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Insights

UK CORPORATE BRIEFING JUNE 2026

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SUMMARY

Welcome to the Corporate Briefing, where we review the latest developments in UK corporate law that you need to know about. In this month's issue we discuss:

FCA Regulatory Initiatives Grid

The tenth edition of the Financial Services Regulatory Initiatives Grid has been published, setting out the regulatory pipeline for the next two years. Three workstreams are of particular relevance to listed companies, investment entities, and shareholders.

Court rules that term sheet was binding - and warranties were also representations
Hoffman & Anor v Finalto Group Ltd & Anor [2026] EWHC 921 (Comm) (21 April 2026)

The High Court has ruled that an equity term sheet was binding - and that warranties in a warranty deed were also representations. It's a good reminder to consider carefully whether terms are meant to be legally binding – and, acting for warrantors, to include appropriate drafting to prevent warranties giving rise to claims for misrepresentation.

Courts rule on meaning of fraud in relation to the giving of warranties
Synthos Spolka Akcyjna v Ineos Industries Holdings Ltd [2026] EWHC 83 (Comm)
Veranova Bidco LP v Johnson Matthey PLC [2026] EWHC 1021 (Comm)

Two recent High Court decisions have taken a different approach to assessing fraud in the context of the giving of warranties - and whether knowledge can be aggregated. The stakes are high, because if fraud is established, all limitations of liability fall away.

FCA REGULATORY INITIATIVES GRID

Three significant initiatives are now underway, building on the overhaul of the Listing Rules in 2024 and the new prospectus rules that came into force in January 2026.

DISCLOSURE AND TRANSPARENCY RULES REVIEW

The FCA has launched a review of the Disclosure and Transparency Rules (DTRs) to assess whether the current regime remains fit for purpose, and to explore whether changes are needed to enhance the attractiveness of UK public markets without compromising standards or market integrity. The FCA plans to publish a public document in Q3 2026.

UKLR: INVESTMENT ENTITIES REVIEW

The FCA is reviewing how certain aspects of the UK Listing Rules apply to specific types of investment entities. In particular, stakeholders have raised concerns that eligibility criteria relating to risk-spreading may be unduly restrictive, and the FCA will assess whether changes are warranted. The review will also examine how the rules, in the context of company law, support robust shareholder rights, effective engagement, and the management of conflicts of interest. The FCA intends to consult on proposals and to complete this work by the end of Q4 2026.

THE DEMATERIALISATION MARKET ACTION TASKFORCE (DEMAT)

Chaired by Mark Austin CBE, DEMAT is overseeing the UK's transition to a fully digitised shareholding system, with the aim of improving market efficiency, transparency, and settlement times. Following the Digitisation Taskforce's final report, which recommended a staged approach, the Chair is expected to report back by Summer 2026 with a recommended 'go-live' date for Step 1 of a three-step process, targeted before the end of 2027 along with an implementation plan for industry participants.

COURT RULES THAT TERM SHEET WAS BINDING - AND WARRANTIES WERE ALSO REPRESENTATIONS

HOFFMAN & ANOR V FINALTO GROUP LTD & ANOR [2026] EWHC 921 (COMM) (21 APRIL 2026)

This case concerns the acquisition of Finalto Group Limited, a financial services technology provider. As part of the acquisition arrangements, an equity term sheet was agreed with the CEO and COO (Mr Hoffman and Mr Greenbaum) under which they and certain other managers would receive shares in a new holdco to be put in place by the buyer. At the end of the term sheet, it was noted that the parties “agree to sign definitive documents… incorporating the terms set out in this term sheet” and to “negotiate in good faith the definitive documents prior to completion, which shall incorporate the terms set forth in this term sheet and otherwise contain terms which are customary for a transaction of this nature”. In the event, the acquisition completed without any definitive documents being agreed and shortly after completion the buyer withdrew from negotiations.

The managers claimed that the term sheet itself gave rise to binding obligations to set up the holdco and issue shares to management – and the court agreed on the basis that, in a section headed 'legal effect', the term sheet was expressed to be "legally binding on the parties, subject to a definitive agreement". The court determined that this meant that the term sheet was legally binding, but would be superseded and replaced by a definitive agreement. It did not mean that it would only be binding if a definitive agreement was entered into, as that would effectively mean that the term sheet was not legally binding – which would have come about in a very unclear way and did not fit with what appeared to be the purpose of the 'legal effect' section, the 'obligatory language' (e.g. "shall" and "will") used in the term sheet, its stipulations relating to governing law and jurisdiction or the formalities relating to its execution. It's a good reminder that the courts may determine that parties intend to be bound by what they have already agreed, despite it being envisaged that further details and terms are still to be agreed; and that parties should make it very clear which provisions of a term sheet are intended to be legally binding.

The buyer counterclaimed that the managers had made fraudulent misrepresentations under the managers' warranty deed (under which the managers gave certain warranties to the buyer in connection with the acquisition) – and so they would have lost their entitlement to shares as 'bad leavers'. The court found that at least some of the warranties were also representations – but that they were not untrue, and so the buyer's claim failed. The finding that at least some of the warranties were also representations is perhaps somewhat surprising. Ordinarily, a warranty is simply a contractual promise in an agreement that, if breached, gives rise to a claim for contractual damages; it is not also a statement that induces a party to enter into that agreement (which is the nature of a representation). And, whilst it seems that the parties can expressly agree that warranties are also representations, that was not the case here. However, there have been cases before where the court has nevertheless found warranties were also representations – usually in circumstances, like these, where a claim for breach of warranty could not have been made because of a limitation of liability provision. The reasoning, as in this case, may not always be very convincing (e.g. that the warranties were "providing information… which would be unlikely to be within the knowledge of the buyer" and were contained in drafts that were provided before the final documentation was entered into) – but, nonetheless, the risk of a warranty being also held to be a representation needs to be recognised. The way to address this risk is by including 'entire agreement' provisions in which the parties acknowledge that no representations have been made/relied on and that claims in relation to the warranties are restricted to breach of contract. But you have to get the drafting right. In this case, a provision in the disclosure letter - that the managers make "no representation or warranty…. not expressly given in the warranty deed" – helped open the door to additional liability for misrepresentation because (according to the court) it showed that the possibility of the warranty deed containing representations had been envisaged (although one suspects that it may have been intended simply to limit the liability of the managers to breach of contract claims in relation to the warranty deed).

COURTS RULE ON MEANING OF FRAUD IN RELATION TO THE GIVING OF WARRANTIES

SYNTHOS SPOLKA AKCYJNA V INEOS INDUSTRIES HOLDINGS LTD [2026] EWHC 83 (COMM)

VERANOVA BIDCO LP V JOHNSON MATTHEY PLC [2026] EWHC 1021 (COMM)

Two recent High Court decisions – in Synthos and Veranova (please click on the links for our earlier summaries) – have reached different conclusions on what it means for a warranty to have been given fraudulently. This is not altogether surprising given that, at law, there is no such thing as a fraudulent breach of warranty. A warranty is a contractual promise, not a statement of fact, which if breached gives rise to a claim for contractual damages. Fraud, by contrast, is not a contractual concept at all – it concerns a false statement made knowingly, without belief in its truth, or recklessly as to whether it is true. So, when an acquisition agreement provides that seller limitations on liability do not apply in cases of fraud in connection with the warranties, the precise meaning of that carve-out is largely a matter of contractual interpretation, to be assessed by reference to the terms of the agreement and the background circumstances at the time it was entered into. The stakes are high – particularly for warrantors – because if fraud is established, all limitations of liability fall away; and, where W&I insurance is in place, this may be one of the very few grounds on which any real liability under the warranties can arise.

In *Synthos*, the acquisition agreement provided that where a warranty was qualified by "the awareness of the seller", that awareness meant the actual awareness of the seller having made enquiry of certain specified persons. The judge held that the awareness of those persons was to be aggregated. Applied to a warranty that there were no facts likely to give rise to a regulatory investigation, the seller was found to have the requisite awareness where a procurement manager was aware of a buyers' cartel fixing the price of raw materials, but did not know that this was unlawful, and a legal director would have known that such arrangements were unlawful and therefore likely to attract an investigation. This reasoning is perhaps open to challenge generally as, in the ordinary course of disclosure, the procurement manager would presumably not flag the cartel if he did not appreciate that it was unlawful. But, of more concern is the fact that the judge then attributed the same aggregated knowledge to the seller when determining whether the warranties were given fraudulently. As a result, if a warranty that was qualified by awareness was breached, then it was also necessarily given fraudulently. That seems, at the very least, like an odd outcome – as a seller awareness qualifier is designed to limit liability, not extend it.

In *Veranova*, there was no seller awareness provision. The knowledge of the corporate seller for the purpose of giving the warranties was determined on more conventional grounds of attribution by identifying those persons who were its controlling mind and will for this purpose – i.e. those persons responsible for determining that the seller entered into the agreement and, in doing so, gave the warranties – namely the CEO, CFO and two senior managers. The judge began by

rejecting the buyer's submission that it was sufficient to show simply that any of the executives were aware of the matters that made the warranty false; rather, for there to be 'conscious dishonesty', they needed to both be aware of the facts and also know, or be reckless as to, the terms of the warranty and the fact that it was false. But he went on also to reject the submission that their knowledge could be aggregated – i.e. it was not sufficient to show that one person was aware of the relevant facts but not that those facts meant that the warranty was untrue and for another person to know the terms of the warranty but not the facts that meant it was false. Instead, it was necessary to find a dishonest state of mind in one individual. To find otherwise, the judge observed, would be to significantly erode the distinction between fraud, negligence and innocence - which is arguably exactly the consequence of the ruling in *Synthos* (which was distinguished on the basis of the seller awareness provision).

For the reasons set out above, the approach in *Veranova* is to be preferred. However, these are just two first-instance decisions and they serve as a reminder that different judges may reach different conclusions. To protect warrantors, we recommend an increased focus on the relevant contractual drafting and – as always – a rigorous approach to the disclosure exercise.

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