

Am I Really A Partner Here?

Joffrey and Theon were the partners of Messrs Baratheon & Associates, the Insured Practice ("IP"). When Theon joined the partnership, there was no partnership agreement executed between the two. Instead, they mutually agreed to a verbal arrangement on each partner's roles and responsibilities.

Theon was a non-equity partner and held no beneficial interest in the Firm. His income was derived from legal fees of clients' files that he personally attended to, at a percentage agreed with Joffrey. Although Theon was an authorised signatory to the Firm's office and clients' accounts, he had in fact no control over the accounts or the Firm's cheque books. The signatory arrangement was only to satisfy the bank's requirement.

All cheques were signed by Joffrey; Theon was only allowed to sign cheques when Joffrey was not around, or for miscellaneous expenses within the amount of RM5,000. Theon also did not have access to the Firm's accounting records and bank statements.

One day, Joffrey came into the office flustered, and he anxiously explained to Theon that a Judgement in Default ("JID") of appearance was entered against their Firm. Theon was caught off guard, he had no idea that the Firm was even served with a suit!

What had actually happened?

The file was handled by Joffrey who represented the Vendor in a conveyancing transaction. However, the cheque for the balance of purchase price issued from the Firm's clients' account was stopped by Joffrey due to insufficient funds. Joffrey admitted that he had used the money for personal purposes.

Despite various follow-ups and demands from the Vendor, Joffrey still failed to release the balance purchase price. Having no other recourse, the Vendor filed a suit against the Firm and named Joffrey and Theon as Defendants.

Theon had no knowledge about the file or the money that Joffrey misappropriated. Joffrey admitted that he decided to keep Theon in the dark about the suit since Theon should not be responsible for it and that Joffrey was trying to reach an amicable settlement with the Vendor to resolve the matter.

Joffrey also admitted that he accepted the service of the writ on behalf of Theon without the latter's knowledge. Furious with what transpired, Theon notified the Insurers about the suit and the JID entered against the Firm.

