

The Legal Effect of One-Person Company (Jurisprudential and Legal Study)

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Abstract

One-person company is a special type of company, as the concept of a company is generally based on partnership involving a number of partners, which is not available for one-person company. Most legislation does not include this type of company due to its nature, which deviates from the traditional concept of company.

The company is generally a gathering of two or more people for profit; A common interest where partners pursue a particular business aims to achieve a common interest, and profit is often the main driver of companies' founding. However, one-person company, whether natural or legal, is different. One person establishes the company alone by allocating a sum of money to it for investment. That person and the company are financially independent so that he is not liable for any obligations related to the one-person company except within the limits of the amount allocated.

Keywords: *Company - one person - commitment - limited liability - special type.*

Introduction

The idea of trading is based on investing money for the professional purpose of profitability. Trade can either be carried out by an individual or a company. The company consists of several partners who are jointly responsible for it, such as solidarity companies or recommendation companies, or with a responsibility limited to their shares in the company, such as joint-stock companies or limited liability companies.

When there is one-person company, that person, whether natural or legal, can establish a company on his own by allocating to it a financial sum from his own funds for investment, and he is not responsible for the obligations of this company to others except within the limits of the amount he allocated.

Research Importance:

The importance of research lies in the special legal nature of the company, the scope of liability arising, the absence of the idea of partnership and the weakness of the guarantee in one-person company.

Research Objectives:

This research aims to clarify what one-person company is, its importance and its legal nature, the terms and methods of its establishment, as well as the termination of the company and the legal status of the sole partner in a one-person company and the scope of liability of the company towards its customers.

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Research Problem:

The research problem revolves around a main question; business transaction is based on credit and guaranteeing transactions, but in a one-person company, the credit is weak. This is due to the presence of a sole owner with limited liability, as he enjoys a financial asset independent of the company, so will the customers of the company be able to recover their dues if it goes bankrupt?

Previous Studies:

This is not the first time for this topic to be addressed. Rather, Turki bin Saad Al-Khathlan has already addressed this issue in his book: *One-Person Company - Fundamental Study*.

Research Limits: The research addresses the main points of the one-person company, approved by all legal regulations that incorporated the one-person company into their legislation. The study will focus on comparing legislation in Arab countries such as the Emirates, Jordan, and Egypt, with a special focus on Saudi law.

Study approach: The comparative curriculum between Saudi regulations, Arab laws and Islamic sharia law has been used. The approach is based on the comparison of the legislations regulating the one-person company in each of these countries to highlight the similarities and differences between different legislations. For this purpose, the researcher has taken several steps in order to find out the scientific facts about the primacy of the legislation, the legal nature of the company and the legal status of sole partner, as legal sciences are predominantly studied using the comparative approach.

Research Plan

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First requirement: The nature and importance of a one-person company

First section: The nature of a one-person company.

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First requirement: the legal position of the partner in managing the one-person company.

Second requirement: the partner's legal position vis-à-vis creditors.

First requirement

Definition of a one-person company

First branch

The nature of a one-person company

A one-person company is the company that is owned by one person, and enjoys a financial independent asset. A one-person company could be established directly or indirectly. It represents an exception to the principle that requires at least two partners to establish a company. It enjoys has a financial liability independent of its founder.(Hamza, Ikhlas Hamid ,2017)

Jurisprudence has defined a one-person company as a limited liability company that one person could set up alone by deducting a sum of money from his financial liability. His liability is assessed according to this amount, and the owner has a financial disclosure independent of the company he established.(Abdel Qader, Nariman ,1992) Jurisprudence also defines a one-person company as a company created by a natural or legal identity, by investing an amount of his funds in a specific project. This owner is liable for the company's obligations only within the limits of the amount invested.(Abdel Qader, Nariman ,1992) A company, according to the Saudi corporate system, is a legal entity established pursuant to an incorporation contract under which two or more people commit to participating in a for-profit project, where each individual contributes a share of money, work, or both, and shares the profits and losses resulting from the project. According to Chapter Seven of the Saudi legislative system, an exception can be made to this, as the clause allows the establishment of a company by the will of one individual. It also allows the establishment of non-profit companies). Definition of Saudi companies (

A one-person company is an exceptional corporate model, since one person can create it on his own to invest his own funds. This type of company is different from the traditional concept of corporations, as ordinary companies are made up of partners who aim to make a profit by engaging in a joint activity. But in a one-person company, there are no other partners, and liability is limited only by the limits of the amount invested. This type of company is not recognized in most legislation, but recently some laws have been developed with the purpose of legalizing it in some countries.(Amir Muhammad Mahmoud Taha ,2023,426) Countries aim to attract foreign direct investment by creating new business models. One of these is the one-person company model, where one person can create a company of this type on his own to invest his own money. The company owner's liability is limited to the amount invested only, as he does not have any obligations to customers, except within the limits of the amount allocated for investment in the project.(Amir Muhammad Mahmoud Taha ,2023,427)

Therefore, the researcher believes that one-person's company is owned by one person, whether natural or legal. That person establishes a company on his own for the purpose of investing in a specific financial enterprise. The owner of the company has no liabilities towards others except within the limits of the amount he has allocated from his funds in the company.

Section Two

The importance of a one-person company.

It has been noted that the phenomenon of fictitious companies is related to the existence of companies whose capital belongs to one person. Such companies are established in the form of a company incorporated by a group of shareholders, for the purpose of benefiting from the incentives and guarantees provided by the laws to companies. However, these shareholders are fictitious with no rights or obligations. Therefore, it was necessary to address this phenomenon through a new corporate model that combines limited responsibility and full control of the individual while at the same time providing incentives and guarantees available to companies. (Amir Muhammad Mahmoud Taha, 2023, 432)

According to the Saudi Companies System, if a joint-stock company is established by one person, or if all of the company's shares belong to one person, this person will have the powers and authorities of the shareholders' assemblies stipulated in this section, and his decisions will be issued in writing, without the need to invite the General Assembly. Such decisions shall be recorded in the special registry stipulated in Article (ninety-seven) of the system. (Saudi Companies Law Article Ninety-Eight: A one-person joint stock company.) The emergence of one-person companies reflects the development in the corporate system, as countries aim to increase investment and encourage investors to engage in trade to boost the economy. European countries and the United States have adopted this system as an essential part of legislation, and it is important for Arab countries to adopt a similar approach. Our laws must be flexible to keep pace with modern developments. This requires radical amendments in how Arab countries deal with commercial companies. Such laws would encourage investors to invest in the Arab market with confidence and safety (Hamza, Hamid, 2017).

Therefore, the researcher believes that the one-person company is of great importance in attracting investment due to its different nature from traditional companies. In a traditional company, a group of people participate with the aim of making a profit, while a one-person company is a legal commercial institution owned by only one person. However, this type of company suffers from poor credit, which is considered one of its disadvantages.

Second Requirement

The legal nature of a one-person company

Section One

Laws and regulations for a one-person company

According to the Saudi Companies Law, issued in 1437 AH (2015 AD): "if a joint stock company is established by one person, or if all the shares of a company belong to one person, this person shall have the powers and authorities of the shareholders' assemblies stipulated in this chapter. The decisions of the owner shall be issued in writing without the need to invite the General Assembly. These decisions are recorded in the special registry stipulated in Article (Ninety-Seven) of the system (The Saudi Companies Law issued, 1437 AH). The repealed law stipulated that under the provisions of the Companies Law of 2015 AD - or under the Companies Law of 1925 AD, the company is a contract whereby two or more persons are obliged to participate in a profit-making economic project by providing a share of money or work, and to share the profit or loss resulting from this project. (The Sudanese Companies Law, 2015) The UAE legislator regulated the work of the one-person company under Federal Act No. 32 of 2021 concerning commercial companies. It stipulates that: (One person, whether a natural or legal citizen, may incorporate and own a limited liability company, provided that the owner of the company is not liable for its obligations except to the extent of the capital stated in its incorporation contract, and the provisions of the limited liability company involved in this Law shall apply to it in a manner not inconsistent with its nature. (UAE Federal Law No. 32, 2021) The Kuwaiti Companies Law No. 25 of 2012 AD, amended by Law No. 97 of 2013 AD, also defines this type of company as: (A one-person company - in accordance with the provisions of this law - means every project whose capital is owned by one natural or legal person, and the owner of the

company does not bear any responsibility for its obligations except to the extent of the capital allocated to the company.(the Kuwaiti Companies Law No. 25,2012)

Therefore, the researcher believes that most of the legislation included provisions related to the one-person company, because it has a different nature from traditional companies. In general, a company is a gathering of two or more persons with the aim of making a profit; the common interest of the partners in practicing a certain activity with the aim of profitability is the main motive for the formation of the company, while a one-person company is established to be a commercial legal entity belonging to one person.

Second Section

Characteristics of a one-person company

The legislator in most countries has given the one-person company the characteristics of financial companies, limiting the company's debts liability, while granting it all the guarantees and incentives granted to other companies that are established in accordance with the provisions of corporate laws. The one-person company has been supported in many countries to become similar to big financial companies, with limited financial liability, and guarantees and incentives granted to big companies. This new model is considered an ideal solution for investors who want to manage their own businesses, and it also encourages individuals to establish companies to benefit from the incentives and guarantees provided by the law to small and micro enterprises. This development also contributes to organizing the informal economy, transforming it into formal legal institutions.) Amir Muhammad Mahmoud Taha, 2023,428)

Characteristics of a one-person company:

1. The partner's liability is limited in proportion to the amount of money he has set as capital. Determining the financial responsibility of the company owner encourages many people to establish such companies, allowing them to maintain capital, and also encourages small investors to create and engage in businesses.(Al-Qalyoubi, Samiha,1997) According to the Saudi Companies Law, if a joint-stock company is established by one person, or if all of its shares belong to one person, then this person's liability will be limited to the money he has allocated as capital to the company, in addition to enjoying the powers and authorities of the shareholders stipulated in this section. His decisions are issued in writing and recorded in a special register in the company(Saudi Companies Law Article ,150).
2. Weak credit: The issue of weak credit for the one-person company is a logical consequence of the fact that it is owned by one person with limited liabilities. Accordingly, creditors will not be able to get their money back from the owner in in case of company's bankruptcy, because his responsibilities are limited to the amount of capital he provided and the limits of the company's capital(Nariman Jamil Al-Numani,2010,223).
3. The company's trade name: The trade name of a one-person company must reflect its activity and the goal for which it was established. This may require adding the name and title of the company owner. The laws of some countries require the addition of a phrase such as "a one-person limited liability company" to its name. In Egypt, for example, according to the Corporate Law, there are certain controls and procedures for establishing one-person limited liability companies. Among these controls, the name of the one-person company must explain its purpose or contain the name of its founder. Under the law, the company name must include a statement explaining that it is a one-person company with limited liability, both at the head office and in the company's branches, if any, and in all official correspondence(Taha, Amir Muhammad Mahmoud ,2023).
4. The company's transferability or merger: What distinguishes this type of company is the possibility to maintain it by changing its profile from a one-person's company to a multi-partner limited liability company without the need to change its structure. The owner of the company also has the right to merge it with other companies or sell his share. It is

also possible to convert a one-person company into a collective company, by sharing it with a partner or partners(Mufleh, Awad ,1998).

Section Three

Legal adjustment for a one-person company.

1. **People's Company:** Some people believe that a one-person company is considered a company of people, since the individual enterprise is based on trust in dealing with others. The commercial reputation of the owner and trust in him are highly considered when dealing with the company.(Mustafa Natiq, 2008)
2. **Corporations:** Perhaps the nature of the one-person company and the limitation of its liability is what made some people say that it is a corporation. The position of the legislator in some Arab countries had a great influence in supporting this opinion. The new Egyptian Investment Law No. 72 of 2017, for example, gave the one-person company the characteristics of a financial company, so that the liability for the company's debts is determined by the limits of the company's capital, not the capital of the its founder(The legal system for single-person companies)
3. **The independent nature:** There is no doubt that acknowledging the special nature of the one-person company emphasizes the independent nature of the company, which supports its exceptional nature and the goal of its development(Taha, Amir Muhammad Mahmoud ,2023).
4. **Mixed nature:** We have just said that the individual project is based on trust in dealing with others. Therefore, the commercial reputation of the owner and trust in him are of great importance when dealing with the company, which confirms the individual considerations of the one-person company. However, the characteristics of this company are similar to the those of big corporations, as responsibility for debts is determined based on the company's capital and not the capital of its founder. But we cannot ignore the fundamental differences between one-person companies and corporations, as there are features and characteristics that distinguish them from each other. Therefore, the idea of a mixed nature cannot be accepted(Nariman Jamil Al-Numani,2010,226).

If a limited liability company is established by one person or if all the shares of the company are owned by one person, this person has the powers of the director, the board of directors and the general assembly of partners. The company owner can make decisions in writing and record them in the company's registry. He also has the right to appoint one or more managers to represent the company before the courts, arbitration bodies and other parties, and to manage the company with the knowledge of the owner. A limited liability company owned by one person has its own statute, and any reference to the articles of association refers to the company's statute(Saudi Companies Law Article ,157).

Therefore, the researcher believes that the one-person company is based on one person, which confirms the personal consideration of the company. However, the one-person company has similar characteristics of corporations, since the responsibility for the company's debts is assessed by the company's capital, not by the capital of its founder.

Second Section

The establishment and termination of a one-person company.

First Requirement

Terms and methods of establishing a one-person company

A one-person company is distinguished from other companies by the fact it is created by an act of one person, that is, by a unilateral will with the aim of practicing a new activity or as a result of one person owning the shares of the whole company. Therefore, a one-person company is created in a direct or indirect way.

First Section

Terms of establishing a one-person company

The establishment of any company requires a set of formal and objective conditions, the same required by the legislator for establishing a new company, taking into account the special nature of this model of company, as well as the exceptional nature of its founder being one person, contrary to the basic rule of multiple partners.

First: What is the capital of a one-person company according to the legislator:

1. The capital of the one-person company and the restrictions imposed on it: One of the controversial issues that among the comparative legislation is determining the capital required as a condition for establishing the one-person company. Attitudes varied in this regard despite the fact that in most legislation the organization of one person's company was not abnormal.(Al-Qudah, Mufleh Awad ,1998) According to the Saudi Companies Law, any company established in accordance with the provisions of the law has the right to obtain an incorporation contract, with the exception of the joint stock company, the simplified joint stock company, and the limited liability company owned by one person, each of which has a foundation system. The company's founding contract must also include the terms, conditions and data required by the system in accordance with the form of the company. The company's founding contract or foundation system must be written in Arabic, and may be coupled with a translation into another language. The Ministry prepares mentoring models for the corporation contracts and their statutes commensurate with the company's form(Saudi Companies Law Article ,7).

2. Determining the capital of a one-person company in the light of the provisions of the limited liability company:

Some legislations have specified the capital of a one-person company in light of the provisions of the limited liability company, such as the Iraqi Companies Act (2), which stipulates that an individual enterprise capital consists of only one share and determines the amount of its contribution to profits and losses.

3. Not specifying the capital of the one-person company. Some legislations did not determine the capital of a one-person company, such as the UAE Companies Act, the texts of which did not specify the capital of a one-person Company (2), which is the same path taken by the Saudi legislator, who required the company's capital to be fulfilled in full upon incorporation, but did not set a minimum limit(Nariman Jamil Al-Numani,2010,229).

Second: Objective terms for establishing a one-person company

A. Special objective conditions: It is logical that a one-person company is established based on the sole will of one person. Therefore, we can assume that a contractual bond is not available in this type of company. Accordingly, the special objective conditions necessary for establishing companies should not be required. The truth is that the special conditions do not suit the nature of the one-person company: multiple partners, offering shares, and the intention to participate and share profits and losses. These terms are not consistent with the exceptional nature of this company. This one-person company has been legislated in order to encourage willing investors.

According to the Saudi Corporate System, if a limited liability company is established by one person or if all shares are owned by one person, this person is granted the powers and authorities of the director, the board of directors, and the general assembly of partners in accordance with the stipulated rules. His decisions should be issued in writing and recorded in a special registry in the company. The founder of the company has the right to appoint one or more managers to represent the company before the courts, arbitration bodies, and other parties. This manager is supposed to manage the company under the supervision of the owner of the company's shares. A limited liability company owned by one person

follows a statute and the incorporation contract must refer to this(Saudi Companies Law Article ,157).

B - General objective conditions: General objective conditions are conditions that must be met in all forms of contractual relations. Therefore, they must be met in all types of corporate contracts. Although one person's company is an act of unilateral will, yet it should follow the legislator's requirement by embodying it into the form of a contract.

Third: Formal conditions for establishing a one-person company: A one-person company does not differ from other companies in terms of the formal conditions necessary for its establishment, taking into account the special nature resulting from being owned by a single partner. Therefore, writing and publishing the contract are the basic formal conditions for establishing a one-person company. However, the legislator in the countries that developed this model has adopted a number of other formal conditions consistent with the nature of the company. For example, the Egyptian legislator required the issuance of a certificate of non-ambiguity approved by the commercial registry and a bank certificate with a deposit of full capital, taking into account that the capital should not be less than fifty thousand Egyptian pounds. If a legal person establishes a one-person company, the following documents must be submitted: "A power of attorney from the legal representative of the legal person, and a recent extract from the commercial register of the legal person, with the obligation to see the original." If the founder of the company is a Public Law person, he must obtain the approval of the Prime Minister or the competent minister, as the case may be, and extract a power of attorney to establish the one-person company, whether the founder is a legal or natural person. The power of attorney must include a text indicating the establishment of the company, and the contracts of incorporation must be signed in the Land Registry Office. The investor identification forms of the company owner or the foreign manager must also be attached, in original and copy, and an official extract from the accountants and auditors' registry addressed to the Investment Authority stating the right of the company's auditor to review and approve the capital company's budgets, or the original of the appointment decision if he had previously submitted this certificate to the Authority. "It is also necessary to attach copies of the founder's ID card (valid and clear) of the Egyptian citizen's national ID card and the foreigner's passport," as well as copies of the agent's ID card (valid and clear). The original documents must be reviewed. (For the foreigner, a valid residence permit is required)." It is also necessary to submit a copy of the Bar Association registration card if the company founder is a lawyer, provided that the contract is ratified by the Bar Association. (At least from a primary lawyer, to make sure that the lawyer's license is valid to date). The name and address of the company's legal advisor must be specified, provided that the registration level is not less than an appellate lawyer). The approval of the competent authority must be submitted if any of the company's purposes require obtaining special approval in accordance with the provisions of applicable laws (prior approval). In the event that there is an in-kind share upon incorporation, an evaluation report must be submitted by experienced legal professionals, according to the nature of each share and the founder's acknowledgment of the evaluation validity. In case of establishing a one-person company to operate under the public free zone system in accordance with the provisions of Investment Law No. 72 of 2017, the same previous documents must be submitted in addition to: an approval from the Authority beforehand. The approval must be issued by the Board of Directors of the free zone in which the project is planned to be established(the website of the Egyptian General Authority for Investment and Free Zones).

Section Two

Methods of establishing a one-person company

First: The direct establishment of a one-person company.

The direct incorporation of a one-person company means establishing a company whose founding partners (the sole partner) are not associated with an existing company. It is a new

creation from scratch made by one person. The Iraqi legislator has explicitly permitted this kind of company in the articles of the Iraqi Companies Act. Article (4) in paragraph (2) stipulates that “a limited liability company may be established by one owner in accordance with the provisions of the law.” Article (8) of the law also stipulates that “an individual project may be formed by one person or by a limited liability company owned by one natural or legal person.”

A one-person company is established in a direct way, where one person submits an application to establish the company as stipulated by law, or indirectly, when all the shares of the limited liability company are transferred to one of the partners, as stated in the first paragraph of Article (154) of the Saudi companies act “. It is permissible for the limited liability company to consist of one person, or for all of its shares to be transferred to one person.(Hamza, Ikhlas Hamid ,2017)

Second: The indirect establishment of a one-person company:

Indirect incorporation of a one-person company may occur as a result of the ownership of shares of a limited liability company consisting of only two partners by one of them, through direct purchase, as a result of the death of the partner and the absence of his heir, or for any other legitimate reason(salamahlaw,2023).

Regarding the indirect establishment of a one-person company in accordance with the Iraqi Companies Act, the Iraqi legislator has permitted the transformation of the company from one type to another. Article 153 of the Iraqi Companies Act stipulates that “a company may be converted from one type to another, taking into account the following exceptions: First, a joint-stock company could not be converted into a limited or joint venture company or into an individual project, nor could a limited company be converted into a joint liability company.” Secondly, a limited or joint liability company could not be transformed into an individual project unless one of its members acquires all shares. Thirdly, a joint-stock, limited, joint liability company or individual enterprise may not be transformed into a simple company(Hamza, Ikhlas Hamid ,2017).

Therefore, the researcher believes that the establishment of a one-person company could happen through direct incorporation, where the founding partners (the sole partner) are not related to another company that actually exists, or as a result of one partner acquiring the shares of the limited liability company, whether through direct purchase or as a result of the death of one of the partners in the company consisting of only two partners, without an heir, or for any other legitimate reason.

Section Three

Management of a one-person company

Due to the presence of only one owner in a one-person company, most of the legislation that adopted this model authorized the owner of the company to directly exercise the powers granted to the group of partners, and thus the single partner replaces the general assembly in its terms of reference, except for those related to meetings, as there are no meetings in a one-person company. The Iraqi legislator did not specify articles related to the management of a single-person company in the current law, which allows us to apply the acts of the limited liability company to this type of company, where the General Authority is the highest body in the company and responsible for managing it.(Al-Fawzan, Muhammad bin Al-Barak Al-Fawzan ,547)

According to the Saudi Companies Act, if a limited liability company is established by one person, or if all of its shares are owned by one person, this person is granted the powers and authorities of the director, the company’s board of directors, and the general assembly of partners stipulated in this section. The owner’s decisions are issued in writing and recorded in a special registry in the company. This person may appoint one or more managers to represent the company before the judiciary, arbitration bodies, and others. his

person will also manage the company under the supervision of the partner who owns the company's shares. A limited liability company owned by one person shall have a base system, and every reference to the articles of incorporation in the provisions that apply to the limited liability company means the company's base system. (Saudi Companies Law ,157)

Second Requirement

Termination of the one-person company

There are two types of reasons for the termination of companies: public and private.

First Branch

General reasons for the termination of a one-person company

First: Expiration of the company's term:

The rule is that the company ends with the expiration of the period agreed upon in the contract. If partners agree on a specific period, then once this period expires, the company ends by force of law, even if it has not achieved the purpose for which it was established (Dr: Kamel Abdul Hussein Al-Baldawi, 1990).

Second: achieving the purpose for which the company was established:

If the company was established to achieve a specific purpose, then once the company achieves it, the company should be terminated by force of law. However, other companies may not terminate for the same reasons in accordance with the Saudi Companies Law. A limited partnership, for example, does not expire for the death of any of the limited partners, nor for his interdiction, nor for his insolvency, nor for the opening of any liquidation procedures against him in accordance with the bankruptcy system, nor with his withdrawal, unless stipulated. The company's articles of incorporation are based on this. (Saudi Companies Law Article, 57) The joint liability company also does not terminate for the death of any of the partners, nor for his interdiction, nor for the opening of any liquidation procedures against him in accordance with the bankruptcy system, nor for his expulsion, nor for his withdrawal, unless the company's articles of incorporation stipulate that. The remaining partners remain in the company, and this partner or his heirs receive only his share of the company's funds, and this share is assessed in accordance with Article (Forty-Nine) of the system (Saudi Companies Law Article ,50).

Second Type

Special reasons for the termination of a one-person company

First: The death of one of the partners: If one of the partners dies, this results in the termination of the company and none of his heirs could take his place because the identity of the partner is the matter of consideration.

Second: If a partner or shareholder in a professional company temporarily loses his license to practice his liberal profession, he must refrain from working in the company - immediately and completely - until he restores the license. If the sole practitioner of that profession was among the other partners or shareholders, or he was the sole owner of the company, the enterprise must cease doing that profession until the license is restored. The contract of incorporation of the professional company or its baseline system shows, by case, how profits and losses are apportioned in either case. (Professional Companies Law Article ,20).

Third: Interdiction of one of the partners: The company is terminated by force of law as soon as one of the partners is interdicted for a specific trait, immorality, or madness, and the person in charge of the interdicted person cannot replace him in the company because the identity of the interdicted person is a matter of consideration among the rest of the partners who trusted him, and this trust does not extend to his legal representatives.

Fourth: Insolvency or bankruptcy of one of the partners: If one of the partners becomes insolvent or goes bankrupt, this results in the termination of the company by force of law, for the same reason just mentioned: the identity of the partner is the subject of consideration for partners(Dr: Samiha Al-Qalioubi,1993).

Fifth: Termination of the company through the judiciary: The court may decide to terminate the company on the request of one of the partners because the other partner did not fulfill what he pledged. There is no doubt that a one-person company terminates for the same reasons that lead to the termination of other companies, in accordance with their nature. However, the legislative law that adopted the one-person company system added some other reasons for the termination of these companies(Al-Qalyoubi, Samiha ,1998).

Sixth: Withdrawal of one of the partners: If one of the partners withdraws, this will result in the termination of the company, because the partner's identity is the subject of consideration for the other partners. For a partner's withdrawal to be valid, the law requires two conditions to be met: First, the partner must inform the other partners of his desire to withdraw before doing so. Second, the partner's withdrawal should not be the result of fraud or inappropriate mischief. Evaluating this and deciding upon it is left to the judge. A partner is considered ill - intentioned if he withdraws from the company to invest in a profitable deal(Hamza, Ikhlas Hamid ,2017).

The researcher believes that there are general reasons for the termination of companies, including companies owned by several people, as well as one-person companies, and that there are special reasons that lead to the termination of the one-person companies, due to their special nature. Among the general reasons that lead to the termination of companies: death of one of the partners, the temporary loss of a partner or shareholder's professional license, the interdiction of one of the partners, the insolvency or bankruptcy of one of the partners, termination through judiciary, or withdrawal of one of the partners.

Third Section

The legal status of the sole partner in a one-person company.

Preparation and partitioning:

After complying with the terms of establishing a one-person company, it becomes a legal entity independent of the personality of its founder. Yet, this point is not agreed upon by all legislators. Some legislators adopted the theory of independent liability for the company, while others adopted the theory of financial liability oneness between the company and its owner.

The adoption of either of the two preceding theories will undoubtedly have a profound impact on the determination of the owner's legal status and relationship with creditors, which will be discussed in the following two sections:

First requirement: the legal position of the partner in managing the one-person company.

Second requirement: the partner's legal position vis-à-vis creditors.

First Requirement

The legal position of the partner in managing the one-person company.

The legal position of the owner of a one-person company varies depending on whether he is the manager or just a supervisor in case there is another manager.

First: The legal position of a partner in a one-person company if he is its manager:

Since the ownership of a one-person company belongs to one person, it is logical that he becomes the manager of that company because he is more concerned with his personal interests than others, as the appointment of another manager will make him pay for his mistakes. When the sole partner is the manager, he has all the necessary powers to run the company. He has the right to take all actions that would lead to achieving the company's

objectives. The sole partner assumes the task of managing the company pursuant to an appointment decision.(Hamza, Ikhlas Hamid ,2017) The articles of incorporation may include the appointment decision, but it is also possible for the appointment to be made by a subsequent decision.(Professional Companies Law, Article 2). The one-person company may be a professional company. The professional company is a civil company with an independent legal personality, established by one (or more) person licensed to practice one (or more) liberal profession. A person licensed to practice a single liberal profession may establish a professional one-person company with limited liability. If he is licensed to practice more than one liberal profession, he may practice them or some of them through the company, after fulfilling the conditions and controls established by regulations(Professional Companies Law ,Article 5).

The Saudi legislator has permitted banks to establish one-person companies within a limited scale. It has allowed the establishment of a one-person company fully owned by the bank in conformity with the banking control system. The company should take the form of a closed joint stock company or a limited liability company, within the limits of the bank activities, provided that it is decided upon by the Minister of Trade and Investment after the approval of the Saudi Arabian Monetary Authority (SAMA). The legislator also exceptionally permitted the state to establish a one-person company, such as: Saudi Arabian Oil Company “Aramco” and Atheeb Telecommunications Company. Then the Saudi legislator expanded the idea of establishing a one-person company within the Saudi Companies Law issued in the year 1437 AH corresponding to 2015 AD and stipulated it within Chapter Six under the name of the limited liability company in Article (154), the first paragraph of which stated: “...A limited liability company could be incorporated by a single person.”(salamahlaw ,2023)

Second: The legal status of the partner in a one-person company if a foreign manager is appointed:

One-person company legislation allows the natural partner to appoint a legal manager, but if the ownership belongs to a legal partner, he must appoint a natural manager. A partner in a one-person company has supervisory powers similar to the powers of the general assembly in limited liability companies if they are managed by another person. The sole partner is entitled to run the one person's company in person or by another natural person. If the partner is a legal person, he must appoint a manager from among the natural persons. The company laws in Bahrain, Oman, Kuwait, and Saudi Arabia also provide that one or more managers for a one-person company could be appointed to represent it before the judiciary and other authorities, they assume all responsibilities for managing them under the supervision of the owner.(Hamza, Ikhlas Hamid ,2017) The company may file a liability lawsuit against the manager or members of the Board of Directors when violating the provisions of the law or when violating the company’s founding contract or Statute, or because of their errors, negligence, or failure in performing their work, resulting in damages to the company. Partners, the General Assembly or shareholders of public companies have the right to file this lawsuit and appoint someone to represent the company. If the company is in liquidation, the liquidator may file the lawsuit. In the event that liquidation procedures are initiated in accordance with the bankruptcy system, the lawsuit could be filed by whoever represents the company in accordance with the applicable system(Saudi Companies Law , Article 29) .

The manager is prohibited from undertaking work that goes beyond the purpose of the company except by a decision of the partners or an explicit stipulation in the company’s articles of incorporation. This prohibition applies in particular to the following activities:

- Establishing or closing company branches,
- Donating from the company’s funds, except for the usual small donations,
- Company guarantees for third parties

- Reconciliation on company rights
- Selling or mortgaging the company's real estate, unless the sale achieves the company's purposes
- Selling or mortgaging the company's commercial stores.
- Borrowing in the name of the company(Saudi Companies Law, Article 39)

Second Requirement

Liability of a partner in a one-person company

According to the Saudi Professional Companies System, the professional company is managed by one or more partners or others. However, if the company is managed by one person, he must be one of the licensed partners, provided that the provision of paragraph (2) of this article, and any of the relevant provisions of the companies' system, is not prejudiced. However, if more than one person manages the company, the number of licensed partners must not be less than half, or as determined by the regulation. The company's founding contract specifies the terms for appointing the director, his powers, his remuneration, the period of his management of the company, and the method of his removal(Professional Companies Law , Article 15).

The limited liability of the one-person company, as well as its dependence on its sole founder, is the main distinguishing factor of this new type, which made it closer in provisions to the limited liability company, where the partner's responsibility is determined by his share of the basic capital. Perhaps this characteristic is the distinguishing feature between a one-person company and a sole proprietorship. In an unlimited enterprise, the responsibility falls on the owner of the facility since he is a natural person and there are no boundaries separating the project from its owner.(Al-Numani, Nariman Jamil ,2010) Therefore, creditors have the right to demand that he pay their dues from his own financial liability. According to the Saudi Companies Law, if a joint-stock company is established by one person, or if all of its shares are owned by one person, this person's responsibility is limited to the money he allocates to be the company's capital. This person has the powers and authorities of the shareholders stipulated in this section, and his decisions are issued in writing and recorded in a special register inside the company.(Saudi Companies Law ,Article 150) However, some legislation has emptied the principle of limiting the responsibility of the sole partner of a one-person company of its content. It has permitted the payment of clients' debts from the sole partner's financial liability in the event of the company's bankruptcy and its funds being insufficient to compensate creditors. An example of this is what was stipulated in the French Companies Law issued in 1985, which held the manager of the limited liability company responsible in the event of its liquidation or bankruptcy due to an administrative error. Applying this to a one-person company, we see that it is permissible to hold the manager accountable, whether he is the sole partner or a third party, for his ill management practices that led to bankruptcy, and then the company's creditors can be compensated from his personal assets.(Taha, Amir Muhammad Mahmoud Taha ,2023)

Conclusion

The one-person company has become a reality in the commercial market. As a commercial company, it has advantages and disadvantages. It is an effective tool to attract investors due to the financial independence of the partner from the company's financial disclosure. Yet, there must be guarantees that could help the one-person companies to flourish taking into account the rights of creditors who are still reluctant to deal with them.

Research Results

- The legal position of a partner in a one-person company depends on the partner being a manager of the company or just a supervisor. If a one-person company is managed by a third party, the partner enjoys all the supervisory powers that the legislator assigned to the general assembly of the limited liability company.
- The director of a one-person company is financially responsible if his decisions cause its bankruptcy, and accordingly, creditors are compensated from his own funds.
- The owner of a one-person company enjoys the status of a merchant, but the bankruptcy rules for a merchant do not apply to him. The bankruptcy of a one-person company does not lead to the bankruptcy of its owner.
- The partner's liability in a one-person company is limited and does not extend to the partner's private assets, which negatively affects clients' rights.
- A one-person limited liability company is owned by one natural or legal person, and all the shares of the company are owned by one partner.
- A one-person company differs from a sole proprietorship. A single-person company's liability is limited to the amount of the sole partner's share, while the person is fully responsible for paying depositors' funds from his personal funds in the sole proprietorship.
- A one-person company can be established directly by one person or indirectly by purchasing partners' shares by one person.

Recommendations:

- A minimum capital of one-person's company should be established while working to increase the minimum capital of the company in order to strengthen the creditors' guarantee.
- We call on the legislator to amend the Companies Law to adequately regulate the one-person company to overcome its defects represented by weak credit, which makes customers reluctant to deal with it.
- The rights of bona fide third parties who deal with a one-person company must be protected by amending the legislative texts regulating the one-person company model by adding special guarantees.
- Achieving a balance between the interests of creditors and the goals of the sole partner in a one-person company and working to establish a better organization for a one-person company.
- The necessity to establish special, regulating provisions related to the bankruptcy of a one-person company through legislation compatible with the nature of the company.
- The need to draw up a legislative text regulating the solutions of the heirs of the partner in one person's company, both the continuation of the company and its transmission to the heirs.

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