

## **Judicial dissolution of a group of deadlocked companies**

Madrid, July 2025

Under the Spanish Companies Act, a company must be dissolved when its governing bodies come to a standstill. If the shareholders' meeting fails to pass a resolution for dissolution, a court must do so at the request of any interested party.

Pursuant to this rule, the Barcelona Court of Appeal (BCA) ordered the dissolution of four companies of a group that had reached a deadlock in a case that can be summarized as follows: (i) the companies had two shareholders, each holding a 50%, who also served as joint and several directors, (ii) in 2020 the business began to decline and the differences between them were exacerbated, (iii) in September 2022 one of the shareholders resigned as director and expressed his will to leave the company, (iv) in October 2022 a shareholders' meeting was called to either accept a purchase offer from a third party or dissolve the company, but the other shareholder deemed the offer too low and both decided to retain an economist to value the companies as a pre-sale step, (v) since then no further steps were taken to sell the companies and no shareholders' meetings were held, not even to approve the annual accounts.

To resolve the deadlock, the first shareholder petitioned a first instance commercial court to dissolve the companies, but it refused to grant the relief for reasons that are unclear in the judgment. The claimant then appealed the court decision before the BCA, which upheld the appeal and ordered the dissolution<sup>1</sup>.

The BCA noted that a standstill of the shareholders' meeting (meaning its inability to reach decisions) qualifies as grounds for compulsory dissolution only if it is "permanent" and "insuperable". It must be assessed whether the deadlock is likely to remain considering the circumstances of the case, for which purpose each shareholder's intentions and reasons and the fact that the company keeps doing business are irrelevant.

The BCA found that, in the case at hand, the deadlock was unlikely to be resolved in the short term considering that (i) the share capital was equally divided between both shareholders, (ii) no shareholders' meeting had been called since October 2022 to dissolve the company or otherwise address the situation, not even to approve the annual accounts, and (iii) one shareholder had resigned as a director following disagreements with the other, who filed a criminal complaint against him for allegedly making unauthorized cash withdrawals.

This judgment shows the importance of laying down contractual mechanisms to ensure a swift and effective resolution of deadlocks in companies with two shareholders holding equal stakes or where certain shareholders have veto rights over key matters, such as an obligation to accept a purchase offer from an independent buyer or, alternatively, to acquire the stake of the shareholder wishing to exit the company.

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<sup>1</sup> Order of the BCA 157/2024 of 30 October.