Lifting The Corporate Veil as a Mechanism to Promote Social Responsibility in the Face of the Effects of The Legal Regulation of Companies

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ABSTRACT:
The doctrine of separate legal personality and limited liability is a cornerstone of modern corporate law, but its protection may also facilitate the avoidance of obligations where shareholders, parent companies, or controlling persons misuse the corporate form. This article examines piercing the corporate veil as an exceptional mechanism for strengthening corporate accountability and corporate social responsibility, with particular attention to Lebanese law and comparative judicial approaches. Using doctrinal and comparative legal analysis, the discussion considers the legal position of holding companies and corporate groups, the relationship between separate personality and limited liability, and the circumstances in which courts may extend liability beyond the company itself. It analyses fraud, bad faith, undercapitalization, commingling of assets, disregard of corporate formalities, loss of subsidiary autonomy, and inequitable outcomes, together with the instrumentality, alter ego, agency, and multi-factor approaches developed in comparative jurisprudence. The analysis shows that veil piercing should remain an exceptional remedy, but that general principles of good faith, abuse of rights, managerial responsibility, and protection of third parties can provide an important basis for accountability where corporate independence is used as a shield for abuse. The article further connects these principles with contemporary human-rights and sustainability obligations within corporate groups.

Keywords: Piercing the Corporate Veil; Separate Legal Personality; Limited Liability; Parent Company Liability; Corporate Social Responsibility.

1. Introduction

The principle of separate legal personality entails the independence of the company's financial patrimony, such that shareholders and directors are prohibited from treating the company as private property under their absolute control.Under this independence, the company enjoys full legal capacity, a separate financial patrimony, and its own rights and obligations, as well as the protection of limited liability recognized in most legislative systems. Accordingly, the general rule in companies based on the principle of limited liability, in its broad sense, which stipulates that the losses of partners are limited to the limits of their contributions to the capital, whether in joint-stock companies or limited liability companies. Under Lebanese law, this principle stipulates that the partner or shareholder shall not be held personally accountable for the company's liabilities. Although this regime is primarily intended to encourage investment and entrepreneurship by separating commercial risks from private assets, its adverse consequences cannot be overlooked, particularly for the company's creditors, who may find that the company's assets are insufficient to satisfy their claims.

Although the legislature sought to protect these creditors by including explicit provisions in the commercial and corporate laws, such as provisions on capital protection and conflicts of interest controls, they remained insufficient to ward off all forms of abuse by the controlling parties. Hence, legal scholarship and the courts developed the doctrine of piercing the corporate veil, enabling creditors to reach the shareholders' personal assets in cases of serious abuse of the company's separate legal personality. The activation of this mechanism represents a fundamental exception to the principle of the independent legal personality of the company, as the legal separation wall is exceeded, which obliges the shareholders to pay its debts from their own funds. This theory aims to restrain the partners and prevent them from harnessing the legal entity for purposes that are contrary to the purposes set by the legislator.

Despite the importance of this theory, its application to holding parent companies accountable has been rare and limited, due to judicial concern for the stability of legal positions within corporate groups. The first problem lies in the ambiguity of the concept of the theory, as the term corporate veil breach erroneously suggests that the procedure is intended to abolish the company's existence, while in fact this procedure originally recognizes the company's independence but goes beyond it as an exception to prosecute shareholders. Therefore, an alternative solution may be sought by resorting to the general rules of civil law. In the face of the strict application of commercial law rules that prevent recourse against the partners' personal assets, these general rules provide a means of mitigating the effects of the principle of separate legal personality and extending the scope of liability in order to protect third parties dealing with the company in good faith.

Through these general rules, and guided by the theory of abuse of the right or the traditional theory of liability for the act of the subordinate, legal solutions can be found to the problem of limiting liability in the company, whether in terms of the liability of the partners for their acts that caused harm to others, or in terms of activating the liability of the parent company for the mistakes of its subsidiaries.

Social responsibility is based on a set of principles, most notably transparency, accountability, and respect for human rights. In contrast, multinational or transnational corporations seek to limit their responsibilities in a variety of ways, most notably by requiring host states to resort to binding arbitration to avoid being held accountable for violations related to legislation aimed at improving social and environmental standards. The issue is further complicated in terms of accountability as parent companies create subsidiaries with an independent legal personality, with the latter bearing various responsibilities while the parent company repudiates them. Therefore, the theory of lifting the corporate veil emerges as a necessary mechanism for activating accountability and protecting stakeholders.

Based on the above, the discussion proceeds through two main sections. The first examines the legal basis, concept, and circumstances of piercing the corporate veil, while the second analyses its principal applications and judicial approaches in strengthening corporate accountability.

2. Piercing the Corporate Veil as a Mechanism for Strengthening Corporate Social Responsibility

The Holding Company is a modern legal model imposed by rapid economic transformations and technological advancements, where the emergence of mega-projects with large capitals necessitated the existence of a sophisticated organizational structure. This model is based on the philosophy of the parent company that undertakes strategic planning and administrative and financial direction, while the subsidiaries are dedicated to the implementation of various operations and activities. A holding company is defined as a joint-stock company whose activities are confined to those specified by law, without the right to engage directly in commercial or industrial activities with the public; rather, it specializes in study and planning to ensure the continuity of investment in its subsidiaries. Accordingly, a holding company is an entity that holds shares in other companies for the purpose of managing and controlling them, which makes its subject limited to the financial and administrative aspect of owning and controlling shares.

The specific role of the holding company, which is to own shares in other companies, to carry out management functions and to lend to its subsidiaries, is clearly reflected in Lebanese law, while emphasizing that these specific roles cannot be exceeded exclusively.

Given the possibility of a holding company being established in a particular State and its subsidiaries in other countries, a striking similarity has emerged between a holding company and a multinational corporation. A multinational corporation represents an economic grouping of several companies with different nationalities, which are linked to each other by contributing to the unity of purpose through the unit of control over the management of member companies to form a single economic entity. In this sense, it appears that the concept of a multinational corporation is broader than that of a holding company, as the latter is a type of multinational enterprise.

Although both the holding company and the multinational company are similar, they show essential features that allow them to be distinguished, which are as follows:

First, a multinational corporation is subject to different legal regimes due to its operation in the territories of multiple countries, while a single national law may govern the holding company and its subsidiaries if they operate within the borders of a single country.

Second, a holding company often appears as a partner who owns shares or shares in other companies, while a multinational company may have absolute ownership of companies that it has created on its own or contributed to its full establishment.

Third, the law may specify for a holding company a certain number of companies that it has the right to control, while the law often does not place similar restrictions on the number of companies that a multinational corporation can establish or own.

Fourth: The holding company is more clear and disciplined in terms of legal regulation, due to the multiplicity of overlapping economic and legal descriptions that are given to the constituent groupings of multinational companies.

What has been raised about the holding company is justified by the fact that this model takes the form of a joint stock company, and the legal rules governing it apply, taking into account the special provisions contained in Legislative Decree No. 45/83, which was established by an independent and fully integrated legal institution in Lebanese legislation. Whereas, the holding company is subject to the principle of limitation of liability to the extent of the contribution to the capital, and enjoys a legal personality that is completely independent of its subsidiaries.

Therefore, the definition of what this company is fundamentally centered on the problem of determining the actual liability, and the extent to which it is possible to lift the corporate veil on that person in specific cases, especially since the principles of financial independence and shareholder protection are considered rules related to public order, which imposes a legal challenge when trying to reach the will of the controlling partner. The importance of this proposal is highlighted in controlling the phenomenon of economic concentration embodied by this type of company, and the need to activate control to confront the growing authority in them, in order to ensure the legitimacy of the business and to dedicate the concept of corporate social responsibility.

Among the proposed ways to address gaps in accountability and the protection of human rights are investment treaties that include ESG obligations at the domestic level. There has also been a trend to take advantage of the flexible approach to the removal of the corporate veil adopted in the area of jurisdiction and acceptance of foreign investor claims under investment treaties, as well as its application in the area of ESG standards, ensuring that host country nationals are given the right to sue the foreign investor, in particular the parent company, before the courts of their home country for violations of ESG standards.

Based on the above, the following discussion first examines the concept of piercing the corporate veil and then considers the principal grounds and circumstances that may justify its application.

2.1 Concept of Piercing the Corporate Veil

The company enjoys an independent legal personality and is managed through administrative bodies whose powers have been precisely defined by the law, as the obligations of protecting third parties and the shareholder have made an important part of the rules sponsoring the company's activity related to public order, and accordingly, this legislative regulation provides special protection to the shareholder by granting him essential rights that cannot be exceeded because they are covered by the rules of the General Regulations Directive, foremost of which is the rule of non-liability except to the extent of his contribution, which prevents him from increasing his financial obligations or dismissing him from the company except in the event of non-fulfillment of the value of the share.

As for third parties, the organization of powers and the distribution of powers within the company gives the customer a fundamental advantage because it is based on peremptory rules that allow him to determine the limits of the responsibilities and guarantees available before the contract, but this legal immunity that benefits the shareholder and third parties, and to the extent that it aims at the stability of transactions, may be used in certain cases as a cover to disavow legal obligations or violate the purpose of the general commercial order, which raises the question of the legitimacy of invoking this formal protection when fraud, bad faith and abuse of the right is proven.

The importance of this question is reinforced in light of corporate social responsibility, which requires a balance between power and responsibility; as corporate power and its influence on the economic and social environment increase, so too does the scope of responsibility for the risks and consequences arising from corporate activities.

Despite the novelty of the term "piercing the corporate veil" in Lebanese jurisprudence, the legislative system includes pillars that allow the application of this concept, although it is not explicitly included under this technical name. The liability of the shareholder may go beyond the scope of his financial contribution (the value of his shares) to his own liability in cases of fraud, violation of the provisions of the law, or violation of the company's articles of association.

The principle of limited liability is not absolute, but remains restricted by good faith, as the shareholder can be held personally accountable for the consequences of his or her wrongful acts. This approach also applies to the members of the board of directors in cases of administrative errors, misuse of company funds, fraudulent or tortious bankruptcy, fraud, or violation of applicable laws and regulations.

In fact, the laws of many countries contain various exceptions to the limited liability principle that are too narrow to be confined to this context, but the essence is that these exceptions do not cover all the situations that the concept of 'lifting the corporate veil' might cover. For example, in the United Kingdom, the judiciary focuses on the use of this term to denote cases of the company's exploitation as a front for evading prior obligations.

The legal reality in the United States seems more flexible in extending this concept, based on Article 6.22-B of the Business Companies Model Law, which states: "Unless otherwise provided in the Memorandum of Association, the shareholder of the company shall not be personally liable for the business or debts of the company, except that he may become personally liable for his or her own acts or conduct."'

This article can be commented on by saying that the U.S. legislature has linked the unlimited liability of the shareholder to his individual conduct, making him responsible for his actions without prejudice to the principle of the independence of the company's legal personality, but has kept the matter within the framework of the personal liability of the shareholder.

This legislative approach is consistent with the provisions of the Civil Code of Québec, Canada, which provides that the legal personality of the company is permanent unless otherwise provided by law or by its constituting act.

It is noted that defining the concept of piercing the corporate veil is particularly difficult because there is no consensus as to its meaning or the objectives it is intended to achieve. This difficulty arises partly from the lengthy formulation of the term, which may misleadingly suggest that an action is being taken against the company itself as an entity, although the company continues to exist as an independent legal person. In an attempt to clarify this, overlapping definitions of lifting the veil appear that sometimes focus on legal personality and at other times on limited liability, or attempt to combine both. In addition, lifting the veil may be understood as a way to extend the scope of liability from an insolvent company to persons other than its shareholders, while the bankruptcy system is an independent, well-defined legal institution with its own rules governing the liability of directors and third parties.

In the context of English jurisprudence addressing the problem of defining the concept of "piercing the corporate veil", the Supreme Court emphasized the need for precision when using this term, given its common use in describing legal situations of different substance. In a strict legal sense, this concept is limited to ignoring the independent existence of a corporation, and considering its legal entity and the persons controlling it as a single unit before the law.

This concept differs from other cases in which the law attributes the actions of the company to its controllers without destroying the foundation of its legal personality, as the controlling party may entail personal liability, in solidarity with the company, for actions initiated by it as its agent or joint actor with it. The legally owned property of the company may also be classified as the property of the owner of the controlling economic right, if the circumstances reveal that the company was only a nominee or a trustee working for his own account. This makes it necessary to distinguish between the establishment of personal liability and the complete lifting of the corporate veil, which remains a narrow exception to the principle of the independence of the legal persona.

The Court is not free to ignore the fundamental principle set out in Salomon v A Salomon & Co Ltd [1897] simply because it is based on the requirements of abstract justice, since the law recognizes subsidiaries, which, although they are the work of their parent companies, remain under common law independent legal entities, enjoying all rights and assuming the obligations normally accrued to legal persons.

The Supreme Court has established a limited but well-recognized principle, that applies when a person is subject to an existing legal obligation or liability, evades or thwarts its enforcement by inserting a company under his control as a legal barrier. Only then may the court pierce the corporate veil in order to deprive the company or its controller of any unlawful advantage obtained by relying on the company's separate legal personality.

This principle is described as "limited", because most of the cases that may ostensibly require lifting the veil reveal in practice the existence of a legal relationship between the company and its controller, such as the relationship between the agency or the trustee, which allows the court to reach the same conclusion and protect the rights of creditors without prejudice to the independent entity of the company. If a person can be held liable on the basis of being the owner of the economic right or the actual driver of the company, lifting the veil becomes procedurally unnecessary. When an alternative legal way out is found, the justification for lifting the veil is eliminated, as there is no interest in the general legislative policy that justifies sacrificing the principle of the independence of the legal person, which is the cornerstone of the stability of commercial transactions.

It is worth mentioning here the fundamental principle laid down in Salomon v A Salomon & Co Ltd (1897). The facts of this case are that Salomon converted his shoe manufacturing business, which he initially ran as a sole proprietorship, into a limited joint-stock company called A Salomon & Co Ltd. The membership of this company was formed from him and his family members. Salomon paid for this transfer by allocating shares in his favor and issuing secured debt securities in what is known in the Anglo-Saxon system as a floating charge, which can be adapted in light of

Lebanese law as a general pledge right on all the company's assets.

Later, when the company's business faltered and entered liquidation, Salomon asserted its right to satisfy the secured public encumbrance as a preferred creditor. This status gave it priority in recovering its debt at the expense of the claims of ordinary creditors, who would not have received any share of the proceeds of liquidation as a result.

To avoid what was regarded as an unfair exclusion, the liquidator argued that the company was a sham and, in substance, merely an agent of Salomon. On that basis, Salomon, as principal, would be personally liable for the company's debts from his own assets, thereby exceeding the limits of limited liability.

However, the House of Lords settled the dispute in a historic decision, holding that once the memorandum of association is signed and registered, the company becomes a legal entity capable of exercising all its functions independently; it attains legal majority at birth and does not pass through a period of minority or incapacity. This legal entity, which has been granted full capacity by law, cannot lose its independence just because one person controls the majority of its capital, as the company is a completely different person in the eyes of the law, and although the business after incorporation may remain the same, the directors are themselves, and the profits go to the same persons, the company is not considered an agent or trustee of the shareholders.

Accordingly, the principle was established that the shareholders were liable for the company's obligations only to the extent and manner specified by the law, which represents the true intention of the legislation, and if the company were to be considered a mere cover for its owner, it would strip the limited liability principle of its meaning. This provision established what is known today as the "corporate veil" that separates the financial liabilities of the entity from the financial liabilities of its members, the principle that gave Salomon the right to invoke as a preferred creditor in the payment of its debt from the company's assets, on the basis that the existence of an independent legal personality is a legal reality that is not affected by the proportion of the distribution of shares or the identity of the controlling shareholders.

Based on the above, lifting the corporate veil can be defined as disrupting the implications of both independent legal personality and limited liability, but this definition requires a precise distinction between two substantive issues. First, the term "corporate veil" refers specifically to the separation of a company's assets from the funds of shareholders and directors, and therefore breaching this veil is intended to access those private assets to fulfill obligations that are originally incumbent on the company. Second, limited liability is a rule that exists to protect shareholders' funds exclusively, not to protect the company itself, making lifting the veil a constant subject of controversy as it robs the shareholder of the legal protection granted to him in that capacity.

The essential consequence is that lifting the veil should be viewed as a theory of overriding limited liability rather than as an abolition of the independent legal personality of the company, as this theory only makes sense when the existence of the company and its obligations are established. The courts do not ignore the existence of the company as an entity, but rather intervene to force the shareholder to pay a debt that is in fact an obligation on the company's shoulders, which is clearly evident in the context of corporate groups, where lifting the veil contributes to expanding the scope of liability and bypassing the legal separation that exists between the parent company and its subsidiaries.

Accordingly, lifting the veil is a delicate procedure that directs liability "upwards" from the subsidiary entity to the beneficial owners or the parent company, making it an effective tool to ensure that the company's independence is not used as a legal barrier to creditors' access to their rights, especially when the effective independence of the subsidiary dissolves within the will of the parent company, legally justifying the extension of liability upwards to meet the group's obligations.

Finally, it can be said that lifting the corporate veil is the means to counter the exploitation of the legal personality for illegal purposes, and if the legal entity is used to undermine the public interest or protect fraud and crime, it no longer makes sense to uphold the independence of the company from the liability of its owners or directors.

In a more comprehensive view, the issue is essentially focused on the principle of good faith in the use of legal privileges, which gives the judiciary broad discretion to assess the legality of a company's business, and hence the question arises as to the cases and reasons why the courts should freeze the principle of independence and lift the veil on the persons hiding behind it.

2.2 Grounds and Circumstances for Piercing the Corporate Veil

The principle of lifting the corporate veil has become an urgent necessity in contemporary corporate law. It is applied to control the relationship between holding companies and their subsidiaries. It is adopted as an exceptional mechanism to counter abuses. The importance of this principle is evident in the area of tort arising from crime and quasi-crime, which often relates to violations of environmental standards and human rights. Some companies restructure their organizations by isolating hazardous activities in subsidiaries in order to avoid paying compensation. Nevertheless, corporate groups operate in practice as a single economic enterprise, and their constituent entities are separated only in formal legal terms.

This concept stipulates that the legal protection prescribed for financial independence and legal personality may be wasted in exceptional and specific cases, especially when it is proven that the legal entity has misused the company as a front to achieve illegal purposes for the benefit of the shareholders. This prompts the adoption of a realistic view of the corporate project that goes beyond the legal concept of an independent entity.

When deciding whether to apply this principle, courts rely on a range of criteria and indicators, most notably fraud, inequity, and the shareholder's absolute control to the point that the company becomes merely an alter ego or instrumentality; the commingling of the company's assets with the shareholders' personal assets; inadequate capitalization in relation to the risks of its activities; disregard of essential corporate formalities; misuse of company funds; and the absence of genuine independence on the part of employees and board members.

It is noted that, although this concept is the result of case law, it is based on well-established legal principles that constitute the cornerstone of the fight against commercial corruption. In this sense, traditional legal norms, although not explicitly stipulating the term "lifting the corporate veil," have provided the basic foundations for the emergence and development of this concept, as they reflect the goals and standards inspired by the courts to go beyond the principle of the independence of legal personality in order to achieve justice.

Lifting the corporate veil has thus become an important part of the corporate social responsibility system, in which respect for human rights is a central principle, as the very concept of justice cannot be conceived in isolation from human rights norms. Corporations have a primary responsibility to respect internationally recognized human rights, and they must ensure that they are not directly or indirectly involved in human rights violations.

In this context, Article 847 of the Law on Obligations and Contracts stipulates that: "Every company must have a permissible purpose: any company whose purpose is contrary to morals, public order or the law is inevitably invalid. Any company whose subject is things that are not considered money among people is also inevitably invalid.

Article 867 also states: "Each partner is obliged to show that he is responsible for the care and diligence in the performance of his duties to the company as he shows in the execution of his own affairs. Any such omission shall be considered a mistake for which the other partners shall be held liable, as well as for the failure to perform the duties arising from the contract of the company and for the misuse of the authority granted to him. He shall not be liable for force majeure if it does not result from his fault. "

When examined in the operative part of these articles, it is clear that they give broad power to the courts to hold the partner accountable for any wrongful conduct, or for contracting in bad faith to take refuge in independent legal personality and limited liability. Phrases such as breach of morality, public order and the law, and abuse of power express holistic legal principles rather than merely detailed disciplined cases, giving the judiciary sufficient flexibility to adapt these provisions to the requirements of justice on a case-by-case basis.

In contrast, the Civil Code of the Canadian Province of Quebec explicitly recognizes the concept of lifting the corporate veil. Article 317 states: "The legal personality of a legal person may not be invoked against a person of good faith, where the invocation of such personality is intended to cover up fraud, abuse of right, or violation of a rule of public order." Article 318 also provides that: "When deciding on a case brought by a person who is not in good faith, the court may determine that a person or group that does not have the status of a legal person is bound to the same extent as a legal person, if it has acted in that capacity towards that third party.

An analysis of these two articles shows that the legislator used two contradictory means to achieve the same goal. While Article 317 demolished the corporate veil to remove protection from existing companies that engage in fraud and bad faith, Article 318 went on to create a corporate veil and assume the existence of a legal personality for unregistered entities based on the theory of appearance. Although the means are different, the goal remains the same, which is to protect others in good faith and to ensure the sincerity of commercial transactions.

Among the aforementioned reasons for lifting the corporate veil, the problem of insufficient capital emerges as a fundamental issue in Lebanese law. In Article 83 of the Commercial Law, the legislature set a minimum capital of thirty million Lebanese pounds for the joint stock company, and stipulated that the entire capital should be subscribed to at the time of incorporation, based on the idea that its activity should be limited to large projects, so that this capital represents the actual value of the cash and in-kind shares sufficient to achieve the company's purpose.

However, in light of the dramatic collapse of the exchange rate, this amount has become symbolic and does not reflect the real solvency required. The irony is that the amendments to Law No. 126/2019 neglected to amend this limit, ignoring the accumulated inflation rates, which perpetuates the fact that even before the monetary crisis, the capital required by law was very small and disproportionate to the size of the purpose for which the company was founded.

In this context, Article 167 of the Commercial Law stipulates that "the persons referred to in Article 166 are also liable to the shareholders for their administrative error.

In general, the members of the Board of Directors and the General Manager shall not be liable for their administrative error towards third parties. However, in the event of the company's bankruptcy and a deficit in its assets, the court may, at the request of the bankruptcy trustee or the Public Prosecutor, or ex officio, decide that the company's debts shall be borne by the members of the Board of Directors, the General Manager, or any other person entrusted with managing or supervising the company's business, including the Supervisory Commissioners. The court shall determine the amounts for which they are liable and whether their liability is joint and several. To avoid such liability, they must prove that they managed and supervised the company's affairs with the care of a prudent and diligent professional.

In the event of separation between the posts of the Chairman of the Board of Directors and the General Manager by the Board of Directors, the Chairman of the Board of Directors shall not be liable except in case of violation of the law or the Company's bylaws. "

Accordingly, from the date on which a judgment declaring bankruptcy is issued, the company is divested of the power to administer its assets through its director, and ordinary creditors and holders of general privileges are barred from bringing individual actions. The bankruptcy trustee is then responsible for determining whether a liability action should be brought on behalf of the creditors and the company.

The Court of Appeal ruled that the liability of the members of the board of directors and the general manager is an exceptional liability based on the presumption of management error, and this presumption is realized as soon as the assets are less than the liabilities, without the need to wait for the final figure resulting from the liquidation of the "floor". Their liability remains unless they prove otherwise by establishing evidence that they have taken care of the hired agent in the management. The court also considered that the person entrusted with the management, within the meaning of the aforementioned article 167, includes the members of the board of directors, its chairman and the latter authorized to conduct the business.

The liability of the officers of the joint stock company for its debts is not imposed as a punishment due to its bankruptcy, and is therefore not based on the idea of risk, but rather on the idea of error in the management of the company's business, and constitutes an aspect of liability based on error, which can be evaded by proving that they have taken good care of the company's business. The mistake may arise from a positive act or from negligence in control and supervision, in which case it is the responsibility of the officer to establish evidence that, despite the full performance of his managerial duties, he was unable to discover the errors of management and remedy their consequences.

It should be noted that a void company may nevertheless be declared bankrupt, for example where its invalidity results from failure to register in the Commercial Register. A void company that has actually carried on business is treated, for the past period, as a de facto company possessing legal personality sufficient to justify a declaration of bankruptcy.

But what if there was no error in the management, and the company's capital itself was unable to meet its obligations to creditors? Is it permissible to take refuge behind the shield of legal personality to waste the rights of others in good faith?

In fact, Lebanese law does not allow, based on the above, to hold the shareholder liable indefinitely, hence the importance of the theory of lifting the corporate veil due to the lack of funding (under-capitalization) as a catalyst for the Lebanese legislator to fill this gap.

The Oklahoma Court of Appeals held that the lack of funding was a decisive factor in upholding the jury's decision to "lift the corporate veil" on Water Whole and hold its owner Zwanziger personally responsible. The court based its decision on facts that proved that the company did not have sufficient capital or independent assets to meet its obligations, making it merely an alter ego for the owner.

The reasons explained that Zwanziger was mixing his own funds with the company's funds and selectively injecting liquidity, which confirmed that the company was not an independent legal entity but a front for the owner's personal interests. The court concluded that allowing the owner to entrench himself behind 'limited liability' in light of this glaring deficiency would result in an inequitable outcome, thereby justifying the imposition of personal liability.

In the same vein, the Court of Appeal affirmed that the concept of an independent entity was a legal theory that existed in the service of justice, and therefore should not be recognized if it would produce unfair results. The rationale held that "gross undercapitalization" was not merely a transient financial deficit, but substantial evidence that the owner did not intend to provide the company with sufficient resources to carry out its operations independently. When such undercapitalization is combined with disregard of corporate formalities and the depletion of company funds for the owner's personal benefit, the entity is reduced to a mere instrumentality and sham façade. The court concluded that the lifting of the corporate veil here is imposed by the necessity of "fundamental unfairness" in order to prevent the use of limited liability as a shield to protect the owner who used the company for his own purposes at the expense of the rights of creditors.

It should be noted that these standards do not apply exclusively to the relationship between the shareholder and the corporation, but extend to the relationship between the parent company and its subsidiaries. The Supreme Court of the State of Alaska held that Eagle Air, Inc. and its subsidiaries were treated as mere executors in the hands of the owner and the parent company (Taggares Helicopters, Inc. The court held that the subsidiary's inability to repay its debts was not the result of a business accident but rather the result of a deliberate depletion of assets through complex financial engineering. It manifested itself in the circulation of large sums of money as reciprocal and continuous internal loans between the associates and the parent company, resulting in the divestment of Eagle Air, Inc.) of its operational liquidity and leaving it an empty structure that does not have sufficient resources to meet its obligations to creditors. Accordingly, the rationale concluded that the mixing of financial receivables and the disregard of institutional formalities relegated the legal entity to a sham façade, which necessitated the lifting of the corporate veil and the imposition of joint liability in order to establish the rules of fundamental equity.

2. The fact that these decisions are based on the concept of intrinsic equity makes them closely linked to the concept of corporate social responsibility, which requires the provision of effective remedies to victims of business activities by removing legal barriers to fair compensation, particularly in cases where the principle of legal personality or limited liability is abused.

3. Applications of Piercing the Corporate Veil and Its Role in Strengthening Accountability

The Oklahoma Court of Appeals ruled that, as a general rule, the company's board members, officers, and shareholders are protected under the corporation 's limited liability principle, which prevents them from being held personally liable for its debts. However, under the "alternative instrument principle", the corporate veil may be lifted from legal personality to bind individuals to liability for the company's debts in cases where they fail to respect the independent legal entity of the company, to the extent that the individual and the company become one and inseparable entity.

When considering the applicability of the principle of the alter ego, the following should be taken into account:

1- Whether the owner's disregard of the company's legal identity has made it merely an instrumentality for the conduct of his own affairs.

In determining whether a corporation is merely an individual vehicle, factors to consider include:

a. Whether the company's capital is insufficient (undercapitalization).

b. Whether the company lacks independent accounting books.

c. Whether the company's financial affairs are not separate from the individual's finances, or whether the individual's obligations are paid by the company, or vice versa.

d. Whether there is a lack of compliance with the company's formal legal procedures.

e. Whether the company is just a fictitious entity (Sham).

2- Whether there is such a unity of interests and ownership that the independent personalities of both the owner and the company no longer have a separate existence.

3- Whether adherence to the general rule of limited liability would perpetuate injustice or protect fraud.

It is clear from this decision that the courts rely on a set of criteria and indicators to justify lifting the corporate veil on the legal personality of the company, and that these indicators indicate that there is no realistic separation between the legal personality of the company and the person of the actual controller thereof. However, the multiplicity and overlap of these criteria has given rise to several legal theories aimed at controlling the limits of this exception and framing the authority of the judiciary in the face of the principle of financial independence.

Accordingly, the discussion first considers the Instrumentality and Alter Ego doctrines, followed by the Agency Theory and the Multi-Factor Approach.

The fundamental contradiction between the necessity of protecting investment, which is based mainly on the principle of limited liability, and the requirements of justice, which require the protection of others from the arbitrariness of the legal person, generates a kind of judicial hesitation when approaching the issue of lifting the corporate veil. From this perspective, various doctrinal and judicial theories have emerged, foremost among them the Instrumentality and Alter Ego doctrines, in an attempt to strike a careful balance between fairness to affected parties, market needs, and the stability of credit.

3.1 Instrumentality Theory

The Appeals Chamber of the Supreme Court of New York held[Appellate Division of the

Supreme Court of New York (1936), LOWENDAHL v. BALTIMORE OHIO RAILROAD COMPANY. www.studicata.com] that mere control did not establish the parent company's liability for the acts of its subordinate, unless that control amounted to the extent that the subsidiary became merely an instrumentality or administrative division of the parent. The court held that ownership of the majority of the shares, or the power to appoint directors, was not sufficient in itself to establish liability;

With regard to the issue in dispute, which is the allegation of a fraudulent transfer of assets in order to hold the parent company responsible, the court held that the fraud allegations must be based on conclusive and conclusive evidence, with the requirement that the fraudulent intention of the parties at the time of the transfer be proved, which the evidence was unable to prove. In conclusion, the court reiterated the inviolability of legal persona, considering that legal independence cannot be simply wasted, and that the burden of proof rests entirely on the person seeking to "lift the corporate veil". When the plaintiff failed to prove the sham nature of the subsidiary company, and the court proved the independence of its management and direction, it was decided that the defendants (the parent company) were not liable.

In this context, the Supreme Court of the United States has established a fundamental principle that the financial independence of the shareholder and his insulation from the debts and obligations of his or her company is the general principle and not the exception, but that legal immunity is waived when the shareholder's control reaches a level of absolute dominance and outright interference, rendering the subsidiary a mere agent or an obedient instrument in the hands of the parent company under the general rules of agency.

The Court's jurisprudence did not stop there, but went further by adopting the theory of the single project, as it considered that the fundamental issue lies in clarifying the commercial reality of the economic project and whether it constitutes a single entity in its essence, while the institutional arrangements and the multiplicity of legal persons are nothing more than paper arrangements that do not reflect the operational reality, and the forms of this overlap are manifested when one company is actually managed as an administrative division of another, or when a company is established as a nominal entity with insufficient funding, or when the affairs and assets of the group are mixed to the extent that the lines between independent legal persons are erased.

Based on the above, the Instrumentality Theory is crystallized as an exceptional legal tool that allows the judiciary to override the principle of the independence of the legal personality, and by reformulating the rule of dependency, it can be said that in any case, except for express agency, estoppel or direct tort, three elements must be proven to be inherent in the establishment of liability.

First: Control: It does not mean merely the ownership or full control of the majority of the shares, but total domination, not only over the finances, but also over the policies and business practices related to the transaction in question, to the extent that the corporate entity, with respect to this transaction, did not have at that time its own thought, will, or independent existence.

Second: Error: The defendant must have used that control to commit fraud or error, to commit a violation of a legal duty (whether it is a statutory duty or another positive legal duty), or to perform an undishonest and unjust act that violates the plaintiff's legal rights.

Third: Causal link, so that the said control and breach of duty must directly lead to the unjust damage or loss that is the subject of the complaint.

The determination of whether a subsidiary is merely a subsidiary is primarily a matter of fact and a set of indicators are considered to rule out this outcome: ownership of all or a majority of the shares of the subsidiary's capital, the existence of directors or officers in common between the parent and subsidiary companies, the financing of the subsidiary by the parent company, the parent company's subscription for all of the subsidiary's shares or its otherwise causing the subsidiary to be incorporated, the subsidiary's gross undercapitalization, the parent company paying the salaries, expenses or losses of the subsidiary company, the absence of almost any commercial activity of the subsidiary except with the parent company, the absence of any assets except those transferred to it by the parent company, the reference to the subsidiary in the parent company's papers and the statements of its officials as a subsidiary, department or branch, the lack of independence of the directors or officials of the subsidiary in working for its benefit and even receiving instructions from the parent company, and finally the failure to take into account the formal legal requirements of the subsidiary company as an independent company.

Accordingly, when a parent company controls and manages the affairs of a subsidiary primarily for its own benefit, the courts may look beyond the corporate entity. Where a company is subjected to the control of another and is manipulated by the parent company for its own purposes and interests to the detriment of the public interest, it becomes necessary to hold the controlling party liable.

This judicial approach is particularly important in the area of corporate social responsibility, as social responsibility in its legal dimension aims to broaden the circle of accountability and prevent the use of legal personality as a means of disavowing the social and economic effects of business activity. This is particularly evident in the judiciary's reliance on the principle of estoppel, which prevents the controlling company from adhering to the formal independence of the subsidiary whenever it has created an appearance contrary to reality or has taken advantage of this contradiction to harm others.

In summary, the purpose for which the institutional form was harnessed is the governing criterion in this doctrine, for while the independence of the legal personality remains the general principle, it is the facts of each case in its own circumstances that justify the court to activate the legal remedy process.

3.2 Alter Ego Doctrine

The theory of the "alter ego" is very similar to the theory of "instrumentality", and although the elements of these two theories differ slightly, the judgments based on either of them tend to exhibit one salient feature: the company's loss of autonomy. The difference, however, is that the Alter Ego doctrine does not necessarily require criminal intent or a specific intention to cause harm; rather, it adopts a more flexible standard that allows the court to pierce the corporate veil to prevent inequitable consequences arising from bad faith, abuse of the corporate form, or disregard of substantive corporate formalities.

The BancoKentucky Corporation was incorporated under the laws of the State of Delaware in July 1929. It was granted broad powers in its articles of association to conduct financial activities. The company was founded by the management of the National Bank of Kentucky and the Louisville Trust Company. They are two banking institutions based in the City of Louisville. Banco completed the desired alliance by acquiring a majority stake in both institutions in exchange for an issue of their own shares. This relationship was characterized by a unified board of directors, with joint officers from the bank, the credit company and Banco.

In adjudicating the lawsuit against Banco for its shareholders' claim for the debts of the acquiring bank, the United States Supreme Court established[a set of substantive rules governing the liability of a holding company's shareholder for the debts of the bank under its control.

1. Direct responsibility for the financial valuation. The shareholders of the holding company are responsible for the financial assessment imposed on the shares of national banks that fall within the company's portfolio. This is based on the interpretation of Article 23 of the Federal Reserve Law and Article 12 of the National Banks Law. This provision applies to all shareholders, whether they own the shares of the holding company by purchase or by swapping the bank's shares for them.

2. The theory of legal buffer and effective control. When the stock carrier retains its investment position and the right to control the bank through an intermediary party, it cannot invoke legal personality to escape liability if the carrier lacks sufficient resources to face the risk. Here the carrier remains an effective shareholder, in order to prevent the dual liability provisions from being depleted of their content through insolvent holding companies.

3. Priority of the factual effect over criminal intent. The court held that liability did not necessarily

entail mistake or bad faith. The absence of fraudulent intent or intention to evade obligations did not absolve shareholders of liability. Nor did the establishment of a corporation in good faith alter the fact that the practical effect of its existence had impeded the protection of depositors.

4. Exclusion of good faith and innocence defences. Defenses of innocence or good faith are not accepted by investors as a pretext for disclaiming liability. This is due to the peremptory nature of the dual liability policy. Liability here is objective and does not require proof of fraud, because the lesson is the results of financial arrangements and the extent to which they undermine legal guarantees.

5. Distribution of the risks of the corporate project. Since the holding company is a means that can be exploited to circumvent the law, its shareholders must bear the risk of the financial success or failure of the project. The good faith of the shareholders does not justify putting depositors in a dangerous situation, because justice requires that the shareholder who has the right to control and profit bear the risks of the business, not the depositor who does not have the decision-making authority.

6. Scope of compliance with management decisions. Shareholders abide by the decisions of the Board of Directors that determine the nature and type of corporate activity. The existence of claims against directors due to mismanagement does not exempt them from their liability to depositors.

7. The liability of the holding company's shareholders for the financial estimates of national bank shares is subject exclusively to federal law. It is not affected by the laws of the State of Delaware or other local laws of incorporation.

8. The principle of the non-enforceability of frustrating actions of legislation. The courts will not allow the use of the legal entity of the company as a tool of interference with the aim of thwarting or obstructing the general legislative policies. The court is concerned with reality and not with form, and will not allow the destruction of the protection provided for depositors through financial instruments that are legitimate on the face of it and frustrating the law in their effect

9. Pro-rata liability calculation criterion. The liability of the shareholders of the holding company is calculated based on the number of shares of the National Bank represented by its shares in the holding company, and at a ratio that exactly corresponds to the share of each share of the total financial estimate.

Based on the above, it is clear that the Supreme Court has prohibited the use of the company as a tool or alternative to circumvent the original liabilities. These obligations are of an aggravating nature in the banking sector, where the liability of the shareholder of the bank was equal to twice the face value of the share in the event of bankruptcy according to the US law in force at the time. Therefore, this liability may not be reduced or dissolved by the establishment of a holding company to which the ownership of the shares is transferred, while the real shareholders retain their investment positions and the right to control through them. It is noted that the Court has adopted an expanded interpretation of liability and has been more rigorous in accepting defences based on the legal form of the corporation, which is consistent with the legal dimension of corporate social responsibility based on the broadening of accountability in high-risk activities, particularly banking, in view of the potential harms that bank bankruptcy may have to depositors, public credit and economic stability in general.

In this context, the Alabama Supreme Court held that the protection afforded by the principle of the independence of legal personality is not an absolute right, but a privilege that disappears when the entity uses a veil to disavow personal liability while monopolizing the benefits of the corporate activity. The court is of the view that the judiciary has full authority to ignore the independent entity of the corporation when it becomes a mere " alter ego" of the owner, so that the latter exercises an all-encompassing dominance over it that makes it an extension of its person, thereby losing its independent will as a result of the overlapping financial and administrative positions.

The court held that disregarding this legal separation may be justified, even in the absence of criminal intent or explicit fraud, where adherence to the company's separate legal personality would produce unfair results or undermine the rights of third parties dealing with entities that lack genuine financial solvency. Accordingly, the court concluded that personal liability may be imposed on the true owner (the undisclosed principal) where the separation between the owner and the company is merely formal and inconsistent with the economic and contractual reality. The court also confirmed that the adaptation of the company as an alternative to the owner or another company is necessarily a matter of fact subject to the assessment of the concrete material evidence before the jury of the subject.

In the same vein, the Utah Supreme Court held that the parent company was responsible for paying the wages of workers employed by its subsidiaries. A controlling company cannot be permitted to operate a business, profit from the efforts of its workers, and then invoke legal separation by using the subsidiary as a mere façade to shield itself from liability for those wages. The court relied on the absence of independent meetings of the subsidiary's board of directors, together with the parent company's control over day-to-day operational decisions, appointments, and salaries, concluding that the subsidiary was a sham entity whose separate legal personality could be disregarded in order to protect the rights of creditors and workers.

Given the importance of the mechanism of piercing the corporate veil in enhancing the effectiveness of corporate social responsibility, Articles 1 and 2 of Directive (EU) 2024/1760 on due diligence in the area of sustainability affirmed the obligation of companies to respect human rights, social and environmental rights within their chains of activities. The European legislature has extended this obligation to include the activities of the company itself, its subsidiaries and business partners, holding it responsible for the actual or potential negative effects of such activities. This reflects a limitation on the absolute effect of separate legal personality where it conflicts with the protection of fundamental rights. The framework also extends to labour rights, particularly the prohibition of forced labour and the guarantee of fair and safe working conditions, thereby strengthening the social dimension of sustainability and reinforcing the protection of individuals in economic activity.

Modern judicial trends seek to establish flexible approaches that go beyond the methodological rigor of the theory of lifting the corporate veil, as was reflected in the court's decision in the case of United States v. Pena regarding the dispute over the personal liability of shareholders for the company's debts and non-performing loans. This logic is that the assignment of responsibility for financial obligations is no longer contingent on the proof of the formality of the legal entity, but can be deduced from the nature of the existing ties between persons and the company, or through a comprehensive factual analysis of the circumstances surrounding the dispute, which necessitates the study of this judicial adequacy through two tracks, the first deals with the theory of agency as a tool for determining the scope of mutual obligations, while the second examines the multi-factor approach that is based on the examination of the physical and economic realities surrounding each individual case.

3.3 Agency Theory

The Federal Court of Appeals concluded that the veil could not be lifted in the absence of a degree of actual dominance of the parent company over the subsidiary beyond that approved by the district court, necessitating the reversal of the preliminary judgment. A review of the merits of this decision shows that the district court held the appellant Charter Consolidated P.L.C. liable under New Jersey law for the tort obligations of its subsidiary, Cape Industries. P.L.C., based on the alter ego theory or lifting the corporate veil. Unlike Anderson v. Abbott, 321 U.S. 349 (1944), which expanded the scope of the corporate veil by adopting standards based on protecting the public interest, limiting bad faith, and preventing grievances, the Court of Appeals adopted a different approach embodying another theory, namely the Agency Theory. This approach can be clarified by reviewing the principal findings of the decision in this regard.

Lifting the veil on a company depends primarily on the proof of dominance, and only after this conclusion is the question of fraud or injustice moved on. In this sense, the Court of Appeals relied on Ventron's precedent in which the New Jersey Supreme Court ruled that the parent company's continued involvement in the day-to-day operations of its subsidiary was not sufficient to support the conclusion that the interference amounted to dominance, as long as the company was not established for an unlawful purpose. Despite the sensitivity of the subject of asbestos injuries and the inability to collect damages from the responsible company as a result of its liquidation, the Court concluded that evasion of tort liability is not in itself a sufficient basis for ignoring the legal separation of companies. This approach enshrines the theory of agency, where the assignment of liability requires that the subsidiary become a mere instrument or conduit of the principal that is completely devoid of independent reason and will, which was not achieved in the present dispute because the company maintained separate books, records and bank accounts. Accordingly, the recognition of the existence of the potential control arising from majority ownership is not sufficient to waste the legal personality, as the control must reach the point of total acquisition that abolishes the separate existence of the subsidiary and makes it a completely dispossessed agent of the dominant shareholder.

In this context, the Court of Appeal reviewed the principle that where the personality of the company or the personal consideration of its controllers is an essential feature of the dispute, it is possible for the court to go beyond the status of the company as an independent legal entity to consider the identity of the shareholders or agents who exercise complete control over the activities of a company that lacks autonomy in its decision-making. In the light of the relationships within the corporate groups, the court held that the attribution of liability to the parent company on the basis of the doctrine of agency requires proof of the existence of a legal relationship that makes the actions of the subsidiary directly binding on the principal. This cannot be achieved by merely establishing economic dependence or ownership of all shares. In its decision, the Court clarified that there was no legal presumption that the subsidiary was merely an alter ego or agent of the parent company. It asserted that each company has a legitimate right to regulate the affairs of its group in a manner that ensures that business is carried out through subsidiary and legally independent entities with the aim of minimizing risks and avoiding being subject to the jurisdiction of foreign courts or taxation, which it considered to be a legitimate use of available legal means. Accordingly, the Court considered that financial control, general supervision of policies, and the setting of expenditure limits are ordinary manifestations of control within corporate groups and do not amount to an agency relationship that deprives the subsidiary of its independent will, provided that the subsidiary maintains its corporate formalities and separate books and accounts.

The court also distinguished between cases in which a company is merely a façade lacking genuine existence, such as A.M.C., which was no more than a corporate name, and independently owned and managed companies such as C.P.C., whose shares were legally and beneficially owned by a natural person. In doing so, the court emphasized its rejection of earlier judicial approaches that had broadly characterized subsidiaries as 'puppets' in order to disregard their separate legal personality. The court concluded that the adherence to the principle of separate legal personality remains the principle and cannot be overridden on the basis of the agency's theory merely because justice requires it, but it must be proven that the subsidiary has been completely stripped of its operational independence and turned into a mere conduit that does not have an independent decision in the management of its day-to-day activity.

In conclusion, the court adopted a traditional approach based on the personal element prevailing over legal independence, concluding that a capital company may lose its essential character and come to resemble a partnership when its will becomes absorbed into the will of those who control it. This approach has been projected on the relationship between the parent company and its subsidiaries within the group, so that the judicial approach has concluded that when the trademark or assets owned by the parent are not the only decisive element in the existence and activity of the subsidiary, the independence of the legal personality of the latter may not be lost. The court has tightened the application of standards leading to the lifting of the corporate veil, allowing multinational corporations to reduce the legal risks of economic activities run by subsidiaries in countries that may suffer from weak legal structures that protect human rights. Under this approach, the parent company remains protected from lawsuits filed in the center states that aim to claim damages for the activities of its subsidiaries, as long as it is not proven that the subsidiary is merely a façade or a dispossessed channel. This ultimately strengthens the immunity of the financial positions of large corporations and their ability to structure their international operations to avoid cross-border social responsibility.

3.4 Multi-Factor Approach

The Supreme Court of Appeals of West Virginia affirmed that corporate law is primarily intended to promote commerce by providing shareholders with limited liability, which explains courts' reluctance to pierce the corporate veil even where the express purpose of incorporation is to limit liability.This principle applies to both closely held and public companies, and the court emphasized that separate legal personality cannot be disregarded merely because a single shareholder owns the company; the law's recognition of single-shareholder companies means that their independence must be respected as a general rule, and the burden of proving otherwise rests on the plaintiff. However, courts may make an exception to the disregard of the institutional entity as an equitable measure to remove barriers to personal liability, especially when the legal form is used to commit injustice or justify wrong.

In this regard, courts rely on a number of factual factors to assess whether the evidence justifies piercing the corporate veil, most notably the commingling of the company's assets with the shareholders' personal assets, the transfer of corporate funds for individual benefit, failure to observe essential formalities such as share-issuance and subscription procedures, and the absence of meeting minutes and official records.

The court also relies on the presumption of deluding third parties about the personal liability of the shareholder for the company's liabilities, and achieves "identical equitable ownership" (i.e., identical ownership), as well as the similarity of management and organizational structure between several entities belonging to the same owner.

Courts attach particular importance to the criterion of severe undercapitalization in comparison to the risk of undercapitalization, the absence of the company's independent assets, or the use of the entity as a mere façade to run a sole proprietorship or the concealment of the identity of the real owners and financial interests. In addition, the principle of Arm's Length Relationships between companies belonging to the same economic group is ignored, manipulating assets and liabilities to concentrate debts in a single entity to the detriment of creditors, establishing a company for the sole purpose of assuming the existing obligations of another person, or exploiting the institutional structure as a pretext to pass illegal deals and evade the execution of contracts.

Examining these factors within the Totality of the Circumstances test provides a clearer analysis than simply applying legal metaphors such as "agency" or "alter ego" or "instrumentality." This approach leads to a nuanced and realistic trade-off between policy to incentivize investment through limited liability and the need to avoid unfair outcomes.

Accordingly, lifting the corporate veil in contractual liability cases requires passing a two-pronged test, the first being the existence of a unit of interest and ownership that eliminates the separation between the company and the shareholder (the condition of ignoring formalities), and the second is that an unfair result is achieved if the actions are considered to be issued by the company alone (the equity). In cases of breach of contract, a third clause may arise related to the type of creditors who are able to protect themselves, such as banks, where they are presumed to be aware of what a reasonable credit investigation might reveal, and if the company is found to be suffering from a severe shortage of capital, the experienced creditor may be considered to be susceptible to this risk, which prevents it from claiming to lift the veil later.

Finally, the Court concluded that closed companies should be subject to stricter control than those of publicly traded companies, since severe capital deficits are more common in them than in joint stock companies with tradable shares. This deficiency is a crucial factor in determining the standard of fairness. The obligation to provide sufficient capital begins from the moment of incorporation and continues throughout the operating period. Capital adequacy is assessed by balancing it at standard ratios prevailing in the same sector, or on the basis of reports from financial experts.

In another case that dealt with what appears to be a common practice in the taxi industry, namely the deliberate distribution of ownership of a taxi fleet to several sister companies with only one or two cars each, the court held that the principles of general agency could be invoked to determine the scope of liability. In other words, when a person uses his or her control of the company to further his own business rather than the corporate entity's ends, he or she becomes liable for the company's business based on the "respondeat superior" principle, which applies even when the agent is a natural person, as this liability extends to both the company's business dealings and its acts arising out of negligence.

In adopting the "multi-factor approach" theory, the Court held that the entire statute of proceedings should be examined to establish the fair and reasonable intent of the litigants, in order to prevent any abuse of the business privilege in an institutional form. In terms of approaching the case presented in the light of general legislative policy, the Court considered that the fundamental issue lay in determining whether the jurisdictional policy granting the limited liability concession was strong enough to allow the privilege to continue regardless of how abusive or reckless the corporation was in operating it, and without regard to the cost to the public.

Accordingly, the judiciary does not go beyond its constitutional limits when it refuses to aid a project aimed at circumventing or undermining legislative policy, and depriving the judiciary of this equitable function will render it powerless in cases where it has historically made its most significant contributions, and turn the courts into an obedient tool in the hands of large financiers. Judicial intervention to obstruct legislative policy is very different from intervention to undermine the plans of those who exploit institutional tools to circumvent that policy, and once the purpose of the scheme is clear and the protectionist legislative policy is established, the judiciary has full authority to formulate the tools necessary to achieve appropriate redress.

In conclusion, it can be said that the "multi-factor approach" theory contributes to the promotion of corporate social responsibility, as it gives the judiciary the necessary flexibility to go beyond the rigors of legislative texts and to investigate what is fair and reasonable. This approach moves legal analysis from the narrow circle of formalities and rules of private law to the space of general rules and the theory of abuse of right, which is manifested in renewed realistic forms that cannot be controlled in a rigid legislative mold, allowing the judiciary to prevail over the spirit of the law to ensure that the rules of law do not deviate from their original purposes related to good business transactions and the protection of society.

4. Conclusion

Piercing the corporate veil should remain a carefully controlled exception to the principles of separate legal personality and limited liability, because those principles provide predictability, encourage investment, and support the stability of commercial transactions. At the same time, their legitimacy depends on their use in good faith. Where the corporate form is employed to conceal fraud, evade existing obligations, externalize unreasonable risks, strip a subsidiary of meaningful independence, or produce manifestly unjust consequences, formal separation should not automatically prevent an effective remedy. The comparative doctrines reviewed in this article demonstrate that no single formula is sufficient for every corporate group. A sound approach requires courts to distinguish ordinary ownership and supervision from actual domination, and to connect any extension of liability to concrete evidence of abuse, wrongful conduct, or loss of corporate autonomy. Lebanese law already contains general principles capable of supporting such analysis, particularly through good faith, abuse of rights, managerial responsibility, public-order rules, and protections for creditors and third parties. Greater doctrinal clarity would nevertheless improve consistency and legal certainty. In the contemporary environment of multinational enterprise, human-rights duties, ESG expectations, and sustainability due diligence, corporate accountability must increasingly reflect both legal form and economic reality. A balanced veil-piercing framework can therefore preserve legitimate limited liability while preventing the corporate structure from being used to defeat justice, social responsibility, or the effective protection of stakeholders.

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