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Cobbetts faces threat of major fraud payout

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The threat of Cobbetts becoming liable to pay out for a fellow defendant in a major fraud and negligence case became more pressing this month after the defendant, property surveyor Dunlop Haywards, went into liquidation.

The firm could see its liability increase if lenders look to recover money and find Dunlop Haywards, which had a winding-up order made against it on 12 May, is unable to pay out on the fraud claim.

The negligence case, brought by Cheshire Building Society against Cobbetts, centres on alleged fraudulent property deals committed by an employee of Dunlop Haywards, the surveying unit of property company Erinaceous.

As reported in Legal Week earlier this year, Dunlop Haywards was ordered to make a £10m interim payment to Cheshire Building Society in January, while Cobbetts was thought to be facing a claim of less than £2m for negligence.

However, if Dunlop Haywards is unable to pay, litigation partners suggest lenders could go after the firm to foot more of the bill. Addleshaw Goddard is advising Cheshire Building Society, while Cobbetts has instructed Barlow Lyde & Gilbert.

Partnership specialist Ronnie Fox commented: "This highlights the importance of a law firm including provision in its contracts to cover what happens when they give advice jointly. With Dunlop Haywards in liquidation, it does not seem a good position for the firms to be in."

Cobbetts said: "We are not able to make any further comment. The matter is being dealt with by our insurers."