Companies Act, 1956

Section 426 - Liability as contributories of present and past members

1) In the event of a company being wound up, every present and past member shall be liable to contribute to the assets of the company to an amount sufficient for payment of its debts and liabilities and the costs, charges and expenses of the winding up, and for the adjustment of the rights of the contributories among themselves, subject to the provisions of (section 427) and subject also to the following qualifications, namely - (a) a past member shall not be liable to contribute if he has ceased to be a member for one year or upwards before the commencement of the winding up, (b) a past member shall not be liable to contribute in respect of any debt or liability of the company contracted after he ceased to be a member (c) no past member shall be liable to contribute unless it appears to the [Tribunal] that the present members are unable to satisfy the contributions required to be made by them in pursuance of this Act, (d) in the case of a company limited by shares, no contribution shall be required from any past or present member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as such member, (e) in the case of a company limited by guarantee, no contnbution shall, subject to the provisions of sub-section (2) be required from any past or present member exceeding the amount undertaken to be contributed by him to the assets of the company in the event of its being wound up (f) nothing in this Act shall invalidate any provision contained in any policy of insurance or other contract whereby the liability of individual members on the policy or contract is restricted, or whereby the funds of the company are alone made liable in respect of the policy or contract (g) a sum due to any past or present member of the company in his character as such, by way of dividends, profit, or otherwise, shall not be deemed to be a debt of the company payable to that member, in a case of competition between himself and 3 (48) 48. Substituted for "any other creditor who is not a past or present member of the company" by the Companies (Amendment) Act 1960 [any creditor claiming otherwise than in the character of a past or present member of the company], but any such sum shall be taken into account for the purpose of the final adjustment of the rights of the contnbutones among themselves (2) In the winding up of a company limited by guarantee which has a share capital, every member of the company shall be liable, in addition to the amount undertaken to be contributed by him to the assets of the company in the event of its being wound up, to contribute to the extent of any sums unpaid on any shares held by him as if the company were a company limited by shares