



Eatons

Employee Liable for Employer's Losses

Employees who breach their duty of good faith to their employer can be held to account for any resultant losses to the employer, even if the employee has not benefited personally from the breach.

A recent High Court case involved an insurance broker who backdated insurance cover notes, which allowed claims to be made by the firm's clients who would otherwise have been uninsured.

Following an investigation by the insurance company involved, the firm that employed the broker accepted that backdated cover notes had been issued and reached a settlement with the insurer, which involved paying them compensation.

The firm dismissed the broker and sued him for its losses, which were the payment made to the insurance company plus the increase in the cost of its professional indemnity insurance and other costs which had arisen by virtue of the broker's breach of his duty of good faith.

The Court accepted that the accusations made against the broker were very serious and that the more serious these were, the higher the standard of proof had to be, especially in the absence of any evidence of any personal gain resulting from the backdating of the cover notes.

Despite the broker's excellent past track record, the judge ruled that the evidence was compelling that he had backdated the cover notes and that this had caused each of the losses for which his ex-employer claimed. Accordingly, he was liable for the losses.

If you find yourself in a similar position, contact Maureen Singleton, Head of Corporate and Employment Law, Tel: 01274 728 327 for advice.

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