

Corporate Governance and Minority Shareholders Protection in the United Kingdom

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Abstract : The concept of corporate governance is not new but, due to the recent international financial crisis, it has become prominent in contemporary business, accounting and legal debates. There is a wealth of anecdotal evidence which shows that protection of minority shareholders is an important issue in the corporate governance literature. Minority shareholders typically hold low amounts of stocks, so the benefits gained from their participation in shareholder meetings are very asymmetric to the cost. Therefore, the presence of a good corporate governance structure is the proper protection of and respect for the rights and interests of shareholders, particularly those of minority shareholders. The research will attempt to find answers to the following questions: Why minority shareholders' rights should be protected? How minority shareholders' rights could be improved? Does the legal framework in the United Kingdom provide adequate protection for minority shareholders? This study will assess regulations about the legal protections of minority shareholders and try to find answer this question: 'Why is it inevitable for company law to treat in a successful way the problems arising from minority shareholders' conflict with other shareholders of a company?' The protection of minority shareholders is not only a corporate governance objective in its own right but also has added importance particularly in developing countries. In the United Kingdom(UK) and the United States of America(USA), there are diffused ownership structures so that any shareholders do not influence the management of the company. This is in stark contrast to companies in developing countries such as Turkey where controlling shareholders and related insiders are a well-known feature of ownership structures, and where companies are often governed and managed by controlling shareholders such as family firms and associated companies through cross-shareholdings and pyramiding ownership structures. In Turkey, the agency problem is not between shareholders and management. Rather it gives rise to another dimension of the agency problem - a conflict of interest between majority shareholders (controlling) and minority shareholders. This research will make a particularly useful contribution to knowledge-based information and understanding of company law in the UK, particularly minority shareholders' remedies. It will not only give information about law and regulations of minority shareholders' remedies but also it will provide some knowledge about doctrinal discussions and relevant cases. The major contribution to study will be in the knowledge of law and regulation in the legal protections of minority shareholders in the United Kingdom and Turkey. In this study, the recommendations will be given for the development of the legal framework and practices of protections for minority shareholders and small investors.

Keywords : controlling shareholders, corporate governance, derivative actions, minority shareholders

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