AN EVALUATION OF THE DOCTRINE OF CORPORATE VICARIOUS LIABILITY IN NIGERIA

UCHENNA CHIDUBEM VALENTINE

GOU/U21/LAW/408

FACULTY OF LAW

GODFREY OKOYE UNIVERSITY UGWU-OMU NIKE

ENUGU, ENUGU STATE

JULY, 2026

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A LONG ESSAY SUBMITTED TO THE FACULTY OF LAW, GODFREY OKOYE UNIVERSITY, UGWU-OMU NIKE ENUGU, ENUGU STATE OF NIGERIA.

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF LAWS (L.L.B) DEGREE

JULY, 2026

DECLARATION

I hereby declare that this project, titled "**DOCTRINE OF CORPORATE VICARIOUS LIABILITY IN NIGERIA,**" is a product of an original research work conducted by me. All sources and references used in the preparation of this project have been duly acknowledged and cited in accordance with academic standards.

I affirm that this project has not been submitted in part or in whole to any other institution for any academic award.

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UCHENNA CHIDUBEM VALENTINE

REG NO: GOU/U21/LAW/408

APPROVAL

This is to certify that the research work for this long essay and the subsequent preparation of this long essay by **UCHENNA CHIDUBEM VALENTINE (**GOU/U21/LAW/408) was carried out under my supervision.

______________________________ ______________________________

Dr G.O OMEH **Date**

(Supervisor)

______________________________ ______________________________

Dr G.O OMEH **Date**

Ag.Dean, Faculty of Law.

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(External Examiner) **Date**

DEDICATION

I dedicate this project to Almighty God, for His guidance and strength that have brought me this far.

To my beloved mom Mrs. Uchenna Chineye Juliana for her unwavering love, support, and sacrifices throughout my academic journey.

To my lecturers and mentors, whose encouragement and knowledge inspired me to give my best and to my friends and colleagues who stood by me — thank you for your support and motivation.

UCHENNA CHIDUBEM VALENTINE

GOU\U21\LAW408

ACKNOWLEDGEMENTS

I give all glory to Almighty God for His grace and guidance throughout this research journey.

I extend my deepest gratitude to my supervisor, Dr. Geoffrey Omeh, whose exceptional guidance, scholarly insight, and unwavering support have been instrumental to the successful completion of this long essay. His intellectual rigor, constructive criticism, and patient mentorship have not only shaped this work but have profoundly enriched my understanding of the law. I am immensely privileged to have worked under his supervision, and his dedication to academic excellence continues to inspire me. I am deeply grateful to my Dean, Dr. Geoffrey Omeh, for his profound impact on my academic journey and life. His mentorship and leadership have been instrumental in shaping my intellectual development. My heartfelt appreciation goes to my colleagues and friends who provided encouragement and collaboration throughout this work. I owe a special debt of gratitude to my mother, whose unwavering love, prayers, and sacrifices have been the foundation of my success. Her constant support and belief in me have made this achievement possible. Finally, I thank my family members and all others who contributed directly or indirectly to the completion of this long essay. Your collective support made this achievement possible.

TABLE OF CONTENTS

TABLE OF CASES

TABLE OF STATUTES

TABLE OF ABBREVIATIONS

ABSTRACT

Corporate vicarious liability is a fundamental principle in tort law that holds companies responsible for wrongful acts committed by their employees or agents in the course of employment. In Nigeria, this doctrine has evolved through judicial interpretation and statutory provisions, particularly under the Companies and Allied Matters Act (CAMA) 2020, yet its application remains fraught with challenges. The doctrine serves as a crucial mechanism for ensuring corporate accountability and protecting victims of corporate wrongdoing in an increasingly complex business environment. However, Nigerian jurisprudence reveals significant gaps in the consistent application of vicarious liability principles, particularly in determining the scope of employment, establishing the employer-employee relationship, and addressing liability in cases involving independent contractors and subsidiary companies. This long essay critically examines the doctrine of corporate vicarious liability in Nigeria, analyzing its legal framework, judicial interpretation, and practical application. Adopting a doctrinal research methodology, the study reviews relevant statutory provisions, Nigerian and comparative case law, scholarly literature, and international best practices to assess the effectiveness of the current legal regime. The research identifies major limitations including restrictive judicial interpretation of the scope of employment, inadequate statutory guidance, enforcement challenges, and the absence of clear principles for attributing liability in complex corporate structures. Drawing lessons from jurisdictions such as the United Kingdom and South Africa, the essay recommends comprehensive legislative reforms to CAMA, clearer judicial guidelines on vicarious liability tests, enhanced regulatory oversight mechanisms, and increased awareness among stakeholders regarding corporate responsibility and victim compensation frameworks to strengthen the doctrine's application in Nigeria.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The doctrine of vicarious liability is defined as "a fundamental principle in tort law that holds one party responsible for the wrongful acts or omissions of another, even without direct involvement in the wrongdoing." This doctrine, rooted in the common law maxim "*Respondeat Superior* (“let the master answer”), typically applies in employer-employee relationships, where the employer is liable for torts committed by employees within the “course of employment”.[1] In the context of corporations, vicarious liability extends this principle to artificial persons, such as companies, making them accountable for the actions of their agents. This extension is crucial because corporations, as legal entities separate from their members under the principle established in "*Salomon v. Salomon & Co. Ltd" (1897)*,[2] cannot act on their own but operate through human agents.

In Nigeria, the doctrine of corporate vicarious liability draws heavily from English common law, as Nigeria's legal system is based on received English law under the Interpretation Act 1964 and various state laws.[3] The Companies and Allied Matters Act (CAMA) 2020 reinforces “corporate personality”, stating in Section 18 that a company is "a body corporate with perpetual succession and the capacity to sue and be sued."[4] This legal personality allows corporations to be able to incur vicarious liability, as Showcased in some cases where the companies are held liable for their

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[1] *Clerk and Lindsell on Torts* (22nd ed., Sweet and Maxwell, 2018).
[2] *Salomon v. Salomon & Co. Ltd* [1897] AC 22 (HL).
[3] Interpretation Act, Cap I23, Laws of the Federation of Nigeria (LFN) 2004.
[4] Companies and Allied Matters Act (CAMA) 2020, s. 18. [5] *Union Bank of Nigeria Plc v. Nwankwo* (2019) 3 NWLR (Pt. 1659) 193 (SC).

negligence, fraud, or all other torts that was done by the employees while they were working. For example, in the banking field, banks have been held "vicariously liable" for partaking in illegal acts of tellers or managers, as illustrated in *Union Bank of Nigeria Plc v. Nwankwo*,[5] where the Supreme Court confirmed that the bank was liability for an employee's unauthorized withdrawal.

The doctrine serves multiple purposes and uses in Nigeria's growing economy: the doctrine promotes accountability from corporate organizations, ensuring that victims of corporate-related wrongs are able to receive compensation, and also encourages companies to adopt massive internal controls and training in order to reduce risks. Nigeria's rapid industrial growth, investments by multinational corporations and growth in fields such as Oil and Gas Industry, telecommunications field and manufacturing field has led to growing relevance of corporate vicarious liability. Economic policy such as liberalization under Nigerian Investment Promotion Commission Act 1995,[6] have attracted foreign corporations, thereby heightening the need for clear liability frameworks to be able to protect stakeholders, which includes the consumers, employees, and the environment as a whole. However, the application of this doctrine in Nigeria does not come without its challenges, influenced by the cultural, economic, and also the regulatory factors, such as the prevalence of informal employment and weak measures of enforcement. This study explores these dynamics, tracing the doctrine's evolution from the influence of the Colonial Masters to contemporary Nigerian jurisprudence.

1.2 Statement of the Problem

While the principle of corporate vicarious liability is a cornerstone of the Nigerian tort law, the challenges in its application and interpretation undermine its effectiveness in dispensing justice and

[5] (2019) 3 NWLR (Pt. 1659) 193 (SC).

[6] Nigerian Investment Promotion Commission Act, Cap N117, LFN 2004.

ensuring corporate responsibility. Primarily, the reliance on the principles of common law without a dedicated statutory framework leads to inconsistencies thereby leading to challenges in judicial application. For example, while CAMA 2020 provides the guidelines for "corporate personality", it does not explicitly codify laws in a relation to vicarious liability, thereby leaving courts to interpret it through precedents like *Yesufu v. African Continental Bank Ltd*,[7] "In which the bank was held vicariously liable because of its employee's negligence." The result of this ad hoc approach, is that the thresholds of means of securing a job differ significantly based on the type of the tort or the involvement of a third party, for example the debates as regards independent contractors, and this has been made manifest in cases involving the dispute on whether gig workers used by Nigerian ride hailing companies were actually employee or contractors.

Additionally, the simplicity of the doctrine is compounded by the need to prove to the employee that the evidence has the relevant authority to act, i.e. the employee was within his actual authority, this is not easy in a poorly managed company. Within the multinational corporations present in Nigeria, like the oil companies, it has been noted that there are failures of vicarious liability for environmental harm caused by employee negligence (e.g. Oil spills from employee carelessness) on account of differences in the parent-subsidiary relationships as seen "*Okpabi v. Royal Dutch Shell Plc" (2021)*, an English case with implications for Nigeria where the determination of appropriate jurisdiction, complicated attributing liability.

Furthermore, economic disparities fuel the problem: Small and Medium Enterprises (SMEs), which form over 90% of Nigerian businesses according to the 'Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)',[8] lack the resources required for insurance or

[7] (1976) 4 SC 1.
[8] Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) Report, 2022.

resources needed for compliance, thereby leading to under-enforcement and victim under-compensation. Judicial delays, corruption allegations in the legal system, and limited awareness among litigants further erode the potency of the doctrine. These issues form a gap in between the doctrine's theoretical promise of accountability and the practical impact of the doctrine, necessitating a critical examination to propose reforms that would align with Nigeria's socio-economic realities.

1.3 Research Questions

For the purpose of solving the following identified problems, these following questions below have been drafted;

1. What are the basic concepts underlying corporate vicarious?
2. What is the attitude of Nigerian courts to matters pertaining corporate vicarious liability?
3. Are the current laws on the subject of corporate vicarious liability adequate?
4. What changes can be made to improve corporate performance and investors protection?

1.4 Aim and Objectives of the Study

The main goal of this research is to carefully study how the rule that holds companies responsible for their employee's actions has developed over time, how it has been used, and the problems it has faced in Nigeria’s legal system.

The objectives of this research work include the following;

1. To examine the concept and historical development of vicarious liability in Nigerian law, particularly focusing on how the rule applies to corporate entities and its evolution over time.

2. To analyze key Nigerian court decisions and legal developments that have shaped the application of vicarious liability across different areas of law.
3. To evaluate whether the current legal framework is adequate to address responsibilities of companies in modern business practices, especially in light of new ways of conducting business.
4. To propose legal and institutional reforms aimed at strengthening the doctrine of vicarious liability and enhancing protection for stakeholders who invest or interact with companies in Nigeria.

1.5 Scope and Limitation of the Study

This paper analyses how vicarious liability is being operated in Nigeria. It traces the history and development of vicarious liability in the common law with laws like CAMA 2020 and some important cases that have been decided in Nigeria that shaped the development of vicarious liability. It specifically deals with important sectors like the banking sector, oil and gas sector and the manufacturing sector that operate extensively on vicarious liability. In order to provide recommendations for improvement and growth, a comparative approach will be used to determine Nigeria's position on vicarious liability against those of the UK and South Africa.

This study only applies to civil wrongs and only covers instances when a company is held vicariously liable as opposed to criminal wrongs which is regulated by statutes like the Criminal Code and Penal Code.

There are certain limitations to the extent this study can go, for instance the inability to source all the court decisions, especially unreported cases as well as limitations with regards to time constraints and changes in Nigeria's law post 2020. However, these can be mitigated with careful analysis of legal principles and use of a reliable source like the Nigerian Weekly Law Reports.

1.6 Significance of Study

This research is very necessary since the study provides an exposition of how vicarious liability operates in Nigeria meticulously. It also establishes itself to a large extent in demonstrating the manner in which the rule of vicarious liability can contribute to enhancing a company as well as its day-to-day operation, in which way victims of companies could also secure justice, and, support the economy. In the light of statutes such as CAMA 2020 and vital court cases as "*Mandilas & Karaberis Ltd v. Apena*,"[9] where, the Commission identified ways in which enforcement could be more well-developed and has also offered realistic solutions for lawmakers, corporations, and lawyers.

Furthermore, helps to know business law with regard to developing countries, and helps our small, medium and big multinational organizations to deal with the risk of operating their businesses within the framework of business laws in a dynamic Nigerian economy. Fundamentally, the goal is to bring about more equality in the legal framework thus raising investor's confidence to encourage a greater influx of investment, while at the same time becoming globally competitive under frameworks like African Continental Free Trade Area (AfCFTA).

1.7 Research Methodology

The research employs the doctrinal approach and this will predominantly deal with rigorous analysis and comparison. Consideration shall be given to statutes like CAMA 2020 and Tort Law, Nigerian judicial precedents, international conventions and various materials including law books,

[9] (1969) 1 All NLR 340.

journal articles, conference papers, reliable web sources such as the Journal Storage (JSTOR) as well as Nigerian law reports, etc. The material collected will be rigorously examined and analyzed. In order to be able to analyze legal trends in Nigeria, comparison will be made with United States and the UK.

1.8 Literature Review

Legal scholars often speak on whether employers should be held liable for the acts of their employees.

As Fridman (2006) puts it, "vicarious liability is a rule by which the employer is held responsible for the crime or tort committed by an employee acting in the course of his employment. This policy underlies the spreading of risk and the recompensing of the victims."[10] This rule has also been applied in Nigerian jurisdiction where Okany (2007) indicated that the rule evolved from the English law and was applied in cases such as "*Ifeanyi Chukwu Motors Ltd v. Okafor*,"[11] where a company was held liable for the mistake of the driver. Okany also thinks "the rule can be too strict and unfairly burden companies, especially in Nigeria's informal economy."

Atilola (2012) looks at laws like CAMA, that make companies responsible for their actions as separate entities. However, he further points out that it's often very unclear whether a worker or a contractor caused a problem, as shown in *UBA Plc v. Oranuba*.[12] He then went on to propose that the rules should be stricter, so that the doctrine of vicarious liability is not misused. Comparing with the UK, Giliker (2010) discusses how the courts in UK have become more flexible after a case called *Lister v. Hesley Hall Ltd*,[13] which led to the expansion of the rules for intentional wrongs

[10] G.H.L. Fridman, *The Law of Agency* (8th ed., Butterworths, 2006).
[11] (1993) 2 NWLR (Pt. 275) 317.
[12] (2014) 2 NWLR (Pt. 1390) 1.
[13] [2001] UKHL 22.

such as harassment. He also recommended that Nigeria should put into consideration such type of flexibility.

Jegede (2015) directed his focuses on specific sectors, such as the oil spills in the Niger Delta region. He also directed his criticism towards cases like the case of *Shell Petroleum Development Company v. Farah,*[14] "where those companies were held responsible for the environmental damage that was caused by the employees of the company, but enforcement is weak because of delays in court procedures." Jegede believes that "environmental laws should be integrated hand in hand with the rules that govern vicarious liability."[15]

Yakubu (2018) talks about "the various issues, problems and challenges that are faced by multinational companies," like what was seen in the case of *Okpabi v. Shell*,[16] and Yakubu suggested that "courts should be more willing and also very ready to hold parent companies responsible through the act of "piercing the "corporate veil" in order to get the insiders that really run the company." On the contrary existing studies examine individual cases rather than large scale legal reforms post CAMA 2020. This work, by examining the laws, cases and principles endeavors to fill this void and consequently paint a clearer picture of vicarious liability in modern Nigeria.

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[14](1995) 3 NWLR (Pt. 382) 148.
[15] National Oil Spill Detection and Response Agency (Establishment) Act 2006.
[16] [2021] UKSC 3.

CHAPTER TWO

CONCEPTUAL AND THEORETICAL FRAMEWORK

2.1 Conceptual Framework

Briefly under this chapter, the meaning of the concepts that relevant to this study will be explained.

2.1.1 Corporate

The word 'corporate' originates from the Latin corpus which means a body. Corporate, when used in law, is defined as a body that has been given legal personality apart from and different from the individuals forming the same. Corporation is therefore an artificial being, existing in contemplation of law; it has a legal entity, can sue and be sued, enter into contracts, own property and be liable in its own name.[17]

It is in the context of company law that "corporate" appears in its most usual and practically important form under Nigerian law. The Companies and Allied Matters Act, 2020 (hereinafter referred to as "CAMA 2020") is the primary law relating to the incorporation and operation of

[17]Companies and Allied Matters Act 2020, s. 42; see also Dora Akinlabi, *Company Law in Nigeria* (Lagos: Malthouse Press, 2021), p. 22.

companies in Nigeria. When incorporated, "the company becomes body corporate, with perpetual succession, with a common seal and the power to hold property and to sue and be sued".[18]

A company can be incorporated as a company limited by shares, a company limited by guarantee, or an unlimited company. In every one of these forms, incorporation itself results in a corporate entity which is itself completely distinct from the persons who founded it, own it (members), control it (directors), and staff it (employees). This very distinction is the basis of all corporate law and allows the concept of corporate liability to make sense as something other than a description of individual liability.

Professor L.C.B. Gower who is perhaps one of the most respected authorities on company law in the common law world referred to a company as "an entity separate from and independent of the natural persons who are for the time being its members".[19] This idea has been transplanted into Nigerian law although first formulated in the English legal system, following the legislative developments and the reception of the corpus.

2.1.2 Separate Legal Personality

The concept of "separate legal personality" is the cornerstone of contemporary company law. The first formal statement of the doctrine of "separate legal personality" is universally recognized to be the decision of the House of Lords *in Salomon v. Salomon & Co. Ltd*.[20] This case has formed company law throughout the world to almost every common law jurisdiction including Nigeria.

In this case, Aaron Salomon had transferred his leather business into a limited company, and received the shares and debentures as payment. When the company was liquidated the unsecured

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[18]Companies and Allied Matters Act 2020, s. 42(1)(a)–(e).
[19]L.C.B. Gower and Paul L. Davies, *Gower's Principles of Modern Company Law*, p. 27.
[20]*Salomon v. Salomon & Co. Ltd* [1897] AC 22 (HL).

creditors claimed that the Salomon and the company were one and that the shares and debentures constituted a debt he owed. However, all judges of the House of Lords ruled against this; as Lord Macnaughton put it;

"The company is at law a different person altogether from the subscribers to the memorandum; and, though it may be that after incorporation the business is precisely the same as it was before, and the same persons are managers, and the same hands receive the profits, the company is not in law the agent of the subscribers or trustee for them."[21]

This principle is fully entrenched in Nigerian law. In a landmark decision by the Supreme Court of Nigeria in the case of *Fawehinmi v. Nigerian Bar Association*.[22] In this case, the Supreme Court held that "the companies are distinct legal entities and that once it has been incorporated the company would have an existence separate from its members."

The consequences of "separate legal personality" are many and significant. It follows from "separate legal personality" that a shareholder is generally not liable for the debts of a company by virtue of owning shares in it. It follows from it that members can sue and be sued by the company and vice-versa. It follows from it that it is not affected by changes to the membership of a company. Crucially for the purposes of the discussion which follows, it means that tortious acts by employees during their employment, are liability of the company and not its members or directors.[23]

According to section 42 of CAMA 2020,[24] on incorporation, "the subscribers to the memorandum and every other person who shall hereafter be a member shall be a body corporate by the name

[21]IBID.
[22] [1989] 2 NWLR (Pt. 105) 558.
[23]Paul L. Davies, *Introduction to Company Law*, 2nd ed. (Oxford: Oxford University Press, 2010), pp. 14–18.
[24]Companies and Allied Matters Act 2020, s. 42.

contained in the memorandum, able to do everything that an incorporated company can, and having perpetual succession, and a common seal."

2.1.3 Limited Liability

The concept of "limited liability", as is its closely linked companion, "separate legal personality", has its scope determined. Separate legal personality establishes the company as a distinct legal person whereas the "limited liability" determines the level of members' exposure to loss by the company, if the company finds itself with more debts than it can service.[25]

In a company limited by shares, the liability of each member is limited to the extent, if any, that may not have been paid up on his shares.[26] This implies that after all that needs to be paid on the shares has been paid by each member for the shares held by them, a member cannot be called upon to pay anything further for the payment of the debts of the company no matter how enormous such debts may be.[27]

The economic rationale for "limited liability" is well established. As Professor Robert Charles Clark of Harvard Law School observed,[28] Reduces investor costs of monitoring management, encourages diversification of investment and ensures the efficient distribution of risk among those taking part in the economy. For all history "limited liability" has been one of the main factors as to why entrepreneurs form a company instead of a sole proprietor or an unincorporated partnership.

In Nigeria, the concept of "limited liability" is given statutory expression in section 21 of CAMA 2020, which recognizes companies limited by shares and companies limited by guarantee as

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[25]J.H. Farrar, N.E. Furey and B.M. Hannigan, *Farrar's Company Law*, 4th ed. (London: Butterworths, 1998), p. 68.
[26]Companies and Allied Matters Act 2020, s. 21(1)(a).
[27]Companies and Allied Matters Act 2020, s. 21(1)(b).
[28]R.C. Clark, *Corporate Law* (Boston: Little Brown, 1986), pp. 7–9.

distinct forms of incorporated entities. The principle has been consistently applied by Nigerian courts. In *Odutola v. Papersack Nig. Ltd*,[29] the Court of Appeal affirmed that "a member of a company limited by shares bears no personal liability for the debts of the company beyond the unpaid amount on his shares."

"It is important to note, however, that limited liability protects the members of the company, not the company itself. The company as a corporate entity remains fully liable for all its debts and obligations. This is why, in the context of vicarious liability, the company can be held responsible for torts committed by its employees even where the individual wrongdoer may lack the means to satisfy a judgment. The company's liability is unlimited in relation to its own acts and the acts of those for whom it is responsible in law."

2.1.4 Lifting the Veil of Incorporation

The doctrine of lifting (or piercing) the "veil of incorporation" is the primary method used by courts to depart from the "separate legal personality" of a company and attribute liability to individuals instead. It can be regarded as an exception to the strict application of the "Salomon principle" in situations where upholding the fictional "corporate personality" would lead to an unfair, fraudulent, or public-policy offensive result.[30]

Both statute and case law provide grounds upon which the 'veil may be lifted.' Under CAMA 2020,[31] And where the company is dealing dishonestly with its creditors. The veil may be lifted: "where a company has fewer than 7 members and continues to trade.,[32] Where a holding and

[29] [1997] 2 NWLR (Pt. 488) 329.

[30] O.E. Ekundayo, *Corporate Law and Practice in Nigeria* (Lagos: Nigerian Institute of Advanced Legal Studies, 2013), p. 88.

[31] Companies and Allied Matters Act 2020, s. 42(7) (formerly s. 37 CAMA 1990).

[32] Companies and Allied Matters Act 2020, s. 571; see also Insolvency Act 2022.

subsidiary company are to all intents and purposes one.[33]The courts in Nigeria have also developed common law grounds for lifting the veil"

In *Woolfson v. Strathclyde Regional Council*,[34] The House of Lords said that "the veil will only be lifted where there are special circumstances to show that “the company is a sham and a disguise”. This principle has been adopted and applied by Nigerian courts.

The importance of “piercing the veil” in the application of vicarious liability of companies cannot be overstated. A holding company might control its subsidiary so much that the subsidiary cannot be said to have an independent will of its own and therefore the courts might consider the subsidiary's employees to be the holding company's employees and hold the latter liable.[35]

2.1.5 Meaning and Scope of Vicarious Liability

Vicarious liability is a rule of tort law in which the tortfeasor is not liable but the wrongdoer is responsible for torts of the other party by reason of the relationship between them. The term vicarious has been defined in Latin as vicarious- representative, deputy. So, the law recognizes that one party stands in the stead of the other party; one stands in the stead of another party.[36]

The most prevalent area in which vicarious liability occurs is the employer/employee relationship. An employer is vicariously liable for torts committed by the employer's employee in the “course of employment”. This is the position in the case of corporate employers, and is particularly

[33]*D.H.N. Food Distributors Ltd v. Tower Hamlets London Borough Council* [1976] 1 WLR 852.
[34][1978] SC (HL) 90 at 96 (per Lord Keith).
[35]Chima Igbokwe, “Lifting the Corporate Veil in Nigeria: Judicial and Statutory Approaches” (2009) 3 *Nigerian Bar Journal* 45 at 51.
[36]W.V.H. Rogers, *Winfield and Jolowicz on Tort*, 19th ed. (London: Sweet & Maxwell, 2014), p. 756.

important in this area, given that as an artificial person the corporation can only act by means of a human agent, i.e. directors, officers, and/or employees.[37]

Professor Winfield, writing in his authoritative work on tort law, identified the principal justification for vicarious liability as lying in the social utility of the rule: "it ensures that a claimant who is harmed by the conduct of an employee can obtain redress from a party, the employer, who is typically better placed financially to satisfy a judgment, and who has also gained economically due to the actions of the employee which caused harm."[38]

For vicarious liability to attach in any given case, two conditions must generally be established. First, the wrongdoer must be an employee (or in some circumstances, an agent) of the defendant. Second, the tortious act must have been committed in the "course of employment".[39]

The first of these conditions (namely the existence of an employment relationship) is to be distinguished from that of independent contractor in law as this is relevant as an employer is not generally liable for the torts of an independent contractor. A number of tests have been formulated by the courts of law for determining such liability; the earliest being the "control test" which seeks to determine if the employer has the right to control not only the work that the employee does but how the work is done.[40] When such control is present, the worker is a servant; when not present, a contractor. However, the courts have moved beyond the "control test", particularly in complex modern employment relationships. In *Ready Mixed Concrete (South East) Ltd v. Minister of Pensions and National Insurance*,[41]

[37]W.V.H. Rogers, *Winfield and Jolowicz on Tort*, pp. 757–758.
[38]IBID.
[39]R.F.V. Heuston and R.A. Buckley, *Salmond and Heuston on the Law of Torts*, 21st ed. (London: Sweet & Maxwell, 1996), p. 443.
[40]*Yewens v. Noakes* (1880) 6 QBD 530.
[41][1968] 2 QB 497 at 515 (per MacKenna J).

The “multiple test” was put forth by MacKenna J, which focused on the whole contractual relationship between the two parties. This included factors such as, "whether the employee is part of the employer's undertaking' and whether he is 'carrying on business on his own account', and "“any other relevant facts and circumstances.” 'Nigerian courts have adopted similar approaches. In *UTC (Nigeria) Ltd v. Lawal*,[42] the Supreme Court examined several factors including control, the mode of payment, and the degree of integration of the worker into the employer's organization to determine the nature of the employment relationship."

On the question of whether the tort was committed "in the “course of employment”," the courts have over time moved from the restrictive test in *Salmond's Law of Torts* (which required either that the act be expressly or impliedly authorized by the employer, or that it be an unauthorized mode of doing an authorized act) toward a broader approach based on the "close connection" test articulated by the House of Lords in *Lister v. Hesley Hall Ltd*.[43] In that case, it was held that "a school was vicariously liable for acts of sexual abuse perpetrated by a warden of a residential school on children in his care, because there was a sufficiently “close connection” between the nature of the employment and the acts complained of."

Nigerian courts, while still largely applying the traditional Salmond approach, have shown willingness to consider the broader context of the employment relationship and the benefit derived by the employer from the activities that occasioned the harm. In *National Electric Power Authority v. Edegbero*,[44] the Supreme Court upheld a finding of vicarious liability against NEPA (now

[42] [1976] 2 SC 189.
[43][2001] UKHL 22; [2002] 1 AC 215.
[44][2002] 18 NWLR (Pt. 798) 79.

PHCN) for the acts of its employees who, in the course of their duties, negligently caused injury to the plaintiff.

2.1.6 Definition of Corporate Vicarious Liability

Corporate vicarious liability refers to the extension of vicarious liability principles to corporate bodies such as companies and organizations. As a corporation lacks physical existence and cannot act independently, it operates solely through individuals including directors, managers, employees, and other personnel. Consequently, the company may be held accountable for torts or certain offences committed by these individuals while performing their duties on behalf of the organization.[45]

This type of liability stems from the principle that corporations derive benefits from the activities of their agents and must therefore shoulder the associated risks. Under the Companies and Allied Matters Act (CAMA) 2020 in Nigeria, "companies are recognized as distinct legal entities capable of suing and being sued in their own name. Corporate vicarious liability therefore involves attributing the conduct and, in some instances, the intentions of the company's agents to the corporation itself."[46]

Unlike some other areas of the law involving vicarious liability, personal (e.g. A parent's liability for his or her child) there is often a business or commercial context. A business might be found liable when one of its employees acted negligently, the corporation is responsible for defaming someone or in circumstances of a breach of a statutory duty. The doctrine is applied across much of the civil law world, but still finds limited scope for application in the criminal sphere for offences

[45]Orojo, J. O., *Company Law in Nigeria* (Mbeyi & Associates, 2008).
[46]Companies and Allied Matters Act (CAMA) 2020, s. 18.

not involving strict liability or provided by statute (as corporations are physically unable to commit an act of murder or assault for example).[47]

A leading Nigerian decision on this subject is Ifeanyi Chukwu (Osondu) Co. Ltd v. Soleh Boneh (Nigeria) Ltd, in which "the Supreme Court affirmed that a company can only function through its agents.[48] As a result, the corporation's liability rests on the conduct of those agents and is linked to the underlying wrong committed by the person acting for the company."

2.1.7 Historical Development of Vicarious Liability in Nigeria

Vicarious liability has had a long history; the law was initially part of English common law before coming to Nigeria via colonial rule. As it evolved, it was restricted to such acts as would be specifically directed by a master to his servant in England. In fact, in the medieval English period, where masters closely adhered to the maxim: qui facit per alium facit per se ("he who acts through another acts himself"), it was really at such times that the masters expressly ordered or authorized the commission of such act that would involve vicarious liability.[49]

By the 17th and 18 centuries English courts began to widen liability and hold employers responsible for any tort committed outside normal job specification, as long as it came within the general course of their duties. In the 19th century further important court rulings stated it depends whether the employee was in the course of their duty or whether it's the result of the employee acting in a private Capacity it was a progression from blaming individuals to applying law

[47] Harlem Solicitors, "The Doctrine of Vicarious Liability in the Nigerian Legal System" (2022).
[48] *Ifeanyi Chukwu (Osondu) Co. Ltd v. Soleh Boneh (Nigeria) Ltd* (2000) 5 NWLR (Pt. 656) 322.

[49] G. Kodilinye and O. Aluko., *The Nigerian Law of Torts* (Spectrum Books Ltd, 2005).

according to policy. Later the employer was held liable on the fact that they should compensate their workers when their labor earns money.[50]

Vicarious liability came into Nigeria as part of English law in the colonial period. After the fusion of Nigeria and the enactments that followed, English common law on tort law became applicable where Nigerian statutes provided nothing. In particular, the Supreme Court Ordinance of 1914, applied rules of the common law for the areas where local provisions were lacking.[51] However, the English common law's reception did not abate after our independence in 1960 in Nigeria, as the law that allowed the application of common law (and English statutes if applicable and not in contravention of Nigerian statutes) was Interpretation Act which contained in the provision that common law shall apply provided it was not contrary to the circumstances of Nigeria. This was in section 45 of the Interpretation Act.

Court decisions were instrumental to solidify the doctrine in Nigerian law. Although Nigerian courts were guided in the beginning by their English counterparts, the courts came to apply and shape the rules for the purposes of peculiar circumstances in Nigeria as a common law jurisdiction especially in employment cases, cases involving road traffic accident, factory accidents, company law and so on. The court recognized the position of companies as separate legal persons who can act only through their agents, and this established the basis of the liabilities of corporations.[52]

Significant milestones would include the termination of Crown immunity immediately after Nigeria attained independence as a constitutional matter with the promulgation of the Constitution of 1979 and1999, thereby effectively nullifying and overriding previous limitations like that in

[50]E. Malemi., *Law of Torts* (Princeton Publishing Co., 2008).
[51] U. P. Esione., *Law of Torts in Nigeria* (University of Nigeria Press, 2015).
[52], J. O. Orojo., *Company Law in Nigeria* (Mbeyi & Associates, 2008).

"Ransome-Kuti v. Attorney-General of the Federation" to provide for better check on the excesses of governments.[53] In civil cases, vicarious liability became widespread, giving rise to the employers' and companies' vicarious liability; whereas, its applicability is only for strict liability crimes which do not involve proof of fault.

The following landmark cases serve as examples of the evolution of this notion: In *Ifeanyi Chukwu (Osondu) Co. Ltd v. Soleh Boneh (Nigeria) Ltd,* "the Supreme Court endorsed corporate liability for tort committed by its agents in the light of existing relationship."[54] Similarly to this, in the case of *Ayankoya v. Olukoya* showcased the means of determining whether or not someone is an employer and employee based on who controls the company.[55] Nigerian courts have recently been using a '"close connection"' test imported from English law, in the shape *of Lister v Hesley Hall Ltd,* "to allow claims to be brought against employers in respect of intentionally inflicted harm so far removed from that purpose of employment as to otherwise be beyond the reach of the tort of vicarious liability for the intended purpose of employment."[56]

These developments in the doctrine are further supported by such enactments like the Police Act, environmental legislation that attach liability to public institutions for the acts of its employees. While the application in criminal law remains restricted as proof of"mens rea"is required, vicarious liability is now commonplace for regulatory offences.[57] Overall, Nigeria's legal evolution shows a move away from the rigid application of the colonial doctrines, towards flexible principles aimed at improving access to justice and organizational responsibility within the developing context of Nigeria.

[53]Constitution of the Federal Republic of Nigeria 1999, s. 6.
[54] (2000) 5 NWLR (Pt. 656) 322.
[55] (1996) 1 NWLR (Pt. 422) 1.
[56]Harlem Solicitors, "The Doctrine of Vicarious Liability in the Nigerian Legal System" (2022).
[57]National Environmental Standards and Regulations Enforcement Agency Act 2007.

2.1.8 Elements of Corporate Vicarious Liability

For corporate vicarious liability to arise in Nigeria, there are three primary elements which must first be established, based on the common law principles that are used by Nigerian courts:

They include;

(a) **Existence of a Tort or Wrongful Act by the Agent/Employee:** In the first instance, the claimant must prove that an employee or agent of the respondent performed the wrongful conduct alleged – the negligence, the trespass – it was on no terms then that a secondary liability will befall on the company. This point has also been emphasized in *Ifeanyi Chukwu (Osondu) Co. Ltd v. Soleh Boneh (Nigeria) Ltd* where it was stated that "Corporate liability hinges upon a prior proof of the agent's offence before such liability may be placed on the company."[58]

(b) **Employer-Employee or Agency Relationship:** We require either a relationship of "master and servant", or principal and agent; In essence, what is important, for the purposes of classification, is the company's control over the way the individual works, not just control over the task which he does. Independent contractors usually fail this test since the company does not have control over them. The courts in Nigeria utilize different methods or tests such as the "control test" among others, to classify individuals between employees and independent contractors.[59]

(c) **Act Committed in the Course of Employment:** The tort committed must be by employee when engaged on company's business or on work which is reasonably connected with it. Authorized acts wrongly executed, or unauthorized acts which were not incidental to the

[58]IBID.
[59]*Ayankoya v. Olukoya* (1996) 1 NWLR (Pt. 422) 1.

employee's duty but are closely connected with the employment or can be reasonably connected therewith would create company liability. If employee steps outside the boundary of his employment to engage in what is known as a '"frolic of his own"' the company cannot be held vicariously liable. A "close connection" test has found favor with Nigerian courts for purpose of testing nexus between employment and tort.[60]

(d) In a corporate context, there will be a further question as to whether the agent acted in the interest of the company and as to whether the company approved or adopted the act. In the criminal sphere, some statutes create liability regardless of the company's knowledge or intention. These are often crimes in relation to public regulation.[61]

These above elements help in ensuring that liability is not imposed arbitrarily but rather it aligns with policy goals of risk allocation and also with victim compensation.

2.2.4 Forms of Corporate Vicarious Liability in Nigeria

Corporate vicarious liability in Nigeria can be manifested in So Many Ways, mainly through civil means but with limited criminal applications:

These forms include the following ;

(a) **Civil Liability for Torts:** Civil liability for torts simply means that companies can now be held responsible for the wrongful actions caused by their employees, such as car accidents, injuries sustained at the workplace, or even spreading false statements. For example, if a

[60]Learn Nigerian Law, "Vicarious Liability" (accessed 2026).
[61]Administration of Criminal Justice Act 2015.

company's driver causes an accident while working, the company would be held responsible for the damage.[62]

(b) **Strict Liability Offenses:** There are cases where businesses may be held culpable for the acts or omissions of their staff in the areas of environment law, food & drug law, irrespective of whether the business owner, or management intended it or even knew of the act or omission. A classic scenario for this is the violation of NESREA Act or the Standards Organization of Nigeria Act.[63]

(c) **Criminal Vicarious Liability:** Most relevant in strict liability and statutory offenses, it is not necessary to prove faulty or criminal intent, companies obviously don't commit personal crimes such as theft, fraud but can be charged for regulatory offenses and Administration of Criminal Justice Act(ACJA) 2015 allows for corporations to be prosecuted.[64]

(d) **Liability for Acts of Directors/Officers ("Identification Doctrine"):** Alternatively, the directing officers are deemed, so to speak, to be the mind of the directing corporate officer, attributing direct culpability to the company for their actions in addition to vicarious responsibility.[65]

Nigerian courts exercise caution when deploying these frameworks to criminal matters while adopting it more readily when civil and regulatory proceedings are the issue. Cases such as *Sharon Paint & Chemical Co. Ltd v Ezenwa* is illustrative of the scenario whereby liability falls via agents. Through this mechanism, companies can be held liable without discounting the inherent artificiality

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[62]*Nigerian Navy v. Akpan* (unreported, cited in secondary sources).
[63]National Environmental Standards and Regulations Enforcement Agency Act 2007.
[64]Administration of Criminal Justice Act 2015, ss. 464-468.
[65]*Tesco Supermarkets Ltd v. Nattrass* (1972) AC 153 (influential in Nigeria).

of Corporate Personality, thus ensuring justice for aggrieved parties and for the benefit of companies themselves.[66]

2.2 Theoretical Framework

Under the theories for the basis of vicarious liability there is an explanation for why liability is being put on the party who is wholly innocent for wrongs which another committed. Under fault-based liability such a doctrine has become unnecessary, because that such policy as laid out already existing on a large number and such policies that as laid out is based for reason of it providing the modern world with effective relief against wrongdoing.[67]

Several theories justify the doctrine of Vicarious Liability.

2.2.1 Agency Theory

Corporate vicarious liability by way of agency theory operates on the principle in the legal world that principal is bound by acts committed by an agent which falls within actual or apparent scope of authority. When the principal is a corporation its agents are the officer/employees of the corporation.[68]

A corporation, being an artificial being, cannot do an act otherwise than through an agent; so an act done by an officer or employee for the purpose of company's business is legally considered an act of corporation. For example, if an employee of a company does a tort while working in the

[66](cited in modern analyses).
[67]Learn Nigerian Law, "Vicarious Liability" (accessed 2026).
[68]F.M.B. Reynolds, *Bowstead and Reynolds on Agency*, 20th ed. (London: Sweet & Maxwell, 2014), p. 496.

course and furtherance of company's business the law will presume the commitment of the tort by the company itself.[69]

This reasoning was considered by the Nigerian Supreme Court in *Shell Petroleum Development company of Nigeria Ltd v. Farah,* which ruled that, "since the employees were acting as agents of the company, the latter could be found liable both for the agents and because of vicarious liability."[70]

In academic literature, the agency theory has been articulated by various scholars. Professor P.L. Davies,[71] in his revision of Gower's Principles of Modern Company Law, notes that "it is the company's power to employ an agent which give expression to its "separate "corporate personality". So as corporate liability in Tort is largely a matter of agency law."

A limitation of strict agency theory is its emphasis on authority rather than wider social and economic policies. Consequently, courts and commentators often combine it with justifications based on risk, enterprise, and economic benefit.[72]

2.2.2 Resource Dependency Theory

The Theory of Resource Dependency first identified in Jeffery Pfeffer and Gerald R Salancik's 1978 The External Control of Organizations: A Resource Dependence Perspective, discusses the relationship that an organization has with the outside environment in relation to it obtaining necessary resources.[73]

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[69]Paul L. Davies, *Introduction to Company Law*, p. 19.
[70]*Shell Petroleum Development Company of Nigeria Ltd v. Farah* [1995] 3 NWLR (Pt. 382) 148.
[71]L.C.B. Gower and Paul L. Davies, *Gower's Principles of Modern Company Law*, p. 162.
[72]W.V.H. Rogers, *Winfield and Jolowicz on Tort*, p. 761.
[73]Jeffrey Pfeffer and Gerald R. Salancik, *The External Control of Organizations* (New York: Harper & Row, 1978), pp. 39–40.

This concept, when used in the context of corporate vicarious liability, explains why a corporation should be held responsible for its employees' actions by noting that the firm does depend on, control, and utilize human beings to achieve its ends. It hires employees, trains them, supervises and compensates them, and dictates the tasks that they perform and the way in which they carry them out. In creating this environment of employment, the company is the source of the environment in which the tort occurred, and it can avoid liability for the injuries caused.[74]

Likewise, this explanation could support the vicarious liability extension beyond these classic employees. If the corporation holds extensive control over the manner service is delivered, it is the superior party in the resource dependency relation. The entity, accordingly, should embrace responsibility.[75]

This idea finds support in our existing and emerging case law with regards to the scope of employment. Our Courts always evaluate the level of control an organization/employer has over the employee, not the particular label used to describe that relationship. In the case of Lagos State Development and Property Corporation v Foreign Finance Corporation, the court took all the factors it considered under the “control test” into account to determine whether or not an employment relationship exists, and the extent of that employment relationship for purposes of vicarious liability.[76]

2.2.3 Stakeholders Theory

Originally systematic proposed by R. Edward Freeman (Strategic Management: A Stakeholder Approach, 1984), stakeholder theory asserts that "a corporation has responsibilities not only

[74]IBID, pp. 43–50.
[75]Simon Deakin and Gillian Morris, *Labour Law*, 6th ed. (Oxford: Hart Publishing, 2012), pp. 167–169.
[76]*Lagos State Development and Property Corporation v. Foreign Finance Corporation* [1987] 1 NWLR (Pt. 50) 413.

towards shareholders, but towards an expansive population or groups that are affected by their actions, these groups are often termed 'stakeholders.' This can range from employees, customers, suppliers, communities and the general public."

In terms of corporate vicarious liability, stakeholder theory can provide an argument for imposing liability on corporations on the grounds that they are liable for their employees' wrongful acts.

Individuals in the public sector whom fall victim to wrongful employee acts are arguably stakeholders in its broadest sense of definition because they are affected by the corporation's actions. A system of risk-shifting would have corporations passing the risk of corporate employee wrong to unsuspecting victims.[77]

This is all very topical in Nigeria, where the country's largest companies – largely multinational oil majors in the Niger Delta – are routinely sued for pollution, loss of health and life resulting from the actions of employees, sub- contractors etc. Nigerian courts regularly have occasion to apply 'vicarious liability' and direct corporate liability and to compel oil giants to appear in court and be answerable to these communities.[78]

In *Umudje v. Shell Petroleum Development Company of Nigeria Ltd*,[79] The Court considered the extent of the company's responsibility for injury to farming and fishing communities near the facility, recognizing that the legal system should not dismiss the legitimate claims of these groups as mere parties seeking to cause trouble.

2.2.4 Corporate Social Responsibility Theory

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[77]IBID., pp. 52–55.
[78]Emeka Duruigbo, "Corporate Accountability…" (2008) 6 *Northwestern University Journal of International Human Rights* 222.
[79]*Umudje v. Shell Petroleum Development Company of Nigeria Ltd* [1975] 9–11 SC 155.

The concept of CSR builds on the stakeholders view and suggests that "corporations have an affirmative duty beyond simple legal standards for managing their affairs in a manner that helps society thrive, or in the least, prevents society from suffering negative consequences from the corporation's activities."[80]

Multiple statues and regulations in Nigeria's legal and policy arena represent CSR. Examples include the Nigerian Extractive Industries Transparency Initiative Act, the Petroleum Industry Act 2021(PIA) etc[81] and several environmental rules place duties on companies in the extractive sector to consider the social and ecological impacts of their work. The PIA 2021,[82] for example, establishes host community development trusts and compels firms to finance social development initiatives in the areas where they operate.

On vicarious liability, CSR doctrine supports the argument for the imputation of corporate responsibility for the wrongdoings of the employees (Where an organization "makes a public promise of ethical performance", but then tries to abdicate responsibility from its employee's actions, this is inconsistent). CSR analysis of vicarious liability acts as an implement for ensuring the principles corporations are supposedly to represent and that oppressed segments of society do not have to bear excessive costs of corporate operations.[83]

This viewpoint is supported in scholarly works. Professor Yemi Oke,[84] has contended that "a strong framework of corporate liability, encompassing vicarious liability, is vital for achieving genuine

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[80]Archie B. Carroll, "A Three-Dimensional Conceptual Model…" (1979) 4 *Academy of Management Review* 497 at 499–500.

[81]Nigerian Extractive Industries Transparency Initiative Act, Cap N156 LFN 2004; Petroleum Industry Act 2021.

[82]Petroleum Industry Act 2021, ss. 234–257.

[83]E. Duruigbo, "Corporate Accountability pp. 240–241.

[84]Y. Oke, "Corporate Social Responsibility in Yemi Oke (ed.), *Frontiers of Commercial Law in Nigeria* (Lagos: NIALS, 2012), p. 188.

corporate social responsibility goals in Nigeria. Without meaningful legal enforcement, CSR pledges would remain mere aspirations rather than binding commitments."

2.2.5 Control Theory

This historical argument suggests that the employer being responsible for his employee's actions as he exercises some control over his behavior, should be vicariously liable for such actions, and the core ingredient in distinguishing employees from the contractor is the employer's right to control the servant and the "control test" has often been employed by Nigerian courts to ascertain if the "master-servant" relationship exists.[85] However, this test faces criticism for its limited effectiveness in contemporary, decentralized, and dispersed work environments.

2.2.6Enterprise Risk or Benefit Theory

According to this theory, since employers derive financial gains from their employees' efforts, they should also bear the associated risks. Often referred to as the "deep pocket" principle, it enables victims to recover from financially capable companies and promotes the use of insurance to cover potential losses.[86] Nigerian courts have endorsed this view, treating vicarious liability as a way to equitably distribute the risks generated by business enterprises.

2.2.7 Deterrence and Compensation Theory

Holding employers liable incentivizes careful oversight of employees and the selection of competent staff. It also ensures that victims receive adequate redress, thereby advancing social justice. This policy rationale supports liability even beyond conventional employer-employee settings.

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[85]IBID.
[86]Okpeh, B., "Modern Approach to the Doctrine of Vicarious Liability" (LawPavilion Blog, 2022).

2.2.8 Identification or Directing Mind Theory

This theory posits that the conduct of senior executives and managers is attributable directly to the company itself. Nigerian law has drawn from English authorities such as "*Tesco Supermarkets Ltd v. Nattrass,*" integrating this concept with principles of vicarious liability.[87]

2.2.9 Indemnity Theory

More recent perspectives suggest an implied contractual understanding whereby employers shield employees from personal liability arising during the performance of their duties. This underpins the justification for employer responsibility for employee wrongs.[88]

In corporate settings, doctrines such as “respondeat superior” (“let the superior answer”) underpin vicarious criminal liability for strict liability offences, though its application is restricted for crimes requiring “mens rea”. Nigerian courts tend to rely on policy considerations and adapt various theories to address domestic realities, as seen in environmental regulation cases.

Critics contend that vicarious liability undermines personal fault-based accountability and may unjustly burden employers or lead to excessive caution. Nevertheless, the doctrine plays a protective role for victims in interdependent economies. In Nigeria, it represents a blend of control, enterprise risk, and broader social policy considerations.[89]

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[87] (1972) AC 153.
[88] Neyers, J. W., "A Theory of Vicarious Liability" (2005) Alberta Law Review.
[89] Oricha, F., "An Examination of the Scope and Limits of Vicarious Liability Under the Nigerian Law" (Afribary, 2019).

Collectively, these theories account for the enduring relevance of vicarious liability, ensuring that those who direct or depend on others to operate enterprises are held accountable.

CHAPTER THREE

LEGAL BASIS FOR CORPORATE VICARIOUS LIABILITY IN NIGERIA

3.1 Scope of Corporate Vicarious Liability

The scope of corporate vicarious liability in Nigeria covers a broad array of situations in which a corporation can be held answerable for the tortious acts and occasionally criminal acts of its employees and agents. This liability rests on the established common law rule that an employer, whether an individual or a legal entity, bears responsibility for the wrongful acts of its servants performed in the "course of employment".[90]

For corporations, determining the scope involves examining two key interrelated aspects: first, identifying who counts as an employee or agent for liability purposes; and second, establishing which acts fall within the scope of employment or authority, thereby rendering the corporation liable.[91]

The doctrine originates from English common law and has been adapted to Nigerian circumstances through judicial decisions and targeted statutory measures. The primary statute governing the legal personality and accountability of companies in Nigeria is the Companies and Allied Matters Act (CAMA) 2020, which superseded the 1990 version. Section 90 of CAMA 2020 provides that "acts performed by a company's officers or agents are regarded as the company's acts where such officers or agents were authorized, directly or indirectly. Vicarious liability complements this by ensuring companies remain answerable for the actions of their employees during the course of business."

Unlike jurisdictions with dedicated statutes on corporate manslaughter or expansive corporate criminal liability, Nigeria largely relies on common law supplemented by sector-specific legislation. Environmental laws, consumer protection statutes, and financial regulations, for instance, commonly impose responsibility on companies for the conduct of their employees.[92] In the absence of a single comprehensive statute on corporate vicarious liability, the doctrine has evolved primarily through case law, informed by considerations of public policy, business risk

[90]R.F.V. Heuston and R.A. Buckley, *Salmond and Heuston on the Law of Torts*, p. 441.
[91]W.V.H. Rogers, *Winfield and Jolowicz on Tort*, p. 762.
[92]Ese M, *Law of Tort* (Princeton Publishing Co, 2008).

allocation, and the expectation that well-resourced companies exercise greater care and accountability.

The underlying rationale is rooted in public policy: companies profit from the activities of their agents and should therefore accept the corresponding responsibilities. This facilitates compensation for injured parties and encourages improved supervision and training of personnel.[93] In Nigeria's expanding economy, this principle is particularly significant in high-risk sectors such as transportation, manufacturing, banking, and oil exploration, where third parties are frequently exposed to potential harm.

Vicarious liability historically stemmed from the "master-servant" relationship in English common law and was later extended to companies following their recognition as distinct legal entities in the landmark case of Salomon v Salomon & Co Ltd.[94] In Nigeria, the Supreme Court in "Ifeanyi Chukwu (Osondu) Co Ltd v. Soleh Boneh (Nigeria) Ltd" affirmed that companies act exclusively through their agents, making most liabilities incurred by those agents vicarious in nature.[95] This decision underscored that a company, as a fictional entity, cannot act personally but operates via servants or agents.

Additionally, in "*Trenco (Nigeria) Ltd v. African Real Estate Ltd*,"[96] the court applied the alter ego doctrine in civil matters, holding that "the acts of directors may be attributed to the company itself. Although primarily civil in focus, this ruling aids in understanding the mechanics of corporate vicarious liability."

[93]Kodilinye G & Aluko O, *The Nigerian Law of Torts* (2nd edn, Spectrum Law Publishing 1996).
[94]Salomon v Salomon & Co Ltd (1897) AC 22.
[95]*Ifeanyi Chukwu (Osondu) Co Ltd v Soleh Boneh (Nigeria) Ltd* (2000) 5 NWLR (Pt 656) 322.
[96]Trenco (Nigeria) Ltd v African Real Estate Ltd (1978) 1 LRN 146.

3.1.1 Statutory Provisions Under Sections 90 to 98 of CAMA 2020

The enactment of CAMA 2020 has significantly modernized the rules concerning the powers and legal capacity of companies in Nigeria, shifting from a restrictive framework under the 1990 Act to a more flexible and inclusive one. Section 90 grants[97] companies the full legal capacities and powers of a natural person of full capacity, subject only to restrictions contained in their constitutional documents. This reform largely eliminates the rigid application of the "ultra vires" doctrine, under which company capacity was confined to the objects clause in the memorandum of association, rendering transactions beyond those objects generally void. The provision also addresses key matters relating to company officers and agents. Under Section 90,[98] "a company is liable to third parties for torts committed by its officers or agents if the company held out such persons as having the necessary authority, or where representations by the company induced a good-faith third party to rely on that authority. Liability is avoided only if the third party had actual or constructive knowledge of the lack of authority. Authority may also be granted retrospectively through ratification by members, directors, or the managing director, either expressly or by acquiescence with full awareness of the facts."

Section 91,[99] "renders void any provision in the articles of association or other agreements that seeks to exempt officers or directors from liability for negligence, default, breach of duty, or breach of trust. This promotes accountability among company officials."

A notable innovation in CAMA 2020 is the abolition of the doctrine of constructive notice under Section 92, which clarifies "that no person is deemed to have notice of a company's documents

[97]Companies and Allied Matters Act 2020, s. 90.
[98] IBID.
[99]Companies and Allied Matters Act 2020, s. 91.

merely because they are filed at the Corporate Affairs Commission (CAC). This protects third parties who may not have access to such information during transactions."

Section 93[100] reinforces this protection by establishing a presumption of regularity: persons dealing with the company in good faith may assume that the officers' powers are not restricted by internal rules, even if such limitations exist in the company's documents.

Section 94,[101] upholds the principle of apparent authority, preventing a company from escaping liability to outsiders when its officers engage in fraud or forgery while appearing to act within their authority.

With respect to the mode of executing contracts in writing by companies, CAMA 2020 introduces under Section 95[102] a degree of flexibility. Contracts may be executed under the company's common seal or by authorized directors/officers. Pre-incorporation contracts are addressed in Section 96.[103] Bills of exchange and promissory notes must be drawn, accepted, or endorsed in the company's name by or under its authority (Section 97CAMA 2020).[104]

Section 98[105] modernizes document execution rules by removing the mandatory use of a common seal and permitting execution by two directors, a director and the company secretary, or a director with a witness. Electronic signatures are also expressly recognized.

3.1.2 Exceptions to Corporate Vicarious Liability

While the doctrine of corporate vicarious liability is broad in its scope, it is not without limits. Several well-recognized exceptions exist under both Nigerian statute and common law, and their

[100]IBID, s. 93.
[101]IBID, s. 94.
[102]IBID, s. 95.
[103]IBID, s. 96.
[104]IBID, s. 97.
[105]IBID, s. 98.

application can significantly affect the outcome of claims against corporations for the acts of their employees.[106]

The first and most important exception concerns the distinction between employees and independent contractors. As noted above, an employer is not ordinarily vicariously liable for the torts of an independent contractor.[107] The rationale for this exception is that the employer does not control the manner in which the independent contractor carries out his work, and therefore lacks the degree of dominance over the tortfeasor that would justify the imposition of secondary liability. Nigerian courts have applied this distinction in numerous cases. In *Nwosu v. Udeaja*,[108] "the Court distinguished between employees and independent contractors in the context of liability for negligence, holding that the defendant was not liable because the person who caused the harm was an independent contractor over whom the defendant exercised no relevant control."

The second exception concerns acts committed by an employee on a "frolic of his own"." This expression, derived from the judgment of Parke B in *Joel v. Morison*,[109] describes the situation where an employee departs from the scope of his employment so completely that "the wrongful act cannot reasonably be characterized as a mode of doing his job." Where an employee goes on a "frolic of his own", his employer, including a corporate employer, is not vicariously liable for the resulting harm.

The concept of a frolic has been applied in Nigerian jurisprudence. In *Agboola v. United Bank for Africa Plc*,[110] the Court of Appeal considered whether the acts of a bank employee, who had misapplied funds outside his authorized duties, amounted to a frolic. The Court found that while

[106]W.V.H. Rogers, *Winfield and Jolowicz on Tort*, pp. 779–785.
[107]Ibid., p. 779.
[108]*Nwosu v. Udeaja* [1990] 1 NWLR (Pt. 125) 188.
[109]*Joel v. Morison* (1834) 6 C&P 501 at 503 (per Parke B).
[110]*Agboola v. United Bank for Africa Plc* [2011] 11 NWLR (Pt. 1257) 147.

there was misapplication, the acts were sufficiently connected to the employee's job function to ground the bank's vicarious liability, illustrating how narrow the frolic exception can be in practice.

The third exception arises in relation to prohibited acts. Where an employer expressly prohibits an employee from doing a particular act, and the employee does the prohibited act anyway, the question arises whether the employer is still vicariously liable. The general answer is that "a prohibition does not necessarily take the act outside the scope of employment if the act is of a kind that the employee was employed to perform. The prohibition affects how the employee is to do his job, not what job he is supposed to do."[111] The distinction was well drawn by the Court of Appeal in England in *Limpus v. London General Omnibus Co*,[112] and has been adopted in the Nigerian context: a prohibition against doing an act in a particular way does not make the act itself fall outside the "course of employment".

The fourth exception concerns intentional torts of a purely personal nature. Where an employee's intentional wrongdoing is purely personal and has nothing to do with the purpose for which he was employed, vicarious liability may not arise. This exception has, however, been substantially narrowed by the "close connection" test, which looks at whether there is a sufficient nexus between the nature of the employment and the wrong committed

The fifth exception relates to criminal acts. As a general rule, "an employer is not vicariously liable for crimes committed by an employee, since criminal liability is personal. However, where the criminal act arises from or is connected with the employee's authorized duties, civil liability can still attach to the corporation." This is because vicarious liability in tort is independent of criminal liability, and the commission of a crime by an employee does not automatically immunize the

[111]R.F.V. Heuston and R.A. Buckley, *Salmond and Heuston on the Law of Torts*, p. 452.
[112]*Limpus v. London General Omnibus Co* (1862) 1 H&C 526.

employer from civil liability to the victim.[113] This is consistent with the position upheld in several Nigerian decisions involving corporate employees who committed fraud or assault in circumstances connected with their employment.

3.2 Notable Judicial Decisions on Corporate Vicarious Liability in Nigeria

Nigerian jurisprudence on corporate vicarious liability deals mainly on civil cases, applying the rule of *"respondeat superior"*, while application for criminal cases apply the identification method. Various court decisions have supported and also affirmed corporate responsibility for the actions of an employee who is working in accordance with his scope of employment.

Some notable decisions on corporate vicarious liability in Nigeria include the following;

1. Nigerian Ports Authority v. Panalpina World Transport (Nig) Ltd[114]

Employee The carelessness of an employee lead to dummy goods which were under statutory body care. Panalpina World Transport imported goods that were discharged at the Nigerian port and then placed under the supervision of the Nigerian Ports Authority (NPA) which is a statutory body. Employees of the NPA carelessly handled and stored the package which led to loss or damage while the goods were still under the port's care. This therefore led to consolidated actions, NPA sued Panalpina for unpaid storage charges, while Panalpina counterclaimed against NPA for the value of the lost goods due to their negligence during operation.

[113] W.V.H. Rogers, *Winfield and Jolowicz on Tort*, p. 784.
[114] (1974) 1 All NLR 463.

Vicarious liability for government-related organizations applies to semi-governmental groups when they are negligent in their operations. Public Policy Ensures victims compensated by "deeper pocket" entities.

2. *Trenco (Nig) Ltd v. African Real Estate Lt*d[115]

Agent's Trenco Nigeria Ltd made a false statement in a business deal. They agreed to build a project with African Real Estate Ltd. The bank gave an advance payment of over £12,000 to African Real Estate in order for them to help pay for the construction. Agents of African Real Estate made mistakes and misrepresentations in regards to the terms of the contract, payment obligations, and project details during negotiations and execution, which led to a breach of contract. Trenco then took legal action to have the payments to be recognized as part of the contract as advances, not loans. This showcased that the agents acted within their usual business practices.

Agency and Corporate Liability Extended to corporate agents for ordinary course misrepresentations.

3. Ifeanyichukwu (Osondu) Co Ltd v. Soleh Boneh Nigeria Ltd[116]

Employee negligence in construction operations. A lorry which was owned by Soleh Boneh Nigeria Ltd, was driven by one of its employees during a construction-related operation, The employee negligently collided with a lorry which was owned by Ifeanyichukwu (Osondu) Co Ltd on a public road, thereby causing extensive damage which was valued at over N64,000. The accident was as a result of the the driver's recklessness while transporting materials for the company, which therefore

[115] (1978) 4 SC 9.
[116] 5 NWLR (Pt 656) 322.

led Ifeanyichukwu to sue Soleh Boneh for vicarious liability based on the "master-servant" relationship and the accident happened during thereby falling within the scope of employment.

The Supreme Court confirmed that "companies act only through their employees. Therefore, they are automatically responsible for what their employees do while working. Once the relationship and scope of work are proven, liability cannot be denied."

4. Nigerian Navy v. Akpan & Anor [117]

The courts the courts citing the case of "Boyle v Kodak" stated that "the principle of vicarious liability is based essentially on the existence of a relationship between a master and a servant or principal and agent or between the person or party Who actually or in fact committed the thought and the person or party to be held responsible or liable vicariously for such thoughts than the other person who committed the tort commonly known in law as the *tortfeasor*."

Collectively, these decisions showcase Nigeria's adherence to traditional vicarious liability in the civil sectors, which in turn promotes compensation and the proper allocation of risk. Vicarious liability in criminal law is limited, showing that laws need to be updated for modern corporate crimes.

5. Skye Bank Plc v. Akinpelu[118]

The plaintiff (customer) brought a suit against the defendant bank as a result of statements which defamed the plaintiff, made by an employee while performing banking activities, while in the "course of employment". Vicarious Liability for Defamation (Intentional tort) The apex court affirmed that the bank was vicariously liable for the statements made. The rationale is that where

[117](2021) LPELR-5588(CA)
[118] (2010) 9 NWLR (Pt. 1198) 179

an employee or agent acts in the course of the employer or principal's business, the employer is liable, even where the particular tort committed was not authorized or for the employee's benefit alone. The liability arises from the tort being committed in the course of the employment.

6. Abusomwan v. Mercantile Bank of Nigeria Ltd[119]

The plaintiff, a businessman, importuned cement and entered into an agreement with a clearing and forwarding agent who was the subject of the tort (negligence), in the clearing and forwarding procedures. The plaintiff sought to hold the bank liable. Vicarious Liability-Servant vs Independent Contractor It was held by the Court of Appeal that the bank was not vicariously liable. A crucial prerequisite for vicarious liability is a "master-servant" (employer-employee) relationship, where the master can exercise sufficient control over what the servant is to do, but how he is to do it, over and above control over what is to be done. In other words, if the tortfeasor is an independent contractor, the employer/principal is not vicariously liable for the former's torts.

7. Gata v. Paulosa (Nig.) Ltd[120]

The car of the plaintiff was in an accident involving a pick up van owned by the defendant company and driven by the defendant driver. The defendant driver allegedly drove negligently in a way which caused the accident and the plaintiff took proceedings against the company and its driver for damages caused as a result of the defendant driver's negligence.

Vicarious Liability for Negligence

The Court of Appeal reviewed principles establishing liability of a master for a tort committed by its servant and found that the plaintiff must show; (1) the tortfeasor (driver) was a servant to the

[119] (1987) 3 NWLR (Pt. 60) 196
[120] (1998) 3 NWLR (Pt. 543) 574

defendant company and (2) the act was committed while the servant was acting within the course and scope of employment and was not on his own "frolic." The significance of this case is the onus put upon the plaintiff to establish both before vicarious liability can be imposed upon the master.

CHAPTER FOUR

CHALLENGES OF THE APPLICATION OF THE DOCTRINE OF CORPORATE VICARIOUS LIABILITY

4.1 **Jurisdictional and Evidentiary Challenges**

Applying vicarious liability in corporate contexts has led to a huge amount of jurisdictional and evidentiary challenges which has caused complications both in the prosecution of claims and also in the administration of justice. These challenges have become big issues as corporate structures have grown to be more complex and widely spread.

4.1.1 **Jurisdictional Complexity in Corporate Structures**

Jurisdictional issues in corporate vicarious liability arise mainly as a result of the difficulty in determining which court has the power to hear claims against corporations that are in operation operating across multiple jurisdictions. The old rules of jurisdiction, which depended mainly on physical presence and where a person resides, are being tested by modern corporate structures.[121] In the landmark case of *Adams v Cape Industries plc*[122], the English Court of Appeal established that "the "corporate veil" would not be pierced merely to establish jurisdiction, even where a parent company exercises significant control over its subsidiary." This decision showed the difficulties that claimants have to face when they are aiming to hold parent companies to claim accountability for their subsidiaries overseas.

The principle of *"forum non conveniens"* (which means that a court can refuse to attend to a case if there is a more appropriate court elsewhere that can attend of attend to such a case), further complicates jurisdictional matters in cases of corporate vicarious liability.[123] In the case *of Lubbe*

[121] Dicey, Morris and Collins, *The Conflict of Laws*, 15th ed. (Sweet & Maxwell, 2012), paras 11-001 to 11-103.
[122] *Adams v Cape Industries plc* [1990] Ch 433.
[123] *Spiliada Maritime Corporation v Cansulex Ltd* [1987] AC 460.

v Cape plc[124], South African asbestos miners successfully challenged the application of *"forum non conveniens"*, thereby, establishing that English courts can be able to hear claims against an English parent company for the damage that was caused by its South African subsidiaries. This landmark decision showcased that jurisdictional barriers could be overcome where there is enough connection between the parent company and the act of tort that was committed, though the limit remains high.

It has been especially very difficult for the United States law to decide when courts can have authority over foreign companies. The decision of the US Supreme Court in the case of *Daimler AG v Bauman*.[125] This ruling greatly limited the extent to which a court can control a foreign company, stating that a company must be "mainly based" in the state before such a company can be sued there. It has also made it difficult for people to sue large multinational companies in U.S. courts for the damage and injury that was caused by the company's subsidiaries, even if those subsidiaries hurt people in the state.[126]

4.1.2 **Choice of Law Difficulties**

To determine which substantive law is applicable to vicarious liability claims which involves corporations that are operating in multiple jurisdictions have presented another complex issue. The traditional *"lex loci delicti"* rule, which implies "that applying the law that is in existence in the place where the wrongful act happened can be insufficient when dealing with companies that make decisions in one jurisdiction but cause harm in another jurisdiction.[127] The clash of laws and rules

[124]*Lubbe v Cape plc* [2000] 1 WLR 1545.
[125]571 U.S. 117 (2014).
[126]Childress, D. E., "The Alien Tort Statute, Federalism, and the Next Wave of Transnational Litigation" (2012) 100 *Georgetown Law Journal* 709.
[127]S. C. Symeonides., *Choice of Law* (Oxford University Press, 2016), pp. 345-389.

that are applicable to vicarious liability have grown in different ways across various jurisdictions, thereby leading to uncertainty and inconsistency in their outcomes.

In English law, the Private International Law (Miscellaneous Provisions) Act of 1995 transformed the choice of law and rules guiding torts, which led to the introduction of a general rule which states that; "the applicable law in cases of vicarious liability is that of the country where the events that caused the tort occurred."[128] This law therefore allowed for a law from a different country to be used if such law makes more sense. However, making use of this exception in cases where a company is responsible for the actions of their employees has led to a debate. Courts have to also take into consideration things such as where the company made decisions, where the employee acted, and where the harm happened.

The European Union's Rome II Regulation have tried to make the rules the same across member countries. It is stated that 'the law that can be applied to non-contractual issues, like damages or harm, is the law of the country where the damage had taken place.'[129] However, in Article 4(3) of the European Union's Rome II Regulation, an escape clause was provided for situations where the tort is more closely linked to another country. How this regulation relates to the rules about a company being responsible for the actions of their employees is still being sorted out in the courts. This is especially true in the cases that involves large corporate groups that are in operation in several EU countries.

4.1.3 **Evidentiary Challenges in Establishing Vicarious Liability**

[128]Private International Law (Miscellaneous Provisions) Act 1995, Part III.

[129]Regulation (EC) No 864/2007 of the European Parliament and of the Council on the law applicable to non contractual obligations (Rome II), Article 4.

The burden of proof in vicarious liability cases requires that the claimants must be able to prove that a tort was committed and that the tortfeasor was acting within the course of their employment.[130] In corporate cases, collecting evidence in order to meet this requirement can be very challenging. The companies that are being sued usually have control over important evidence, such as the records of the employees, the policies of the company, and internal emails, which would help to show the employees were hired and what authority those employees had.

The decision in the case of "Lister v Hesley Hall Ltd,"[131] stated that "finding out whether an employee was acting within the duties assigned to them in their job or going on a frolic of their own requires carefully looking at how their work is related or can be related to the wrongful act." However, getting the evidence needed to prove this link can be difficult when dealing with big companies. The rules for gathering evidence before trial are different for various countries, with common law countries generally allowing a more detailed evidence gathering than civil law countries.[132] This difference affects the ability of claimants to access corporate documents and testimonies that are essential for establishing vicarious liability.

Documentary evidence within corporations are often scattered and may be kept or destroyed according to company policies, which can lead to the loss of important evidence before litigation takes place. The case of Various Claimants v Catholic Child Welfare Society[133] The case showcased how hard it can actually be when trying to prove that someone was an employee or understands their job role when the company's records are missing or have been destroyed. Despite these challenges, the Supreme Court still decided that "the defendant organizations should be held

[130] Atiyah, P. S., *Vicarious Liability in the Law of Torts* (Butterworths, 1967), pp. 171-203.
[131] *Lister v Hesley Hall Ltd* [2002] 1 AC 215.
[132] Hodges, C., "Europeanisation of Civil Justice: Trends and Issues" (2007) 26 *Civil Justice Quarterly* 96.
[133] *Various Claimants v Catholic Child Welfare Society* [2013] 2 AC 1.

responsible for the conduct of the culprits who were their workers." However, this decision came after a long and stressful legal battle and multiple efforts put together while trying to piece together the history of the relationship between the organizations and the individuals that were involved.

4.1.4 **Problems with Corporate Record-Keeping and Evidence Preservation**

Companies often make use of complicated computer systems that store important information in various places, like various databases, departments, and areas. Finding and saving the right evidence may pose certain challenges and this is because modern businesses create a large amount of electronic messages and documents.[134] In vicarious liability claims, claimants may be needing access to email communications, policy manuals, training records, and may also need supervisory reports to demonstrate that an employee was doing their assigned when the tort was committed.

The *doctrine of spoliation*, which deals with the destruction of evidence, has quite a limited application in many jurisdictions and may not adequately protect the claimants interests where corporate defendants have failed to preserve the materials that are very important.[135] In the United States, Federal Rule of Civil Procedure 37(e) provides the sanctions put in place for failing to preserve information that was stored electronically, but this can only be applied where the failure was intentional or if the failure caused substantial prejudice. The burden of proving these elements causes extra evidentiary challenges for the people who have claims in cases of corporate vicarious liability.

4.1.5 **Expert Evidence and Corporate Culture**

[134]Scheindlin, S. A. and Wangkeo, K., "Electronic Discovery Sanctions in the Twenty-First Century" (2006) 11.
[135]Gorelick, S. M. et al., *Destruction of Evidence* (Wolters Kluwer, 2016), §§ 1.1-1.15.

Establishing vicarious liability in complex corporate cases often requires expert testimony in regards to the corporate structures, employment relationships, and industry standards. The admissibility and weight given to such expert evidence is different depending on the jurisdiction, creating uncertainty in litigation outcomes.[136] In the case of Mohamud v WM Morrison Supermarkets plc,[137] the Supreme Court took into account the evidence about the nature of the employee's role in the company and the connection between his job and the assault that he had committed. While expert evidence was not central to that case, the court's analysis showcased the importance of understanding how employment relationship worked in the corporate context.

Expert Evidence in regards to corporate culture and the extent to which the control exercised by employers can be very important and necessary in establishing whether the employee was working during their job. However, defendants often challenge such evidence calling it speculative or irrelevant.[138] The costs associated with keeping the appropriate experts can also lead to a blockage in accessing justice, mainly for individual claimants who are pursuing claims against defendants that have enough resources.

4.2 **Enforcement Difficulties in Corporate Contexts**

Even when vicarious liability is successfully established against a corporate defendant, certain significant challenges arise in the process of enforcing judgments and when trying to secure compensation for victims. These difficulties in enforcement come from corporate structures, asset protection strategies, and the transnational and value-oriented nature of modern business operations.

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[136] D. Dwyer., *The Judicial Assessment of Expert Evidence* (Cambridge University Press, 2008), pp. 23-67.
[137] *Mohamud v WM Morrison Supermarkets plc* [2016] AC 677.
[138] Edmond, G., "Legal versus Non-Legal Approaches to Forensic Science Evidence" (2016) 20 *International Journal of Evidence & Proof* 3.

4.2.1 **Corporate Asset Protection and Limited Liability**

The principle of "separate "corporate personality", which was established in the landmark case of *Salomon v A Salomon & Co Ltd*,[139] simply means that a company's assets are different from the assets of its shareholders. While this principle promotes commerce and investment, it also creates certain challenges in it's enforcement. when corporations structure themselves in a position where they can be able to minimize the assets that are available to satisfy a judgment. Subsidiary companies may be deliberately given little capital that what they actually need, with valuable assets held by the parent companies or related entities far from the reach of judgment creditors.[140]

The courts being hesitant to look behind the "corporate veil", simply showcases that the claimants who obtain judgments against subsidiary companies often get frustrated when trying to enforce such judgment due to the absence of substantial assets to cover it.[141] In the case of *Prest v Petrodel Resources Ltd*,[142] the Supreme Court confirmed that the "corporate veil" should only be pierced in very limited situations, stating that corporate structures cannot be disregarded simply because it would be just or convenient to do so. This restrictive approach to *"piercing the veil"* creates significant enforcement challenges in cases of vicarious liability where the employing entity has limited assets.

The use of complicated corporate group systems to separate operational risk from valuable assets has become very advanced. Companies might create separate companies called special purpose vehicles in order to hire workers who do dangerous jobs, while other parts of the group may keep

[139] [1897] AC 22.

[140]Muchlinski, P., "Limited Liability and Multinational Enterprises: A Case for Reform?" (2010) 34 *Cambridge Journal of Economics* 915.

[141]Hannigan, B., *Company Law*, 5th ed. (Oxford University Press, 2018), pp. 28-65.

[142][2013] 2 AC 415.

ownership of very valuable things such as patents, property, and cash assets.[143] Even where vicarious liability has been already established against the employing entity, enforcement it may be limited in recovery if that entity holds back few assets.

4.2.2 **Insolvency and Corporate Restructuring**

When Corporate defendants face vicarious liability claims, they might go into insolvency, whether honestly or in other to delay paying. This stops enforcement actions and puts all claims into a group insolvency process.[144] In insolvency, these claims are usually unsecured, so claimants share the remaining assets after secured creditors are paid. Because of this, claimants often only get a small part of the damages that are awarded.

The case of **Re Oasis Merchandising Services Ltd**,[145] it was shown how insolvency can make it harder to enforce judgments against companies in administration. Some companies use insolvency to limit their liability and sometimes start new companies through phoenixing (when a company that is in financial trouble closes down and a new company that will carry on the same business is created) arrangements, thereby leaving their debts behind with the old company.[146]

Pre-pack administrations happen when a company's business is sold quickly after it goes into financial trouble. This makes it harder to pursue claims because the buyer usually gets only the company's assets and not its debts, leaving claimants with a company that has no money.[147] While

[143]Blumberg, P. I., "Limited Liability and Corporate Groups" (1986) 11 *Journal of Corporation Law* 573.
[144]Keay, A. and Walton, P., *Insolvency Law: Corporate and Personal*, 3rd ed. (Jordans, 2012), pp. 312-367.
[145]*Re Oasis Merchandising Services Ltd* [1998] Ch 170.
[146]Finch, V. and Milman, D., *Corporate Insolvency Law: Perspectives and Principles*, 3rd ed. (Cambridge University Press, 2017), pp. 567-590.
[147]Frisby, S., "A Preliminary Analysis of Pre-Packaged Administrations" (Report to the Association of Business Recovery Professionals, 2007).

rules about transferring the business can keep employees' jobs, they don't automatically pass on responsibility for any wrongdoings that happened before the sale.

4.2.3 **Cross-Border Enforcement Challenges**

Enforcing judgments across international borders comes with so much difficulties in cases of corporate vicarious liability. Even within relatively harmonized and organized legal systems such as the European Union, enforcing judgments involves dealing with complicated procedural rules.[148] The Brussels Regulation (Recast) has made it much more easier to enforce judgments between EU countries, but there are still major difficulties when the defendant has assets that are outside the EU or when judgments need to be enforced in countries that do not have agreements to recognize each other's rulings.[149] legal systems such as the European Union, enforcement requires navigation of complex processes and rules.

Recognizing and enforcing foreign judgments in common law jurisdictions, has a requirement that the foreign court should have proper jurisdiction, that the judgment should be final and conclusive, and also that recognition would not be in violation of public policy.[150] Corporate defendants may challenge enforcement on any of these grounds, which Maiden results in protracted litigation in multiple jurisdictions. In the case of Rubin v Eurofinance SA,[151] The Supreme Court looked at the rules for recognizing foreign judgments and stressed that English courts will not enforce judgments if the foreign court did not have proper jurisdiction under the English conflict of law rules.

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[148]Fentiman, R., *International Commercial Litigation*, 2nd ed. (Oxford University Press, 2015), pp. 789-834.
[149]Regulation (EU) No 1215/2012 of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I Recast).
[150]Briggs, A., *Civil Jurisdiction and Judgments*, 6th ed. (Informa Law, 2015), pp. 567-612.
[151]*Rubin v Eurofinance SA* [2013] 1 AC 236.

The United States has been particularly reluctant to enforce foreign judgments, especially those judgments that they have termed as being excessive or inconsistent with the American public policy.[152] American courts have refused to enforce judgments that they view as punitive rather than compensatory, or judgments that were obtained without strictly following adequate procedural safeguards. This reluctance creates significant enforcement gaps for claimants who obtain judgments against American corporations in foreign jurisdictions.

4.2.4 **Insurance and Indemnification Issues**

While liability insurance has the intention of making sure that victims of torts receive compensation, disputes related to coverage frequently arise in cases of corporate vicarious liability. Insurers may deny coverage for the reason that the way which the employee conducted himself was beyond the reach of their employment as defined in the policy, or that intentional misconduct exclusions are applicable in such case.[153] In the case of Mohamud v WM Morrison Supermarkets plc,[154] Morrison's insurers initially disputed coverage for the employees assault, even though coverage was provided at the end of the day. Such disputes delay the process of getting compensation and may leave claimants uncompensated if the company succeeds in denying the insurance coverage.

Corporate compensation arrangements, where parent companies have agreed to cover certain liabilities for their subsidiaries, can sometimes be a way to recover funds. However, these agreements are usually based on contracts and may include limits or exclusions that prevent their enforcement in cases relating to vicarious liability. Since indemnification is voluntary, parent

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[152]Brand, R. A., "Comparative Forum Non Conveniens and the Hague Convention on Jurisdiction and Judgments" (2002) 37 *Texas International Law Journal* 467.
[153]Birds, J. et al., *MacGillivray on Insurance Law*, 13th ed. (Sweet & Maxwell, 2015), paras 29-001 to 29-089.
[154]*Mohamud v WM Morrison Supermarkets plc* [2016] AC 677.

companies can choose not to honor these agreements, meaning that the claimants may need to take separate legal action in order to enforce them.

Self-insurance arrangements, where companies set aside certain amount of money to pay for potential liabilities instead of buying insurance from third parties, also pose enforcement problems. The reserved funds might not be enough to cover large losses, and company restructuring could use up those reserves before claims are paid. Regulation that guide minimum insurance coverage is different in various areas and industries, and many sectors have no compulsory insurance rules that will ensure that victims of vicarious liability are properly compensated.

4.3 **Limitations in Identifying the Master-Servant Relationship**

The foundation of vicarious liability lays on the foundation of a "master-servant" or an employer and employee relationship. However, modern employment arrangements have developed in ways that challenge traditional views of this relationship, thereby creating significant limitations in the use of the doctrine of vicarious liability.

4.3.1 **The Traditional Employment Relationship Test**

Traditional tests to show an employment relationship are concerned mainly with the employer's authority to and control the method of work.[155] In the case of "Ready Mixed Concrete (South East) Ltd v Minister of Pensions and National Insurance,"[156] MacKenna J came up with a three part test for employment that stated it was to include: consent by the worker to do work for wages; possession by the employer of sufficient power to control the worker; and the agreement or lack of agreement for the terms of the other contractual obligations being consistent with that of the

[155]Deakin, S. and Morris, G., *Labour Law*, 6th ed. (Hart Publishing, 2012), pp. 167-203.
[156]*Ready Mixed Concrete (South East) Ltd v Minister of Pensions and National Insurance* [1968] 2 QB 497.

relationship of employment. The test fails to provide a sufficient definition in relation to modern business employments. This control test can be criticized for being too vague when employees has some specialized skill that the employer has not had the opportunity to learn and cannot logically control. [157] Furthermore, Denning LJ stated there is an attenuated form of control on the day-to-day working where an employee is a professional and the employment continues.

This allowance to the control test for its limited scope in respect of when the employee will not be controlled, extends vicarious liability; but leaves the limits to what forms of employment relations could include a relation of that of master and servant unclear.

4.3.2 **Independent Contractors and the Non-Delegable Duty Exception**

Employers are typically not responsible, nor are they liable under the legal theory of vicarious liability, for any tort carried out by a contractor who is independent.[158] This distinction has been defended by the notion that employers cannot control the work process of independent contractors. The increasing use of independent contractors in ways indistinguishable from employment relationships, has led concern that businesses are increasingly structuring their workforces so that they can circumvent any form of employer liability.[159]

There are some circumstances in which exceptions have been made to the general rule that there will be no vicarious liability on employers to be held liable for the torts of an independent contractor. These include where there is a non-delegable duty on the part of the employer for whom reasonable care will be taken for its discharge.[160] In Woodland v Swimming Teachers

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[157]*Cassidy v Minister of Health* [1951] 2 KB 343.
[158]Bower, G. S., *The Law Relating to Actionable Negligence*, 2nd ed. (Butterworth & Co, 1907), pp. 73-89.
[159]Davidov, G., "The Three Axes of Employment Relationships: A Characterization of Workers in Need of Protection"(2002) 52 *University of Toronto Law Journal* 357.
[160]Giliker, P., *Vicarious Liability in Tort: A Comparative Perspective* (Cambridge University Press, 2010), pp. 78112.

Association,[161] the Court of Appeal stated the school was under a 'non-delegable duty' to take adequate care of the children, and so the actions of the independent swim-teacher reflected on the school. This duty now has wider applicability to special relationships giving rise to duties of care over and above the norm.

The difference between employees and independent contractors has become less clear-cut. Many individuals lie somewhere in between having some aspects of an employee and some of an independent contractor.[162] The problem have only worsened under the "gig economy", where companies categorize workers as contractors even where workers exercise some degree of management influence. The Supreme Court in 'Uber BV v Aslam,'[163] found that Uber drivers were "employees" under employment law despite the company classifying drivers as independent contractors although, the court based their finding on the statutory employment right not as part of vicarious liability claims for torts.

4.3.3 Borrowed Employees and Dual Employment

Complicated employment arrangements may produce situations where an employee is controlled by more than one employer at the same time, making it unclear which employer should bear vicarious liability for any tort carried out by the employee. Such a situation falls within the legal doctrine known as the "borrowed employee" or "loaned servant."[164] In short, the rule is that an agency relationship will follow where actual control was being exercised, but identifying exactly where that actual control lay at the time is a common area of dispute.

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[161] *Woodland v Swimming Teachers Association* [2014] AC 537.
[162] Collins, H., "Independent Contractors and the Challenge of Vertical Disintegration to Employment Protection Laws" (1990) 10 *Oxford Journal of Legal Studies* 353.
[163] *Uber BV v Aslam* [2021] UKSC 5.
[164] Carty, H., "Vicarious Liability for the Loaned Servant" (1982) 98 *Law Quarterly Review* 117.

In 'Mersey Docks and Harbour Board v Coggins & Griffith (Liverpool) Ltd,'[165] it was held by the House of Lords that "the general employer continued to be vicariously liable for the negligence of a crane driver even though the driver was temporarily working under the direction of the crane hirers." This laid down a general assumption that the general employer is primarily liable unless the control has passed clearly to the temporary employer. Such a rule can be seen as a response to the difficulties in tracing actual control in situations of temporary transfer.

Corporate restructuring and internal transfers can create similar ambiguities. When employees are transferred between subsidiaries within a corporate group, questions arise about which entity is the true employer and should bear vicarious liability.[166] For instance, two separate subsidiary companies can establish arrangements between each other to transfer employees and the issue that can arise when negligence occurs is as to which of the companies the true employers and accordingly who bears the ultimate liability'.

4.3.4 **Agency Workers and Triangular Relationships**

The use of agency workers fosters a triangular relationship between the worker, the agency and the end user client. To decide between which is liable for the worker's tort the test applied is that which characteristics the nature of control of the worker.[167] In 'Viasystems (Tyneside) Ltd v Thermal Transfer (Northern) Ltd,'[168] the Court of Appeal ruled that "dual vicarious liability was possible where the employer controlled one part of the activity of the worker and the end-user controlled another". Although dual vicarious liability was acknowledged to be positive in such a scenario,

[165] *Mersey Docks and Harbour Board v Coggins & Griffith (Liverpool) Ltd* [1947] AC 1.
[166] McMullen, J., "Transfer of Employment: Collective Dismissals and Conflict of Laws" (2006) 35 *Industrial Law Journal* 402.
[167] Wynn, M. and Leighton, P., "Will the Real Employer Please Stand Up? Agencies, Client Companies and the Employment Status of the Temporary Agency Worker" (2006) 35 *Industrial Law Journal* 301.
[168] *Viasystems (Tyneside) Ltd v Thermal Transfer (Northern) Ltd* [2006] QB 510.

there is ambiguity in the law as to who the control lies with and the resulting share of liability that will fall on two or more individuals.

Although the "Viasystems" case is considered pragmatic due to how it dealt with complex working arrangements, it has been argued that the decision has made matters of liability unclear.

4.3.5 Corporate Officers and Senior Management

Deciding on whether the officers and other corporate top dogs are considered employees vs independent contractors for vicarious liability could be really challenging to decide. The reality is that generally all of your officers are engaged under service agreements with you, and they don't often work that much differently from any "standard" officer which you would likely consider an employee in an employment context for the same purpose (to avoid vicarious liability for the officers and the employees actions).[169]

Normally you can charge a company with officer/director malfeasance if they're doing bad things in their officer/director roles.[170] But in a sense, these days it's harder for people to say the board members who are just governors as opposed to run the business of corporations; because courts have been more willing to have them view the people that are really in individual capacity as oppose to in capacity of the company; and that can make tracing this harder sometimes to try to show and proving this more difficult to achieve than people might think.

4.4 power Imbalances and Corporate Defenses

Corporate defendants possess significant advantages over individual claimants in vicarious liability

[169]Sealy, L. and Worthington, S., *Cases and Materials in Company Law*, 11th ed. (Oxford University Press, 2016), pp.234-278.

[170]Gower, L. C. B. and Davies, P., *Gower's Principles of Modern Company Law*, 10th ed. (Sweet & Maxwell, 2016), pp.145-189.

litigation. These power imbalances manifest in various forms and enable corporations to deploy sophisticated defenses that can defeat or diminish otherwise meritorious claims.

4.4.1 Resource Disparities and Access to Justice

The most fundamental power imbalance in corporate vicarious liability litigation is the disparity in financial resources between corporate defendants and individual claimants. Corporations can afford experienced legal counsel, expert witnesses, and extended litigation, while individual claimants often struggle to finance even basic legal representation.[171] This resource disparity affects every stage of litigation, from initial investigation through trial and appeal.

The high costs of litigation create barriers to access to justice that are particularly acute in vicarious liability cases, which often require extensive factual investigation and expert evidence.[172] Conditional fee arrangements and litigation funding have partially addressed these barriers in some jurisdictions, but they are not universally available and come with their own costs. In the case of 'Coventry v Lawrence,'[173] the Supreme Court acknowledged the chilling effect that the risk of adverse costs orders can have on claimants' willingness to pursue legitimate claims.

Class action mechanisms and group litigation orders can help address resource disparities by aggregating claims and spreading costs across multiple claimants.[174] However, certification requirements and the complexity of managing group litigation create additional hurdles. Corporations often vigorously oppose class certification, knowing that individual claimants may lack resources to pursue claims independently.

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[171]Moorhead, R. and Sefton, M., "Litigants in Person: Unrepresented Litigants in First Instance Proceedings" (DCA Research Series 2/05, 2005).
[172]Peysner, J. and Nurse, A., "Representative Rules of Court and Access to Justice in Collective Actions" (2008) 27 *Civil Justice Quarterly* 77.
[173]*Coventry v Lawrence* [2015] AC 1.
[174]Mulheron, R., *The Class Action in Common Law Legal Systems: A Comparative Perspective* (Hart Publishing, 2004),pp. 345-389.

4.4.2 **Information Asymmetries**

Corporations possess information crucial to establishing vicarious liability that claimants cannot access without court-ordered disclosure. This information asymmetry gives corporate defendants strategic advantages in litigation.[175] Corporations know their employment structures, policies, and the circumstances surrounding employees' conduct, while claimants must often rely on inference and limited publicly available information.

Pre-action disclosure and discovery procedures exist to address information asymmetries, but they are imperfect remedies. Corporations may claim privilege over sensitive documents, resist broad disclosure requests as disproportionate, or produce vast quantities of marginally relevant materials to obscure key evidence.[176] The costs and time required to review disclosed materials can be prohibitive for individual claimants.

The case of "Various Claimants v Wm Morrisons Supermarket plc"[177] showcased how information is applied differently in corporate vicarious liability cases. Claimants whose personal data was disclosed by an employee that went astray needed access to evidence about Morrison's systems and the employees access to data. While the case ultimately succeeded, it required substantial resources to overcome the information advantages that the defendant had.

4.4.3 The "Frolic of His Own" Defense

A well-established defense to vicarious liability is that the employee was acting on a "frolic of his own" rather than in the "course of employment".178 This defense, rooted in the 19th century case

[175] Galanter, M., "Why the 'Haves' Come Out Ahead: Speculations on the Limits of Legal Change" (1974) 9 *Law & Society Review* 95.
[176] Zuckerman, A., *Zuckerman on Civil Procedure: Principles of Practice*, 3rd ed. (Sweet & Maxwell, 2013), pp. 789834.
[177] *Various Claimants v Wm Morrisons Supermarket plc* [2020] UKSC 12.
[178] Stevens, R., *Torts and Rights* (Oxford University Press, 2007), pp. 256-289.

of Joel v Morison,179 allows corporations to be able to argue that employees who deviate significantly from their employment duties are acting outside the scope of employment. Corporate defendants frequently invoke this defense, particularly where employees commit intentional wrongdoing.

The modern approach to determining "course of employment", which was emphasized on in the case of 'Lister v Hesley Hall Ltd,'[180] focuses on the connection between the employment and the tort rather than whether the employee was performing authorized acts. However, corporations continue to argue that even under this approach, some acts are so unconnected to employment that vicarious liability should not attach. The boundaries of this defense remain contested, with corporations seeking to narrow the scope of vicarious liability.

4.4.4 **Scope of Employment and Authorization Arguments**

Corporations frequently defend vicarious liability claims by arguing that 'employees were acting outside the scope of their employment or without authorization.'[181] This defense can be particularly powerful where employees have violated corporate policies or engaged in conduct expressly prohibited by their employers. In 'Rose v Plenty,'[182] the Court of Appeal held that "an employer was vicariously liable for a milkman's negligence even though the milkman was violating an express prohibition against carrying children on his milk float."

However, the Rose v Plenty principle has certain limits. Where an employee's conduct is entirely unconnected to employment functions, even under the "close connection" test, corporations may successfully argue that they should not be held liable.[183] Corporations invest substantial resources

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[179]*Joel v Morison* (1834) 6 C & P 501.
[180]*Lister v Hesley Hall Ltd* [2002] 1 AC 215.
[181]Cane, P., "Vicarious Liability for Sexual Abuse" (2000) 116 *Law Quarterly Review* 21.
[182]*Rose v Plenty* [1976] 1 WLR 141.
[183]McIvor, C., "The Use and Abuse of the Doctrine of Vicarious Liability"(2006)35 *Common Law World Review*268.

in developing policies and training programs that create records of having prohibited certain conduct, strengthening their defenses to vicarious liability claims.

4.4.5 **Contributory Negligence and Assumption of Risk**

Corporate defendants often raise contributory negligence as a partial defense to vicarious liability claims, arguing that claimants' own conduct contributed to their harm.[184] The Law Reform (Contributory Negligence) Act 1945 allows courts to reduce damages in proportion to the claimant's fault. In the corporate context, defendants may argue that claimants failed to exercise reasonable care for their own safety or ignored warnings and safety instructions.

The doctrine of *"volenti non fit injuria"*, or voluntary assumption of risk, provides a complete defense where claimants knowingly and voluntarily assumed the risk of harm.[185] Corporate defendants may argue that employees who engaged in risky conduct, or third parties who interacted with employees despite obvious dangers, assumed the risk of harm. However, courts have been reluctant to find voluntary assumption of risk in employment contexts where power imbalances may have influenced the claimant's decision to accept risk.

4.5 **Impact of Globalization and Multinational Corporations**

Globalization has fundamentally transformed corporate structures and operations, creating new challenges for the application of vicarious liability doctrine. Multinational corporations operate across numerous jurisdictions, employing workers in diverse legal and regulatory environments while maintaining centralized control over strategic decisions.

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[184]Williams, G., *Joint Torts and Contributory Negligence* (Stevens & Sons, 1951), pp. 308-345.
[185]Goudkamp, J., "The Defence of Voluntary Assumption of Risk" in *Tort Defences* (Hart Publishing, 2014), pp. 123 167.

4.5.1 **Fragmentation of Corporate Structures Across Jurisdictions**

Multinational corporations normally organize themselves as networks of legally distinct entities incorporated in different jurisdictions.[186] This break down helps for legitimate business purposes, including tax optimization, regulatory compliance, and risk management. However, it also complicates the application of vicarious liability by obscuring the relationships between parent companies, subsidiaries, and employees who commit torts.

The legal separateness of corporate entities within multinational groups means that a parent company incorporated in one jurisdiction is not automatically liable for torts committed by employees of subsidiaries incorporated elsewhere.[187] Claimants must either establish vicarious liability against the local subsidiary or demonstrate that the parent company should be held directly liable for its own failures. The former may be frustrated by limited local assets, while the latter requires overcoming the presumption of corporate separateness.

In Chandler v Cape plc,[188] the Court of Appeal held a parent company directly liable for failing to protect its subsidiary's employees from asbestos exposure. While this was a case of direct rather than vicarious liability, it demonstrated the courts' willingness to look beyond formal corporate structures where justice requires. However, the high threshold for parent company liability means that most claimants cannot access parent company assets to satisfy judgments against local subsidiaries.

4.5.2 Supply Chain Liability and Outsourcing

[186]Muchlinski, P., *Multinational Enterprises and the Law*, 2nd ed. (Oxford University Press, 2007), pp. 67-112.
[187]Blumberg, P. I., *The Multinational Challenge to Corporation Law* (Oxford University Press, 1993), pp. 89-134.
[188]*Chandler v Cape plc* [2012] 1 WLR 3111.

Multinational corporations increasingly rely on complex global supply chains, with production and services outsourced to independent contractors, suppliers, and franchisees in multiple jurisdictions.[189] This outsourcing creates challenges for vicarious liability because the traditional employment relationship may not exist between the multinational corporation and workers who suffer harm or commit torts in the course of producing goods or services for the corporation.

The general rule is that "employers are not vicariously liable for independent contractors torts" means that multinational corporations can often avoid liability for harms occurring in their supply chains.[190] However, growing recognition of corporations' duties to conduct human rights due diligence suggests that the scope of corporate responsibility may be expanding. In the case of Vedanta Resources PLC v Lungowe,[191] the Supreme Court allowed claims against a UK parent company for environmental harm allegedly caused by a Zambian subsidiary to proceed, though this was based on direct duty rather than vicarious liability.

Franchise relationships present particularly complex issues for vicarious liability. Franchisors typically exercise significant control over franchisees' operations through detailed operational manuals, quality standards, and monitoring systems. Yet franchisors maintain that franchisees are independent businesses for which they bear no vicarious liability.[192] Courts have sometimes found vicarious liability where franchisors exercise sufficient control, but the general presumption favors independent contractor status.

4.5.3 **Regulatory Arbitrage and Forum Shopping**

[189]Ruggie, J. G., *Just Business: Multinational Corporations and Human Rights* (W.W. Norton, 2013), pp. 78-123.
[190]Meeran, R., "Tort Litigation against Multinational Corporations for Violation of Human Rights: An Overview of thePosition Outside the United States" (2011) 3 *City University of Hong Kong Law Review* 1.
[191]*Vedanta Resources PLC v Lungowe* [2019] UKSC 20.
[192]Hadfield, G. K., "Problematic Relations: Franchising and the Law of Incomplete Contracts" (1990) 42 *Stanford LawReview* 927.

Multinational corporations can exploit differences in legal regimes across jurisdictions, situating high-risk operations in locations with weak enforcement of vicarious liability or low damage awards.[193] This regulatory arbitrage creates a race to the bottom, where corporations gravitate toward jurisdictions that offer maximum protection from liability. Workers in developing countries may be employed by subsidiaries incorporated locally but controlled by parent companies in developed jurisdictions, creating practical and legal barriers to holding anyone accountable for workplace harms.

Claimants and defendants often try to choose the best court for their case. Claimants want courts with laws that help them, while defendants try to move the case somewhere else. This makes dealing with vicarious liability more complicated across different countries.[194] The landmark cases of Lubbe v Cape plc[195] and Connelly v RTZ Corporation plc[196] established that English courts could hear claims by foreign claimants against English parent companies, but subsequent decisions have emphasized that this jurisdiction is not automatic and requires substantial connection to England.

4.5.4 **Difficulties in Establishing Control Across Borders**

Establishing the degree of control that a parent company exercises over a foreign subsidiary's employees is essential to determining whether vicarious liability or direct liability might arise. However, obtaining evidence of such control is particularly challenging when operations are located in foreign jurisdictions with different legal systems and languages.[197] Documentary

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[193] Avi-Yonah, R. S., "Globalization, Tax Competition, and the Fiscal Crisis of the Welfare State" (2000) 113 *Harvard Law Review* 1573.
[194] Briggs, A., "The Principle of Comity in Private International Law" (2012) 354 *Recueil des Cours* 65.
[195] *Lubbe v Cape plc* [2000] 1 WLR 1545.
[196] *Connelly v RTZ Corporation plc* [1998] AC 854.
[197] Weschka, M., "Human Rights and Multinational Enterprises: How Can Multinational Enterprises Be Held Responsible for Human Rights Violations Committed Abroad?" (2006) 66 *Zeitschrift für ausländisches*

evidence of control may be located in multiple countries, subject to different disclosure regimes and privilege rules.

The practical exercise of control by multinational corporations often occurs through subtle mechanisms such as reporting requirements, performance metrics, and corporate culture rather than through direct orders.[198] This makes it difficult for claimants to demonstrate that a parent company exercised sufficient control over a subsidiary's employees to justify vicarious liability. Expert evidence about corporate governance and control structures may be necessary, adding to the costs and complexity of litigation.

4.5.5 **Inadequacy of Compensation in Developing Jurisdictions**

Even in circumstances in which vicarious liability against a local subsidiary in a developing jurisdiction can be found, it remains possible for damages recoverable under local law to be substantially disproportionate to the damage suffered.[199] Inadequate damage caps, restricted non-economic damages, weak enforcement means victims often receive too little even in the event of a successful lawsuit. Because of this gap, there is considerable incentive to pursue claims against parent companies in well-developed jurisdictions, despite the jurisdictional and legal impediments discussed previously.

Differences in the levels of pay among these jurisdictions thus alter incentives in a way that would make corporations more likely to place risky activities in certain places.[200] Businesses might

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öffentliches Recht und Völkerrecht 625.

[198] Deva, S., "Corporate Complicity in Human Rights Violations" (2012) 16 *Netherlands Quarterly of Human Rights* 63.

[199] Reimann, M., "Liability for Defective Products at the Beginning of the Twenty-First Century: Emergence of a Worldwide Standard?" (2003) 51 *American Journal of Comparative Law* 751.

[200] Werhane, P. H., "Corporate Social Responsibility/Corporate Moral Responsibility: Is There a Difference and the Difference it Makes" in A. Crane et al (eds), *The Oxford Handbook of Corporate Social Responsibility* (Oxford University Press, 2008), pp. 459-474.

logically choose to site such ventures in developing countries if the actual costs to the environment or the risks of accidents in the workplace will be smaller there. The companies can thus shed responsibility and transfer the cost of their operations to impoverished people.

4.5.6 **Extraterritorial Application of Vicarious Liability**

The question of whether and how vicarious liability principles should apply extraterritorially remains contentious. Some jurisdictions, particularly the United States, have been reluctant to apply tort law extraterritorially, as demonstrated in 'Kiobel v Royal Dutch Petroleum Co,'[201] where the Supreme Court held that "the Alien Tort Statute did not apply to conduct occurring in foreign countries. This reluctance to extend domestic tort law beyond national borders creates gaps in accountability for multinational corporations."

European jurisdictions have shown somewhat greater willingness to entertain claims arising from foreign conduct, but significant barriers remain.[202] Although some forms of indirect liability do exist, these are of such limited application that their scope, effect and the approach of international human rights and international commercial laws are very confusing. Indeed the approach adopted by the Strasbourg Court means that corporate responsibility for overseas conduct in some instances, for most of this, will be far less extensive than if this had happened in the relevant state. Thus, many MNCs which would undoubtedly find themselves directly liable at least to their employee for harm cause while this person was at home for equivalent activities committed while abroad, will avoid liability all together for.

4.5.7 **Emerging International Frameworks**

[201] *Kiobel v Royal Dutch Petroleum Co* 569 U.S. 108 (2013).
[202] Enneking, L., *Foreign Direct Liability and Beyond* (Eleven International Publishing, 2012), pp. 234-289.

Changes in international business and human rights law recent changes imply a greater awareness of the shortcomings of typical vicarious liability approaches for harms relating to corporate activity abroad.[203] The UN Guiding Principles on Business and Human Rights does not create legally binding obligations on businesses or States, however, a growing trend of implementing binding human rights due diligence laws, including France's Duty of Vigilance Law, mandate parent companies to conduct and prevent human rights abuses within their organizations and supply chains.[204]

These new regulatory frameworks signal an move away from traditional vicarious liability approaches towards establishing more direct duties on parent and principal corporations. There remain, though, substantial challenges with these regulations including issues such as defining the scope of a supply chain, defining a sufficient level of due diligence and creating effective enforcement procedures.[205] Whether these approaches will manage to cover the accountability gaps that Globalization is fostering remain to be observed, but in any case, they demonstrate that the traditional framework of vicarious liability alone is inadequate to manage the behavior of global corporations.

[203]Ruggie, J. G., "Protect, Respect and Remedy: A Framework for Business and Human Rights" (UN Human Rights Council, A/HRC/8/5, 2008).

[204]Cossart, S. et al., "The French Law on Duty of Care: A Historic Step Towards Making Globalization Work for All" (2017) 2 *Business and Human Rights Journal* 317.

[205]Smit, L. et al., "Study on Due Diligence Requirements Through the Supply Chain" (European Commission Final Report, 2020).

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Summary of Findings

The general purpose of this work is to explore how the concept of corporate vicarious liability functions within our legal system, the nature and extent of the growth of the said concept over the years, how it is applied to various fields of trade and commerce and the barriers that hinder it from reaching its full potential. In summary, this research is intended to assess whether the existing laws are adequate to contend with the current corporate operations and further recommend how the system can be improved for fairness and fairness and accountability of all concerned.

What the research discovered was that corporate vicarious liability springs from a preexisting legal doctrine called “respondeat superior” (a Latin expression meaning “let the master answer”). This is based on the concept that employers are answerable for an employees' wrongs as long as these wrongs occurred in the course of the employee's endeavors. This is not a Nigerian creation and was imported from English law as a consequence of Nigeria's colonization by the English. Through the years, the Nigerian courts embraced and distilled the doctrine in a series of judgments that would eventually write the doctrine into Nigeria's legal fabric.

That being said, from what we have seen so far, not necessarily the doctrine would correspond with the actual real-life realities and thus, the expectations of companies today. With the growing and developing industries, the manner by which companies function too, has developed and in this case, the legal structure seems to be lagging behind the individuals of the changing industry. Hence, this paper hopes to explore whether the existing legislation actually suffices and if not, whether it is required to be amended so that the law can effectively cater to corporations and thus, actualize justice as a concrete concept.

1. The principle was firmly applied in the case of *Ifeanyi Chukwu (Osondu) Co. Ltd v. Soleh Boneh (Nigeria) Ltd,*[206] where the Supreme Court of Nigeria confirmed that "a company, as a fictional legal entity and therefore can only act through its servants and agents, and that such company must also be vicariously liable for the wrongs that are committed by the company's agents in the course of performing their duties."

[206]*Ifeanyi Chukwu (Osondu) Co Ltd v Soleh Boneh (Nigeria) Ltd* (2000) 5 NWLR (Pt 656) 322 (SC).

2. The Companies and Allied Matters Act (CAMA) 2020 serves as the primary statutory basis for “corporate personality” in Nigeria, Section 42 of CAMA, in particular, makes it very clear that "once a company has been properly registered, that company has the legal right to sue and be sued in its own name."[207] While CAMA 2020 does not codify vicarious liability directly, Sections 90 to 98 deals with the capacity of companies and the authority of officers and agents, giving courts a basis to interpret these provisions consistently with the well-established principles of common law vicarious liability. Section 91 makes it very clear that no contractual clause can be used to shield a company officer from liability if they’re negligent or breach their duties.

3. The research also found that the "course of employment" test remains the central question in Nigerian vicarious liability cases. Nigerian courts have traditionally applied the test in *Salmond's Law of Torts,*[208] which asks the question of whether the wrongful act was either expressly or impliedly authorized by the employer, or if it was an unauthorized way of doing something that was otherwise within the scope of employment. Recently, there has been some movement. Nigerian judges have started to apply a judicially broader way of looking at things, known as the "close connection" test which was established by the House of Lords in *"Lister v. Hesley Hall Ltd,"*[209] this test allows courts to hold employers liable for intentional wrongs if the acts of the employees are closely connected to the kind of work the employee was hired to do.

4. The research identified several significant obstacles that stand in the way of making this doctrine work effectively here in Nigeria. First, the difficulty in telling the difference between an employee and an independent contractor remains a recurring problem, particularly in Nigeria's fast-growing

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[207] Companies and Allied Matters Act 2020, s 42.

[208] RFV Heuston and RA Buckley, *Salmond and Heuston on the Law of Torts* (21st edn, Sweet & Maxwell 1996) 443.

[209] *Lister v Hesley Hall Ltd* [2001] UKHL 22, [2002] 1 AC 215.

economy. The “control test”, while still applied by Nigerian courts as seen in *Ayankoya v. Olukoya,*[210] is quickly becoming clear that this test doesn’t quite cut it anymore, especially in modern arrangements. Secondly, the problem of jurisdiction posed by the operations of multinationals in multiple territories continued to pose problems to claimants (as evident in the "*Okpabi v. Royal Dutch Shell Plc*",[211] wherein complexities in identifying responsible parties arising from multinational and subsidiaries' operations in varied jurisdictions continue to challenge litigants); thirdly evidentiary hurdles as well as the difficulties associated with compelling the production of internal documents to satisfy proof of the “course of employment” and lastly, enforcement difficulties owing to the intricate corporate structuring adopted to hide assets and evade judgments in a scenario where courts are hesitant to “pierce the “veil of incorporation” as exhibited in *Prest v. Petrodel Resources Ltd* [212] continued to plague victims. Finally, Nigeria continues to lack fundamental legal provisions aimed at protecting vulnerable groups from the doctrine and there is the absence of an administrative mechanism for handling cross-border cases involving multinationals. Nigeria also fails to incorporate reforms such as the Lister principle and the UK's Corporate Manslaughter and Corporate Homicide Act of 2007, placing the doctrine under the arbitrary discretion of individual judges and leading to disparate judicial opinions nationwide.

5.2 Recommendations

In light of the conclusion above, legislative, judicial and institutional reforms are necessitated to invigorate the doctrine of corporate vicarious liability in Nigeria. Accordingly, the following recommendations are put forth in order of importance and novelty.

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[210] *Ayankoya v Olukoya* (1996) 1 NWLR (Pt 422) 1.
[211] *Okpabi v Royal Dutch Shell Plc* [2021] UKSC 3.
[212] *Prest v Petrodel Resources Ltd* [2013] UKSC 34, [2013] 2 AC 415.

1. **Statutory Codification of Corporate Vicarious Liability.**

There is a critical need for a statutory framework governing corporate vicarious liability in Nigeria since its reliance on the received common law and sporadic judicial pronouncements lead to inconsistencies and unpredictability. Accordingly, CAMA 2020 should be amended to clearly outline its scope, determine parameters for defining employee status and establish standards of conduct within the "course of employment". Explicit legislation would minimize judicial discretion, promote legal certainty and align Nigeria with countries such as England where laws relating to corporate vicarious liability have been modernized. The legislation should include the "close connection" test enunciated in '*Lister v. Hesley Hall Ltd'*[213] as a subsidiary approach to the Salmond principle for establishing an employer's liability for an intentional wrong that bears a sufficient connection to the employee's scope of duty; this would be particularly important for high-risk sectors such as banking and care services.

Reform of the Employee/Independent Contractor Distinction.

Given the growth of Nigeria's "gig economy" and the proliferation of informal and non-standard work arrangements, the "control test" alone is no longer sufficient to determine employment status for the purposes of vicarious liability. The National Assembly should enact legislation establishing a multi-factor test that takes into account the degree of integration of the worker into the employer's business, the economic dependence of the worker on the engaging entity, and the extent to which the worker is in business on his own account. This approach draws on the "multiple test" articulated

[213] *Lister v Hesley Hall Ltd* [2001] UKHL 22, [2002] 1 AC 215.

in *Ready Mixed Concrete (South East) Ltd v. Minister of Pensions and National Insurance*[214] and would prevent corporations from evading liability by misclassifying workers as independent contractors.

2. **Introduction of Corporate Criminal Vicarious Liability for Regulatory Offences.**

Nigeria should consider introducing legislation establishing corporate criminal vicarious liability for regulatory offences involving negligence or recklessness, similar to the approach taken in the UK Corporate Manslaughter and Corporate Homicide Act 2007.[215] Currently, the Administration of Criminal Justice Act 2015 permits the prosecution of companies for criminal offences,[216] but there is no specific provision dealing with corporate liability for deaths or serious injuries caused by systemic negligence in corporate operations. The urgency of this reform is heightened by the frequency of industrial accidents in Nigeria's oil and gas and manufacturing industries. Such legislation would serve to supplement the existing civil regime and send a clear deterrent message to companies that do not value human safety and dignity above profits.

3. **Strengthening Judicial Capacity and Uniformity.**

The inconsistent application of vicarious liability principles across Nigeria's various courts is a serious problem. The inconsistent application of vicarious liability across Nigeria's numerous courts is a significant concern. Contradictory judgments based on different interpretations of the test for '"course of employment"' and whether the tortfeasor was a servant or independent contractor create uncertainty that deters claimants and emboldens corporations. The National Judicial Council should promulgate uniform practice directions on corporate vicarious liability

[214]*Ready Mixed Concrete (South East) Ltd v Minister of Pensions and National Insurance* [1968] 2 QB 497.
[215]Corporate Manslaughter and Corporate Homicide Act 2007 (UK), s 1.
[216]Administration of Criminal Justice Act 2015, ss 464-468.

with clear guidelines for lower courts. Additionally, commercial benches with specialized corporate liability knowledge should be established at the Federal High Court and at least in state high courts in all major commercial centers. Training for judges should focus on new issues of employment such as digital employment, the "gig economy", and environmental liability.

4. **Reform of Evidence Act to Facilitate Disclosure by Corporate Defendants.**

A persistent problem in bringing cases for corporate vicarious liability against an employer is the difficulty in accessing essential corporate documents such as internal company files and the documents required to prove the existence of an employment relationship and the extent of an employee's authority to commit a tort. A robust pre-trial disclosure system should be implemented, where under rules to be inserted into the Civil Procedure Rules of the various High Courts, a corporation is required to produce, at the onset of filing a claim for corporate vicarious liability, any documents relating to employment and policy matters, such as training, accident procedures, relevant manuals and documents, emails and letters relevant to the employment relationship.

5. **Legislative Response to Multinational Corporate Liability**

The failure of Nigerian courts to effectively enforce parent companies' liability for the actions of their Nigerian subsidiary was highlighted by the prolonged litigation of *"Okpabi v. Royal Dutch Shell Plc",*[217] and necessitates a targeted legislative reform. A law should be passed to the effect that a parent company exercising a level of control sufficient to be a responsible director over the activities of its Nigerian subsidiary will be deemed to owe a duty of care to persons whose harm is as a result of the operations of its subsidiary and will be liable accordingly regardless of the separateness of legal personality of both entities. This is supported by the direction that the 'UK

[217]*Okpabi v Royal Dutch Shell Plc* [2021] UKSC 3.

Supreme Court judgment in Okpabi's case' at least established an arguable case.[218] The Such reform will be useful in the environmental pollution in the Niger Delta and supplement the duties for the development of local communities that were already being imposed on oil companies by the Petroleum Industry Act 2021.

5.3 Conclusion

Corporate vicarious liability plays an important part in Nigeria's legal arena. As Nigeria's economy continues to develop and companies expand into various sectors from the banking and telecommunications sector to oil exploration and manufacturing, the need for a logical, efficient and equitable regime that facilitates the holding of corporations liable for the actions of their employees becomes ever more pertinent. This work has demonstrated that despite the accepted position of corporate vicarious liability in Nigeria's law, its effectiveness is still restricted by out-of-date adherence to common law rules drafted for a bygone era; by the structural inefficiencies of the rules of evidence and discovery; and by the calculated manipulation of corporate structures. The reforms advocated in this study-including statutory codification; update of the employment status test; corporate criminal liability; judicial coherence; enhanced rules on disclosure; and the multinational context-are perfectly feasible under the extant constitutional and legislative provisions in Nigeria and, once introduced, would not only enhance the ability of victims of corporate wrongdoing to secure relief but also serve notice to the world that Nigeria's legal system has the ability to hold even powerful entities accountable, thus boosting investor confidence.

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