

SOUTH AFRICA / JUDGMENT

Steyn and Another v Venter and Others (096/2024) [2025] ZASCA 59 (14 May 2025)

[2025] ZASCA 59

COURT

Supreme Court of Appeal

BEFORE

Zondi, Weiner, Kathree-Setiloane, Keightley, Coppin

CASE / FILE NUMBER

096/2024

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FLYNOTES:

CIVIL
PROCEDURE – Prescription – Close
corporation –
One
member instituting action against others on behalf of CC –
Plea of prescription – Completion of prescription
delayed
where debtor a member of governing body of the juristic person –
High Court dismissing plea – Members
of CC collectively bear
responsibilities and obligations typically associated with
governance – Members of CC comprise
its governing body for
purposes of section 13 of Prescription Act – Close
Corporations Act 69 of 1984, s 46 – Prescription Act 68 of
1969, s 13(1)(e).
THE SUPREME COURT OF
APPEAL OF SOUTH AFRICA

JUDGMENT

Reportable

Case no: 096/2024

In the matter between:

OCKERT JACOBUS STEYN

FIRST APPELLANT

LIEZE VAN DER MERWE

SECOND APPELLANT

and

WERNICH VENTER

FIRST RESPONDENT

HARTZER & STEYN BELEGGINGS CC

SECOND RESPONDENT

THE MINISTER OF MINERAL

AND ENERGY RESOURCES

THIRD RESPONDENT

Neutral citation: Steyn and Another v Venter and Others (096/2024)

[2025] ZASCA 59 (14 May 2025)

Coram: ZONDI AP and WEINER, KATHREE-SETILOANE, KEIGHTLEY and COPPIN JJA

Heard: 18 March 2025

Delivered: 14 May 2025

Summary: Prescription Act 68 of 1969 – Close Corporations Act 69 of 1984 – whether claims instituted by the first and second respondents against the appellants have prescribed by virtue of the provisions of s 10(1), read with s 11(d) of the Prescription Act – whether a close corporation has a governing body as contemplated by s 13(1)(e) of the Prescription Act – if so, whether this subsection delayed the completion of the running of prescription against a member of the close corporation.

ORDER

On appeal from: North West Division of the High Court, Mahikeng (the high court, Reid J, sitting as court of first instance):

The appeal is dismissed, with costs to be paid by the appellants jointly and severally, the one paying the other to be absolved.

Weiner JA (Zondi AP and Kathree-Setiloane, Keightley and Coppin JJA concurring):

[1] The appellants, Ockert Jacobus Steyn and Lieze Van Der Merwe and the first respondent, Wernich Venter, are all members of the second

respondent, Hartzer and Steyn Beleggings CC (the CC). Mr Venter, on behalf of the CC, in terms of s 50 of the Close Corporations Act 69 of 1984 (the CC Act), instituted an action against the appellants.[1] The claims were based upon the appellant's obligation to repay loans to the CC, alternatively on their unlawful misappropriation of the CC's funds.

[2] Claim one relates to an immovable property, previously owned by the CC. It was acquired in 1999 and sold for R4 million. On 9 March 2009, the purchase price was paid to the appellants (or to Mr Steyn and Ms Van der Merwe's father, Mr Hartzer, on her behalf). The respondents contended that the purchase price should have been paid to the CC. The appellants submitted that the cause of action arose on 9 March 2009, which is more than 11 years before the summons was served and accordingly the claim had prescribed.

[3] Claim two concerns rental income generated when the farm owned by the CC was leased to Abathali Boerdery CC. The rental was not paid to the CC but to Mr Steyn and Mr Hartzer, on behalf of Ms Van der Merwe. The amounts claimed were for rentals paid from 2001 to 2008 (rental payment claims). It was contended by the appellants that each rental payment claim would prescribe on a different date, the latest date being 12 years before the summons was served. The earliest claims relating to the 2001 rent, arose 19 years

before the summons was served.

[4] Claim three concerns payments allegedly made to the appellants (or to Mr Steyn and Ms Van der Merwe's father, Mr Hartzer, on her behalf) from funds belonging to the CC. The impugned payments commenced on 14 January 2005; the last payment was made on 30 May 2013. Each payment would accordingly be subject to a different date of prescription. However, in respect of all the payments, the claims arose more than three years prior to the summons being served.

[5] The appellants filed a plea of prescription in respect of all three claims.[2] The respondents replicated and denied the plea of prescription. They alleged that the appellants and the first respondent are currently, and have at all material times been, members of the CC. Accordingly the completion of prescription was postponed and or delayed in terms of s 13(1)(e) of the Prescription Act, which provides:

'13 Completion of prescription delayed in certain circumstances

(1) If-

(e) the creditor is a juristic person and the debtor is a member of the governing body of such juristic person;'

[6] It is trite that the objective of prescription is to create legal certainty. The appellants contended that since the CC has no governing body, the prescription of a claim between the CC and one of its members is not delayed. They submitted that s 13(1)(e) of the Prescription Act only applies to a company, and not to a close corporation.

[7] The issue in dispute is whether or not s 13(1)(e) of the Prescription Act finds application in this matter. The appellants contended that a close corporation does not have a governing body and therefore this section is not applicable. They relied on *Northview Shopping Centre (Pty) Ltd v Reveles Properties*,^[3] in which this Court described the importance of the distinction between a company and a close corporation. It held:

‘Moreover, a close corporation is intended to be a simple entity, akin to a partnership, but with limited liability. The structure of a close corporation is designed for individual entrepreneurs or for a limited number of people (10) to conduct business. There is no board of directors and each member has the power to bind the close corporation, as discussed above. The complex requirements of company law are not intended to apply to them. The fallacy in Northview’s argument arises through comparing close

corporations with companies rather than with partnerships or individuals. It is partnership principles rather than company law

principles that govern the relationship between members.’^[4] (Citations omitted)

[8] The shareholders of a company are one of the organs of the company, the other is the board of directors. There is an important distinction between the functions of a shareholder and those fulfilled by directors. The business and affairs of the company and management is controlled by its board of directors and the board is the company’s governing body. Section 66(1) of the Companies Act 71 of 2008 (2008 Companies Act) provides that:

‘the business and affairs of a company must be managed by or under the direction of its board, which has the authority to exercise all of the powers and perform any of the functions of the company, except to the extent that this Act or the company’s memorandum of incorporation provides otherwise.’

Thus, the management of a company vests in a statutory body of persons deemed to be the governing body.

[9] The appellants contended that unlike in a company, in a close corporation there is no distinction between the persons with a financial interest in its affairs and those permitted to take part in its operational decisions. A member’s interest in a close corporation is regarded as movable property. It is a bundle of rights and obligations which include the duty to act with due care and skill.

[10] The appellants submitted that a member of a close corporate is entitled but not obliged to take part in the carrying on of its business.

Section 46 of the CC Act creates such a right, without a corresponding obligation on each member. Thus, the appellants submitted that the members of a close corporation do not have to act together to bind the corporation as provided for in s 54 of the CC Act.[5] In other words, by its very nature, a close corporation does not have a governing body, but is governed by each individual member, and is akin to a partnership. For these reasons, the appellants contended that s 13(1)(e) was not intended to apply to a juristic entity, such as a close corporation.

[11] But the section does not limit its application to companies. It refers to all 'juristic entities.' The purpose of s 13 was dealt with in this Court in *Leipsig v Bankorp Limited*,[6] where it was stated:

'The main practical purpose of extinctive prescription is to promote certainty in the ordinary affairs of people...The Prescription Act, however, also embodies a principle, which is inconsistent with the promotion of certainty, namely that in circumstances in which it would be unfair to require of the creditor that he institute proceedings within the time normally allowed, the completion of the

period of prescription is delayed. This unfairness arises in the main where it is impossible or difficult for a creditor to enforce his rights within the time limit. Section 13(1) of the Prescription Act is a provision which gives effect to this principle. It lays down that prescription is delayed in circumstances where an 'impediment'

exists.[7]

...

Be that as it may, this much seems clear: that each of the circumstances referred to in s 13(1)(a)-(h) will give rise to an impediment - ie to some legal or practical problem which makes it difficult or undesirable for a creditor to institute proceedings for the enforcement of his claim against the debtor - which impediment will delay the running of prescription, and that prescription will only commence running again after the impediment has ceased to exist.[8]

[12] The word 'impediment' as referred to in the section was considered in *ABP 4x4 Motor Dealers (Pty) Limited v IGI Insurance Company Limited*[9] where this Court stated:

'Next to be observed is that the use of the word "impediment" in ss (1)(i) is not to be taken too literally and interpreted as meaning an absolute bar to the institution of legal proceedings. While some of the circumstances set forth in ss (1)(a) to (h) give rise to an absolute bar, others do not. An example of the former is [subsection] (h); an example of the latter is [subsection] (e). The word "impediment" therefore covers a wide spectrum of situations ranging from those in which it would not be possible in law for the creditor to sue to those in which it might be difficult or awkward, but not impossible, to sue. In short, the impediments

range from the absolute to the relative'.[10]

- [13] The respondents submitted that s 13 of the Prescription Act covers a wide range of 'impediments' including the situation where mutual trust is the 'lifeblood' of the relationship between a creditor and a debtor. Its obvious purpose is to protect the close corporation and the individual members within that relationship.
- [14] The appellants' restrictive interpretation ignores the separate juristic entity of a close corporation. Section 46 of the CC Act,[11] sets out the rules applicable to the internal relations in a corporation in so far as the CC Act or an association agreement does not provide otherwise. Central to these rules are the functions and obligations of a member in respect of the management of the CC where there is no association agreement. For example, s 46(b) gives each member equal rights in regard to the management of the business and the power to represent the corporation. Section 46(d) provides that at any meeting of members, each member has the number of votes corresponding to the percentage of their interest in the corporation. In summary, s 46 provides that the members shall exercise such powers to manage or represent the CC, and all members are entitled to manage the CC, unless there is an internal agreement to the contrary.
- [15] The respondents highlighted the importance of s 46 in their submissions. They contended that the appellants failed to differentiate between the 'internal management' of a close corporation, as governed by s 46, and the powers of a member to bind a close corporation 'externally', as governed by s
54. They contended that the effect of s 46 is to make every member of a close corporation ipso facto a member of its governing body.
- [16] The fundamental nature of a close corporation is entrenched in the relationship between its members, as emphasised in *Jaquire and Another v Oberholzer and Others*,[12] where it was stated that the core nature of a close corporation involves a relationship between members. [13] The law creates a legal and ethical relationship of trust between members.[14] Thus members owe a fiduciary duty to the corporation as a separate legal entity.[15] Section 42 of the CC Act[16] requires members to act honestly, in good faith, and in the best interests of the corporation. As stated by Delport and referred to in *Jacquire*:
- 'Members of a CC often stand in a close relationship towards each other and may then in this respect be akin to partners. However, they owe their fiduciary duties to the corporation as a separate legal persona and not to each other, as is the case with partners.'
- [17] Whether a member of a close corporation may perform management functions on his own without the consent or cooperation of his fellow members was considered in *Boerboonfontein BK v La Grange N.O.*[17] The matter involved two members of a close corporation, which owned a farm on which both members farmed separately. On the death of the one member, Mr La Grange, a dispute arose between his family and the other member, Mr Theron, pertaining to who would be entitled to the deceased's membership. Mr Theron on behalf of the CC instituted eviction proceedings against La Grange's family. The latter raised a special plea claiming that the institution of the action was not authorised by

the close corporation as Mr Theron could not have acted alone, and without the executor who had stepped into the shoes of Mr La Grange. They therefore had to act together. The appellants drew a distinction between a member of a juristic entity as opposed to a member of such entity's governing body as referred to in s 13(1) of the CC Act.

[18] Binns-Ward J stated in Boerboonfontein:

‘Ingevolge art 2 van die Wet is 'n geregistreerde beslote korporasie 'n regspersoon. Dit bring mee dat die korporasie 'n regspersoonlikheid van sy eie het wat apart en onderskeibaar van die van sy lede is. In hierdie opsig is 'n beslote korporasie juridies net soos 'n maatskappy of 'n ingelyfde assosiasie, en verskil dit in aard van 'n vennootskap. Soos in die geval van enige ander regspersoon, hang die beslissings en optrede van 'n beslote korporasie af van die besluite van die natuurlike persone wat dit beheer. 'n Onhoudbare situasie sou ontstaan as die besigheid van regspersone nie op 'n samehangende wyse gevoer word deur die mense in beheer daarvan nie. Dit beteken dat elke sodanige mens slegs binne sy of haar magte ingevolge die statuut of stigtingsverklaring van toepassing op die regspersoon ter sake kan optree. Waar daar 'n meervoud van E mense in beheer is met gelyke magte om die regspersoon se sake te bedryf, kan die regspersoon samehangend funksioneer slegs as sy beslissings en optrede deur 'n beslissende stem in 'n vergadering van sodanige mense bepaal word. As dit anders was, sou dit onmoontlik wees om 'n doeltreffende onderskeid te tref tussen die handeling en bedoeling van 'n regspersoon en die van elkeen van die verskeie natuurlike persone wat ten opsigte daarvan 'n individuele bestuursfunksie het.’[18] (Citation omitted).

Binns-Ward J concluded that ‘[d]ie wilsuiking van 'n beslote korporasie word weergegee in 'n beslissing wat die ondersteuning het van 'n meerderheid van die stemme van sy lede.’[19]

[19] In *Van Deventer and Another v Nedbank Ltd*, [20] the court had to determine whether s 13(1)(g) of the Prescription Act [21] applied to close corporations. The court determined that the purpose of the section is to prevent creditors from having to engage in parallel litigation when non-litigious procedures for establishing claims against insolvent parties are in place. [22] Moreover, the court stated that:

‘If close corporations had existed when the Prescription Act was enacted, there would have been no conceivable reason to treat them differently from sole proprietorships, partnerships, trusts and companies. The policy considerations and purposes underlying s 13(1)(g) would have applied as much to close corporations as to these other forms of organization.’[23]

The court in *Van Deventer* determined that when it comes to prescription of a debt, there is no practical or legal reason to treat close corporations differently from unincorporated insolvent estates and liquidated companies.[24]

[20] The appellants criticised the finding of the high court that a close corporation is similar to a company. They relied on s 50 of the CC Act, which gives each member a right to institute legal proceedings against any other member as a result of negligence or a breach of their obligations.[25] It was contended that a much more cumbersome procedure is applicable

when a company seeks to enforce a claim against one of its directors or shareholders.[26] The import of this argument was that the protection afforded by s 13 was unnecessary because any member may, at any time, institute

proceedings to protect the interests of the corporation in terms of s 50.

[21] This contention overlooks the fact that, as this Court explained in ABP,[27]

s 13 covers a wide range of impediments, some of which present an absolute bar to the institution of litigation by a creditor, whereas others, like s 13(e) do not. That a member of a close corporation may use the power afforded under s 50 does not mean there is no impediment involved.

The s 50 procedure may have serious consequences for the member concerned, including the prospect of a personal costs order against

him or her. It is not a step that a member would be advised to take lightly. Moreover, the appellants' contention ignores the damage to the relationship between members, and hence to the close corporation itself, that may result.

[22] The purpose of s 13(1)(e) of the Prescription Act is to protect the CC from the actions of its own members and to enhance the trust relationship between them. But, even if the CC is akin to a partnership, as contended for by the appellants,[28] s 13(1)(d) the Prescription Act provides that the completion of prescription is delayed 'if the creditor and debtor are partners and the debt is a debt which arose out of the partnership relationship.' As with a partnership, the undesirability of litigation between partners in respect of a debt arising out of the partnership, whilst the partnership still exists is recognised by the subsection.

[23] In *Van Staden v Venter*[29] it was found that as a result of the relationship of trust that exists between partners, the institution of litigation by one partner

against another could be interpreted as a repudiation of the partnership. The undesirability of such a situation pertains equally

to the members of a close corporation. If s 13(1)(e) and s 13(1)(d) of the Prescription Act delay prescription in relation to a company and a partnership respectively, there is no reason why a close corporation should not have the same protection. Thus, s 13(1)(e) must apply equally to a close corporation.

[24] In my view, there is merit in the respondents' submissions. Although the CC Act does not expressly use the term 'governing body' in the same way that the 2008 Companies Act does in referring to a 'board of directors,' s 46 of the CC Act outlines the functions of the members in managing and controlling a close corporation. Given that members of a close corporation collectively bear the responsibilities and obligations typically associated with governance, such as management, representation, and adherence to fiduciary duties, it can be concluded that the members of a close corporation comprise its governing body for purposes of s 13 of the Prescription Act.

S E WEINER

JUDGE OF APPEAL

Appearances

For the appellants: J Vorster SC with D Hewitt Instructed by: De Villiers Attorneys, Potchefstroom
Phatshoane Henney Attorneys, Bloemfontein For the first to second respondents: A J Le Grange
Instructed by: Douw Steenkamp Attorneys, Klerksdorp Symington de Kok Attorneys,
Bloemfontein.

[1] The third respondent did not participate in the proceedings. Any reference to the respondents is to the first and second respondents.

[2] Section 10 of the Prescription Act 68 of 1969 (Prescription Act) provides: ‘Extinction of debts by prescription

(1) Subject to the provisions of this Chapter and of Chapter IV, a debt shall be extinguished by prescription after the lapse of the period which in terms of the relevant law applies in respect of the prescription of such debt. ... Section 11(d) provides: The periods of prescription of debts shall be the following:

(d) save where an Act of Parliament provides otherwise, three years in respect of any other debt.’

[2] Section 10 of the Prescription Act 68 of 1969 (Prescription Act) provides:

‘Extinction of debts by prescription

(1) Subject to the provisions of this Chapter and of Chapter IV, a debt shall be extinguished by prescription after the lapse of the period which in terms of the relevant law applies in respect of the prescription of such debt.

Section 11(d) provides: The periods of prescription of debts shall be the following:

(d) save where an Act of Parliament provides otherwise, three years in respect of any other debt.’

[3] Northview Shopping Centre (Pty) Ltd v Reveles Properties (Northview) [2010] ZASCA 16; 2010 (3) SA 630 (SCA); [2010] 3 All SA 422 (SCA) (Northview).

[4] Ibid para 25.

[5] Sections 54(1) and (2) of the CC Act provide: ‘(1) Subject to the provisions of this section, any member of a corporation shall in relation to a person who is not a member and is dealing with the corporation, be an agent of the corporation.

(2) Any act of a member shall bind a corporation whether or not such act is performed for the carrying on of the business of the corporation unless the member so acting has in fact no power to act for the corporation in the particular matter and the person with whom the member deals has, or ought reasonably to have, knowledge of the fact that the member has no such power.'

[5] Sections 54(1) and (2) of the CC Act provide:

'(1) Subject to the provisions of this section, any member of a corporation shall in relation to a person who is not a member and is dealing with the corporation, be an agent of the corporation.

(2) Any act of a member shall bind a corporation whether or not such act is performed for the carrying on of the business of the corporation unless the member so acting has in fact no power to act for the corporation in the particular matter and the person with whom the member deals has, or ought reasonably to have, knowledge of the fact that the member has no such power.'

[6] *Leipsig v Bankorp Limited* 1994

(2) SA 128 (AD); [1994] 2 All SA 150 (A).

[7] *Ibid* at 129B-D.

[8] *Ibid* at 134D-E.

[9] *ABP 4x4 Motor Dealers (Pty) Ltd v IGI Insurance Co Ltd* 1999

(3) SA 924 (SCA); [1999] 3 All SA 405 (A) (ABP).

[10] *Ibid* para 11.

[11] 'Section 46 of the CC Act provides: Variable rules regarding internal relations The following rules in respect of internal relations in a corporation shall apply in so far as this Act or an association agreement in respect of the corporation does not provide otherwise— (a) Every member shall be entitled to participate in the carrying on of the business of the corporation; (b) subject to the provision of section 47, members shall have equal rights in regard to the management of the business of the corporation and in regard to the power to represent the corporation in the carrying on of its business: Provided that the consent in writing of a member holding a member's interest of at least 75 per cent, or of members holding together at least that percentage of the members' interests, in the corporation shall be required for— (i) a change in the principal business carried on by the corporation; (ii) a disposal of the whole, or substantially the whole, undertaking of the corporation (iii) a disposal of all, or the greater portion of, the assets of the corporation; and (iv) any acquisition or disposal of immovable property by the corporation; (c) differences between members as to matters connected with a corporation's business shall be decided by majority vote at a meeting of members of the corporation; (d) at any meeting of members of a corporation each member shall have the number of votes that corresponds with the percentage of his or her interest in

the corporation; (e) a corporation shall indemnify every member in respect 60 of expenditure incurred or to be incurred by him or her— (i) in the ordinary and proper conduct of the business of the corporation; and (ii) in regard to anything done or to be done for the preservation of the business or property of the corporation; and (f) payments by a corporation to its members by reason only of their membership in terms of section 51(1) shall be of such amounts and be effected at such times as the members may from time to time agree upon, and such payments shall be made to members in proportion to their respective interests in the corporation.’

[11] ‘Section 46 of the CC Act provides:

Variable rules regarding internal relations

The following rules in respect of internal relations in a corporation shall apply in so far as this Act or an association agreement in respect of the corporation does not provide otherwise—

- (a) Every member shall be entitled to participate in the carrying on of the business of the corporation;
- (b) subject to the provision of section 47, members shall have equal rights in regard to the management of the business of the corporation and in regard to the power to represent the corporation in the carrying on of its business: Provided that the consent in writing of a member holding a member’s interest of at least 75 per cent, or of members holding together at least that percentage of the members’ interests, in the corporation shall be required for—
 - (i) a change in the principal business carried on by the corporation;
 - (ii) a disposal of the whole, or substantially the whole, undertaking of the corporation
 - (iii) a disposal of all, or the greater portion of, the assets of the corporation; and
 - (iv) any acquisition or disposal of immovable property by the corporation;
- (c) differences between members as to matters connected with a corporation’s business shall be decided by majority vote at a meeting of members of the corporation;
- (d) at any meeting of members of a corporation each member shall have the number of votes that corresponds with the percentage of his or her interest in the corporation;
- (e) a corporation shall indemnify every member in respect 60 of expenditure incurred or to be incurred by him or her—
 - (i) in the ordinary and proper conduct of the business of the corporation; and
 - (ii) in regard to anything done or to be done for the preservation of the business or property of the corporation; and

- (f) payments by a corporation to its members by reason only of their membership in terms of section 51(1) shall be of such amounts and be effected at such times as the members may from time to time agree upon, and such payments shall be made to members in proportion to their respective interests in the corporation.'
- [12] Jaquire and Another v Oberholzer and Others [2020] ZAFSHC 117; 2020 JDR 1305 (FB); 2020 JDR 1305 (FB) (Jaquire).
- [13] Ibid paras 2-3.
- [14] Ibid para 4, with reference to P Delport The New Companies Act Manual 2 ed (2011) at chapter 16; and P M Meskin, B Galgut, J A Kunst, Henochsberg on the Close Corporations Act (2019) SI 33 at Part V.
- [15] Delport 2011 at 12.
- [16] Section 42 of the CC Act provides: '42 Fiduciary position of members
- (1) Each member of a corporation shall stand in a fiduciary relationship to the corporation.
 - (2) Without prejudice to the generality of the expression 'fiduciary relationship', the provisions of subsection (1) imply that a member-
 - (a) shall in relation to the corporation act honestly and in good faith, and in particular-
 - (i) shall exercise such powers as he or she may have to manage or represent the corporation in the interest and for the benefit of the corporation; and (ii) shall not act without or exceed the powers aforesaid; and
 - (b) shall avoid any material conflict between his or her own interests and those of the corporation, and in particular-
 - (i) shall not derive any personal economic benefit to which he or she is not entitled by reason of his or her membership of or service to the corporation, from the corporation or from any other person in circumstances where that benefit is obtained in conflict with the interests of the corporation; (ii) shall notify every other member, at the earliest opportunity practicable in the circumstances, of the nature and extent of any direct or indirect material interest which he or she may have in any contract of the corporation; and (iii) shall not compete in any way with the corporation in its business activities.
 - (3) (a) A member of a corporation whose act or omission has breached any duty arising from his or her fiduciary relationship shall be liable to the corporation for-
 - (i) any loss suffered as a result thereof by the corporation; or (ii) any economic benefit derived by the member by reason thereof.

- (b) Where a member fails to comply with the provisions of subparagraph (ii) of paragraph (b) of subsection (2) and it becomes known to the corporation that the member has an interest referred to in that subparagraph ...'

[16] Section 42 of the CC Act provides:

'42 Fiduciary position of members

- (1) Each member of a corporation shall stand in a fiduciary relationship to the corporation.
 - (2) Without prejudice to the generality of the expression 'fiduciary relationship', the provisions of subsection (1) imply that a member-
 - (a) shall in relation to the corporation act honestly and in good faith, and in particular-
 - (i) shall exercise such powers as he or she may have to manage or represent the corporation in the interest and for the benefit of the corporation; and
 - (ii) shall not act without or exceed the powers aforesaid; and
 - (b) shall avoid any material conflict between his or her own interests and those of the corporation, and in particular-
 - (i) shall not derive any personal economic benefit to which he or she is not entitled by reason of his or her membership of or service to the corporation, from the corporation or from any other person in circumstances where that benefit is obtained in conflict with the interests of the corporation;
 - (ii) shall notify every other member, at the earliest opportunity practicable in the circumstances, of the nature and extent of any direct or indirect material interest which he or she may have in any contract of the corporation; and
 - (iii) shall not compete in any way with the corporation in its business activities.
 - (3) (a) A member of a corporation whose act or omission has breached any duty arising from his or her fiduciary relationship shall be liable to the corporation for-
 - (i) any loss suffered as a result thereof by the corporation; or
 - (ii) any economic benefit derived by the member by reason thereof.
 - (b) Where a member fails to comply with the provisions of subparagraph (ii) of paragraph (b) of subsection (2) and it becomes known to the corporation that the member has an interest referred to in that subparagraph ...'
- [17] Boerboonfontein BK v La Grange NO and Another [2010] ZAWCHC 81; 2011 (1) SA 58 (WCC); [2010] JOL 25323 (WCC) (Boerboonfontein).
- [18] Ibid para 14. Certified English translation by a member of the South African Translators' Institute (SATI): 'In terms of

- s. 2 of the Act, a registered close corporation is a body corporate. This means that the corporation has a legal persona of its own which is separate and distinct from that of its members. In this respect, a close corporation is legally the same as a company or an incorporated association and differs in nature from a partnership. As in the case of any other body corporate, the decisions and actions of a close corporation depend on the decisions of the natural persons who control it. ...Where there is a plurality of persons in control with equal powers to conduct the affairs of the body corporate, the body corporate can function coherently only if its decisions and actions are determined by a decisive vote in a meeting of such persons. If it were otherwise, it would be impossible to make an effective distinction between the acts and intentions of a body corporate and those of each of the various

natural persons who have an individual management function in respect of it.’

[19] Ibid para 18. Certified English translation by a member of the South African Translators' Institute (SATI): ‘The will of a close corporation is expressed in a decision supported by a majority of the votes of its members.’

[20] Van Deventer and Another v Nedbank Ltd [2016] ZAWCHC 31; 2016 (3) SA 622 (WCC); [2016] JOL 35591 (WCC) (Van Deventer).

[21] Section 13(1)(g) of the Prescription Act provides: ‘13 Completion of prescription delayed in certain circumstances

(1) If-

(g) the debt is the object of a claim filed against the estate of a debtor who is deceased or against the insolvent estate of the debtor or against a company in liquidation or against an applicant under the Agricultural Credit Act, 1966; or...’

[21] Section 13(1)(g) of the Prescription Act provides:

‘13 Completion of prescription delayed in certain circumstances

(g) the debt is the object of a claim filed against the estate of a debtor who is deceased or against the insolvent estate of the debtor or against a company in liquidation or against an applicant under the Agricultural Credit Act, 1966; or...’

[22] Van Deventer para 25.

[23] Ibid para 29.

[24] Ibid para 29.

[25] Section 50 of the CC Act provides: ‘50 Proceedings against fellow-members on behalf of corporation

(1) Where a member or a former member of a corporation is liable to the corporation-

- (a) to make an initial contribution or any additional contribution contemplated in subsections (1) and (2) (a), respectively, of section 24; or
- (b) on account of-
- (i) the breach of a duty arising from his or her fiduciary relationship to the corporation in terms of section 42; or (ii) negligence in terms of section 43, any other member of the corporation may institute proceedings in respect of any such liability on behalf of the corporation against such member or former member after notifying all other members of the corporation of his or her intention to do so.
- (2) After the institution of such proceedings by a member the leave of the Court concerned shall be required for a withdrawal of the proceedings or for any settlement of the claim, and the Court may in connection with such withdrawal or settlement make such orders as it may deem fit.
- (3) If a Court in any particular case finds that the proceedings, if unsuccessful, have been instituted without prima facie grounds, it may order the member who has instituted them on behalf of the corporation, himself or herself to pay the costs of the corporation and of the defendant in question in such manner as the Court may determine.'

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- (3) If a Court in any particular case finds that the proceedings, if unsuccessful, have been instituted without prima facie grounds, it may order the member who has instituted them on behalf of the corporation, himself or herself to pay the costs of the corporation and of the defendant in question in such manner as the Court may determine.'
- [26] If a company had a claim against a shareholder or director and does not institute proceedings against such a person, a derivative action may be instituted on behalf of the company. A proposed plaintiff must issue a detailed demand in terms of s 165(2) of the 2008 Companies Act. 24 The company can apply to court to set the demand aside or appoint an independent person to investigate the complaint. The company is vested with a discretion as to whether it should institute proceedings. If it does not, the person who issued the demand can apply in terms of s 165(5) of the 2008 Companies Act to the high court for leave to institute proceedings in the name of the company.
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- [27] See fn 9.
- [28] As held in Northview para 25.
- [29] Van Staden v Venter [1991] ZASCA 184; 1992
- (1) SA 552 (AD); [1992] 1 All SA 371 (A).

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