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Limited liability

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Limited liability is the legal principle that an owner of a company is not personally responsible for the company's debts beyond the amount they invested. Creditors can claim against the company's assets, but not normally against the owners' personal assets.

Courts may set this protection aside in exceptional cases, known as *piercing the corporate veil*, for example where a company is used for fraud or the owners mix company and personal funds. Directors can also be personally liable for their own wrongdoing.

See Limited liability company, Corporation.

Frequently asked questions

Can I lose limited liability protection?

Yes, in exceptional cases. Courts can “pierce the corporate veil”, for example for fraud or where company and personal money are mixed. Directors can also be liable for their own wrongdoing.

Does limited liability cover personal guarantees?

No. If you personally guarantee a loan or lease, you are liable under that guarantee whatever the company's structure.

References

1. Comparing business structures . Business.gov.uk. Accessed November 2026.
2. Set up a business . GOV.UK. Accessed November 2026.
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