

## Subsidiary Liability of Founders: Problems and Solutions

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**Annotation:** In this article, the importance of the subsidiary liability of the founders, the legal nature of the subsidiary liability of the founders for the obligation of a legal entity, the clear definition of the boundaries of the liability of the founders, the imbalance of liability mechanisms, their interaction with other civil-legal institutions, theoretical approaches to understanding the legal nature of the institution of.

**Key words:** founders, subsidy liability, creditor, investment, corporate structures, subsidy liability institutions, institutional and genetic theoretical approaches.

The essence of subsidiary liability of founders for the obligations of a legal entity is that if the legal entity does not have sufficient funds to fulfill its obligations, the founders are liable with their personal property. Subsidiary liability is a mechanism for involving founders in the fulfillment of the obligations of a legal entity.

The importance of subsidiary liability of founders is assessed by several factors. For example, the economic and legal significance of subsidiary liability of founders is aimed at ensuring stability in economic relations, as it increases the confidence of creditors in the fulfillment of obligations. In addition, it expands the opportunities for attracting investment by ensuring the security of market relations and increases the reliability of contractual relations between business entities.

Subsidiary liability also serves to prevent abuses by founders. It prevents illegal actions to hide assets and avoid debts under the guise of a legal entity. It complicates fraud schemes through “one-day companies”. It is an additional control mechanism against cases of intentional reduction or disposal of the property of a legal entity by founders

The application of subsidiary liability to founders is also valued as a measure against modern economic threats. After all, in the conditions of global economic crises, it becomes more important as a mechanism for protecting the rights of creditors. It encourages responsible relations between business entities in the conditions of economic instability. Complex corporate structures are an effective means of ensuring the fulfillment of obligations in the current environment.

It also protects social interests while ensuring the inviolability of private property in the process of building a legal state and civil society. It contributes to improving the legal culture of entrepreneurial activity, and serves to improve the investment climate in the country and increase the confidence of foreign investors.

Due to the increasing number of insolvency cases (bankruptcies), subsidiary liability of founders, which is considered an effective mechanism against cases of evasion of obligations hidden behind a corporate mask, is an important legal instrument in resolving economic disputes. Most importantly, it serves to increase the financial discipline of commercial entities[1].

The relevance of this issue is also due to the fact that with changes in legislation, the development of judicial practice, and the complexity of economic relations, the need to improve and properly apply subsidiary liability mechanisms is increasing[2].

It is no secret that in the conditions of the current market economy, one of the most important legal institutions facing the founders of legal entities is the issue of subsidiary liability. The institution of subsidiary liability is one of the most complex and important institutions of civil, business and corporate law, which serves as a mechanism for protecting the interests of creditors. The study of the theoretical and practical aspects of this institution is of particular importance today.

One of the main problems of subsidiary liability of founders for the obligations of a legal entity is directly related to the legal nature of subsidiary liability. Various scientific literature and current legislation offer different solutions in this regard. This is more directly related to the direction of national legislation and state corporate policy.

Since there is no clear explanation of the concept of subsidiary responsibility in the scientific literature, scientists approach this issue based on their legislation. It is natural. However, the lack of clear criteria of subsidiary responsibility in the legislation prevents a unified approach from a scientific and practical point of view.

The disproportion of accountability mechanisms in different sectoral legislation also creates difficulties in this matter. For example, the fact that the special legislation of commercial legal entities is different and the existence of special rules in addition to the general procedure is the basis for disparity.

Another problem with the subsidiary liability of founders for the obligations of a legal entity is that the limits of founders' liability are not clearly defined.

Inadequate mechanisms limiting the property liability of the founders, extended interpretation of personal liability for corporate debts, and the complexity of determining the financial responsibility of the founders make it difficult to determine the limit of liability[3].

The formation of a unified judicial practice in determining the limit of subsidiary liability of the founders and applying its legal consequences is also considered a problem. Therefore, the procedural problems of the application of subsidiary liability are also noticeable.

The difficulty of gathering evidence to determine subsidiary liability, the complexity of the process of giving evidence in court, and the procedural aspects of the application of subsidiary liability cause difficulties in the courts.

In our opinion, in order to solve such problems, it is first necessary to improve the legislation. Because it is important to create a clear legal basis for the institution of subsidiary liability. A clear definition of the liability limits of the founders and the introduction of additional protection mechanisms for the rights of creditors can give positive results in solving these problems.

Improving the legal mechanisms for subsidiary liability of founders and the formation of a unified judicial practice, along with procedural legislation, judicial reviews, explanations of higher courts, and continuous professional development in the field, will certainly yield positive results.

A deeper study of the theoretical foundations of the institution of subsidiary liability, study of foreign experience and application to national legislation will also give positive results. Because this institution of subsidiary responsibility is one of the complex and important theoretical constructions[4].

Institutional and genetic theoretical approaches are important in understanding the legal nature of the institution of subsidiary liability.

Institutional approach is necessary to research subsidiary responsibility as an independent legal institution and to determine its place and importance in corporate law.

It is also necessary to study the relationship between the subsidiary liability of founders and other legal institutions. For example, it is necessary to conduct comparative studies of institutions related to the legal status of founders, property and personal non-property rights.

Also, analyzing the stages of historical development of the institution of subsidiary liability in Uzbekistan, revealing the factors of its emergence and evolution, and studying the experience of foreign countries will have a positive effect in this regard.

Functional and synergistic approaches are also important for the development of conceptual models of the institution of subsidiary responsibility. These approaches determine the functional approach of determining the main functions of subsidiary liability, analyzing the mechanisms for protecting the interests of debtors, and developing methods for ensuring the financial stability of legal entities.

It is also important to study subsidiary responsibility as a complex, self-regulating system, analyze internal and external factors of the system, and forecast development trends[5].

Taking into account the above, we believe that it is necessary to create an integrated methodology for studying the institution of subsidiary liability, to improve the conceptual foundations of the theory of subsidiary liability. Ensuring the practical application of theoretical rules in the subsidiary liability of founders and creating a methodological base for scientific and theoretical research is important from a civil law point of view.

Adaptation to international legal standards in determining the subsidiary liability of founders, study and integration of research by foreign scholars will also lead to effective results in this regard. The development of theoretical approaches to the subsidiary liability of founders is a multifaceted and complex process that requires constant scientific research and methodological improvement.

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