

No. 19 OF 1928.

*Amended by  
Law 14/1941.*

TO AMEND THE LAW AS TO PARTNERSHIP.

A.D. 1928.

RONALD STORRS.]

[May 5, 1928.

19 of 1928.

BE it enacted :—

1. This Law may be cited as the Partnership Law, 1928. Short title.

2. In this Law—

“ Court ” means the District Court. Interpreta-  
tion.

“ Business ” includes every trade, occupation, or profession

“ Firm ” means and includes persons who have entered into partnership with one another.

“ Firm name ” means the name under which a firm carries on business.

“ General Partner ” shall mean any partner who is not a limited partner as defined by this Law.

## PART I.

3.—(1) No company, association, or partnership consisting of more than ten persons shall be formed for carrying on the business of banking unless it is registered as a company under the Companies (Limited Liability) Law, 1922, or any amendment thereof or is formed in pursuance of some other law. Prohibition of partnerships exceeding certain number.

(2) No company, association, or partnership consisting of more than twenty persons shall be formed for the purpose of carrying on any business that has for its object the acquisition of gain by the company, association, or partnership, or by the individual members thereof, unless it is registered as a company under the Companies (Limited Liability) Law, 1922, or any amendment thereof, or is formed in pursuance of some other law. *New section 3A added by Law 14/41.*

*General Partnerships.*

4.—(1) Partnership is the relation which subsists between persons carrying on a business in common with a view of profit. Definition of partnership.

(2) But the relation between members of any company or association which is—

(a) registered as a company under any Law relating to the registration of limited liability companies ; or

(b) formed or incorporated by or in pursuance of any other Law,

is not a partnership within the meaning of this Law.

Rules for determining existence of partnership.

5. In determining whether a partnership does or does not exist, regard shall be had to the following rules :—

(1) joint tenancy, tenancy in common, joint property, common property, or part ownership does not of itself create a partnership as to anything so held or owned, whether the tenants or owners do or do not share any profits made by the use thereof ;

(2) the sharing of gross returns does not of itself create a partnership, whether the persons sharing such returns have or have not a joint or common right or interest in any property from which or from the use of which returns are derived ;

(3) the receipt by a person of a share of the profits of a business is *prima facie* evidence that he is a partner in the business, but the receipt of such a share, or of a payment contingent on or varying with the profits of a business, does not of itself make him a partner in the business ; and in particular—

(a) the receipt by a person of a debt or other liquidated amount, by instalments or otherwise, out of the accruing profits of a business does not of itself make him a partner in the business or liable as such ;

(b) a contract for the remuneration of a servant or agent of a person engaged in a business by a share of the profits of the business does not of itself make the servant or agent a partner in the business or liable as such ;

(c) a person being the widow or child of a deceased partner, and receiving by way of annuity a portion of the profits made in the business in which the deceased person was a partner, is not, by reason only of such receipt, a partner in the business or liable as such ;

(d) the advance of money by way of loan to a person engaged or about to engage in any business on a contract with that person that the lender shall receive a rate of interest varying with the profits, or shall receive a share of the profits arising from carrying on the business, does not of itself make the lender a partner with the person or persons carrying on the business or liable as such :

Provided that the contract is in writing and signed before a certifying officer by or on behalf of all the parties thereto ; and

(e) a person receiving, by way of annuity or otherwise, a portion of the profits of a business in consideration of the sale by him of the goodwill of the business is not, by reason only of such receipt, a partner in the business or liable as such.

6. In the event of any person to whom money has been advanced by way of loan upon such a contract as is mentioned in the last section, or of any buyer of a goodwill in consideration of a share of the profits of the business being adjudged a bankrupt, entering into an arrangement to pay his creditors less than twenty shillings in the pound, or dying in insolvent circumstances, the lender of the loan shall not be entitled to recover anything in respect of his loan, and the seller of the goodwill shall not be entitled to recover anything in respect of the share of profits contracted for, until the claims of the other creditors of the borrower or buyer for valuable consideration in money or money's worth have been satisfied.

Postponement of right of person lending or selling in consideration of share of profits in case of insolvency.

*Relations of Partners to Persons dealing with them.*

7. Every partner is an agent of the firm and his other partners for the purpose of the business of the partnership ; and the acts of every partner who does any act for carrying on in the usual way business of the kind carried on by the firm of which he is a member bind the firm and his partners, unless the partner so acting has in fact no authority to act for the firm in the particular matter, and the person with whom he is dealing either knows that he has no authority or does not know or believe him to be a partner.

Power of partner to bind firm.

8. An act or instrument relating to the business of the firm and done or executed in the firm-name, or in any other manner showing an intention to bind the firm, by any person thereto authorised, whether a partner or not,

Partners bound by acts on behalf of firm.

is binding on the firm and all the partners: Provided that this section shall not affect any general rule of law relating to the execution of deeds or negotiable instruments.

Partner using credit of firm for private purposes.

**9.** Where one partner pledges the credit of the firm for a purpose apparently not connected with the firm's ordinary course of business, the firm is not bound, unless he is in fact specially authorised by the other partners; but this section does not affect any personal liability incurred by an individual partner.

Effect of notice that firm will not be bound by acts of partner.

**10.** If it has been agreed between the partners that any restriction shall be placed on the power of any one or more of them to bind the firm, no act done in contravention of the agreement is binding on the firm with respect to persons having notice of the agreement.

Liability of partners.

**11.** Every partner in a firm is liable jointly with the other partners for all debts and obligations of the firm incurred while he is a partner; and after his death his estate is also severally liable in a due course of administration for such debts and obligations, so far as they remain unsatisfied but subject to the prior payment of his separate debts.

Liability of firm for wrongs.

**12.** Where, by any wrongful act or omission of any partner acting in the ordinary course of the business of the firm or with the authority of his co-partners, loss or injury is caused to any person not being a partner in the firm, or any penalty is incurred, the firm is liable therefor to the same extent as the partner so acting or omitting to act.

Misapplication of money or property received for or in custody of firm.

**13.** In the following cases, namely,

(1) where one partner, acting within the scope of his apparent authority, receives the money or property of a third person and misapplies it; and

(2) where a firm in the course of its business receives the money or property of a third person, and the money or property so received is misapplied by one or more of the partners while it is in the custody of the firm; the firm is liable to make good the loss.

Liability for wrongs joint and several.

**14.** Every partner is liable jointly with his co-partners and also severally for everything for which the firm while he is a partner therein becomes liable under either of the two last preceding sections.

15. If a partner, being a trustee, improperly employs trust-property in the business or on the account of the partnership, no other partner is liable for the trust-property to the persons beneficially interested therein: Provided as follows:—

Improper employment of trust property for partnership purposes.

(1) this section shall not affect any liability incurred by any partner by reason of his having notice of a breach of trust; and

(2) nothing in this section shall prevent trust money from being followed and recovered from the firm, if still in its possession or under its control.

16.—(1) Every one who, by words spoken or written, or by conduct, represents himself, or who knowingly suffers himself to be represented, as a partner in a particular firm, is liable as a partner to any one who has, on the faith of any such representation, given credit to the firm, whether the representation has or has not been made or communicated to the person so giving credit by or with the knowledge of the apparent partner making the representation or suffering it to be made.

Persons liable by "holding out."

(2) Provided that where after a partner's death the partnership business is continued in the old firm-name, the continued use of that name or of the deceased partner's name as part thereof shall not of itself make his executors or administrators estate or effects liable for any partnership debts contracted after his death.

17. An admission or representation made by any partner concerning the partnership affairs, and in the ordinary course of its business, is evidence against the firm.

Admissions and representations of partner.

18. Notice to any partner who habitually acts in the partnership business of any matter relating to partnership affairs operates as notice to the firm, except in the case of a fraud on the firm committed by or with the consent of that partner.

Notice to acting partner to be notice to firm.

19.—(1) A person who is admitted as a partner into an existing firm does not thereby become liable to the creditors of the firm for anything done before he became a partner.

Liabilities of incoming and outgoing partners.

(2) A partner who retires from a firm does not thereby cease to be liable for partnership debts or obligations incurred before his retirement.