

But I Have Known Him For Years!

Michael decided to set up his own law partnership known as Messrs Bluth & Finke, the Insured Practice ("IP") with his long-time friend, Lindsay. Michael managed the main office in Petaling Jaya while Lindsay managed the Firm's branch in Bangsar.

With the growing lists of clients, Michael decided he needed another pair of hands to assist him at the Firm. He then remembered an old colleague from his previous firm, Tobias. Michael decided to offer Tobias a salaried partner position at his Petaling Jaya branch.

Since both of them had known each other for some time, they mutually agreed to do away with a partnership agreement. Since there was no partnership agreement between Michael and Tobias, they verbally discussed and agreed what each other's roles, responsibilities and remuneration would be.

One of the salient points of the arrangement was that each partner will be responsible for their own clients' files and clients' money. Due to this arrangement, only the partner in charge of a particular client will have knowledge and control over the file. All partners of the Firm were the authorised signatories to the clients' account where any one partner can sign a cheque for the clients' account.

One day at the office, Tobias was alerted by the accounts clerk that a payment to one of the Firm's client could not be made since the money in the clients' account was insufficient. Bewildered, Tobias instructed the accounts clerk to investigate why.

After some reconciliation of bank statements and inquiries with the bank, it was revealed that the monies in the clients' and office accounts were withdrawn by Michael under his name on several occasions. Tobias and Lindsay tried contacting Michael for an explanation, but their phone calls were left unanswered and Michael failed to turn up at the office for several days.

Afraid for the worse, Tobias and Lindsay instructed the bank to revoke Michael as the office and clients' account authorised signatory. They also lodged a complaint against Michael with Bar Council and notified the Insurer on potential claims against the IP resulting from Michael's embezzlement.

Due to the arrangement between the partners, Tobias was left alone to manage the Petaling Jaya branch. Since the amount embezzled by Michael was quite substantial, Tobias could no longer afford to pay for expenses to run the Petaling Jaya branch. Fearing that the branch may have to be closed, Tobias asked Lindsay if he could practice at the Bangsar branch instead. Lindsay refused to accept Tobias since he was only a salaried partner and the Bangsar branch could not afford to pay for another partner.

With no other options, Tobias relocated to a smaller office and tried his best to salvage the situation. Being the only partner managing the branch, Tobias started to question his own liability as a salaried partner and his insurance coverage should the IP receive real demands or suits resulting from Michael's embezzlement.

