



Mediation Case Study

Fountainhall Furnishing



Mediation Case Study

Fountainhall Furnishing

General Instructions

This is a long standing family business. The main products in which the business deals are items of high class furniture imported from Italy. The business was established three generations ago and is now in the hands of three brothers to whom it was past on the death of their father. Two of the brothers (A and B) are engaged full-time in running the business. The third brother (C) lives abroad and has no involvement at all.

In his will, the father bequeathed 45% each of the shareholding to A and B and 10% to C. He thought that by giving 10% to C, who would thus nominally hold the balance between the other two, A and B would work effectively together.

A is the business generator and the Managing Director with big ideas. B is the Finance Director who looks after the financial side, the books and staffing.

Since the death of their mother, there has been a considerable amount of ill-will between A and B. The estate has still not been wound up and B has alleged that A, in some way, diminished his mother's estate prior to her death and while she was living with A in her last years.

The business is now under pressure in a changing market. The advent of multi-national furniture stores offering cut-price products has significantly affected the profits of Fountainhall Furniture. Both brothers feel that consumers these days have no real idea about quality. Brother A wishes to expand the business and become involved in flat-pack and other products attractive to the modern consumer. Brother B wishes to keep the business small or, if necessary, sell it altogether. These differences of approach have increased the animosity between them.

A has offered to buy B out (without mentioning a figure), but B has refused. A has recently obtained the mandate of C to act on behalf of C, giving him a 55% majority. This was the final straw for B who, having taken legal advice, has raised an action in the court alleging that he is being unfairly prejudiced as a minority shareholder.

Recognising that any court action will eat substantially into the business's limited resources and time, the brothers have reluctantly agreed to come to mediation.