# Robbing Peter to pay Paul

Shareholder class actions have become a rich source of billable hours for plaintiff law firms in the past decade, with **Leighton Holdings** now the latest target over allegations of bribery and corruption in Iraq. This follows on from class actions that last year that resulted in a $200m payout to Centro shareholder litigants, and a $115m payout from **National Australia Bank** for failure to disclose provisions in a timely manner during the global financial crisis.

Cases tend to centre on inadequate disclosure; losses are claimed by shareholders who purchased between when they allege the bad news should have been disclosed and when it was actually fessed up to by the company.

The losses are quite real and all power to those shareholders seeking recompense. But, unfortunately, it’s other innocent shareholders who end up footing the bill, not the directors, management or previous shareholders who were lucky enough to sell out during the period of non-disclosure.

We're basically robbing Peter to pay Paul and his lawyer friends. If you were an existing shareholder prior to the fiasco, or bought in after company had confessed its sins, you end up bailing out those who got mixed up in the interim. The end result is probably less fair than the initial circumstances, when you consider the existing shareholders take the hurt twice, once for the company’s bad news and then again from having to payout the litigant shareholders for their share of the loss.

It’s an area in need of some reform. Still one positive aspect from these class actions is that boards are starting to treat their disclosure obligations with a lot more care. Boards are now at great pains to scrutinise management and announce earnings downgrades as soon as possible, a recent example from **Macmahon Holdings** last year shows some vigour that boardrooms didn’t seem to possess a decade ago. That much is of benefit to all shareholders.