Found at: https://dawodu.com/edem2.htm
[4] Royal Niger Company Wikipedia Supra

the English Liverpool and Manchester Trading Company. Protracted negotiations however continued with the biggest French company, *Compagnie Francaise del'Afrique equatoriale*. this was finally concluded barely a week before the conference. NAC acquired the remaining French company by exchanging their shares with that of NAC. This deal in particular greatly enhanced the reputation and status of the company as quasi-official representative of the British Government in the territory.

The death of Leon Gambetta in 1882 had also deprived the French companies of support within the French government and consequently, the subsidies they hitherto enjoyed. Therefore, through sheer guile and by a stroke of good fortune Goldie was able to upstage what was left of his competition. By 1884 he had created a monopoly for the British within the territory and was instrumental to Britain being able to resist French and German calls to internationalize trade on the Niger River during the Berlin Conference on African Nationalization. George Goldie attended the conference himself and spoke at the conference as an expert on matters relating to West Africa. He successfully argued for the inclusion of the territory under NAC's operations within the British Sphere of interest.

Despite the remarkable success of Goldie and by extension the British at the Berlin conference, some members of the Cabinet in Britain were still reluctant to grant Goldie the Charter he so much desired. While the prevarication was still going on within the British Government, Goldie proposed a resolution at Board level that since there was no government action forthcoming, the company was free to open negotiations with any foreign country, with the object of placing itself under the flag of that country and transferring its treaties and territory which it was in effective occupation. He effectively ensured that this resolution was leaked to members of Parliament.[1] This finally compelled the government to seek a compromise solution. Goldie finally received Charter in July 1886 after over 9 years of trying and the National African Company became "The Royal Niger Company Chartered and Limited" with Lord Aberdare as Governor and Goldie as Vice Governor.

The first regulation issued by the Royal Niger Company after receiving its charter was the tariff and licensing regulations. These rules were basically designed to restrict trade and maintain the company's monopoly status. For example, ships could only berth at designated ports where 100% import duties were levied. Excessive duties were also charged on the value of spirits which were essential for the barter trade.[2] The company also claimed property rights on all land adjacent to the river and would not sell any wharves or warehouses. This made it nearly impossible for other companies to trade within the territory.[3]

The actions of the Royal Niger Company caused a lot of dissatisfaction amongst different interest groups. The first group were the remnants of the Liverpool trading companies called the African Association, which operated outside of the territory covered by the charter but which were nevertheless affected by the actions of the company. The regulations adversely affected their trade in palm oil with the natives. However, it is reported that this group also haboured ambitions of obtaining a Charter to cover their area of operations.[4] For this reason, they did not complain too loudly about their predicament as it would discredit the concept of chartered companies and destroy their chances. The shipping companies were also at the receiving end of the policies of the Royal Niger Company as its monopolistic activity threatened to put them out of business. However, the major issues were with the natives who bore the brunt of the decisions of the company. The natives protested bitterly about being excluded from the booming trade which had been their source of livelihood. They were treated as foreigners under the regulations. Their only option was to resort to smuggling to make any money for themselves. This state of affairs practically alienated the natives and consequently made them very aggressive. In January 1895, some 1500 native warriors attacked the company's headquarters which had minimal security, pillaging the site and taking away prisoners. The company retaliated and destroyed the entire Brass kingdom. This same scenario was replicated in the Northern region of the country, where a war broke out between the company and the Fulani natives. The constant violence and unrest was however beginning to take its toll and the British Government had to take action. There were also growing interference by the French which attempted to take a part of the territory.

The Royal Niger Company governed the territory from 1886 until 1899. However due to the increasing restiveness within the territory, it had become progressively difficult for the company to continue to operate. More importantly, the British Government had also come to the realization that it was difficult for a chartered company to hold its own against the state sponsored protectorates of France and Germany which defiantly continued to operate within the fringes of the territory. On 1st of January 1900 the Charter was revoked and the territory was transferred to the British Government for the sum of £865,000.

Following the revocation of the Charter of the Royal Niger Company, the company changed its name to the Niger Company Limited in 1900. In 1919, the Niger Company was bought by Lever Brothers. In 1929, Lever Brothers merged its two existing companies in Nigeria, the Niger Company and the African and Eastern Trade Corporation. The resulting entity was called the United African Company, now fully owned by Lever Brothers.

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[1] Ian McCall Supra
[2] ibid
[3] ibid
[4] ibid

The name of the company was changed to UAC of Nigeria Limited on 1st of March 1979. The United Africa Company continued to exist as a subsidiary of Unilever until 1987, when it was absorbed into the parent company with the divestiture of Unilever. The company formally exited the trading business between the 1980s and 1990s effectively transforming itself into the major manufacturing conglomerate it is today.

From the narrative above, it is evident that this artificial contraption, the Royal Niger Company, played a prominent role in the creation of the country called Nigeria, provided the bureaucracy that administered the country and also had an overwhelming influence on the growth of business within the territory. This more than anything underscores the rich influence of corporations in the development of countries. The role of the company might have evolved from its overbearing political influence in the days of the Royal Niger Company but its function as a catalyst for economic development has not stalled, if anything it has increased with the birth of global companies with branches across the entire globe and with revenues outstripping that of most countries. It is more than evident that if Nigeria is to achieve its potential, its growth would be driven by companies. Therefore, the way in which Nigeria structures and reforms its companies' legislation in the 21st century will play a pivotal role in determining whether the country achieves its immense potentials.

5. The Development of Company Law Post the Royal Niger Company

As can be noted from the above, the history of Nigerian company law is intertwined with the political and legal history of the country. Despite the fact that Lagos became a British colony by 1861, the first companies' legislation in Nigeria did not come into force until much later. Indeed, a formal legal system was only introduced within Nigeria in 1876, when the Supreme Court Ordinance was promulgated for the Colony of Lagos. After the proclamation of the Protectorate of Northern Nigeria and the Protectorate of Southern Nigeria, the Supreme Court Proclamation 1900 of Southern Nigeria 1900 and the Supreme Court Proclamation of Northern Nigeria 1902 were introduced to create the Supreme Court for each of the Protectorates. In 1914, the amalgamation of the two Protectorates and the Colony of Lagos was completed, leading to the proclamation of the Supreme Court Ordinance of 1914 to cover the whole country. S. 14 of the Ordinance provided as follows:

"Subject to the terms of this or any other Ordinance, the common law, the doctrines of equity, and the statutes of general application in England on the 1st day of January 1990 shall be in force within the jurisdiction of this court".[1]

Therefore by virtue of S, 14 of this Ordinance, the English Common Law and the doctrines of equity became part of the Nigerian company law subject to relevant local statues that were later enacted. This is how English decisions like Salomon v Salomon, relating to separate corporate personality and Trevor v Whitworth, relating to capital maintenance became part of Nigerian company law.[2] The relevant statutes of general application that became applicable to Nigeria by virtue of the Supreme Court Ordinance were the English Companies Act 1862, which consolidated the Joint Stock Act 1856 and all its subsequent amendments. It will be recalled that it was this statute that effectively allowed the conferment of the cloak of limited liability by registration and also introduced the modern form of the memorandum and articles of association in place of the hitherto used deeds of settlement. Although the 1862 Act was applicable to Nigeria by virtue of being a pre-1900 English statute of general application, it could not be administered under local circumstances as the facilities for such administration were not available locally.[3] The result was that foreign companies carried their incorporation status in their home countries to Nigeria and this was duly recognized under Nigerian law.[4] Therefore companies like the Royal Niger Company though never incorporated in Nigeria even after 1900, continued to enjoy the trappings of incorporation granted by their home jurisdictions.

The first companies' legislation that ever applied specifically to the geographical expression now known as Nigeria was the Companies Ordinance of 1912 which was primarily based on the United Kingdom Companies Act of 1908 -the English statue that was then in force. This Ordinance applied only to the Colony of Lagos, until it was amended in 1917 and extended to the whole country by the Companies Amendment and Extension Act of 1917. This extension only became possible with the amalgamation of Southern and Northern Nigeria in 1914. The key contribution of the Companies Ordinance of 1912 to Nigeria's company law is that it introduced the procedure for incorporating companies through registration. Accordingly, the object of the ordinance was "To provide for the formation of limited companies within the Colony and Protectorate. It is hoped thereby to foster the principles of co-operative trading and effort in the country".[5]

The 1917 Ordinance was later repealed and replaced in 1922 by the Companies Ordinance of 1922 which came into force on the 7th of December, 1922. The 1922 Ordinance was based mainly on the UK Acts of 1908

[1] The Supreme Court Ordinance and Rules of Court, 1914.
[2] Orojo Spra
[3] Orojo Supra
[4] Orojo Supra
[5] Southern Nigeria Gazette Extraordinary No.8. Volume 7 of February 5 and 7, 1912, pg xii

and 1917.[1] This Ordinance underwent three further amendments in 1929, 1941 and 1954. In 1963, the Ordinance was designated Companies Act and was in force until its repeal in 1968.

The first major indigenous companies' statute was the Companies Act of 1968, which came into force during a military regime. It was therefore then known as the Companies Decree No.51 of 1968. The major contribution of the 1968 Act is that it introduced the compulsory local incorporation of foreign companies and the requirement to publicize the affairs of the company in the interest of shareholders and the general public. However, even this statute was greatly influenced by the UK Companies Act of 1948 and was greatly criticised for not going far enough in making the changes required to truly localize company incorporation, administration and regulation. It appears that the reason this Statute fell short of the expectations of practitioners was that the process leading up to the enactment of the Act was not subjected to the full consultation of stakeholders.[2]

The 1968 Statute was later replaced by the Companies Act of 1990, now known as the Companies and Allied Matters Act 2004.[3] The 1990 Act could thus be said to be the first real homegrown company law statute, in the sense that it was conceived and delivered to tackle specific local issues and peculiarities which the 1968 law did not address.[4] The process leading up to the enactment of the CAMA enjoyed an extensive consultative process. Firstly, there was a review of Nigerian Company Law undertaken by the Nigerian Law Reform Commission (NLRC) in 1987. The objective of the NLRC was to evolve a comprehensive body of legal principles and rules governing companies suitable for the circumstances of the country.[5]The Report produced by the NLRC was then put before a Consultative Assembly on Company Law in 1988. This finally led to the enactment of CAMA 1990. This Act has been subject to a number of minor amendments with the most significant being the 1999 amendment by the Investment and Securities Act, 1999 which repealed Part XVII (Sections 541 to 623 of the Act) and re-enacted the sections as Sections 1 to 148 of the Investment and Securities Act 1999, which has also been subsequently been repealed and replaced by the Investment and Securities Act, 2007.

One major trend, obvious from the discussion above, is the overwhelming influence of English law on Nigerian Company Law which is due to the country's colonial history and therefore its common law heritage. Indeed, the sources of Nigerian Company Law encompass the English common law and doctrines of equity, some inherited English statues,[6] Nigerian Legislations and subsidiary legislations and case law. Thus, while Nigerian company law has historically followed the reforms and modernization of English law,[7] the past three decades have seen a departure from this trend as Nigeria now has its own homegrown legislation in the true sense of the word. On the downside however, there has been no significant amendment to the Companies and Allied Matter Act for 28 years, meaning that Nigerian law in this area is now static.

6. Conclusion: Need for Further Reforms

It is now nearly three decades since the last major reform of Nigerian company law. Since then, globalization has taken firm root as the world economy has become more fast paced with technology startups being very prominent. The growth of companies like Apple, Amazon, Facebook and the like has provided new models for doing business. The idea of large hierarchically structured corporations, as the desired model for operating corporations, have also given way to notions of smaller, nimbler horizontally structured entrepreneurial startups. New business models therefore demand greater flexibility both in the manner in which companies are incorporated, the ownership structure and the ability to raise capital. Nigerian company law reform must reflect these developments if the country is to keep pace with the rest of the world.

Also, progressively, companies are no longer vehicles just for profit-oriented trade but are now used as much for charitable and social purposes. The importance of companies to the country's economic and social wellbeing cannot therefore be overemphasized. Reforms are urgently needed to further make it easier for the use of companies for social cohesion and charitable causes in Nigeria. The current incorporation process for incorporated trustees is quite cumbersome and the post incorporation regulatory process too lax, making it easy for unscrupulous trustees to use these entities for self-serving purposes.

Also, for years, regulators have tried to deal with the so-called agency problems that necessarily arise from the way companies are structured. In most large corporations particularly,, managers are typically not shareholders, thereby increasing the likelihood of non-alignment of the interests of parties. Companies have invented different approaches for addressing this issue, the law must keep pace and enable companies, shareholders and managers enter into contracts that pursue these purposes. A good example of where a new

[1] Okene OVC 'Development in Company Law , Some Reflections' University of Benin Law Journal (2002) Vol. 7 pg. 105-115
[2] Orojo supra
[3] Cap C20 LFN 2004
[4] Orojo supra 17
[5] Orojo supra
[6] Generally referred to as Statutes of general application.
[7] Even the 1965 legislation was more or less a reproduction of the 1948 UK Companies Act, in addition of some of the recommendations of the Jenkins Committee.

Companies Act can add value is to further enable and make it easier for companies to allot vesting shares. The concept of vesting shares allows managers with share options to acquire shares in instalments when they meet certain targets and milestones.

The conferment of the status of limited liability was instrumental to the growth of modern companies as it allowed the pooling of resources, no matter how little, by disparate individuals, for trade. This is how the modern railways and other infrastructure were built. However, in return for the grant of the privilege of limited liability, parliament demanded stringent rules to check fraud and abuse of this privilege. Company law reform has always focused on how to balance these rights conferred by limited liability and protect creditors and other vulnerable groups. Most developed economies have loosened the grip on directors; favoring the need not to restrain the ingenuity and creativity of managers over a stricter approach that curtails inventiveness and investment. Nigerian company law as it is today, is still suffering the hangover of the South sea bubble, favouring the stricter approach of completely barring or limiting managers of companies from carrying on a number of transactions. There is a need for company reform to give more responsibility to managers and directors of businesses without shackling them. However, such responsibility must be matched with increased disclosure requirement by companies and also a concomitant increase in the level of sanctions for breach of these responsibilities.

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